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ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

RESULTS

The board of directors (the “Board”) of Allan International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2023 together with the comparative figures for the year ended 31 March 2022, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	2	413,332	783,192
Cost of sales		(396,605)	(731,678)
Gross profit		16,727	51,514
Other income	3	44,757	35,017
Other gains and losses	4	5,640	(3,357)
Selling and distribution expenses		(16,337)	(24,358)
Administrative expenses		(81,491)	(95,891)
(Loss) gain on fair value changes of investment properties		(4,719)	15,190
Reversal of impairment loss under expected credit loss model, net		88	755
Impairment loss recognised on property, plant and equipment		(24,879)	–
Finance costs		(491)	(214)
Loss before tax		(60,705)	(21,344)
Income tax expense	5	(1,348)	(5,651)
Loss for the year attributable to owners of the Company	6	(62,053)	(26,995)
Other comprehensive (expense) income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(26,234)	12,939
Net fair value loss on debt instruments at fair value through other comprehensive income		(164)	(400)
Reclassification of investment revaluation reserve upon disposal of debt instruments at fair value through other comprehensive income		(96)	(67)
Other comprehensive (expense) income for the year		(26,494)	12,472
Total comprehensive expense for the year attributable to owners of the Company		(88,547)	(14,523)
Loss per share	8		
Basic		HK(18.6) cents	HK(8.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
Non-current assets			
Investment properties		512,990	533,952
Property, plant and equipment		6,583	39,230
Right-of-use assets		3,765	3,948
Club debentures		10,343	10,343
Debt instruments at fair value through other comprehensive income (“FVTOCI”)		7,662	–
Deposits paid for acquisition of property, plant and equipment		–	2,187
		541,343	589,660
Current assets			
Inventories		41,066	95,494
Trade receivables	9	72,968	165,587
Other receivables	9	23,117	22,680
Mould deposits paid		5,869	4,373
Financial assets at fair value through profit or loss (“FVTPL”)		7,349	20,284
Debt instruments at FVTOCI		1,529	8,659
Tax recoverable		1,381	1,182
Short-term deposits		367,684	93,254
Bank balances and cash		186,575	411,377
		707,538	822,890
Current liabilities			
Trade payables	10	51,240	82,530
Other payables and accruals		76,425	104,023
Mould deposits received		28,784	32,028
Tax liabilities		32,460	33,191
Secured bank loan		5,124	5,124
		194,033	256,896
Net current assets		513,505	565,994
Total assets less current liabilities		1,054,848	1,155,654

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	36,844	37,318
Secured bank loan	10,665	15,789
	<u>47,509</u>	<u>53,107</u>
Net assets	<u>1,007,339</u>	<u>1,102,547</u>
Capital and reserves		
Share capital	33,305	33,315
Reserves	974,034	1,069,232
	<u>1,007,339</u>	<u>1,102,547</u>

Notes :

1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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 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 year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and trading of household electrical appliances. Revenue of the Group is sales of household electrical appliances and the revenue is recognised at one point in time. Revenue is recognised when control of the goods has transferred, being when the goods have been departed from specific location. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

As at 31 March 2023 and 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) 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, Asia sales, America sales and other regions sales. The information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is based on these operating divisions.

Segment Revenues and Results

The following is an analysis of the Group's revenue and results for each of the reportable and operating segments.

Year ended 31 March 2023

	Europe HK\$'000	Asia HK\$'000	America HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
Segment revenue (Note a)	<u>90,156</u>	<u>69,954</u>	<u>243,763</u>	<u>9,459</u>	<u>413,332</u>
Segment loss	<u>(8,783)</u>	<u>(6,815)</u>	<u>(23,747)</u>	<u>(921)</u>	<u>(40,266)</u>
Other gains and losses (except net foreign exchange gain)					(556)
Depreciation (except moulds)					(7,411)
Loss on fair value changes of investment properties					(4,719)
Finance costs on secured bank loan					(491)
Impairment loss on property, plant and equipment					(24,879)
Reversal of impairment loss on financial assets under expected credit loss model, net					88
Unallocated income and expenses, net (Note b)					<u>17,529</u>
Loss before tax					<u>(60,705)</u>

Year ended 31 March 2022

	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	America <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue (<i>Note a</i>)	<u>380,067</u>	<u>73,402</u>	<u>304,428</u>	<u>25,295</u>	<u>783,192</u>
Segment loss	<u>(17,444)</u>	<u>(3,369)</u>	<u>(13,973)</u>	<u>(1,161)</u>	(35,947)
Other gains and losses (except net foreign exchange loss)					696
Depreciation (except moulds)					(11,966)
Gain on fair value changes of investment properties					15,190
Finance costs on secured bank loan					(214)
Reversal of impairment loss on financial assets under expected credit loss model, net					755
Unallocated income and expenses, net (<i>Note b</i>)					<u>10,142</u>
Loss before tax					<u>(21,344)</u>

Notes:

- a) The allocation of segment revenue is determined based on destinations of shipment of products.
- b) Unallocated income and expenses mainly 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 cost and directors' salaries, other gains and losses (except net foreign exchange gain (loss)), depreciation (except moulds), (loss) gain on fair value changes of investment properties, finance costs on secured bank loan, impairment loss on property, plant and equipment and reversal of impairment loss of financial assets under expected credit loss model, net. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment assets and Liabilities

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

Segment Assets

	2023	2022
	HK\$'000	HK\$'000
Europe	26,737	139,286
Asia	24,776	30,883
America	65,376	88,218
Other regions	3,014	9,336
	<hr/>	<hr/>
Segment assets	119,903	267,723
Unallocated assets		
Financial assets as FVTPL	7,349	20,284
Debt instruments at FVTOCI	9,191	8,659
Short-term deposits	367,684	93,254
Bank balances and cash	186,575	411,377
Investment properties	512,990	533,952
Property, plant and equipment (except moulds)	6,583	36,961
Other receivables	23,117	22,680
Other unallocated assets (<i>Note</i>)	15,489	17,660
	<hr/>	<hr/>
Consolidated assets	1,248,881	1,412,550

Note: Other unallocated assets comprised tax recoverable, club debentures, right-of-use assets and deposits paid for acquisition of property, plant and equipment.

Segment Liabilities

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	6,278	11,344
Asia	4,872	2,481
America	16,975	17,472
Other regions	659	731
	<hr/>	<hr/>
Segment liabilities (<i>Note</i>)	28,784	32,028
Unallocated liabilities		
Trade payables	51,240	82,530
Other payables and accruals	76,425	104,023
Secured bank loan	15,789	20,913
Tax liabilities	32,460	33,191
Deferred tax liabilities	36,844	37,318
	<hr/>	<hr/>
Consolidated liabilities	241,542	310,003
	<hr/>	<hr/>

Note: Segment liabilities represented mould deposits received by each segment.

Information About Major Customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A (Europe, Asia, America and Other regions)	130,460	146,768
Customer B (Europe, Asia, America and Other regions)	121,156	206,869
Customer C (Europe, Asia, America and Other regions)	61,711	291,618
Customer D (Europe, Asia, America and Other regions)	45,054	N/A ¹
	<hr/>	<hr/>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical Information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

Information about the Group's non-current assets, excluding debt instruments at FVTOCI, is presented based on the geographical location of the assets.

	2023	2022
	HK\$'000	HK\$'000
Hong Kong	290,582	299,539
The PRC	243,099	290,121
	<u>533,681</u>	<u>589,660</u>

Other Segment Information

Year ended 31 March 2023

	Europe	Asia	America	Other regions	Total segment	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:							
Interest income on bank deposits	-	-	-	-	-	7,363	7,363
Interest income on debt instruments	-	-	-	-	-	237	237
Rental income	-	-	-	-	-	19,584	19,584
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,584</u>	<u>19,584</u>

Year ended 31 March 2022

	Europe	Asia	America	Other regions	Total segment	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:							
Interest income on bank deposits	-	-	-	-	-	3,628	3,628
Interest income on debt instruments	-	-	-	-	-	588	588
Rental income	-	-	-	-	-	20,451	20,451
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,451</u>	<u>20,451</u>

3. OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000
Rental income	19,584	20,451
Interest income	7,600	4,216
Building management fee income	6,699	6,779
Scrap sales	383	395
Government grants (<i>Note</i>)	3,102	–
Others	7,389	3,176
	44,757	35,017

Note: For the year ended 31 March 2023, the Group recognised government grants of approximately HK\$1,559,000 (2022: nil) in relation to Employment Support Scheme provided by the Hong Kong government and approximately HK\$1,543,000 (2022: nil) relates to government assistance and tax refunds in the PRC. There are no unfulfilled conditions or contingencies in relation to these grants.

4. OTHER GAINS AND LOSSES

	2023	2022
	HK\$'000	HK\$'000
Net foreign exchange gain (loss)	6,196	(4,053)
Write-off of property, plant and equipment	(66)	(87)
Cumulative gain reclassified of investment revaluation reserve upon disposal of debt instruments at FVTOCI	96	67
Net loss on fair value changes of financial assets at FVTPL	(583)	(265)
Others	(3)	981
	5,640	(3,357)

5. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong	395	937
PRC Enterprise Income Tax	2,180	3,883
PRC withholding tax	–	2,254
	<u>2,575</u>	<u>7,074</u>
Overprovision in prior years:		
Hong Kong	(753)	(1,021)
Deferred tax	(474)	(402)
	<u>1,348</u>	<u>5,651</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax	<u>(60,705)</u>	<u>(21,344)</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	(10,016)	(3,522)
Tax effect of expenses not deductible for tax purpose	14,617	5,848
Tax effect of income not taxable for tax purpose	(2,258)	(1,129)
Effect of different tax rates of subsidiaries operating in the PRC	2,265	1,544
Overprovision in respect of prior years	(753)	(1,021)
Tax effect of tax losses not recognised	2,825	20
Utilisation of tax losses previously not recognised	–	(3)
Others	(5,332)	3,914
Income tax expense for the year	<u>1,348</u>	<u>5,651</u>

6. LOSS FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Employee benefit expenses, including directors' remunerations		
– Salaries and allowances	125,289	204,026
– Retirement benefit scheme contributions	<u>14,622</u>	<u>18,721</u>
Total employee benefit expenses	139,911	222,747
Depreciation of property, plant and equipment	7,980	13,254
Depreciation of right-of-use assets	<u>183</u>	<u>183</u>
Total depreciation	8,163	13,437
Gross rental income from investment properties	(19,584)	(20,451)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<u>902</u>	<u>912</u>
	<u>(18,682)</u>	<u>(19,539)</u>
Auditor's remuneration	2,126	2,386
Cost of inventories recognised as an expense	<u>396,605</u>	<u>731,678</u>

7. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
– 2023 interim dividend of nil cents (2022: 2022 interim dividend of HK2 cents) per share	–	6,667
– 2022 final dividend of HK2 cents (2022: 2021 final dividend of HK8 cents) per share	6,661	26,814
– 2022 special dividend of nil cents (2021: 2021 special dividend of HK15 cents) per share	<u>–</u>	<u>50,277</u>
	<u>6,661</u>	<u>83,758</u>

No dividend has been proposed since the end of the reporting period. A final dividend in respect of the year ended 31 March 2022 of HK2 cents per ordinary share, in aggregate amount of HK\$6,661,000 were proposed, declared and paid.

8. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company)	<u>(62,053)</u>	<u>(26,995)</u>
	Number of shares	
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>333,055</u>	<u>334,349</u>

No diluted loss per share has been presented for both years as there were no potential dilutive ordinary shares in issue.

9. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables – sales of goods	73,266	165,973
Less: Allowance for credit loss	<u>(298)</u>	<u>(386)</u>
	72,968	165,587
Other receivables (<i>Note</i>)	<u>23,117</u>	<u>22,680</u>
Total trade and other receivables	<u>96,085</u>	<u>188,267</u>

Note: As at 31 March 2023, the Group's other receivables mainly include value added tax recoverable of HK\$15,299,000 (2022: HK\$14,043,000), which will be recovered within one year.

As at 1 April 2021, trade receivables from contracts with customers amounted to HK\$241,738,000.

The following is an aged analysis of trade receivables, presented based on the invoice dates:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	62,409	104,885
91–120 days	4,827	16,466
121–180 days	5,732	44,236
	<u>72,968</u>	<u>165,587</u>

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregated carrying amount of HK\$2,289,000 (2022: HK\$22,584,000) which are past due at the reporting date. Out of the past due balances, HK\$127,000 (2022: HK\$67,000) has been past due 90 days or more and is not considered as in default because there had not been significant changes in credit quality of the relevant debtors and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

10. TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	50,216	80,333
91–120 days	219	365
Over 120 days	805	1,832
	<u>51,240</u>	<u>82,530</u>

The credit period on purchase of goods is ranged from 30 to 90 days.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (“AGM”) will be held on Friday, 18 August 2023. For the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the AGM, all transfers accompanied with the relevant share certificates must be deposited with the Company’s share registrar, Tricor Standard Limited, whose address is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 14 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2023, the Group’s sales turnover decreased by 47% to HK\$413.3 million (2022: HK\$783.2 million) and the consolidated net loss was HK\$62.1 million (2022: HK\$27.0 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 was indication of impairment of property, plant and equipment 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 their recoverable amount. As a result, a provision of impairment to property, plant and equipment of HK\$24.9 million had been made. Basic loss per share of the Group for the year ended 31 March 2023 was HK18.6 cents (2022: HK8.1 cents). The Board of Directors has resolved not to recommend any dividend (2022: interim dividend of HK2 cents and final dividend of HK2 cents per share) for the year ended 31 March 2023.

BUSINESS REVIEW

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

The financial year 2023 had been extremely challenging and difficult. Global situations and business environment remained turbulent and unpredictable. Inflation, rising interest rates, high energy costs, geopolitical uncertainties under Russia-Ukraine conflict and US-China tension had caused demand and customer sentiments to weaken at an alarming rate. All these led to retailers cutting back on orders and reducing inventory levels sharply. As such, our Group had to deal with abrupt order deferrals and cancellations reluctantly. The enormous drop in sales turnover, particularly in the Europe market, had disrupted the economy of scale in our operations and impacted on the margins tremendously.

Sales turnover decreased by 47% to HK\$413.3 million. Sales turnover decreased across all markets. The drop in sales turnover to Europe was most severe, dropping by 76% to HK\$90.2 million representing 22% of the Group's sales turnover. Sales turnover to America decreased by 20% to HK\$243.8 million representing 59% of the Group's sales turnover. Sales turnover to Asia decreased by 5% to HK\$70.0 million representing 17% of the Group's sales turnover. Sales turnover to other markets decreased by 63% to HK\$9.5 million representing 2% of the Group's sales turnover.

Gross profit for the year ended 31 March 2023 decreased by 68% to HK\$17 million. Gross profit margin decreased from 6.6% to 4.0%. COVID-19 outbreaks in certain provinces or cities in the PRC from time to time during the financial year 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 of sales orders resulted in a huge decrease in sales turnover which adversely impacted on 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 33% to HK\$16.3 million. As a percentage to sales turnover, selling and distribution expenses increased from 3.1% to 4.0% compared to last year. Administrative expenses decreased by 15% to HK\$81.5 million. As a percentage to sales turnover, administrative expenses increased from 12.2% to 19.7% compared to last year.

For the year ended 31 March 2023, the Group received subsidies of approximately HK\$1,559,000 through the Employment Support Scheme of the Government of the Hong Kong Special Administration Region and approximately HK\$1,543,000 through government assistance and tax refunds in the PRC. For the year ended 31 March 2022, the group did not receive any such subsidies.

At 31 March 2023, the investment property located in Wanchai, Hong Kong was revaluated at HK\$280 million (2022: HK\$285 million) resulting in a decrease in fair value of HK\$5 million for the year.

At 31 March 2023, the investment property located in the PRC at Hui Nam Hi-Tech Industrial Park was revaluated at RMB202,600,000 (HK\$232,990,000) (2022: RMB202,400,000 (HK\$248,952,000)) resulting in an increase in fair value of HK\$281,000 and a translation loss of HK\$16,243,000 for the period.

For the year ended 31 March 2023, the rental and management fee income generated from the investment properties in Hong Kong and the PRC was approximately HK\$26.3 million (2022: HK\$27.2 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 was indication of 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 their 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 year ended 31 March 2023 was HK\$62.1 million (2022: HK\$27.0 million). Net loss margin worsened from 3.4% to 15.0% compared to last year.

BUSINESS OUTLOOK

The visibility for the macro-economic and business outlook is still extremely uncertain and limited. We expect the adverse factors such as inflation, higher interest rates, weak consumer sentiments and geopolitical uncertainties under Russia-Ukraine conflict and US-China tension would continue and linger on in financial year 2024.

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 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 for 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 31 March 2023, the Group had total assets of HK\$1,248.9 million (2022: HK\$1,412.6 million) which was financed by current liabilities of HK\$194.0 million (2022: HK\$256.9 million), long-term liabilities of HK\$47.5 million (2022: HK\$53.1 million) and shareholders' equity of HK\$1,007.3 million (2022: HK\$1,102.5 million).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 31 March 2023, the Group held HK\$554.3 million (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 year ended 31 March 2023, the Group generated net cash inflow from operating activities of HK\$54.1 million (2022: outflow of HK\$32.0 million). As at the same date, total borrowings were HK\$15.8 million (2022: HK\$20.9 million) and the gearing ratio (ratio of total borrowings to shareholders' equity) was 1.6% (2022: 1.9%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 31 March 2023 was HK\$41.1 million (2022: HK\$95.5 million). Inventory decreased by HK\$54.4 million and inventory turnover increased from 47 days to 63 days. The trade receivables balance as at 31 March 2023 was HK\$73.0 million (2022: HK\$165.6 million). Trade receivables decreased by HK\$92.6 million and trade receivables turnover decreased from 77 days to 64 days. The trade payables balance as at 31 March 2023 was HK\$51.2 million (2022: HK\$82.5 million). Trade payables decreased by HK\$31.3 million and trade payables turnover increased from 41 days to 47 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 31 March 2023, the group invested HK\$4.1 million (2022: HK\$12.9 million) in plant and machinery, moulds and tools, equipment, computer systems and other tangible assets for expansion and upgrading of 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.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed approximately 1,540 employees (2022: 2,000). The majority of our employees work in the PRC. The Group remunerated our employees based on their performance, experiences and prevailing market rates while performance bonuses are granted on a discretionary basis.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) on the financial year ended 31 March 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors (the “Model Code”). Having made specific enquiry to all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2023, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed with the management and the Company’s auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the audited consolidated financial statements of the Group for the year ended 31 March 2023. The Audit Committee currently comprises three independent non-executive directors, namely Ms. Choy Wai Sheun, Susan, Mr. Lai Ah Ming, Leon and Mr. Lo Chor Cheong, Colin.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 27 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> (the "HKEx website") and the Company's website at <http://www.allan.com.hk>.

The Company's annual report containing all information required by the Listing Rules will also be available for viewing on the HKEx website and the Company's website, and dispatched to shareholders in due course.

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.

On behalf of the Board
Allan International Holdings Limited
Cheung Lai Chun, Maggie
Chairman

Hong Kong, 27 June 2023

As at the date of this announcement, the Executive Directors are Ms. Cheung Lai Chun, Maggie (Chairman), Mr. Cheung Shu Wan (Managing Director), Ms. Cheung Lai See, Sophie and Dr. Cheung Shu Sang, William. The Independent Non-Executive Directors are Ms. Choy Wai Sheun, Susan, Mr. Lai Ah Ming, Leon and Mr. Lo Chor Cheong, Colin.