



Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)

Interim Report
2022/2023

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
Mr. Lo Chor Cheong, Colin
(appointed on 9 September 2022)
Professor Lo Chung Mau
(resigned on 10 June 2022)

COMPANY SECRETARY

Ms. Wong Lai Yung
(resigned on 1 November 2022)

AUTHORIZED REPRESENTATIVES

Mr. Cheung Shu Wan
Ms. Cheung Lai See, Sophie

AUDIT COMMITTEE

Ms. Choy Wai Sheun, Susan*
Mr. Lai Ah Ming, Leon
Mr. Lo Chor Cheong, Colin
(appointed on 9 September 2022)
Professor Lo Chung Mau
(resigned on 10 June 2022)

NOMINATION COMMITTEE

Ms. Cheung Lai Chun, Maggie*
Ms. Choy Wai Sheun, Susan
Mr. Lai Ah Ming, Leon

REMUNERATION COMMITTEE

Mr. Lai Ah Ming, Leon*
Ms. Cheung Lai See, Sophie
Ms. Choy Wai Sheun, Susan

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
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
17/F,
Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat B, 23/F., 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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September	
		2022	2021
	<i>NOTES</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	246,388	445,916
Cost of sales		(232,072)	(403,898)
Gross profit		14,316	42,018
Other income	4	16,754	19,541
Other gains and losses		5,504	(1,411)
Selling and distribution expenses		(10,492)	(12,978)
Administrative expenses		(46,252)	(47,965)
Gain from changes in fair value of investment properties	9	1,517	13,960
Reversal of impairment loss (impairment loss) under expected credit model, net		55	(190)
Impairment loss on property, plant and equipment	10	(24,879)	–
Finance costs on bank loan		(148)	(110)
(Loss) profit before tax		(43,625)	12,865
Income tax expense	5	(1,855)	(3,480)
(Loss) profit for the period	6	(45,480)	9,385

		Six months ended 30 September	
		2022	2021
<i>NOTE</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(39,573)	5,304
Net fair value loss on debt instruments measured at fair value through other comprehensive income		(83)	(214)
Reclassification of investment revaluation reserve upon disposal of debt instruments measured at fair value through other comprehensive income		(64)	31
		(39,720)	5,121
Other comprehensive (expense) income for the period		(39,720)	5,121
Total comprehensive (expense) income for the period		(85,200)	14,506
(Loss) earnings per share	7		
Basic		HK(13.65) cents	HK2.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		30 September 2022	31 March 2022
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Investment properties	9	509,070	533,952
Property, plant and equipment	10	7,899	39,230
Right-of-use assets	11	3,857	3,948
Club debentures		10,343	10,343
Deposits paid for acquisition of property, plant and equipment		2,392	2,187
		533,561	589,660
Current assets			
Inventories		60,409	95,494
Trade receivables	12	89,743	165,587
Other receivables		19,672	22,680
Mould deposits paid		2,916	4,373
Financial assets at fair value through profit or loss ("FVTPL")		11,570	20,284
Debt instruments at fair value through other comprehensive income ("FVTOCI")		5,444	8,659
Tax recoverable		–	1,182
Short-term deposits		208,183	93,254
Bank balances and cash		345,373	411,377
		743,310	822,890

		30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
	<i>NOTES</i>		
Current liabilities			
Trade payables	13	46,148	82,530
Other payables and accruals		94,680	104,023
Mould deposits received		36,823	32,028
Tax liabilities		32,431	33,191
Secured bank loan		5,124	5,124
		215,206	256,896
Net current assets		528,104	565,994
Total assets less current liabilities		1,061,665	1,155,654
Non-current liabilities			
Deferred tax liabilities		37,752	37,318
Secured bank loan		13,227	15,789
		50,979	53,107
Net assets		1,010,686	1,102,547
Capital and reserves			
Share capital	14	33,305	33,315
Reserves		977,381	1,069,232
		1,010,686	1,102,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital	Share premium	Capital redemption reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 April 2022 (audited)	33,315	106,107	632	85,807	136	39,670	836,880	1,102,547
Loss for the period	-	-	-	-	-	-	(45,480)	(45,480)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(39,573)	-	(39,573)
Net fair value loss on debt instruments at FVTOCI	-	-	-	-	(83)	-	-	(83)
Reclassification of investment revaluation reserve upon disposal of debt instruments at FVTOCI	-	-	-	-	(64)	-	-	(64)
Other comprehensive expense for the period	-	-	-	-	(147)	(39,573)	-	(39,720)
Total comprehensive expense for the period	-	-	-	-	(147)	(39,573)	(45,480)	(85,200)
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(6,661)	(6,661)
Shares cancelled	(10)	(151)	161	-	-	-	-	-
At 30 September 2022 (unaudited)	33,305	105,956	793	85,807	(11)	97	784,739	1,010,686

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
(Loss) profit before tax	(43,625)	12,865
Adjustments for:		
Depreciation of property, plant and equipment	6,677	6,425
Depreciation of right-of-use assets	91	91
Gain on fair value changes of investment properties	(1,517)	(13,960)
Impairment loss on property, plant and equipment	24,879	–
Other items	325	(2,530)
Operating cash flows before movements in working capital	(13,170)	2,891
Decrease (increase) in trade receivables	75,873	(41,656)
Decrease (increase) in other receivables	2,213	(4,479)
Decrease (increase) in inventories	28,701	(32,383)
Decrease (increase) in mould deposits paid	1,457	(2,646)
(Decrease) increase in trade payables	(30,471)	4,178
Increase in other payables and accruals	800	4,391
Increase in mould deposits received	4,795	5,008
Cash generated from (used in) operations	70,198	(64,696)
Income taxes paid	(999)	(2,010)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	69,199	(66,706)

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Interest received	1,120	2,653
Proceeds from disposal of:		
– financial assets at FVTPL	7,350	–
– debt instruments FVTOCI	3,132	2,334
Purchase of property, plant and equipment	(2,848)	(1,598)
Deposits paid for acquisition of property, plant and equipment	(1,460)	(6,097)
Withdrawal of short-term deposits	6,065	25,129
Placement of short-term deposits	(120,994)	(4,256)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(107,635)	18,165
FINANCING ACTIVITIES		
Dividends paid	(6,661)	(77,091)
Interest paid	(148)	(110)
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	(9,371)	(81,745)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,807)	(130,286)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	411,377	520,762
Effect of foreign exchange rate changes	(18,197)	2,379
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	345,373	392,855

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**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**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

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 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceed before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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 2022, 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 2022, 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 2022

	Europe	America	Asia	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	regions	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (<i>Note a</i>)	48,329	161,728	31,563	4,768	246,388
Segment loss	(3,735)	(12,500)	(2,439)	(369)	(19,043)
Other gains and losses (except net foreign exchange gain)					(1,162)
Depreciation (except moulds and right-of-use assets)					(5,926)
Gain on fair value changes of investment properties					1,517
Finance costs on secured bank loan					(148)
Impairment loss on property, plant and equipment					(24,879)
Unallocated income and expenses, net (<i>Note b</i>)					6,016
Loss before tax					(43,625)

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

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 represents the loss from each segment without allocation of certain other income, central administration costs and directors' salaries, other gains and losses (except net foreign exchange difference), depreciation (except moulds and right-of-use assets), gain on fair value changes of investment properties, impairment loss on property, plant and equipment 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income	10,297	10,381
Interest income	1,120	2,653
Building management fee income	3,483	3,378
Others	1,854	3,129
	16,754	19,541

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	133	980
People's Republic of China ("PRC")		
Enterprise Income Tax	1,288	2,083
	1,421	3,063
Deferred taxation	434	417
	1,855	3,480

6. (LOSS) PROFIT FOR THE PERIOD

Six months ended 30 September

2022	2021
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

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

Net loss (gain) arising on financial assets measured at FVTPL	1,364	(233)
Depreciation of right-of-use assets	91	91
Depreciation of property, plant and equipment	6,677	6,425
Net foreign exchange (gain) loss	(6,666)	2,817
Loss on write-off of property, plant and equipment	52	25
Cost of inventories recognised as expenses	232,072	403,898
Expenses relating to short-term leases in respect of rented premises	2,060	2,025

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings for the purpose of basic (loss) earnings per share:		
(Loss) profit for the period attributable to owners of the Company	(45,480)	9,385
	Six months ended 30 September	
	2022	2021
	Number of	Number of
	shares	shares
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	333,081	335,208

No diluted (loss) 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final dividend		
2022: HK2 cents (2021: HK8 cents) per ordinary share	6,661	26,814
Special dividend		
2022: nil (2021: HK15 cents) per ordinary share	–	50,277

Subsequent to 30 September 2022, the board of directors has declared that there is no interim dividend (2021: HK2 cents per share and amounting to HK\$6,687,000).

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 properties in the similar location and conditions, 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 and the potential reversionary rental income at market level. The resulting increase in fair value of investment properties of HK\$1,517,000 (six months ended 30 September 2021: HK\$13,960,000) has been recognised directly in profit or loss for the six months ended 30 September 2022.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's additions on property, plant and equipment were approximately HK\$4,103,000 (six months ended 30 September 2021: HK\$5,801,000). The additions mainly comprised HK\$505,000 on plant and machinery (six months ended 30 September 2021: HK\$4,235,000), nil on motor vehicles (six months ended 30 September 2021: HK\$370,000), HK\$1,969,000 on furniture, fixtures and equipment (six months ended 30 September 2021: HK\$981,000), HK\$1,629,000 on moulds and tools (six months ended 30 September 2021: HK\$215,000). No material disposal of property, plant and equipment was made during both periods.

Impairment assessment

At the end of each reporting period, the management assesses whether there is any indication for impairment and conducted impairment assessment on carrying amount of certain classes of property, plant and equipment. If any such indication exists, the management is required to estimate the recoverable amount of the asset which requires significant judgment.

In view of the adverse global business environment and the abrupt downturn in sales turnover from weakened demand and customer sentiments, some orders placed by customers were deferred or cancelled during the six month periods ended 30 September 2022. Management of the Group assessed that the estimated recoverable amount of certain property, plant and equipment determined under the value-in-use method are lower than their carrying amounts.

During the current interim period, business performance had been below management's expectation and the Group recognised impairment loss of HK\$24,879,000 (six months ended 30 September 2021: nil).

The impairment amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category is not reduced below the highest of its fair value less cost of disposal, its value-in-use and zero. Key assumptions used in the value-in-use calculations for the recoverable amount of property, plant and equipment include expected product sales, gross profit margin and operating costs.

11. RIGHT-OF-USE ASSETS

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

12. TRADE RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables		
– sales of goods	90,074	165,973
Less: Allowance for credit loss	(331)	(386)
	89,743	165,587

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0 – 90 days	74,061	104,885
91 – 120 days	4,073	16,466
> 120 days	11,609	44,236
	89,743	165,587

13. TRADE PAYABLES

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0 – 90 days	39,876	80,333
91 – 120 days	5,127	365
> 120 days	1,145	1,832
	46,148	82,530

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	600,000,000	60,000
Issued and fully paid:		
At 1 April 2021	335,432,520	33,543
Share repurchased and cancelled	(1,084,000)	(108)
At 30 September 2021	334,348,520	33,435
Share repurchased and cancelled	(1,194,000)	(120)
At 1 April 2022	333,154,520	33,315
Shares cancelled (<i>Note</i>)	(100,000)	(10)
At 30 September 2022	333,054,520	33,305

Note: The Company repurchased 100,000 of its own ordinary shares through The Stock Exchange of Hong Kong Limited in March 2022, the shares were cancelled in May 2022.

15. CAPITAL COMMITMENTS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 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	596	1,666

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Immediate holding company		
Allan Investment Company Limited	450	450
Fellow subsidiaries		
Ardent Investment Limited	788	788
Income Village Limited	–	102
Fair Pacific Limited	492	492

- b) During the current interim period, the emoluments paid to the directors of the Company amounted to HK\$4,521,000 (six months ended 30 September 2021: HK\$5,688,000). 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		
	2022	2022		
	HK\$'000	HK\$'000		
(Unaudited)	(Audited)			
Unit-linked funds				
– classified as financial assets at FVTPL	5,479	14,010	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	5,444	8,659	Level 1	Quoted bid prices in an active market
– classified as financial assets at FVTPL	6,091	6,274	Level 1	Quoted bid prices in an active market

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

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 2022, the Group's sales turnover decreased by 45% to HK\$246.4 million (2021: HK\$445.9 million) and the consolidated net loss was HK\$45.5 million (2021: profit HK\$9.4 million). In view of the adverse global business environment and the loss situation of the Group brought about by the abrupt downturn in sales turnover, there is indication for impairment of property, plant and equipment and right-of-use assets of the Group. An assessment for impairment was conducted to assess the recoverable amount with reference to the higher of the assets' fair value less costs to disposal and value in use. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. As a result, the Group made a provision of impairment to property, plant and equipment of approximately HK\$24.9 million. Basic loss per share of the Group for the six months ended 30 September 2022 was HK13.65 cents (2021: earnings HK2.8 cents). The Board of Directors has resolved not to recommend any dividend (2021: HK2 cents per share) for the six months ended 30 September 2022.

BUSINESS REVIEW

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

For the six months ended 30 September 2022, the global situation and business environment remained difficult and turbulent. COVID-19 continued to cause disruptions in various aspects. Together with high inflation, rising interest rates, increasing energy costs, and geopolitical uncertainties under Russia-Ukraine conflict and US-China tension, demand and consumer sentiments continued to weaken at an alarming rate.

The Group's business had been severely affected during the period under review. Sales turnover decreased drastically by 45% to HK\$246.4 million. Orders placed by customers were being deferred repeatedly with some eventually being cancelled. This had caused significant impact on our resources and material planning. Sales turnover decreased across all markets. The drop in sales turnover to Europe was most severe, dropping by 77% to HK\$48.3 million representing 19% of the Group's sales turnover. Sales turnover to America decreased by 13% to HK\$161.7 million representing 66% of the Group's sales turnover. Sales turnover to Asia decreased by 7% to HK\$31.6 million representing 13% of the Group's sales turnover. Sales turnover to other markets decreased by 75% to HK\$4.8 million representing 2% of the Group's sales turnover.

Gross profit for the six months ended 30 September 2022 decreased by 66% to HK\$14.3 million. Gross profit margin decreased from 9.4% to 5.8%. COVID-19 outbreaks in certain provinces or cities in the PRC from time to time resulted in delay in transportation of raw materials and parts due to elevated and strict safety controls and measures, resulting in higher transportation costs and expenses. The increase in raw material costs, particularly electronic components due to shortage in supply, increase in electricity costs and high staff cost level in relation to the drastic drop in sales turnover have resulted in reduced margins.

The deferral and cancellation in sales orders resulted in huge decrease in sales turnover which adversely impacted on the efficiency due to loss in economy of scale. Although the Group has taken immediate cost control and streamlining measures to trim down the overhead expenses, the pace of the downturn in sales turnover was much quicker than expected. Selling and distribution expenses decreased by 19% to HK\$10.5 million. As a percentage to sales turnover, selling and distribution expenses increased from 2.9% to 4.3% compared to corresponding period last year. Administrative expenses decreased by 3.6% to HK\$46.3 million. As a percentage to sales turnover, administrative expenses increased from 10.8% to 18.8% compared to corresponding period last year.

At 30 September 2022, the investment property located in Wanchai, Hong Kong was revaluated at HK\$285 million (31 March 2022: HK\$285 million) and the investment property located in the PRC at Hui Nam Hi-Tech Industrial Park was revaluated at RMB203,700,000 (HK\$224,070,000) (31 March 2022: RMB202,400,000 (HK\$248,952,000)) resulting in an increase in fair value of HK\$1,517,000 and a translation loss of HK\$26,399,000 for the period.

In view of the adverse global business environment and the loss situation of the Group brought about by the abrupt downturn in sales turnover, there is indication for impairment of property, plant and equipment and right-of-use assets of the Group. An assessment for impairment was conducted to assess the recoverable amount with reference to the higher of the assets' fair value less costs to disposal and value in use. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. As a result, the Group made a provision of impairment to property, plant and equipment of approximately HK\$24.9 million.

Net loss for the six months ended 30 September 2022 was HK\$45.5 million (2021: profit HK\$9.4 million). Net profit/(loss) margin decreased from 2.1% to -18.5% compared to last year.

BUSINESS OUTLOOK

Going forward, we expect the overall business environment will continue to be extremely difficult and challenging. COVID-19 is still lingering and continues to cause disruption and the road to full recovery to normal is still remote and slow. With the recent increase in outbreak cases in the PRC, the travel restrictions within the PRC and between Hong Kong and the PRC are likely to continue. We expect demand and consumer sentiments to worsen as the adverse factors such as high inflation, rising interest rates, increasing energy costs, and geopolitical uncertainties under Russia-Ukraine conflict and US-China tension is still ongoing and not likely to improve in the near future.

To deal with the challenges during this difficult time, the Group will focus on stringent cost control, streamlining and consolidation across all aspects of operations to reduce expenses and improve in efficiency. The Group has a strong cash position with low gearing ratio. The overall financial position of the Group remains sound and solid. We will stay vigilant and versatile in our manufacturing capacity and resources planning in response to fluctuations in market demand. 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 2022, the Group had total assets of HK\$1,276.9 million (31 March 2022: HK\$1,412.6 million) which was financed by current liabilities of HK\$215.2 million (31 March 2022: HK\$256.9 million), long-term liabilities and taxation of HK\$51.0 million (31 March 2022: HK\$53.1 million) and shareholders' equity of HK\$1,010.7 million (31 March 2022: HK\$1,102.5 million).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2022, the Group held HK\$553.6 million (31 March 2022: HK\$504.6 million) 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 2022, the Group generated net cash inflow from operating activities of HK\$69.2 million (2021: outflow of HK\$66.7 million). As at the same date, total borrowings were HK\$18.4 million (31 March 2022: HK\$20.9 million) and the gearing ratio (ratio of total borrowings to shareholders' equity) was 1.8% (31 March 2022: 1.9%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2022 was HK\$60.4 million (31 March 2022: HK\$95.5 million). As compared with the corresponding period last year, inventory balance decreased by HK\$67.3 million and inventory turnover increased from 50 days to 61 days. The trade receivables balance as at 30 September 2022 was HK\$89.7 million (31 March 2022: HK\$165.6 million). As compared with the corresponding period last year, trade receivables decreased by HK\$192.3 million and trade receivables turnover decreased from 115 days to 66 days. The trade payables balance as at 30 September 2022 was HK\$46.1 million (31 March 2022: HK\$82.5 million). As compared with the corresponding period last year, trade payables decreased by HK\$107.7 million and trade payables turnover decreased from 70 days to 36 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 year ended 30 September 2022, the group invested HK\$4.1 million (2021: HK\$5.8 million) 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 and bank loans. 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 2022, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed approximately 1,680 employees (2021: 2,180). 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2022, 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	60.39%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		154,349,960 <i>(Note)</i>	154,949,960	46.52%
Ms. Cheung Lai See, Sophie	Beneficial Owner	1,258,000			
	Beneficiary of trust		154,349,960 <i>(Note)</i>	155,607,960	46.72%
Dr. Cheung Shu Sang, William	Beneficial Owner	900,000			
	Beneficiary of trust		154,349,960 <i>(Note)</i>	155,249,960	46.61%

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 2022, 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 2022, 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	46.34%
Unison Associates Limited	Held by controlled corporation	147,779,960	44.37%
	Beneficial Owner	6,570,000	1.97%
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.48%
Webb, David Michael	Beneficial Owner	12,721,000	3.82%
	Held by controlled corporation	24,197,000 (Note)	7.27%
Preferable Situation Assets Limited	Beneficial Owner	24,197,000	7.27%

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 2022, 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

The share option scheme which was adopted by the Company on 8 August 2012 had a term of 10 years and had expired on 8 August 2022, No option has been granted under the share option scheme since its adoption.

No share option scheme was adopted by the Company subsequent to the expiration of the above share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2022, 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 2022, except for the following:

The former Company Secretary of the Company, Ms. Wong Lai Yung, has resigned as Company Secretary and Finance and Account Manager of the Company with effect from 1 November 2022, as such the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and the relevant code provisions of the CG Code. The Company is in the process of identifying a suitable candidate to fill the vacancy of company secretary.

DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Annual Report 2021/2022 up to the publication of this report are set out below:

During the six months ended 30 September 2022, the composition of the Board of Directors (“**Board**”) has changed. On 10 June 2022, Professor Lo Chung Mau resigned as an Independent Non-Executive Director and a member of the Audit Committee of the Company. Mr. Lo Chor Cheong, Colin was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company with effect from 9 September 2022.

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 of the Company has reviewed and discussed with the management of the Company on the unaudited condensed consolidated interim results of the Group for the Reporting Period including the report of the Company and the accounting principles and practices adopted by the Group and is of the view that the financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. During the Reporting Period, the Audit Committee comprises three independent non-executive directors, namely, Ms. Choy Wai Shuen, Susan, Mr. Lai Ah Ming, Leon, Professor Lo Chung Mau (resigned on 10 June 2022) and Mr. Lo Chor Cheong, Colin (with effect from 9 September 2022).

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, 30 November 2022

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