



Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)

INTERIM REPORT 2020/2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Mr. Cheung Shu Wan (*Managing Director*)

Ms. Cheung Lai See, Sophie

Dr. Cheung Shu Sang, William

Independent Non-Executive Directors

Ms. Choy Wai Sheun, Susan

Mr. Lai Ah Ming, Leon

Professor Lo Chung Mau

COMPANY SECRETARY

Ms. Wong Lai Yung

QUALIFIED ACCOUNTANT

Ms. Wong Lai Yung

AUDIT COMMITTEE

Ms. Choy Wai Sheun, Susan*

Mr. Lai Ah Ming, Leon

Professor Lo Chung Mau

REMUNERATION COMMITTEE

Mr. Lai Ah Ming, Leon*

Ms. Choy Wai Sheun, Susan

Ms. Cheung Lai See, Sophie

AUDITORS

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

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
Hang Seng Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
Level 54
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
Chai Wan
Hong Kong
Tel: (852) 2103 7288
Fax: (852) 2214 9357
Website: 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 22, which comprises the condensed consolidated statement of financial position as of 30 September 2020 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

27 November 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	438,760	568,691
Cost of sales		(367,476)	(492,679)
Gross profit		71,284	76,012
Other income	4	12,090	9,451
Other gains and losses		(1,596)	4,844
Selling and distribution expenses		(8,204)	(10,983)
Administrative expenses		(47,550)	(51,656)
Loss from changes in fair value of investment properties		(4,000)	(21,995)
Reversal of impairment loss (impairment loss) under expected credit model, net		392	(253)
Finance costs on bank loan		(232)	(586)
Profit before tax		22,184	4,834
Income tax expense	5	(2,914)	(3,687)
Profit for the period	6	19,270	1,147

Other comprehensive income (expense):

Items that will not be reclassified to profit or loss:

Gain on revaluation of manufactory plants and right-of-use assets transferred to investment properties	9	-	114,410
Deferred taxation on gain on revaluation of manufactory plants and right-of-use assets transferred to investment properties	9	-	(28,603)
		-	85,807

	Six months ended 30 September	
	2020	2019
<i>NOTE</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	12,428	(14,215)
Net fair value gain on debt instruments at fair value through other comprehensive income	443	408
	12,871	(13,807)
Other comprehensive income for the period	12,871	72,000
Total comprehensive income for the period	32,141	73,147
Earnings per share	7	
Basic	HK5.74 cents	HK0.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		30 September 2020	31 March 2020
	<i>NOTES</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Investment properties	<i>9</i>	499,570	493,545
Property, plant and equipment	<i>10</i>	43,763	44,037
Right-of-use assets	<i>11</i>	4,223	4,314
Club debentures		11,018	11,018
Deposits paid for acquisition of property, plant and equipment		2,397	1,878
		560,971	554,792
Current assets			
Inventories		67,431	56,307
Trade receivables	<i>12</i>	208,153	133,718
Other receivables		16,218	16,788
Mould deposits paid		3,359	7,317
Financial assets at fair value through profit or loss ("FVTPL")		20,283	23,278
Debt instruments at fair value through other comprehensive income ("FVTOCI")		26,107	25,664
Tax recoverable		9	93
Short-term deposits		90,669	237,423
Bank balances and cash		593,015	419,392
		1,025,244	919,980

		30 September 2020	31 March 2020
	<i>NOTES</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current liabilities			
Trade payables	13	183,567	91,994
Other payables and accruals		101,516	92,086
Deferred income		335	–
Mould deposits received		23,075	20,443
Tax liabilities		37,055	35,947
Secured bank loan		5,124	5,124
		350,672	245,594
Net current assets		674,572	674,386
Total assets less current liabilities		1,235,543	1,229,178
Non-current liabilities			
Deferred tax liabilities		37,048	36,782
Secured bank loan		23,475	26,037
		60,523	62,819
Net assets		1,175,020	1,166,359
Capital and reserves			
Share capital	14	33,543	33,543
Reserves		1,141,477	1,132,816
		1,175,020	1,166,359

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	33,543	109,884	793	-	(1)	23,295	966,356	1,133,870
Profit for the period	-	-	-	-	-	-	1,147	1,147
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(14,215)	-	(14,215)
Net fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	-	408	-	-	408
Revaluation gain on manufactory plants and right-of-use assets transferred to investment properties (note 9)	-	-	-	114,410	-	-	-	114,410
Deferred taxation on revaluation gain on manufactory plants and right-of-use assets transferred to investment properties (note 9)	-	-	-	(28,603)	-	-	-	(28,603)
Other comprehensive income (expense) for the period	-	-	-	85,807	408	(14,215)	-	72,000
Total comprehensive income (expense) for the period	-	-	-	85,807	408	(14,215)	1,147	73,147
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(10,063)	(10,063)
At 30 September 2019 (unaudited)	33,543	109,884	793	85,807	407	9,080	957,440	1,196,954
At 31 March 2020 (audited)	33,543	109,884	793	85,807	44	4,868	931,420	1,166,359
Profit for the period	-	-	-	-	-	-	19,270	19,270
Exchange difference arising on translation of foreign operations	-	-	-	-	-	12,428	-	12,428
Net fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	-	443	-	-	443
Other comprehensive income for the period	-	-	-	-	443	12,428	-	12,871
Total comprehensive income for the period	-	-	-	-	443	12,428	19,270	32,141
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(23,480)	(23,480)
At 30 September 2020 (unaudited)	33,543	109,884	793	85,807	487	17,296	927,210	1,175,020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	22,184	4,834
Adjustments for:		
Depreciation of property, plant and equipment	6,739	8,515
Depreciation of right-of-use assets	91	92
Loss from changes in fair value of investment properties	4,000	21,995
Other items	(4,755)	(3,617)
Operating cash flows before movements in working capital	28,259	31,819
Increase in trade receivables	(74,043)	(11,287)
Decrease in other receivables	962	59
Increase in inventories	(8,492)	(310)
Decrease in mould deposit paid	3,958	1,685
Increase in trade payables	86,712	48,977
Increase (decrease) in other payables and accruals	6,159	(6,570)
Increase (decrease) in mould deposit received	2,632	(8,499)
Cash generated from operations	46,147	55,874
Income taxes paid	(1,519)	(2,244)
NET CASH FROM OPERATING ACTIVITIES	44,628	53,630

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Withdrawal of short-term deposits	251,807	91,250
Proceeds from:		
– disposal of financial assets at fair value through profit or loss	5,391	–
– disposal of debt instruments at fair value through other comprehensive income	–	3,925
Interest received	2,494	3,810
Proceeds on disposal of property, plant and equipment	57	620
Placement of short-term deposits	(105,053)	(131,849)
Purchase of property, plant and equipment	(2,473)	(8,893)
Deposits paid for acquisition of property, plant and equipment	(3,295)	(3,997)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	148,928	(45,134)
FINANCING ACTIVITIES		
Dividends paid	(23,480)	(10,063)
Repayment of bank loan	(2,562)	(2,562)
Interest paid	(232)	(586)
CASH USED IN FINANCING ACTIVITIES	(26,274)	(13,211)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	167,282	(4,715)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	419,392	397,949
Effect of foreign exchange rate changes	6,341	(5,717)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	593,015	387,517

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivables. Such grants are presented under “other income”.

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.

As at 30 September 2020, all received purchase orders are expected to be completed within 1 year.

Information reported to the Company's executive directors, the chief operating decision maker ("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 2020, the Group had no material change in segment assets and segment liabilities.

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

Six months ended 30 September 2020

	Europe HK\$'000 (Unaudited)	America HK\$'000 (Unaudited)	Asia HK\$'000 (Unaudited)	Other regions HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
					<i>(Note a)</i>
Segment revenue <i>(Note a)</i>	222,306	151,932	50,646	13,876	438,760
Segment profit	14,800	10,115	3,372	923	29,210
Other gains and losses (except net foreign exchange loss)					2,436
Depreciation (except moulds and right-of-use assets)					(5,961)
Loss from changes in fair value of investment properties					(4,000)
Finance costs on bank loan					(232)
Unallocated income and expenses, net <i>(Note b)</i>					731
Profit before tax					22,184

Six months ended 30 September 2019

	Europe HK\$'000 (Unaudited)	America HK\$'000 (Unaudited)	Asia HK\$'000 (Unaudited)	Other regions HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
					<i>(Note a)</i>
Segment revenue <i>(Note a)</i>	246,665	206,970	92,054	23,002	568,691
Segment profit	14,460	12,133	5,397	1,348	33,338
Other gains and losses (except net foreign exchange gain)					986
Depreciation (except moulds and right-of-use assets)					(8,023)
Loss from changes in fair value of investment properties					(21,995)
Finance costs on bank loan					(586)
Unallocated income and expenses, net <i>(Note b)</i>					1,114
Profit before tax					4,834

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 (gain)), depreciation (except moulds and right-of-use assets), loss 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 is no inter-segment sales in both periods.

4. OTHER INCOME

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income	4,890	4,147
Interest income	2,494	3,470
Building management fee income	1,809	1,215
Government grants (<i>Note</i>)	2,249	–
Others	648	619
	12,090	9,451

Note: The amount represents the first tranche of Employment Support Scheme provided by the Hong Kong government. The Group had the commitment to spend the assistance on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group did not have any unfulfilled conditions relating to these programs during the period.

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	635	698
PRC Enterprise Income Tax	2,013	2,647
	2,648	3,345
Deferred taxation	266	342
	2,914	3,687

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Profit for the period has been arrived at after (crediting) charging the following items:

Net gain arising on financial assets measured at FVTPL	(2,396)	(989)
Depreciation of right-of-use assets	91	92
Depreciation of property, plant and equipment	6,739	8,515
Net foreign exchange loss (gain)	4,032	(3,858)
Gain on disposal of property, plant and equipment	(57)	(175)
Write-off of property, plant and equipment (Reversal of impairment loss) impairment loss	17	178
recognised in respect of trade receivables	(392)	253
Cost of inventories recognised as expenses	367,476	492,679
Expenses relating to short-term leases in respect of rented premises	1,876	1,809

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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Earnings for the purpose of basic earnings per share (Profit for the period attributable to the owners of the Company)

	19,270	1,147
--	--------	-------

Six months ended 30 September

	2020	2019
	Number	Number
	of shares	of shares
	'000	'000
	(Unaudited)	(Unaudited)
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**

	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period		
2020 final dividend of HK7 cents (2019: HK3 cents for 2019 final dividend) per ordinary share	23,480	10,063

Subsequent to 30 September 2020, the board of directors has declared that an interim dividend of HK2 cents per share (2019: HK2 cents per share) amounting to HK\$6,709,000 in aggregate (2019: HK\$6,709,000) will be paid on 18 January 2021 to the shareholders of the Company whose names appear on the Register of Members on 21 December 2020.

9. INVESTMENT PROPERTIES

Manufactory plants with carrying values of HK\$103,085,000 and the related right-of-use assets with carrying value of HK\$15,452,000 were transferred to investment properties on 1 April 2019 and measured using the fair value model. The fair value of the property and the right-of-use assets on the date of transfer was HK\$232,947,000 in aggregate, resulting in a revaluation gain of HK\$114,410,000 and a deferred tax of HK\$28,603,000, in other comprehensive income and accumulated in property revaluation reserve. On 10 April 2019, the Group has leased a portion of the manufactory plants to an independent third party.

During the current interim period, there was no addition of the Group on investment properties located in the PRC (six months ended 30 September 2019: HK\$1,425,000).

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 of investment properties located in Hong Kong was determined based on the direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and the fair value of investment properties located in the PRC was determined based on term and reversion analysis of investment method by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level. The resulting decrease in fair value of investment properties of HK\$4,000,000 (six months ended 30 September 2019: HK\$21,995,000) has been recognised directly in profit or loss for the six months ended 30 September 2020.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's additions on property, plant and equipment were approximately HK\$5,249,000 (six months ended 30 September 2019: HK\$10,067,000). The additions mainly comprised HK\$355,000 on plant and machinery (six months ended 30 September 2019: HK\$2,554,000), nil on motor vehicles (six months ended 30 September 2019: HK\$495,000), HK\$3,654,000 on furniture, fixtures and equipment (six months ended 30 September 2019: HK\$5,869,000), HK\$1,240,000 on moulds and tools (six months ended 30 September 2019: HK\$1,149,000). No material disposal of property, plant and equipment was made during both periods.

11. RIGHT-OF-USE ASSETS

During the current interim period, no new lease agreement was entered by the Group.

12. TRADE RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables		
– sales of goods	208,701	134,658
Less: Allowance for credit loss	(548)	(940)
	208,153	133,718

The Group allows an average defined credit period up to 180 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0 – 90 days	192,562	114,599
91 – 120 days	16,139	18,585
> 120 days	–	1,474
	208,701	134,658

13. TRADE PAYABLES

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0 – 90 days	158,926	72,915
91 – 120 days	16,255	16,719
> 120 days	8,386	2,360
	183,567	91,994

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	600,000,000	60,000
Issued and fully paid:		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	335,432,520	33,543

15. CAPITAL COMMITMENTS

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	280	974

16. RELATED PARTY TRANSACTIONS

- a) Expenses relating to short-term leases of the Group to the related parties are as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Immediate holding company		
Allan Investment Company Limited	450	450
Fellow subsidiaries		
Ardent Investment Limited	785	764
Income Village Limited	102	102
Fair Pacific Limited	492	492

- b) During the current interim period, the emoluments paid to the directors of the Company amounted to HK\$6,783,000 (six months ended 30 September 2019: HK\$5,617,000). 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 2020	31 March 2020		
	HK\$'000 (Unaudited)	HK\$'000 (Audited)		
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	13,760	11,815		
Listed debt securities			Level 1	Quoted bid prices in an active market
– classified as debt instruments measured at FVTOCI	26,107	25,664		
– classified as financial assets at FVTPL	6,523	11,463		

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.

18. EVENTS AFTER THE REPORTING PERIOD

Government grants in respect of Covid-19-related subsidies

The Group applied for the second tranche of the Employment Support Scheme provided by the Hong Kong government. Up to October 2020, the Group received the subsidy amounted to HK\$2,087,000, as a compensation to the Group's salary costs for September to November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2020, the Group's sales turnover decreased by 23% to HK\$438,760,000 (2019: HK\$568,691,000) and the consolidated net profit increased to HK\$19,270,000 (2019: HK\$1,147,000). Basic earnings per share of the Group for the six months ended 30 September 2020 was HK5.74 cents (2019: HK0.34 cents). The Board of Directors has resolved that an interim dividend of HK2 cents (2019: HK2 cents) per share would be paid on 18 January 2021 to shareholders registered on 21 December 2020.

BUSINESS REVIEW

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

2020 has been an extremely difficult and challenging year. The COVID-19 pandemic is unprecedented and has affected and caused disruptions in all areas of life globally. Our factory operations have been seriously affected in the months of April and May 2020. Lockdowns and travel restrictions in some cities in mainland China has caused disruptions to our material supply. Furthermore, some of our employees in mainland China could not return to work from their home town which affected our production activities. Business operations have gradually returned to normal from June 2020 onwards. However, with the pandemic still wide spread all over the world, customers have been very cautious with their order placement with frequent changes.

During the six months under review, sales turnover decreased by 23% to HK\$438,760,000. Sales turnover decreased across all markets. Sales turnover to Europe decreased by 10% to HK\$222,306,000 representing 51% of the Group's sales turnover. Sales turnover to America decreased by 27% to HK\$151,932,000 representing 34% of the Group's sales turnover. Sales turnover to Asia decreased by 45% to HK\$50,646,000 representing 12% of the Group's sales turnover. Sales turnover to other markets decreased by 40% to HK\$13,876,000 representing 3% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2020 decreased by 6% to HK\$71,284,000 (2019: HK\$76,012,000). Gross profit margin increased from 13% to 16%. The improvement in gross profit margin was mainly due to change in customer mix and product mix, relatively stable raw material costs, tight cost control measures and depreciation in RMB currency.

The Group continued to apply stringent control on all costs and expenses. Selling and distribution expenses decreased by 25% to HK\$8,204,000 (2019: HK\$10,983,000). As a percentage to sales turnover, selling and distribution expenses maintained at 1.9% as compared to corresponding period last year. Administration expenses decreased by 8% to HK\$47,550,000 (2019: HK\$51,656,000). As a percentage to sales turnover, administration expenses increased from 9.1% to 10.8% as compared to corresponding period last year.

Subsequent to the relocation of the operation of factories located at Hui Nan Hi-Tech Industrial Park, the site including the three factory blocks was revaluated and reclassified as investment properties at 1 April 2019. At 30 September 2020, this investment properties was revaluated at RMB200,500,000 (HK\$228,570,000) (31 March 2020: RMB200,500,000 (HK\$218,545,000)) resulting in a translation gain of HK\$10,025,000 for the six months ended 30 September 2020. Currently, one factory block has been leased out since April 2019 to an independent third party.

The investment property located in Wanchai, Hong Kong was revaluated at HK\$271 million at 30 September 2020 (31 March 2020: HK\$275 million) resulting in a decrease in fair value of HK\$4 million in the income statement for the six months ended 30 September 2020.

Net profit for the six months was HK\$19,270,000 (2019: HK\$1,147,000). Net profit margin increased from 0.2% to 4.4% as compared to corresponding period last year.

BUSINESS OUTLOOK

Going forward, it is impossible to predict how the business outlook would be. We will need to adapt to the “new normal” as we continue to fight and combat the COVID-19 pandemic. We must stay vigilant, versatile and responsive to challenges and changes in business environment. We would strive to stay slim with stringent cost and expense control, and productivity efficiency improvements. Meanwhile, persistence in quality products and engineering and R&D capabilities would continue to be our focus. We will seek growth opportunities through new customers and new product categories as well as the mainland China market and online sales channels. We will also look for business opportunities to create higher value to our shareholders.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had total assets of HK\$1,586,215,000 (31 March 2020: HK\$1,474,772,000) which was financed by current liabilities of HK\$350,672,000 (31 March 2020: HK\$245,594,000), long-term liabilities and taxation of HK\$60,523,000 (31 March 2020: HK\$62,819,000) and shareholders' equity of HK\$1,175,020,000 (31 March 2020: HK\$1,166,359,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2020, the Group held HK\$683,684,000 (31 March 2020: HK\$656,815,000) in cash and bank deposits. They were mainly placed in Renminbi and US dollar short term deposits, except for temporary balances held in other currencies as required pending specific payments. For the six months ended 30 September 2020, the Group generated net cash inflow from operating activities of HK\$44,628,000 (2019: HK\$53,630,000). As at the same date, total borrowings were HK\$28,599,000 (31 March 2020: HK\$31,161,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) was 2.4% (31 March 2020: 2.7%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2020 was HK\$67,431,000 (31 March 2020: HK\$56,307,000). As compared with the corresponding period last year, inventory balance decreased by HK\$4,726,000 and inventory turnover increased from 27 days to 31 days. The trade receivables balance as at 30 September 2020 was HK\$208,153,000 (31 March 2020: HK\$133,718,000). As compared with the corresponding period last year, trade receivables decreased by HK\$53,410,000 and trade receivables turnover increased from 84 days to 87 days. The trade payables balance as at 30 September 2020 was HK\$183,567,000 (31 March 2020: HK\$91,994,000). As compared with the corresponding period last year, trade payables increased by HK\$1,392,000 and trade payables turnover increased from 67 days to 91 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 2020, the group invested HK\$5,249,000 (2019: HK\$10,067,000) in plant and machinery, moulds and tools, equipment, computer systems and other tangible assets for expansion and upgrade to our manufacturing facilities. The Group's capital expenditures were funded by internal resources. With a healthy financial position and available banking facilities, the Group is able to provide sufficient financial resources for our current commitments, working capital requirements, further expansions of the Group's business operations and future investment opportunities, as and when required.

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars, US dollars, Renminbis. Currently the Group does not implement hedging activity to hedge against foreign currency exposure. However, we will closely monitor foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed approximately 2,370 employees (2019: 2,650). 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 2020, 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 Shu Wan	Beneficial Owner	49,695,335			
	Beneficiary of trust		156,349,960 <i>(Note)</i>	206,045,295	61.43%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		156,349,960 <i>(Note)</i>	156,949,960	46.79%
Ms. Cheung Lai See, Sophie	Beneficial Owner	1,258,000			
	Beneficiary of trust		156,349,960 <i>(Note)</i>	157,607,960	46.99%
Dr. Cheung Shu Sang, William	Beneficial Owner	900,000			
	Beneficiary of trust		156,349,960 <i>(Note)</i>	157,249,960	46.88%

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. Credit Suisse Trust Limited as trustee of The Cheung Lun Family Trust (“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 2020, 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 2020, 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

Name of Shareholder	Capacity	Number 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	12,721,000	3.79%
	Held by controlled corporation	24,197,000 (Note)	7.21%
Preferable Situation Assets Limited	Beneficial Owner	24,197,000	7.21%

Note:

The reference to 24,197,000 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 2020, 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 2020, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 17 December 2020 to 21 December 2020, 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 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 16 December 2020 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2020, 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 2020, 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 shall attend general meetings and develop a balanced understanding of the views of shareholders.

An independent non-executive director did not attend the annual general meeting of the Company held on 26 August 2020 due to other business engagements.

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 2020. 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 Chun, Maggie
Chairman

Hong Kong, 27 November 2020

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