



# ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)

## INTERIM RESULTS 2006/2007

### RESULTS

The board of directors of Allan International Holdings Limited announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2006 together with the comparative figures for the six months ended 30 September 2005, as follows:–

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		Six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
Revenue	4	524,766	418,328
Cost of sales		<u>(435,116)</u>	<u>(348,776)</u>
Gross profit		89,650	69,552
Other income		3,577	677
Net investment income		2,747	2,134
Distribution costs		(14,072)	(12,139)
Administrative expenses		(48,317)	(43,552)
Interest on bank borrowings		<u>(497)</u>	<u>(357)</u>
Profit before tax	5	33,088	16,315
Income tax expense	6	<u>(4,908)</u>	<u>(2,527)</u>
Profit for the period		<u>28,180</u>	<u>13,788</u>
Dividend paid	7	<u>20,126</u>	<u>20,126</u>
Earnings per share	8		
Basic		<u>8.40 cents</u>	<u>4.11 cents</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AT 30 SEPTEMBER 2006**

		<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
	<i>NOTES</i>		
<b>Non-current assets</b>			
Investment property	9	<b>4,540</b>	4,540
Property, plant and equipment	9	<b>119,291</b>	129,137
Prepaid lease payments		<b>20,442</b>	20,579
Available-for-sale investments		<b>44,375</b>	43,434
Deposits paid for the acquisition of property, plant and equipment		<b>1,682</b>	926
Deposit paid for the acquisition of land use right in the People's Republic of China ("PRC")	10	<b>21,190</b>	–
		<b>211,520</b>	198,616
<b>Current assets</b>			
Inventories		<b>88,540</b>	66,679
Available-for-sale investments		<b>1,627</b>	1,556
Trade receivables and bills receivable	11	<b>210,592</b>	143,337
Other receivables		<b>8,300</b>	2,562
Mould deposits paid		<b>2,457</b>	10,031
Prepaid lease payments		<b>273</b>	273
Tax recoverable		<b>322</b>	1,444
Time deposits and money fund held for investment		<b>78,091</b>	135,242
Bank balances and cash		<b>103,256</b>	51,918
		<b>493,458</b>	413,042
<b>Current liabilities</b>			
Trade payables and bills payable	12	<b>150,598</b>	74,107
Other payables		<b>51,545</b>	35,830
Mould deposits received		<b>5,898</b>	13,995
Tax payable		<b>7,509</b>	3,034
Secured bank loans – due within one year		<b>5,953</b>	5,846
		<b>221,503</b>	132,812
<b>Net current assets</b>		<b>271,955</b>	280,230
		<b>483,475</b>	478,846

Capital and reserves			
Share capital	13	33,543	33,543
Reserves		430,538	420,840
		<u>464,081</u>	<u>454,383</u>
Non-current liabilities			
Deferred taxation		12,416	14,480
Secured bank loans			
– due after one year		6,978	9,983
		<u>16,394</u>	<u>24,463</u>
		<u>483,475</u>	<u>478,846</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006**

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, respectively.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments have been required.

**3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES**

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

#### 4. SEGMENT INFORMATION

##### *Geographical segments*

For management purposes, the Group is currently organised into four major geographical segments based on the destination of shipment of products. These segments are the basis on which the Group reports its primary segment information.

##### **Six months ended 30 September 2006**

	<b>Europe (Unaudited) HK\$'000</b>	<b>America (Unaudited) HK\$'000</b>	<b>Asia (Unaudited) HK\$'000</b>	<b>Others (Unaudited) HK\$'000</b>	<b>Consolidated (Unaudited) HK\$'000</b>
Segment revenue	<u>288,753</u>	<u>114,051</u>	<u>104,795</u>	<u>17,167</u>	<u>524,766</u>
Segment result	<u>18,231</u>	<u>4,212</u>	<u>7,316</u>	<u>1,079</u>	<u>30,838</u>
Net investment income					2,747
Interest on bank borrowings					<u>(497)</u>
Profit before tax					<b>33,088</b>
Income tax expense					<u>(4,908)</u>
Profit for the period					<u><b>28,180</b></u>

##### *Six months ended 30 September 2005*

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	<u>204,904</u>	<u>116,300</u>	<u>84,690</u>	<u>12,434</u>	<u>418,328</u>
Segment result	<u>8,623</u>	<u>2,318</u>	<u>3,211</u>	<u>386</u>	14,538
Net investment income					2,134
Interest on bank borrowings					<u>(357)</u>
Profit before tax					16,315
Income tax expense					<u>(2,527)</u>
Profit for the period					<u>13,788</u>

The Group's business is affected by seasonal trend, with high level of revenue during the second quarter of the fiscal year. This trend results primarily from the seasonal shipments to the customers prior to the holiday shopping period.

## 5. PROFIT BEFORE TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before tax has been arrived at after charging (crediting) the following items:		
Interest income	(3,246)	(1,970)
Net loss (gain) on sale of available-for-sale investments	<u>499</u>	<u>(70)</u>
Net investment income	<u>(2,747)</u>	<u>(2,040)</u>
Amortisation of prepaid lease payments	137	131
Depreciation on property, plant and equipment	<u>17,560</u>	<u>22,713</u>
Total depreciation and amortisation	<u>17,697</u>	<u>22,844</u>
Gain on disposal of property, plant and equipment	<u>(347)</u>	<u>(127)</u>

## 6. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit	5,564	3,393
– Income tax in other regions of PRC calculated at prevailing rates	<u>1,408</u>	<u>1,744</u>
	<u>6,972</u>	<u>5,137</u>
Deferred tax		
– Current period	<u>(2,064)</u>	<u>(2,610)</u>
	<u>4,908</u>	<u>2,527</u>

## 7. DIVIDENDS

On 12 September 2006, a dividend of HK6 cents per share (2005: HK6 cents per share) was paid to the shareholders as the final dividend for the year ended 31 March 2006.

The board of directors have determined that an interim dividend of HK3 cents (2005: HK2 cents) per share shall be paid on or before 15 January 2007 to the shareholders of the Company whose names appear on the Register of Members on 5 January 2007.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	<u>28,180</u>	<u>13,788</u>

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	Number	Number
	of shares	of shares
Number of ordinary shares for the purpose of basic earnings per share	<u>335,432,520</u>	<u>335,432,520</u>

## 9. MOVEMENTS IN INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$5,743,000 for proceeds of HK\$6,090,000, resulting in a profit on disposal of HK\$347,000.

In addition, the Group spent approximately HK\$5,655,000 on moulds and tools, HK\$631,000 on factory building and HK\$4,883,000 on plant and machinery in upgrading its manufacturing capabilities. The Group also spent approximately HK\$1,401,000 on furniture and fixtures and HK\$887,000 on motor vehicle.

At 30 September 2006, the directors considered the carrying amount of the Group's investment property and property, plant and equipment do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

## 10. DEPOSIT PAID FOR THE ACQUISITION OF LAND USE RIGHT IN THE PRC

At 30 September 2006, the Group paid approximately HK\$21,190,000 (2005: nil) for the acquisition of land use rights for the two parcels of land in the PRC for future expansion of the manufacturing base.

## 11. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group allows a credit period of up to 90 days to its trade customers. The following is an aged analysis of trade receivables and bills receivable at the balance sheet date:

	30 September 2006	31 March 2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 90 days	210,592	140,776
91 – 120 days	–	2,561
	<u>210,592</u>	<u>143,337</u>

## 12. TRADE PAYABLES AND BILLS PAYABLE

The following is an aged analysis of trade payables and bills payable at the balance sheet date:

	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
0 – 90 days	150,037	74,107
91 – 120 days	561	–
	<u>150,598</u>	<u>74,107</u>

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 April 2006 and at 30 September 2006	<u>600,000,000</u>	<u>60,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2006 and at 30 September 2006	<u>335,432,520</u>	<u>33,543</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS

For the six months ending 30 September 2006, the Group's sales turnover increased by 25% to HK\$524,766,000 (2005: HK\$418,328,000) and the consolidated net profit increased to HK\$28,180,000 (2005: HK\$13,788,000). Basis earnings per share of the Group increased to HK8.4 cents (2005: HK4.1 cents). The Board of directors have resolved that an interim dividend of HK3 cents (2005: HK2 cents) per share to be paid in January 2007.

The Group manufactures a wide range of household electrical appliances. Geographically, turnover to Europe increased by 41% to HK\$288,753,000 representing 55% of the Group's turnover. Turnover to America decreased by 2% to HK\$114,051,000 representing 22% of the Group's turnover. Turnover to Asia increased by 24% to HK\$104,795,000 representing 20% of the Group's turnover. Turnover to other markets increased by 38% to HK\$17,167,000 representing 3% of the Group's turnover.

The past few years had been extremely difficult for the manufacturing industry. Oil prices kept increasing and recorded historical high. Raw material prices had been volatile and remained at high levels. Manufacturers in the PRC were faced with inadequate supply of electricity and shortage of labour. With all these adverse factors, the Group strived on and concentrated persistently in cost control, improvements in production efficiency and new product development. Our persistent efforts have paid off with positive results. Our new product ranges with higher average selling price contributed to the increase in sales turnover and our focus in cost control and production efficiency has allowed us to maintain our gross margin at 17% of turnover.

During the period under review, distribution costs were maintained at 3% of turnover while administrative expenses improved by 1 percentage point to 9% of turnover. Comparing the same period of the previous year, net profit margin improved from 3% to 5% of turnover

## **PROSPECTS**

Looking ahead, we expect the overall business environment would continue to be tough and competitive. We would continue to focus in cost control, production efficiency, new product design and development and providing superior value-added service to our customers.

In December 2006, our manufacturing facility in the PRC has successfully completed the audit for the Environment Management System ISO14001:2004 and is now waiting for the official accreditation documents. We would continue to adhere stringently to all legal requirements and regulations on environmental protection.

The Group has paid for the land use rights for 2 parcels of land in Huizhou, Guangdong Province in the PRC at consideration of approximately RMB10,479,000 and RMB10,800,000 respectively for future expansion of our manufacturing base. The development is expected to be made in several phases. Currently, we are working on the plan for the first phase of development. We expect the construction for first phase, with a budget of approximately HK\$70 million, would begin at the beginning of fiscal 2007/08. With our strong financial position and available bank facilities, we are confident that we can meet the capital requirement for the expansion.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2006, the Group had total assets of HK\$704,978,000 (31 March 2006: HK\$611,658,000) which was financed by current liabilities of HK\$221,503,000 (31 March 2006: HK\$132,812,000), long-term liabilities and deferred taxation of HK\$19,394,000 (31 March 2006: HK\$24,463,000) and shareholders' equity of HK\$464,081,000 (31 March 2006: HK\$454,383,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2006, the group held HK\$181,347,000 (31 March 2006: HK\$187,160,000) in cash and bank deposits. They were mainly placed in US dollar short-term deposits except for temporary balances held in such non-US currencies as required pending specific payments. For the six months ending 30 September 2006, the Group generated net cash inflow from operating activities of HK\$43,644,000. As at 30 September 2006, total borrowings were HK\$12,931,000 (31 March 2006: HK\$15,829,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 3% (31 March 2006: 3%).

Funding for operational working capital and capital expenditures are financed by internal cash flow. With our strong financial position and available banking facilities, we are confident that sufficient financial resources can be provided for our current commitments, working capital requirements, further expansions of the Group's business operations and future investment opportunities, as and when required.

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars and Renminbi. Although the Group was not exposed to material foreign exchange rate risk, we will closely monitor the exposure and will consider hedging should the need arise.

## **PLEDGE OF ASSETS**

The Group has pledged certain prepaid lease payments and buildings having a net book value of approximately HK\$9,681,000 to secure general banking facilities granted to the Group.



## **CONTINGENT LIABILITIES**

As at 30 September 2006, the Group did not have any significant contingent liabilities.

## **EMPLOYEE AND REMUNERATION POLICIES**

Currently, the Group employed approximately 4,300 employees. The majority of our employees work in the PRC. The Group remunerated our employees based on their performances, experiences and prevailing market rates while performances bonus are granted on a discretionary basis. Share options may also be granted to employees based on individual performance and attainment of certain set targets.

## **CLOSURE OF REGISTER**

The Register of Shareholders will be closed from 3 January 2007 to 5 January 2007, 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, Standard Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 2 January 2007 in order to qualify for the interim dividend above mentioned.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2006, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2006, save for the following deviations:

### **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 three independent non-executive directors is appointed for a specific term. However, all independent 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 Code.

### **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 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.

### **Code Provision B.1.1**

Under this code provision, the Company should establish a remuneration committee with terms of reference which deal clearly with its authority and duties.

The Board is in the opinion that the establishment of a remuneration committee as required by code provision B.1.1 is not justified after consideration of the size of the Group and the associated costs involved.

### **Code Provision E.1.2**

Under this code provision, the Chairman of the Board should attend the annual general meeting.

The Chairman of the Board had not attended the annual general meeting of the Company held on 1 September 2006. The Chairman will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

### **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its Code of Conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standards set out in the Model Code as provided in Appendix 10 of the Listing Rules.

### **REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENT**

The Audit Committee and the external auditors have reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2006. The Committee now comprises three independent non-executive directors of the Company.

### **PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE**

A detailed announcement of interim results of the Group for the six months ended 30 September 2006 containing all information required by paragraph 46(1) to 46(9) of Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited, will be published on the website of the Stock Exchange 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 contribution and support throughout the year.

On behalf of the Board  
**Cheung Shu Wan**  
*Managing Director*

Hong Kong, 14 December 2006

*As at the date of this announcement, the Executive Directors are Mr. Cheung Lun (Chairman); Mr. Cheung Shu Wan (Managing Director); Ms. Cheung Lai Chun, Maggie; Ms. Cheung Lai See, Sophie; and Mr. Cheung Pui. The Independent Non-Executive Directors are Dr. Chan How Chun, Mr. Lai Ah Ming, Leon and Professor Lo Chung Mau.*

Please also refer to the published version of this announcement in The Standard.