



ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 684)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2004

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 2004 together with the comparative figures for the year ended 31 March 2003, as follows:–

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2004	2003
	Notes	HK\$'000	HK\$'000 (Restated)
Turnover	1	833,427	769,638
Cost of sales		(669,581)	(594,002)
Gross profit		163,846	175,636
Other operating income		2,077	1,214
Distribution costs		(33,329)	(29,052)
Administrative expenses		(82,737)	(81,776)
Profit from operations		49,857	66,022
Finance costs		(275)	(399)
Investment income (loss)		4,378	(3,049)
Profit before taxation		53,960	62,574
Taxation	2	(8,070)	(6,362)
Net profit for the year		45,890	56,212
Dividends	3	26,835	26,835
Earnings per share	5		
Basic		13.7 Cents	16.8 Cents

Notes:

1. SEGMENTAL INFORMATION

Geographical segments

The following tables provide 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 Profit from operations	
	Year ended 31 March		Year ended 31 March	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Europe	423,525	390,942	27,204	36,009
America	269,131	277,494	12,952	21,338
Asia	115,083	74,409	8,726	6,620
Other regions	25,688	26,793	975	2,055
	<u>833,427</u>	<u>769,638</u>	<u>49,857</u>	<u>66,022</u>

2. TAXATION

	Year ended 31 March	
	2004 HK\$'000	2003 HK\$'000 (Restated)
The charge comprises:		
Current tax		
Hong Kong Profits Tax calculated at 17.5% (2003: 16%) on the estimated assessable profits		
Current year	4,831	4,882
Underprovision in prior years	541	300
	<u>5,372</u>	<u>5,182</u>
PRC enterprise income tax calculated at the prevailing rates	1,453	1,211
	<u>6,825</u>	<u>6,393</u>
Deferred tax		
Current year	165	(31)
Attributable to change in tax rate	1,080	–
	<u>1,245</u>	<u>(31)</u>
	<u>8,070</u>	<u>6,362</u>

3. DIVIDENDS

	Year ended 31 March	
	2004 HK\$'000	2003 HK\$'000
Ordinary Shares:		
Interim, paid – 2 cents (2003: 2 cents) per share	6,709	6,709
Final, proposed – 6 cents (2003: 6 cents) per share	20,126	20,126
	<u>26,835</u>	<u>26,835</u>

The final dividend should be paid on or before 27 August 2004 to the shareholders of the Company whose names appear in the Register of members on 11 August 2004.

4. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (“HKFRS(s)”) issued by the Hong Kong Society of Accountants (“HKSA”), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAP(s)”) and Interpretations approved by the HKSA:

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) “Income taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

As a result of this change in policy, the accumulated profits at 1 April 2003 had been decreased by HK\$5,213,000 (1 April 2002: decreased by HK\$3,827,000), but has had no material effect on the result for the year ended 31 March 2004 (2003: decrease in profit by HK\$1,386,000)

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 12 August 2004 to 18 August 2004, 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 11 August 2004 in order to qualify for the final dividend above mentioned.

CHAIRMAN’S STATEMENT

For the year ended 31 March 2004, the Group’s sales turnover increased by 8% to HK\$833,427,000 (2003: HK\$769,638,000) and consolidated net profit decreased by 18% to HK\$45,890,000 (2003: HK\$56,212,000). Basic earnings per share of the Group for the year ended 31 March 2004 was HK13.7 cents (2003: HK16.8 cents).

As the Directors considered that the existing cash balances and future cash flows will be sufficient to meet the Group’s foreseeable capital and operating needs, the Directors recommend to increase the dividend to earnings ratio to the payment of a final dividend of HK6 cents per share for the year ended 31 March 2004. Together with the interim dividend of HK2 cents per share paid in January 2004, the total dividends for the year ended 31 March 2004 will be HK8 cents per share (2003: HK8 cents)

BUSINESS REVIEW

The Group’s core business lies in product categories of household appliances and personal care products. Turnover of household appliances increased by 8% to HK\$600,832,000 representing 72% of the Group’s turnover. Turnover of personal care products increased by 8% to HK\$232,595,000 representing 28% of the Group’s turnover.

Geographically, turnover to Europe increased by 8% to HK\$423,525,000 representing 51% of the Group's turnover. Turnover to America decreased by 3% to HK\$269,131,000 representing 32% of the Group's turnover. Turnover to Asia and other markets increased by 39% to HK\$140,771,000 representing 17% of the Group's turnover.

Gross profit margin dropped from 23% to 20% while operating profit margin dropped from 9% to 6% to turnover. The Group's distribution costs were HK\$33,329,000 (2003: HK\$29,052,000) maintaining at 4% to turnover. The Group's administration expenses increased by 1% from HK\$81,776,000 to HK\$82,737,000. Net profit after tax for the year dropped from 7% to 6% to turnover. The major reason for the drop in margins lies twofold. Firstly, raw material prices have been escalating starting from the beginning of 2003/04 financial year. Prices for major raw material components have increased significantly. Secondly, the pricing pressure from customers continued throughout the financial year.

The outbreak of SARS in Hong Kong and PRC has not affected the Group's operations significantly. During the outbreak, preventive measures were implemented in our Hong Kong office and PRC factories. None of our employees was infected and the operation of the Hong Kong office and PRC factories ran smoothly during the SARS period.

During the year, a new factory block in the PRC was constructed and commenced operation in the 3rd quarter of this financial year. The added capacity of the new factory block allows us to have a more efficient workflow for the larger size products. The capital expenditure spent for this new block was approximately HK\$30 million.

During the year, new products launched included new versions of Food Processor, Deep Fryer, Blender, Food Steamer, Vegetable Cutter, Juice Extractor, Foot Bath and Bath Spa.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2004, the Group had total assets of HK\$605,712,000 (2003: HK\$543,678,000) which was financed by current liabilities of HK\$138,352,000 (2003: HK\$105,018,000), long-term liabilities and deferred taxation of HK\$25,797,000 (2003: HK\$16,872,000) and shareholders' equity of HK\$441,563,000 (2003: HK\$421,788,000).

At the end of the financial year, the Group maintained a strong balance sheet and a healthy liquidity position. As at 31 March 2004, the Group had bank deposit and cash balance of HK\$154,749,000 (2003: HK\$178,702,000) most of which was 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 2004, the Group held HK\$63,091,000 (2003: HK\$25,207,000) in held-to-maturity principal guaranteed bonds and funds. For the year ended 31 March 2004, the Group generated net cash inflow from operating activities of HK\$89,339,000. Total borrowings as at 31 March 2004 included bank loans and obligations under finance leases of HK\$10,661,000 (2003: HK\$5,336,000). The gearing ratio (ratio of total borrowings to shareholders' equity) remains low at 2% as at 31 March 2004 (2003: 1%).

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 2004, the Group invested HK\$58,945,000 (2003: HK\$29,038,000) in factory building, plant and machinery, equipment, computer systems and other tangible assets. The majority of these capital expenditures were funded by internal resources except for some machinery which was funded by bank loans.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employed approximately 5,500 employees, an increase of 700 from the previous year. The majority of our employees work in the PRC. The Group remunerates our employees based on their performances, experiences and prevailing market rates while performance bonuses are granted on a discretionary basis. Share options may also be granted to employees based on individual performance and attainment of certain set targets.

PROSPECTS

Looking forward, the Group is cautiously optimistic of the market situation in the coming year.

Although the rising trend of raw material prices seemed to have settled down for the moment, we do not foresee the raw material prices to drop back down in the near future. The Group will find alternative sources to mitigate the impact of the raw material price increases. However, the Group would take great care and consideration to ensure that the quality level of our products would not be affected as product quality is one of the key anchors to our business.

We expect our strong sales turnover to the European market to continue as the European customers follow the US pattern of switching from own-manufacturing to sourcing more products from Hong Kong and the PRC.

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

The key anchors for our business lies in:

- new product development services for our customers
- manufacturing know-how and operating efficiencies
- product quality
- long-term relationship with our customers
- strong and stable financial position
- stringent cost control
- commitment to focus in core business

Under the above solid fundamentals, we are confident to meet the challenges lying ahead and will continue to perform under difficult business conditions and is well-positioned to capture any business opportunity as it arises.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2004, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The audit committee has reviewed with the Management the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the accounting year under review.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE

A detailed announcement of annual results of the Group for the year ended 31 March 2004, containing all the information required by paragraphs 45(1) to 45(3) inclusive 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, 6 July 2004

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 18 August 2004 at 3:45 p.m., for the purpose of considering and, if thought fit, 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 2004;
2. To declare a final dividend of HK6 cents per share for the year ended 31 March 2004;
3. To re-elect directors and to authorize the board of directors to fix their remuneration;
4. To appoint auditors and to authorize the board of directors to fix their remuneration;

and, as special business, to consider and, if thought fit, pass, with or without modification, the following resolution as ordinary and/or special 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 subparagraph (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 Resolutions 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.”

SPECIAL RESOLUTION

8. “**THAT** the new bye-laws of the Company (a copy of which has been produced at this meeting marked “A” and initialed by the Chairman of this meeting for the purpose of identification) be and the same is hereby approved and adopted as the new bye-laws of the Company in substitution for and in replacement of the existing bye-laws of the Company now in effect and that the directors to the Company be and they are hereby authorized to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit to effect the foregoing.”

By order of the Board of
Cheung Shu Wan
Managing Director

Hong Kong, 6 July 2004

*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.
4. 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 Mr. Lai Ah Ming, Leon and Professor Lo Chung Mau.

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