Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

INTERIM REPORT **2018/2019**

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
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

Flat B, 23rd Floor
Chaiwan Industrial Centre
20 Lee Chung Street
Chaiwan
Hong Kong
Tel: (852) 2103 7288
Fax: (852) 2214 9357
Website: www.allan.com.hk

STOCK CODE

684

* Chairman of the relevant Board Committee

Deloitte. 德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF ALLAN INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Allan International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 32, which comprises the condensed consolidated statement of financial position as of 30 September 2018 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

29 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	NOTES	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue	3	**644,216**	695,883
Cost of sales		**(613,806)**	(626,262)
Gross profit		**30,410**	69,621
Other income	4	**24,481**	13,969
Other gains and losses		**3,537**	1,249
Selling and distribution expenses		**(12,541)**	(12,593)
Administrative expenses		**(52,759)**	(55,252)
Gain from changes in fair value of investment properties		**44,400**	3,000
Finance costs on bank loan		**(420)**	(273)
Profit before tax		**37,108**	19,721
Income tax expense	5	**(874)**	(2,310)
Profit for the period	6	**36,234**	17,411
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(10,230)**	5,563
Net fair value (loss) gain on:			
available-for-sale investments		**–**	640
debt instruments at fair value through other comprehensive income		**(386)**	–
Reclassified to profit or loss upon:			
redemption of available-for-sale investments		**–**	237
disposal of debt instruments at fair value through other comprehensive income		**(16)**	–
Other comprehensive (expense) income for the period		**(10,632)**	6,440
Total comprehensive income for the period		**25,602**	23,851
Earnings per share	7		
Basic		**HK10.80 cents**	HK5.19 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	NOTES	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Non-current assets			
Investment properties	*9*	**325,400**	281,000
Property, plant and equipment	*10*	**147,632**	179,485
Prepaid lease payments		**19,920**	24,287
Club debentures		**13,176**	13,176
Available-for-sale investments		**–**	61,417
Deferred tax assets		**1,493**	552
Deposits paid for acquisition of property, plant and equipment		**8,472**	481
		516,093	560,398
Current assets			
Inventories		**110,733**	98,854
Trade receivables	*11*	**293,863**	288,967
Other receivables		**29,461**	35,158
Mould deposits paid		**4,598**	4,115
Prepaid lease payments		**628**	678
Financial assets at fair value through profit or loss		**35,617**	–
Debt instruments at fair value through other comprehensive income		**27,273**	–
Tax recoverable		**1,207**	2,276
Short-term deposits		**94,375**	127,403
Bank balances and cash		**498,411**	469,572
		1,096,166	1,027,023
Assets classified as held for sale	*12*	**13,143**	–
		1,109,309	1,027,023

	NOTES	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Current liabilities			
Trade payables	13	**235,459**	193,194
Other payables and accruals		**139,205**	127,594
Deferred income		–	17,649
Mould deposits received		**26,563**	25,560
Tax liabilities		**34,724**	36,244
Secured bank loan		**5,124**	5,124
		441,075	405,365
Net current assets		**668,234**	621,658
Total assets less current liabilities		**1,184,327**	1,182,056
Non-current liabilities			
Deferred tax liabilities		**8,133**	7,757
Secured bank loan		**33,723**	36,285
		41,856	44,042
Net assets		**1,142,471**	1,138,014
Capital and reserves			
Share capital	14	**33,543**	33,543
Reserves		**1,108,928**	1,104,471
		1,142,471	1,138,014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 March 2017 (audited)	33,543	109,884	793	57	17,010	956,904	1,118,191
Profit for the period	–	–	–	–	–	17,411	17,411
Exchange difference arising on translation of foreign operations	–	–	–	–	5,563	–	5,563
Net fair value gain on 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
Dividends 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
At 31 March 2018 (audited)	33,543	109,884	793	631	31,408	961,755	1,138,014
Adjustments *(note 2)*	–	–	–	(981)	–	(38)	(1,019)
At 1 April 2018 (restated)	33,543	109,884	793	(350)	31,408	961,717	1,136,995
Profit for the period	–	–	–	–	–	36,234	36,234
Exchange difference arising on translation of foreign operations	–	–	–	–	(10,230)	–	(10,230)
Net fair value loss on debt instruments at fair value through other comprehensive income	–	–	–	(386)	–	–	(386)
Cumulative gain reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income	–	–	–	(16)	–	–	(16)
Other comprehensive expenses for the period	–	–	–	(402)	(10,230)	–	(10,632)
Total comprehensive (expenses) income for the period	–	–	–	(402)	(10,230)	36,234	25,602
Dividends recognised as distribution *(note 8)*	–	–	–	–	–	(20,126)	(20,126)
At 30 September 2018 (unaudited)	33,543	109,884	793	(752)	21,178	977,825	1,142,471

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before tax	**37,108**	19,721
Adjustments for:		
Depreciation of property, plant and equipment	**15,261**	24,832
Gain from changes in fair value of investment properties	**(44,400)**	(3,000)
Amortisation of deferred income	**(17,649)**	(9,627)
Other non-cash items	**(562)**	(454)
Operating cash flows before movements in working capital	**(10,242)**	31,472
Increase in trade receivables	**(6,498)**	(78,529)
Decrease (increase) in other receivables	**4,261**	(6,555)
Increase in inventories	**(21,525)**	(15,314)
Increase in trade payables	**56,364**	82,152
(Decrease) increase in other payables	**(3,420)**	14,000
Other working capital items	**520**	6,557
Cash generated from operations	**19,460**	33,783
Income taxes paid	**(1,890)**	(9,688)
Net cash from operating activities	**17,570**	24,095

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from investing activities		
Withdrawal of short-term deposits	**317,479**	228,268
Interest received	**2,251**	1,331
Proceeds on disposal of property, plant and equipment	**300**	248
Deposit received from disposal of assets classified as held for sales	**23,656**	–
Proceeds from disposal of:		
– financial assets at fair value through profit or loss	**4,210**	–
– debt instruments at fair value through other comprehensive income	**5,598**	–
– available-for-sale investments	**–**	11,323
Purchases of:		
– financial assets at fair value through profit or loss	**(6,362)**	–
– debt instruments at fair value through other comprehensive income	**(5,529)**	–
– available-for-sale investments	**–**	(49,392)
Placement of short-term deposits	**(284,451)**	(126,508)
Purchase of property, plant and equipment	**(5,306)**	(15,016)
Deposits paid for acquisition of property, plant and equipment	**(8,472)**	(2,957)
	43,374	47,297
Cash used in financing activities		
Dividends paid	**(20,126)**	(35,220)
Repayment of bank loan	**(2,562)**	(2,562)
Interest paid	**(420)**	(273)
	(23,108)	(38,055)
Net increase in cash and cash equivalents	**37,836**	33,337
Cash and cash equivalents at beginning of the period	**469,572**	517,924
Effect of foreign exchange rate changes	**(8,997)**	(573)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**498,411**	550,688

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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.

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as detailed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs and Interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 *Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations. At the date of initial application, there is no difference recognised in the opening retained profits and no comparative information has been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from sales of household electrical appliance are recognised at a point in time, when control of the good is transferred to the customer, i.e. when goods are delivered to the customer's designated location. The normal credit term is 30 to 90 days upon delivery. Customers does not have the option to purchase a warranty separately and warranty is provided to customers for the assuring that the product complies with agreed-upon specifications (i.e. assurance-type warranties). The Group accounts for such warranty in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets.

The application of HKFRS 15 on 1 April 2018 has no material impact on the condensed consolidation financial statements of the Group.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") and related amendments

In the current period, the Group has applied HKFRS 9, Amendments to HKFRS9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments at FVTOCI

Subsequent changes in the carrying amounts for debt instruments at FVTOCI as a result of interest income calculated using the effective interest methods and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, financial assets at fair value through other comprehensive income, short-term deposits, and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	**Amortised cost (previously classified as loans and receivables)** HK$'000	**Financial assets at FVTPL** HK$'000	**Available -for-sale investments** HK$'000	**Debt instruments at FVTOCI** HK$'000	**Investment revaluation reserve** HK$'000	**Retained profits** HK$'000
Closing balance at 31 March 2018							
– HKAS 39		887,005	–	61,417	–	631	961,755
Effect arising from initial application of HKFRS 9							
Remeasurement							
Impairment under ECL model	*(a)*	(1,019)	–	–	–	–	(1,019)
Reclassification							
From available-for-sale investments	*(b)*	–	33,689	(61,417)	27,728	(981)	981
Opening balance at 1 April 2018		885,986	33,689	–	27,728	(350)	961,717

Notes:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually.

As at 1 April 2018, the credit loss allowance of trade receivables increased from nil to HK$1,019,000, which has been recognised against retained profits. The ECL of other financial assets at amortised cost and debt instruments at FVTOCI were assessed to be immaterial.

(b) Available-for-sale investments

From available-for-sale investments to FVTPL

At the date of initial application of HKFRS 9, the Group's investment in unit-linked funds of HK$22,673,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gain of HK$1,173,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits as at 1 April 2018.

Listed debt instruments with a fair values of HK$11,016,000 were reclassified from available-for-sale investments to debt instruments at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. The fair value loss of HK$192,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits as at 1 April 2018.

From available-for-sale debt investments to FVTOCI

Listed debt instruments with a fair values of HK$27,728,000 were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of HK$350,000 continued to accumulate in investment revaluation reserve as at 1 April 2018.

3. 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, which are recognised at a point in time.

As at 30 September 2018, all received purchase orders are expected to be completed within 1 year.

Information reported to the Company's executive directors, the chief operating decision maker ("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 2018, 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 2018

	Europe (Unaudited) HK$'000	America (Unaudited) HK$'000	Asia (Unaudited) HK$'000	Other regions (Unaudited) HK$'000 *(Note a)*	Consolidated (Unaudited) HK$'000
Segment revenue *(Note a)*	**292,013**	**178,142**	**152,366**	**21,695**	**644,216**
Segment loss	**(3,469)**	**(2,116)**	**(1,810)**	**(258)**	**(7,653)**
Other gains and losses (except net foreign exchange gain)					**(236)**
Depreciation (except moulds)					**(14,006)**
Gain from changes in fair value of investment properties					**44,400**
Finance costs on bank loan					**(420)**
Unallocated income and expenses, net *(Note b)*					**15,023**
Profit before tax					**37,108**

Six months ended 30 September 2017

	Europe (Unaudited) HK$'000	America (Unaudited) HK$'000	Asia (Unaudited) HK$'000	Other regions (Unaudited) HK$'000 *(Note a)*	Consolidated (Unaudited) HK$'000
Segment revenue *(Note a)*	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 *(Note b)*					5,785
Profit before tax					19,721

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 (loss) profit represents the (loss) 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), depreciation (except for moulds), gain from changes in fair value of investment properties and finance costs on bank loan. 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 are no inter-segment sales in both periods.

4. OTHER INCOME

	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Rental income	**3,462**	2,342
Interest income	**1,907**	1,331
Amortisation of deferred income	**17,649**	9,627
Building management fee income	**473**	383
Others	**990**	286
	24,481	13,969

5. INCOME TAX EXPENSE

	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Current tax:		
Hong Kong	**598**	867
PRC Enterprise Income Tax	**841**	1,525
PRC withholding tax on dividends distributed by subsidiaries	**–**	7,817
	1,439	10,209
Deferred taxation	**(565)**	(7,899)
	874	2,310

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period has been arrived at after (crediting) charging:		
Net gain arising from financial assets designated as at FVTPL	**–**	(19)
Net gain arising from financial assets at FVTPL	**(120)**	–
Cumulative (gain) loss reclassified from other comprehensive income to profit or loss on:		
– redemption of available-for-sale investments	**–**	237
– disposal of debt instruments at FVTOCI	**(16)**	–
Release of prepaid lease payments	**313**	344
Depreciation of property, plant and equipment	**15,261**	24,832
Net foreign exchange gain	**(3,764)**	(1,509)
Loss on disposal of property, plant and equipment	**45**	38
Write-off of property, plant and equipment	**310**	4
Impairment loss recognised in respect of trade receivables	**393**	–
Cost of inventories	**613,806**	626,262
Minimum lease payments paid during the period under operating leases in respect of rental premises	**2,677**	1,052

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:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**36,234**	17,411

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	Number of shares	Number of shares
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	**335,433**	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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividends recognised as distribution during the period		
2018 final dividend of HK6.0 cents (2017: HK10.5 cents for 2017 final dividend) per ordinary share	**20,126**	35,220

Subsequent to 30 September 2018, the board of directors has declared that an interim dividend of HK1.0 cents per share (2017: HK2.0 cents per share) amounting to HK$3,354,000 in aggregate (2017: HK$6,709,000) will be paid on 16 January 2019 to the shareholders of the Company whose names appear on the Register of Members on 21 December 2018.

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 to 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$44,400,000 (six months ended 30 September 2017: HK$3,000,000) has been recognised directly in profit or loss for the six months ended 30 September 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's additions on property, plant and equipment were approximately HK$5,787,000 (six months ended 30 September 2017: HK$16,895,000). The additions mainly comprised HK$642,000 spent on plant and machinery (six months ended 30 September 2017: HK$1,786,000), HK$829,000 spent on motor vehicles (six months ended 30 September 2017: HK$460,000), HK$1,865,000 on furniture, fixtures and equipment (six months ended 30 September 2017: HK$1,184,000), HK$510,000 on moulds and tools (six months ended 30 September 2017: HK$1,596,000) and HK$1,941,000 on construction in progress (six months ended 30 September 2017: HK$11,869,000). No material disposal of property, plant and equipment was made during both periods. In addition, property, plant and equipment of HK$9,998,000 was transferred to assets classified as held for sales as disclosed in Note 12.

11. TRADE RECEIVABLES

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

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
0 – 90 days	**273,845**	254,204
91 – 120 days	**16,907**	32,611
> 120 days	**3,111**	2,152
	293,863	288,967

The movement in the allowance for impairment during the current interim period was as follows.

	HK$'000
Balance at 1 April 2018*	1,019
Net remeasurement of loss allowance	393
Balance at 30 September 2018	**1,412**

* The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated.

12. ASSETS CLASSIFIED AS HELD FOR SALES

On 25 April 2018, the Group entered into a sales and purchase agreement with an independent third party to sell part of its land use rights located in the PRC of HK$3,145,000 and the properties suited on the related land of HK$9,998,000 for an aggregate consideration of approximately RMB21,000,000 (equivalent to HK$23,656,000). As at 30 September 2018, the consideration was received in full. The transaction is expected to be completed on or before 31 December 2018.

13. TRADE PAYABLES

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

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
0 – 90 days	**206,645**	175,891
91 – 120 days	**25,165**	14,860
> 120 days	**3,649**	2,443
	235,459	193,194

14. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2017, 30 September 2017, 1 April 2018 and 30 September 2018	600,000,000	60,000
Issued and fully paid:		
At 1 April 2017, 30 September 2017, 1 April 2018 and at 30 September 2018	335,432,520	33,543

15. CAPITAL COMMITMENTS

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**1,583**	1,556
– construction of a factory plant	**4,642**	7,117
	6,225	8,673

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Immediate holding company		
Allan Investment Company Limited	**450**	450
Fellow subsidiaries		
Income Village Limited	**102**	102
Fair Pacific Limited	**492**	492

b) During the current interim period, the emoluments paid to the directors amounted to HK$6,443,000 (six months ended 30 September 2017: HK$7,414,000). 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 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 2018 HKS'000	31 March 2018 HKS'000		
Unit-linked funds			Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets of the funds
– classified as financial assets at FVTPL	**24,771**	–		
– classified as available-for-sale investments	**–**	22,673		
Listed debt securities			Level 1	Quoted bid prices in an active market
– classified as debt instruments at FVTOCI	**27,273**	–		
– classified as financial assets at FVTPL	**10,846**	–		
– classified as available-for- sale investments	**–**	38,744		

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 2018, the Group's sales turnover decreased by 7% to HK$644,216,000 (2017: HK$695,883,000) and the consolidated net profit increased by 108% to HK$36,234,000 (2017: HK$17,411,000). Basic earnings per share of the Group for the six months ended 30 September 2018 was HK10.80 cents (2017: HK5.19 cents). The Board of Directors has resolved that an interim dividend of HK1.0 cent (2017: HK$2.0 cents) per share would be paid on 16 January 2019 to shareholders registered on 21 December 2018.

BUSINESS REVIEW

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

For the six months ended 30 September 2018, sales turnover decreased by 7% to HK$644,216,000. During the period, order fulfilment had been adversely affected by the disruption in supply of certain key components such as motors and electronic parts. Sales turnover to Europe decreased by 19% to HK$292,013,000 representing 45% of the Group's sales turnover. Sales turnover to America increased by 13% to HK$178,142,000 representing 28% of the Group's sales turnover. Sales turnover to Asia decreased by 3% to HK$152,366,000 representing 24% of the Group's sales turnover. Sales turnover to other markets increased by 3% to HK$21,695,000 representing 3% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2018 decreased by 56% to HK$30,410,000 (2017: HK$69,621,000). Gross profit margin decreased from 10% to 5%. The decrease in gross profit margin was mainly due to rising material costs, rising operating costs in the PRC and shortage in labour and thus higher labour costs. In July 2018, the statutory minimum wage in Huizhou, PRC, where our factories are located, was raised by 15%. This further added burden to our costs. On top of this, the Renminbi exchange rate within the current period was generally stronger compared to the corresponding period last year. Due to the intense competition within the industry, we were not able to pass all of the cost increase onto our customers.

An amortisation of deferred income of HK$17,649,000 (2017: HK$9,627,000) 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 under other income in the current period. Since the sales price of the property was above its fair value, the excess over fair value is deferred and amortised over the lease term of three years. The lease was early terminated at end of September 2018 and hence the remaining deferred income HK$17,649,000 as at 1 April 2018 had been fully amortised and recognised in the consolidated income statement for the current year.

We continued to apply stringent cost control measures to all aspects of our operations. Selling and distribution costs decreased by 0.4% to HK$12,541,000 (2017: HK$12,593,000). As a percentage to sales turnover, selling and distribution costs increased from 1.8% to 1.9% as compared to corresponding period last year. Administrative expenses decreased by 4.5% to HK$52,759,000 (2017: HK$55,252,000). As a percentage to sales turnover, administrative expenses increased from 7.9% to 8.2% as compared to corresponding period last year.

Investment properties located in Wanchai, Hong Kong were revaluated at HK$325.4 million at 30 September 2018 (31 March 2018: HK$281 million), resulting in an increase in fair value of HK$44.4 million for the period under review. During the same period for the previous year, there had been an increase in fair value of HK$3 million from the same investment properties.

Net profit increased by 108% to HK$36,234,000 (2017: HK$17,411,000). Net profit margin increased from 2.5% to 5.6% as compared to corresponding period last year.

PROSPECTS

Going forward, we expect the business outlook would remain difficult and turbulent. Amidst intense and keen competition within the industry, we are continuously facing pricing pressure from our customers and unfavorable operating environment of rising costs and shortage in labour.

Another negative impact is the development of the escalating trade dispute between the United States and China. Although the Group's products are generally not affected by the three tranches of Section 301 tariffs imposed on goods imported into the United States from China, it is uncertain if any further tariffs would be imposed on the Group's products. As such, the exposure is yet to be determined.

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 review our selling prices and product mix and optimize our manufacturing to achieve better margins. 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 2018, the Group had total assets of HK$1,625,402,000 (31 March 2018: HK$1,587,421,000) which was financed by current liabilities of HK$442,776,000 (31 March 2018: HK$405,365,000), long-term liabilities and deferred taxation of HK$40,155,000 (31 March 2018: HK$44,042,000) and shareholders' equity of HK$1,142,471,000 (31 March 2018: HK$1,138,014,000).

The Group continued to maintain a strong and healthy balance sheet and liquidity position. As at 30 September 2018, the Group held HK$592,786,000 (31 March 2018: HK$596,975,000) in cash and bank deposits. They were mainly placed in Renminbi, HK 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$38,847,000 (31 March 2018: HK$41,409,000) and the gearing ratio (ratio of borrowings to shareholders' equity) was 3.4% (31 March 2018: 3.6%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2018 was HK$110,733,000 (31 March 2018: HK$98,854,000). Inventory turnover increased from 29 days to 31 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 balance as at 30 September 2018 was HK$293,863,000 (31 March 2018: HK$288,967,000). Trade receivables turnover increased from 81 days to 83 days. The trade payables balance as at 30 September 2018 was HK$235,459,000 (31 March 2018: HK$193,194,000). Trade payables turnover increased from 60 days to 70 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 2018, the Group invested HK$5,787,000 (2017: HK$16,895,000) 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 2018, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed approximately 3,380 employees (2017: 3,600). 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 2018, 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 Personal Interest	 Other interest	Total	Approximate % of the issued share capital of the Company
Mr. Cheung Lun	Founder of discretionary trust	–	156,349,960 *(Note)*	156,349,960	46.61%
Mr. Cheung Shu Wan	Beneficial Owner	49,675,335			
	Beneficiary of trust		156,349,960 *(Note)*	206,025,295	61.42%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		156,349,960 *(Note)*	156,949,960	46.79%
Ms. Cheung Lai See, Sophie	Beneficial Owner	1,258,000			
	Beneficiary of trust		156,349,960 *(Note)*	157,607,960	46.99%
Dr. Cheung Shu Sang, William	Beneficial Owner	900,000			
	Beneficiary of trust		156,349,960 *(Note)*	157,249,960	46.88%
Mr. Cheung Pui	Beneficial Owner	1,000,000	–	1,000,000	0.30%

Note:

The references to 156,349,960 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"), 14,958,000 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 2018, 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 2018, 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	156,349,960	46.61%
Unison Associates Limited	Held by controlled corporation	149,779,960	44.65%
	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 2018, 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 2018, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 19 December 2018 to 21 December 2018, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 18 December 2018 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2018, 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 2018, 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 2018 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 2018. 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 2018. 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, 29 November 2018

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