



Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)



INTERIM REPORT 2021/2022

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

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISERS ON BERMUDA LAW

Conyers, Dill and Pearman

29th Floor One Exchange Square

8 Connaught Place

Central

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited

Hong 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

Wan Chai

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

684

* Chairman of the relevant Board Committee

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of Allan International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 23, which comprise the condensed consolidated statement of financial position as of 30 September 2021 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

26 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	NOTES	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	445,916	438,760
Cost of sales		(403,898)	(367,476)
Gross profit		42,018	71,284
Other income	4	19,541	12,090
Other gains and losses		(1,411)	(1,596)
Selling and distribution expenses		(12,978)	(8,204)
Administrative expenses		(47,965)	(47,550)
Gain (loss) from changes in fair value of investment properties		13,960	(4,000)
(Impairment loss) reversal of impairment loss under expected credit model, net		(190)	392
Finance costs on bank loan		(110)	(232)
Profit before tax		12,865	22,184
Income tax expense	5	(3,480)	(2,914)
Profit for the period	6	9,385	19,270

	Six months ended 30 September	
	2021	2020
<i>NOTE</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	5,304	12,428
Net fair value (loss) gain on debt instruments measured at fair value through other comprehensive income	(214)	443
Reclassification of investment revaluation reserve upon disposal of debt instruments measured at fair value through other comprehensive income	31	–
	5,121	12,871
Other comprehensive income for the period	5,121	12,871
Total comprehensive income for the period	14,506	32,141
Earnings per share		
Basic	HK2.80 cents	HK5.74 cents

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		30 September 2021	31 March 2021
	<i>NOTES</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Investment properties	<i>9</i>	526,680	508,758
Property, plant and equipment	<i>10</i>	38,567	38,669
Right-of-use assets	<i>11</i>	4,040	4,131
Club debentures		10,343	10,343
Deposits paid for acquisition of property, plant and equipment		5,103	3,209
		584,733	565,110
Current assets			
Inventories		127,729	93,858
Trade receivables	<i>12</i>	282,065	240,597
Other receivables		22,460	17,832
Mould deposits paid		6,977	4,331
Financial assets at fair value through profit or loss ("FVTPL")		21,279	21,046
Debt instruments at fair value through other comprehensive income ("FVTOCI")		22,098	24,646
Tax recoverable		–	181
Short-term deposits		74,688	95,561
Bank balances and cash		392,855	520,762
		950,151	1,018,814

		30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Current liabilities			
Trade payables	13	153,866	147,700
Other payables and accruals		107,505	101,887
Mould deposits received		32,458	27,450
Tax liabilities		39,016	38,136
Secured bank loan		5,124	5,124
		337,969	320,297
Net current assets		612,182	698,517
Total assets less current liabilities		1,196,915	1,263,627
Non-current liabilities			
Deferred tax liabilities		38,137	37,720
Secured bank loan		18,351	20,913
		56,488	58,633
Net assets		1,140,427	1,204,994
Capital and reserves			
Share capital	14	33,435	33,543
Reserves		1,106,992	1,171,451
		1,140,427	1,204,994

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	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 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 FVTOCI	-	-	-	-	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
At 1 April 2021 (audited)	33,543	109,884	793	85,807	603	26,731	947,633	1,204,994
Profit for the period	-	-	-	-	-	-	9,385	9,385
Exchange difference arising on translation of foreign operations	-	-	-	-	-	5,304	-	5,304
Net fair value loss on debt instruments at FVTOCI	-	-	-	-	(214)	-	-	(214)
Reclassification of investment revaluation reserve upon disposal of debt instruments at FVTOCI	-	-	-	-	31	-	-	31
Other comprehensive (expense) income for the period	-	-	-	-	(183)	5,304	-	5,121
Total comprehensive (expense) income for the period	-	-	-	-	(183)	5,304	9,385	14,506
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(77,091)	(77,091)
Shares repurchased and cancelled	(108)	(1,866)	-	-	-	-	-	(1,974)
Transaction costs attributable to repurchase and cancellation of shares	-	(8)	-	-	-	-	-	(8)
At 30 September 2021 (unaudited)	33,435	108,010	793	85,807	420	32,035	879,927	1,140,427

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	12,865	22,184
Adjustments for:		
Depreciation of property, plant and equipment	6,425	6,739
Depreciation of right-of-use assets	91	91
(Gain) loss on fair value changes of investment properties	(13,960)	4,000
Other items	(2,530)	(4,755)
Operating cash flows before movements in working capital	2,891	28,259
Increase in trade receivables	(41,656)	(74,043)
(Increase) decrease in other receivables	(4,479)	962
Increase in inventories	(32,383)	(8,492)
(Increase) decrease in mould deposits paid	(2,646)	3,958
Increase in trade payables	4,178	86,712
Increase in other payables and accruals	4,391	6,159
Increase in mould deposits received	5,008	2,632
Cash (used in) generated from operations	(64,696)	46,147
Income taxes paid	(2,010)	(1,519)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(66,706)	44,628

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Interest received	2,653	2,494
Proceeds from disposal of:		
– financial assets at FVTPL	–	5,391
– debt instruments FVTOCI	2,334	–
Proceeds on disposal of property, plant and equipment	–	57
Purchase of property, plant and equipment	(1,598)	(2,473)
Deposits paid for acquisition of property, plant and equipment	(6,097)	(3,295)
Withdrawal of short-term deposits	25,129	251,807
Placement of short-term deposits	(4,256)	(105,053)
NET CASH FROM INVESTING ACTIVITIES	18,165	148,928
FINANCING ACTIVITIES		
Dividends paid	(77,091)	(23,480)
Interest paid	(110)	(232)
Repayment of secured bank loan	(2,562)	(2,562)
Payment on repurchase and cancellation of shares	(1,974)	–
Transaction costs attributable to repurchase and cancellation of shares	(8)	–
CASH USED IN FINANCING ACTIVITIES	(81,745)	(26,274)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(130,286)	167,282
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	520,762	419,392
Effect of foreign exchange rate changes	2,379	6,341
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	392,855	593,015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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, as appropriate.

Other than additional 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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim 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.

3. REVENUE AND SEGMENT INFORMATION

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

As at 30 September 2021, 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 2021, the Group had no material change in segment assets and segment liabilities.

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

Six months ended 30 September 2021

	Europe HK\$'000 (Unaudited)	America HK\$'000 (Unaudited)	Asia HK\$'000 (Unaudited)	Other regions HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue (<i>Note a</i>)	206,381	186,511	33,955	19,069	445,916
Segment loss	(2,530)	(2,286)	(416)	(234)	(5,466)
Other gains and losses (except net foreign exchange loss)					1,406
Depreciation (except moulds and right-of-use assets)					(5,680)
Gain on fair value changes of investment properties					13,960
Finance costs on secured bank loan					(110)
Unallocated income and expenses, net (<i>Note b</i>)					8,755
Profit before tax					12,865

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)
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 on fair value changes of investment properties					(4,000)
Finance costs on secured bank loan					(232)
Unallocated income and expenses, net (<i>Note b</i>)					731
Profit before tax					22,184

Notes:

- (a) The allocation of segment revenue is determined based on destinations of shipment of products.
- (b) Unallocated income and expenses, net, represented certain other income, central administration costs and directors' salaries.

Segment (loss) profit represents the loss from/profit earned by each segment without allocation of certain other income, central administration costs and directors' salaries, other gains and losses (except net foreign exchange loss), depreciation (except moulds and right-of-use assets), gain (loss) on fair value changes of investment properties and finance costs on secured 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income	10,381	4,890
Interest income	2,653	2,494
Building management fee income	3,378	1,809
Government grants (<i>Note (i)</i>)	–	2,249
Others	3,129	648
	19,541	12,090

Note:

- (i) During the prior interim period, the Group recognised approximately HK\$2,249,000 Employment Support Scheme provided by the Hong Kong government in respect of Covid-19-related subsidies. There are no unfulfilled conditions or contingencies in relation to the grants. No government grant was recognised in the current interim period.

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	980	635
PRC Enterprise Income Tax	2,083	2,013
	3,063	2,648
Deferred taxation	417	266
	3,480	2,914

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2021	2020
	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	(233)	(2,396)
Depreciation of right-of-use assets	91	91
Depreciation of property, plant and equipment	6,425	6,739
Net foreign exchange loss	2,817	4,032
Gain on disposal of property, plant and equipment	–	(57)
Loss on write-off of property, plant and equipment	25	17
Cost of inventories recognised as expenses	403,898	367,476
Expenses relating to short-term leases in respect of rented premises	2,025	1,876

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	
	2021	2020
	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)

	9,385	19,270
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	Six months ended 30 September	
	2021	2020
	Number	Number
	of shares	of shares
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	335,208	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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final dividend		
2021: HK8 cents (2020: HK7 cents) per ordinary share	26,814	23,480
Special dividend		
2021: HK15 cents (2020: Nil) per ordinary share	50,277	–

Subsequent to 30 September 2021, the board of directors has declared that an interim dividend of HK2 cents per share (2020: HK2 cents per share) amounting to HK\$6,687,000 in aggregate (2020: HK\$6,709,000) will be paid on 17 January 2022 to the shareholders of the Company whose names appear on the Register of Members on 17 December 2021.

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 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 location 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 increase in fair value of investment properties of HK\$13,960,000 (six months ended 30 September 2020: decrease by HK\$4,000,000) has been recognised directly in profit or loss for the six months ended 30 September 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's additions on property, plant and equipment were approximately HK\$5,801,000 (six months ended 30 September 2020: HK\$5,249,000). The additions mainly comprised HK\$4,235,000 on plant and machinery (six months ended 30 September 2020: HK\$355,000), HK\$370,000 on motor vehicles (six months ended 30 September 2020: nil), HK\$981,000 on furniture, fixtures and equipment (six months ended 30 September 2020: HK\$3,654,000), HK\$215,000 on moulds and tools (six months ended 30 September 2020: HK\$1,240,000). 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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade receivables		
– sales of goods	283,396	241,738
Less: Allowance for credit loss	(1,331)	(1,141)
	282,065	240,597

The Group allows credit period ranging from 30 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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0 – 90 days	192,560	159,074
91 – 120 days	24,991	28,638
> 120 days	64,514	52,885
	282,065	240,597

13. TRADE PAYABLES

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0 – 90 days	134,397	140,534
91 – 120 days	17,557	4,704
> 120 days	1,912	2,462
	153,866	147,700

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	600,000,000	60,000
Issued and fully paid:		
At 1 April 2020, 30 September 2020, 1 April 2021	335,432,520	33,543
Shares repurchased and cancelled	(1,084,000)	(108)
At 30 September 2021	334,348,520	33,435

15. CAPITAL COMMITMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 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	717	2,427

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Immediate holding company		
Allan Investment Company Limited	450	450
Fellow subsidiaries		
Ardent Investment Limited	788	785
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\$5,688,000 (six months ended 30 September 2020: HK\$6,783,000). 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	31 March		
	2021	2021		
	HK\$'000 (Unaudited)	HK\$'000 (Audited)		
Unit-linked funds				
– classified as financial assets at FVTPL	14,723	14,451	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets of the funds
Listed debt securities				
– classified as debt instruments measured at FVTOCI	22,098	24,646	Level 1	Quoted bid prices in an active market
– classified as financial assets at FVTPL	6,556	6,595	Level 1	Quoted bid prices in an active market

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 2021, the Group's sales turnover increased by 2% to HK\$445,916,000 (2020: HK\$438,760,000) and the consolidated net profit decreased to HK\$9,385,000 (2020: HK\$19,270,000). Basic earnings per share of the Group for the six months ended 30 September 2021 was HK2.80 cents (2020: HK5.74 cents). The Board of Directors has resolved that an interim dividend of HK2 cents (2020: HK2 cents) per share would be paid on 17 January 2022 to shareholders registered on 17 December 2021.

BUSINESS REVIEW

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

The COVID-19 pandemic continues into year 2021. Although the situation seems to have alleviated with the rollout of vaccines, the new variants continues to pose new threats and danger to the whole world. Business environment remained difficult and challenging. During the period under review, various unfavorable conditions affected our operations adversely:

- Rising raw material costs
- Shortage in electronic components giving rise to increased costs and the need to stock up
- Appreciation in RMB currency
- Shortage in electricity supply
- Shortage in containers and disruptions in freight schedules

During the six months under review, sales turnover increased by 2% to HK\$445,916,000. Sales turnover to Europe decreased by 7% to HK\$206,381,000 representing 46% of the Group's sales turnover. Sales turnover to America increased by 23% to HK\$186,511,000 representing 42% of the Group's sales turnover. Sales turnover to Asia decreased by 33% to HK\$33,955,000 representing 8% of the Group's sales turnover. Sales turnover to other markets increased by 37% to HK\$19,069,000 representing 4% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2021 decreased by 41% to HK\$42,018,000 (2020: HK\$71,284,000). Gross profit margin decreased from 16% to 9%. The decrease in gross profit margin was mainly due to rise in raw material costs, shortage in electronic components, appreciation in RMB currency and absence in COVID-19 related expense reductions received in the previous year.

The Group continued to apply stringent control on all costs and expenses. Selling and distribution expenses increased by 58% to HK\$12,978,000 (2020: HK\$8,204,000). The increase was mainly attributed to increased transportation costs and increased advertising and promotional expenses for WARRAN brand items. As a percentage to sales turnover, selling and distribution expenses increase from 1.9% to 2.9% as compared to corresponding period last year. Administration expenses increased slightly to HK\$47,965,000 (2020: HK\$47,550,000). As a percentage to sales turnover, administration expenses maintained at 10.8% as compared to corresponding period last year.

At 30 September 2021, the site including the three factory blocks located at Hui Nan Hi-Tech Industrial Park in mainland China was revaluated at RMB201,400,000 (HK\$241,680,000) (31 March 2021: RMB198,100,000 (HK\$233,758,000)) resulting in an increase in fair value of HK\$3,960,000 and a translation gain of HK\$3,962,000 for the six months ended 30 September 2021. Currently, all three factory blocks have been leased out to two independent third parties.

The investment property located in Wan Chai, Hong Kong was revaluated at HK\$285,000,000 at 30 September 2021 (31 March 2021: HK\$275,000,000) resulting in an increase in fair value of HK\$10,000,000 in the income statement for the six months ended 30 September 2021.

Net profit for the six months was HK\$9,385,000 (2020: HK\$19,270,000). Net profit margin decreased from 4.4% to 2.1% as compared to corresponding period last year.

BUSINESS OUTLOOK

It is exceedingly difficult to predict the business outlook as there are still a lot of uncertainties lying ahead. We expect the various unfavorable factors such as rising material costs, material supply, logistics and electricity supply issues to continue. As such, profit margins would inevitably be affected and anticipated to be lower on a year-on-year basis.

We will continue to stay vigilant, versatile and responsive to challenges and changes in business environment. We will 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 2021, the Group had total assets of HK\$1,534,884,000 (31 March 2021: HK\$1,583,924,000) which was financed by current liabilities of HK\$337,969,000 (31 March 2021: HK\$320,297,000), long-term liabilities and taxation of HK\$56,488,000 (31 March 2021: HK\$58,633,000) and shareholders' equity of HK\$1,140,427,000 (31 March 2021: HK\$1,204,994,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2021, the Group held HK\$467,543,000 (31 March 2021: HK\$616,323,000) 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 2021, the Group generated net cash outflow from operating activities of HK\$66,706,000 (2020: inflow HK\$44,628,000). As at the same date, total borrowings were HK\$23,475,000 (31 March 2021: HK\$26,037,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) was 2.1% (31 March 2021: 2.2%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2021 was HK\$127,729,000 (31 March 2021: HK\$93,858,000). Inventory turnover days increased from 36 days to 50 days. The reason for the high level of inventory was two-fold. Firstly, the shortage of certain raw material, especially electronic components, led to the need to build up on the stock level. Secondly, the shortage in containers and disruption in freight schedules resulted in shipment delays and hence stock being kept at our warehouse. The trade receivables balance as at 30 September 2021 was HK\$282,065,000 (31 March 2021: HK\$240,597,000). Trade receivables turnover days increased from 97 days to 115 days. The trade payables balance as at 30 September 2021 was HK\$153,866,000 (31 March 2021: HK\$147,700,000). Trade payables turnover days decreased from 71 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 2021, the group invested approximately HK\$5,801,000 (2020: HK\$5,249,000) in plant and machinery, moulds and tools, motor vehicles, 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 2021, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed approximately 2,180 employees (2020: 2,370). 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 2021, 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	46,779,335			
	Beneficiary of trust		154,349,960 <i>(Note)</i>	201,129,295	60.16%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		154,349,960 <i>(Note)</i>	154,949,960	46.34%
Ms. Cheung Lai See, Sophie	Beneficial Owner	1,258,000			
	Beneficiary of trust		154,349,960 <i>(Note)</i>	155,607,960	46.54%
Dr. Cheung Shu Sang, William	Beneficial Owner	900,000			
	Beneficiary of trust		154,349,960 <i>(Note)</i>	155,249,960	46.43%

Note:

The references to 154,349,960 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”), 12,958,000 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 2021, 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 2021, 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	154,349,960	46.16%
Unison Associates Limited	Held by controlled corporation	147,779,960	44.20%
	Beneficial Owner	6,570,000	1.97%
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.32%
Webb, David Michael	Beneficial Owner	12,721,000	3.81%
	Held by controlled corporation	24,197,000 (Note)	7.24%
Preferable Situation Assets Limited	Beneficial Owner	24,197,000	7.24%

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 2021, 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 2021, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 15 December 2021 to 17 December 2021, 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, Wan Chai, Hong Kong not later than 4:00 p.m. on 14 December 2021 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2021, the Company repurchased an aggregate of 1,084,000 ordinary shares for a total consideration of approximately HK\$1,973,860. All of the 1,084,000 ordinary shares were purchased on the Stock Exchange as follows:

Date of Repurchase	No. of Shares Repurchased	Consideration per share		Total
		Highest HK\$	Lowest HK\$	Consideration Paid HK\$
27 July 2021	100,000	1.82	1.82	182,000
28 July 2021	6,000	1.78	1.78	10,680
29 July 2021	52,000	1.80	1.80	93,600
30 July 2021	22,000	1.80	1.80	39,600
04 August 2021	6,000	1.81	1.81	10,860
13 August 2021	78,000	1.93	1.93	150,540
25 August 2021	320,000	1.80	1.70	565,740
26 August 2021	110,000	1.80	1.80	198,000
27 August 2021	50,000	1.81	1.81	90,500
30 August 2021	38,000	1.82	1.81	69,120
31 August 2021	50,000	1.85	1.85	92,500
02 September 2021	100,000	1.86	1.85	185,480
03 September 2021	100,000	1.89	1.87	188,000
09 September 2021	52,000	1.87	1.87	97,240
Total	<u>1,084,000</u>			<u>1,973,860</u>

The Board believes that the share repurchases are in the best interests of the Company and its shareholders and would lead to an enhancement of the net assets value per share and/or earnings per share of the Company. As at the date of this report, all of the above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly and the balance of consideration was charged against the share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2021.

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 2021, 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 18 August 2021 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 auditor have reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021. 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.

By Order of the Board
Allan International Holdings Limited
Cheung Lai Chun, Maggie
Chairman

Hong Kong, 26 November 2021

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