



ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

RESULTS

The board of directors of Allan International Holdings Limited announces the audited consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 31 March 2005 together with the comparative figures for the year ended 31 March 2004, as follows:–

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2005	2004
	Notes	HK\$'000	HK\$'000
Turnover	2	793,435	833,427
Cost of sales		<u>(654,350)</u>	<u>(669,581)</u>
Gross profit		139,085	163,846
Other operating income		2,062	2,077
Distribution costs		(25,022)	(33,329)
Administrative expenses		<u>(81,237)</u>	<u>(82,737)</u>
Profit from operations		34,888	49,857
Finance costs		(474)	(275)
Net Investment income		<u>5,703</u>	<u>4,378</u>
Profit before taxation		40,117	53,960
Taxation	3	<u>(4,792)</u>	<u>(8,070)</u>
Net profit for the year		<u><u>35,325</u></u>	<u><u>45,890</u></u>
Dividends	4	<u><u>26,835</u></u>	<u><u>26,835</u></u>
Earnings per share	5		
Basic		<u><u>10.5 Cents</u></u>	<u><u>13.7 Cents</u></u>

Notes:

1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards (“HKAS”) and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January, 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January, 2005, therefore HKFRS 3 did not have any impact on the Group for the year ended 31 March, 2005.

In December 2004, the HKICPA issued HKAS 40 “Investment Property” which require that, under the fair value model, all changes in fair value of an investment property will be recognised in the income statement. Accordingly, by applying the relevant transitional provisions in HKAS 40, the Group estimated that the adoption of HKAS 40 would result in an increase in accumulated profits as at 1 April, 2005 by HK\$2,105,000 and a decrease in investment property revaluation reserve as at 1 April, 2005 with the same amount.

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operation and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. SEGMENTAL INFORMATION

Geographical segments

The following table provides analysis of the Group’s turnover and contribution to profit from operations by geographical market determined on the basis of the destination of shipment of products:

	Turnover		Contribution to	
	Year ended		Profit from operations	
	31 March		Year ended	
	2005	2004	2005	2004
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Europe	381,568	423,525	20,065	27,204
America	230,828	269,131	7,001	12,952
Asia	160,019	115,083	7,186	8,726
Other regions	21,020	25,688	636	975
	<u>793,435</u>	<u>833,427</u>	<u>34,888</u>	<u>49,857</u>

3. TAXATION

	Year ended 31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profits		
Current year	5,342	4,831
Underprovision in prior years	203	541
	<hr/>	<hr/>
	5,545	5,372
PRC enterprise income tax calculated at the prevailing rates	1,353	1,453
	<hr/>	<hr/>
	6,898	6,825
	<hr/>	<hr/>
Deferred tax		
Current year	(2,106)	165
Attributable to change in tax rate	–	1,080
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	(2,106)	1,245
	<hr/>	<hr/>
	4,792	8,070
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4. DIVIDENDS

	Year ended 31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary Shares:		
Interim, paid – 2 cents (2004: 2 cents) per share	6,709	6,709
Final, proposed – 6 cents (2004: 6 cents) per share	20,126	20,126
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	26,835	26,835
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The final dividend should be paid on or before 16 September 2005 to the shareholders of the Company whose names appear in the Register of members on 2 September 2005.

5. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the both years and 335,432,520 shares in issue.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 29 August 2005 to 2 September 2005, 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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 26 August 2005 in order to qualify for the final dividend above mentioned.

CHAIRMAN'S STATEMENT

For the year ended 31 March 2005, the Group's sales turnover decreased by 5% to HK\$793,435,000 (2004: HK\$833,427,000) and the consolidated net profit decreased by 23% to HK\$35,325,000 (2004: HK\$45,890,000). Basic earnings per share of the Group for the year ended 31 March 2005 was HK10.5 cents (2004: HK13.7 cents). The Board of Directors have resolved to recommend at the forthcoming annual general meeting the payment of a final dividend of HK6 cents (2004: HK6 cents) per share for the year ended 31 March 2005. Together with the interim dividend of HK2 cents per share paid in January this year, the total dividend for the year ended 31 March 2005 will be HK8 cents per share (2004: HK8 cents).

BUSINESS REVIEW

The Group manufactures a wide range of household electrical products. Geographically, turnover to Europe decreased by 10% to HK\$381,568,000 representing 48% of the Group's turnover. Turnover to America decreased by 14% to HK\$230,828,000 representing 29% of the Group's turnover. Turnover to Asia and other markets increased by 29% to HK\$181,039,000 representing 23% of the Group's turnover.

The financial year ended 31 March 2005 has been a difficult year for the Group. Business environment remained tough and competitive over the past year. The continuing escalation in oil and raw material prices coupled with the shortage in electricity and labour in southern China have affected the Group's profit margin negatively.

Gross profit margin dropped from 20% to 18%. The persistent increase in raw material costs eroded our profit margin severely over the year. Prices for plastic resin, sheet metal and packaging materials have all increased significantly. The labour shortage in southern China and the surge in wages also put extra pressure on the Group's production costs and further cut into our profit margin. Over the year, the shortage of electricity supply and the increase in petroleum oil prices affected our operating efficiencies negatively. However, due to the tough and highly competitive business environment that the Group was exposed to, we were only able to pass on part of these cost increase to customers.

After tax net profit margin decreased from 6% to 4%. With the stringent cost control program in place, we are able to control the Distribution and Administrative expenses to avoid further erosion in the net profit. Distribution costs improved from 4% to 3% to turnover. Administrative expenses decreased slightly to HK\$81,237,000 remaining at 10% to turnover. Investment income increased by HK\$1,325,000 to HK\$5,703,000.

During the year, new products launched included new versions of Bath Spa, Blender, Deep Fryer, Electric Knife, Electric Shower, Food Processor, Foot Spa, Juice Extractor, Rechargeable Vacuum Cleaner and Vegetable Cutter.

PROSPECTS

Looking ahead, the Group believes that the overall business environment would continue to be difficult. The keen competition within the industry continues. We will try to differentiate our products from the competitors by focusing on the development of better designed and sophisticated electrical products in order to remain competitive and to sustain our market share within the industry. We would continue with our tight cost control measures and to increase our production efficiency. We do not expect the raw material costs to drop in the near future. In addition, we expect the shortage in labour supply in southern China to continue. As such, we will continue to increase the degree of semi-automation in our manufacturing to counteract the heavy reliance on labour. We also believe semi-automation would play a vital role in our continual improvement in production efficiency and quality.

In July 2005, we have set up a section for the manufacture of electric kettles using a fully-automated injection moulding facility with 2K (two-component) injection moulding machines, robotic arms and automatic-feeding system. This is an important step for us in moving towards automation in manufacturing which we believe should be the direction to go in the coming years. Hence, we anticipate that the requirement for capital expenditure would increase in the next few years for implementation of automation in our manufacturing facilities.

The Group remains committed to product development and product quality. We strongly believe in product excellence and would continue to keep improving in the technique and know-how in manufacturing the different categories of electrical products.

We are currently working on several new versions of Bath Spa, Blender, Deep Fryer, Food Processor, Foot Bath, Juice Extractor and Kettle.

With a strong and stable financial position, long established experience and goodwill, good long-term relationship with our customers, high quality products, improvement on existing products, research and development on new products, effective cost control measures and focus in our core business, the Group is confident to meet the challenges lying ahead and sail through the hard times.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had total assets of HK\$606,816,000 (2004: HK\$605,712,000) which was financed by current liabilities of HK\$134,652,000 (2004: HK\$138,352,000), long-term liabilities and deferred taxation of HK\$21,771,000 (2004: HK\$25,797,000) and shareholders' equity of HK\$450,393,000 (2004: HK\$441,563,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 31 March 2005, the Group held HK\$171,593,000 (2004: HK\$154,749,000) 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. As at 31 March 2005, the investments in held-to-maturity principal guaranteed funds and bonds were HK\$65,779,000 (2004: HK\$63,091,000). For the year ended 31 March 2005, the Group generated net cash inflow from

operating activities of HK\$75,051,000 (2004: HK\$89,339,000). As at the same date, total borrowings included bank loans and obligations under finance lease of HK\$8,845,000 (2004: HK\$10,661,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 2% (2004: 2%).

Funding for day-to-day operational working capital and capital expenditures are to be serviced by internal cash flows. With a strong financial position and available banking facilities, the Group is able to provide sufficient financial resources for our current commitments, working capital requirements, further expansion of the Group's business operation and future investment opportunities, as and when required.

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars and Renminbi. The Group does not foresee any substantial exposure to foreign currency fluctuations and thus use of financial instruments for exchange rate hedging purpose is not considered.

CAPITAL EXPENDITURES

For the year ended 31 March 2005, the Group invested HK\$24,043,000 (2004: HK\$58,945,000) in plant and machinery, equipment, computer systems and other tangible assets. The majority of these capital expenditure were funded by internal resources except for some machinery which was funded by bank loans.

PLEDGE OF ASSETS

The Group has pledged certain land and buildings having a net book value of approximately HK\$8,561,000 to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 March 2005, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2005, the Group employed approximately 4,700 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2005, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The audit committee of the Company was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The committee has reviewed the audited financial statements of the Group for the year ended 31 March 2005.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting year covered by the Annual Report. The Code was replaced by the Code on Corporate Governance Practices (the “CG Code”) which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions will be taken by the Company to comply with the CG Code.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE

A detailed results announcement of the Group for the year ended 31 March 2005 containing all information required by paragraph 45(1) to 45(3) 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, 25 July 2005

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 Ms. Chan How Chun, Mr. Lai Ah Ming, Leon and Professor Lo Chung Mau.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Allan International Holdings Limited (the “Company”) will be held at World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 2 September 2005 at 3:45 p.m., for the purpose of considering and, if thought fit, pass the following ordinary business:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2005;
2. To declare a final dividend of HK6 cents per share for the year ended 31 March 2005;
3. (a) To re-elect Ms. Chan How Chun as Director;

(b) To re-elect Ms. Cheung Lai See, Sophie as Director;

- (c) To re-elect Mr. Lai Ah Ming, Leon as Director;
 - (d) To authorise the board of directors to fix the remuneration of the Directors;
4. (a) To appoint auditors;
- (b) to authorize the board of directors to fix their remuneration;

and, as special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

5. **“THAT:–**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period of all the powers of the Company to allot, issue and otherwise deal with additional shares of the Company (“**Shares**”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:–
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or right to acquire Shares;
 - (iv) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company;

shall not exceed:

- (A) in the case of an allotment and issue of shares for cash, 5% of the aggregate nominal amount of the share capital in issue at the date of this resolution; and
- (B) in the case of an allotment and issue of shares other than for cash, 20% of the aggregate nominal amount of the share capital in issue at the date of this resolution (less shares (if any) issued pursuant to the general mandate granted pursuant to sub-paragraph (A) of the resolution).

provided that, in any event, any shares to be allotted and issued by the Directors pursuant to the approval granted under this resolution shall not be issued at a discount of 5% or more to the Benchmarked Price (as hereinafter defined) of the shares, and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

“Benchmarked Price” shall be a price which is the higher of:

- (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date of signing of the agreement to which the transaction relates; or
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet for the five trading days immediately preceding the earlier of:

(A) the date of signing of the agreement to which the transaction relates; or

(B) the date on which the relevant transaction is announced; or

(C) the date on which the price of the shares of the Company to be issued pursuant to the transaction is fixed.

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“**Rights Issue**” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

6. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the shares of the Company (“**Shares**”) on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases, and subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be repurchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (d) for the purpose of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:–
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

7. “**THAT** conditional upon the passing of the Resolutions 5 and 6 as set out in the notice of this meeting, the general mandate granted to the directors of the Company (“**Directors**”) to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to Resolution 5 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors

pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 6 above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”

By order of the Board
Cheung Shu Wan
Managing Director

Hong Kong, 25 July 2005

*Head office and principal place
of business in Hong Kong:*

12th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:—

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the branch share registrar of the Company in Hong Kong, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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