



Allan International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Interim Report
2004/2005

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 2004 together with the comparative figures for the six months ended 30 September 2003, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

		Six months ended	
		30 September	
		2004	2003
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
Turnover	2	438,695	405,985
Cost of sales		(360,538)	(317,310)
Gross profit		78,157	88,675
Other operating income		1,297	943
Investment income		3,517	1,575
Distribution costs		(16,247)	(14,531)
Administrative expenses		(40,534)	(40,213)
Profit from operations		26,190	36,449
Interest on borrowings and finance lease charges		(246)	(96)
Profit before taxation	3	25,944	36,353
Taxation	4	(4,330)	(5,635)
Net profit for the period		21,614	30,718
Dividend	5	6,709	6,709
Earnings per share	6		
Basic		6.44 cents	9.16 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2004

	<i>NOTES</i>	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Non-current assets			
Investment property	7	2,610	2,610
Property, plant and equipment	8	164,928	172,121
Investments in securities	9	64,750	63,466
Loans receivable – due after one year		627	644
		232,915	238,841
Current assets			
Inventories		77,740	62,702
Investments in securities	9	3,895	2,365
Trade receivables and bills receivable	10	173,801	130,713
Other receivables		4,112	3,564
Mould deposits paid		7,268	8,117
Loans receivable – due within one year		60	60
Taxation recoverable		2,127	4,601
Time deposits and money fund held for investment		103,099	104,516
Bank balances and cash		49,254	50,233
		421,356	366,871
Current liabilities			
Trade payables and bills payable	11	133,748	93,149
Other payables		40,836	32,236
Mould deposits received		6,108	9,161
Taxation payable		3,408	1,086
Bank loans – due within one year		2,756	2,459
Obligations under finance leases		–	261
		186,856	138,352
Net current assets			
		234,500	228,519
		467,415	467,360
Capital and reserves			
Share capital	12	33,543	33,543
Reserves		409,628	408,020
		443,171	441,563
Non-current liabilities			
Deferred taxation		16,792	17,856
Bank loans – due after one year		7,452	7,941
		24,244	25,797
		467,415	467,360

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Investments revaluation reserve	Investment property revaluation reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003 (audited)	33,543	109,884	793	114	(214)	1,755	20,126	255,787	421,788
Surplus on revaluation of investments and net gain not recognised in the income statement	-	-	-	-	238	-	-	-	238
Profit for the period	-	-	-	-	-	-	-	30,718	30,718
Dividend declared	-	-	-	-	-	-	6,709	(6,709)	-
Dividend paid	-	-	-	-	-	-	(20,126)	-	(20,126)
At 30 September 2003 (unaudited)	33,543	109,884	793	114	24	1,755	6,709	279,796	432,618
Surplus on revaluation of investments and investment property and net gain not recognised in the income statement	-	-	-	-	272	210	-	-	482
Profit for the period	-	-	-	-	-	-	-	15,172	15,172
Dividend declared	-	-	-	-	-	-	20,126	(20,126)	-
Dividend paid	-	-	-	-	-	-	(6,709)	-	(6,709)
At 31 March 2004 and 1 April 2004 (audited)	33,543	109,884	793	114	296	1,965	20,126	274,842	441,563
Surplus on revaluation of investments and net gain not recognised in the income statement	-	-	-	-	120	-	-	-	120
Profit for the period	-	-	-	-	-	-	-	21,614	21,614
Dividend declared	-	-	-	-	-	-	6,709	(6,709)	-
Dividend paid	-	-	-	-	-	-	(20,126)	-	(20,126)
At 30 September 2004 (unaudited)	33,543	109,884	793	114	416	1,965	6,709	289,747	443,171

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	34,121	31,054
Net cash used in investing activities	(14,521)	(9,060)
Net cash used in financing activities	(20,579)	(22,734)
Net decrease in cash and cash equivalents	(979)	(740)
Cash and cash equivalents at beginning of the period	50,233	17,451
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>49,254</u>	<u>16,711</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

1. GENERAL

(i) Basis of preparation

The condensed 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 Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

(ii) Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment property and investments in securities.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 March 2004.

2. SEGMENT INFORMATION

Geographical segments

For management purposes, the Group is currently organised into three 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 2004

	Europe (Unaudited) HK\$’000	America (Unaudited) HK\$’000	Asia (Unaudited) HK\$’000	Others (Unaudited) HK\$’000	Consolidated (Unaudited) HK\$’000
Turnover	<u>198,296</u>	<u>135,120</u>	<u>93,464</u>	<u>11,815</u>	<u>438,695</u>
Segment result	<u>12,062</u>	<u>5,018</u>	<u>4,928</u>	<u>665</u>	22,673
Investment income					3,517
Interest on borrowings and finance lease charges					<u>(246)</u>
Profit before taxation					25,944
Taxation					<u>(4,330)</u>
Net profit for the period					<u>21,614</u>

Six months ended 30 September 2003

	Europe (Unaudited) <i>HK\$'000</i>	America (Unaudited) <i>HK\$'000</i>	Asia (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Turnover	<u>188,286</u>	<u>147,094</u>	<u>56,498</u>	<u>14,107</u>	<u>405,985</u>
Segment result	<u>18,090</u>	<u>10,688</u>	<u>5,332</u>	<u>764</u>	34,874
Investment income					1,575
Interest on borrowings and finance lease charges					<u>(96)</u>
Profit before taxation					36,353
Taxation					<u>(5,635)</u>
Net profit for the period					<u>30,718</u>

3. PROFIT BEFORE TAXATION

Six months ended	
30 September	
2004	2003
(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit before taxation has been arrived at after charging:

Amortisation of held-to-maturity securities netted off in investment income	30	77
Amortisation of license fee included in cost of sales	-	1,000
Depreciation on property, plant and equipment	20,990	20,439

and crediting:

Gain on disposal of property, plant and equipment	<u>564</u>	<u>532</u>
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4. TAXATION

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit	4,933	4,686
– Income tax in other regions of the People's Republic of China calculated at prevailing rates	461	703
	<u>5,394</u>	<u>5,389</u>
Deferred tax		
– Current period	(1,064)	(824)
– Change in tax rate	–	1,070
	<u>(1,064)</u>	<u>246</u>
	<u>4,330</u>	<u>5,635</u>

5. DIVIDENDS

On 27 August 2004, a final dividend of HK6 cents (2003: HK6 cents) per share were paid to the shareholders for the year ended 31 March 2004.

The board of directors have determined that an interim dividend of HK2 cents (2003: HK2 cents) per share be paid on or before 13 January 2005 to the shareholders of the Company whose names appear on the Register of Members on 31 December 2004.

6. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	21,614	30,718
	<u>21,614</u>	<u>30,718</u>
	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	Number	Number
	of shares	of shares
Number of ordinary shares for the purpose of basic earnings per share	335,432,520	335,432,520
	<u>335,432,520</u>	<u>335,432,520</u>

7. INVESTMENT PROPERTY

The directors considered that the carrying amount of the Group's investment properties at 30 September 2004 did not differ significantly from the revalued amount at 31 March 2004. Consequently, no revaluation surplus or deficit was recognised in the current period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$13,798,000 (30.9.2003: HK\$44,127,000) for upgrading of its manufacturing capabilities.

9. INVESTMENTS IN SECURITIES

During the period, the Group acquired held-to-maturity securities of approximately HK\$5,063,000. In addition, the Group redeemed held-to-maturity securities with a carrying value of approximately HK\$2,340,000 at maturity, resulting in no significant gain or loss on such redemption.

10. TRADE RECEIVABLES AND BILLS RECEIVABLE

The trade receivables and bills receivable at the reporting date are all within 90 days, which is also the Group's defined credit policy period.

11. TRADE PAYABLES AND BILLS PAYABLE

The trade payables and bills payable at the reporting date are all within 90 days.

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized:		
At 1 April 2004 and at 30 September 2004	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 April 2004 and at 30 September 2004	<u>335,432,520</u>	<u>33,543</u>

13. CAPITAL COMMITMENTS

	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	271	–
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<u>17,027</u>	<u>–</u>
	<u>17,298</u>	<u>–</u>

14. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (30.9.2003: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (30.9.2003: HK\$102,000) and to Fair Pacific Limited amounted to HK\$169,800 (30.9.2003: Nil). The rentals were determined with reference to estimated market rates.

Mr. Cheung Lun, Mr. Cheung Pui, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie and Ms. Cheung Lai See, Sophie, directors of the Company, were interested in these transactions as they are also directors and/or substantial shareholders of the above mentioned companies.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2004, the Group achieved a turnover of HK\$438,695,000 (2003: HK\$405,985,000), an increase of 8% over the same period in 2003. The consolidated net profit decreased by 30% to HK\$21,614,000 (2003: HK\$30,718,000). Basic earnings per share of the Group decreased to HK6.4 cents (2003: HK9.2 cents). The Board of Directors have resolved that an interim dividend of HK2 cents (2003: HK2 cents) per share to be paid on or before 13 January 2005.

The Group manufactures a wide range of household electrical appliances and personal care products. Turnover to Europe increased by 5% to HK\$198,296,000 representing 45% of the Group's turnover. Turnover to America decreased by 8% to HK\$135,120,000 representing 31% of the Group's turnover. Turnover to Asia and other markets increased by 49% to HK\$105,279,000 representing 24% of the Group's turnover.

The growth in sales to Europe continues as a result of the strong European currencies and the European customers following the US pattern of switching from own-manufacturing to sourcing more products from Hong Kong and the PRC. The cautious ordering behaviour of our American customers has led to the drop in sales to America. On the contrary, the increase in sales to the Japanese and Asian market was the effect of the gradual recovery of the Japanese and Asian economy.

Gross profit margin dropped from 21.8% to 17.8%. The increase in raw material costs has eroded our profit margin severely. Prices for plastic resin, sheet metal and packaging materials have all increased significantly. On top of this, the increase in operating costs and labour costs in the PRC have further cut into our profit margin. Over the period, the shortage of electricity supply and labour supply in the PRC and the increase in petroleum oil prices have affected our operating efficiencies negatively. However, due to the continual keen competition from other manufacturers, we were unable to pass on these costs increase to our customers during the period.

After tax net profit margin decreased from 7.6% to 4.9%. Distribution costs remained at 4% to turnover. Administrative expenses increased very slightly to HK\$40,534,000. Investment income increased by HK\$1,942,000 to HK\$3,517,000 thereby offsetting part of the drop in gross profit.

During the period, new products launched included new versions of Bath Spa, Foot Bath, Electric Shower, Deep Fryer and Food Processor.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong balance sheet and a healthy liquidity position. As at 30 September 2004, the Group held HK\$152,353,000 in cash and bank deposits. Cash and bank deposits were mainly placed in US dollar short-term deposits, except for temporary balances held in such non-US currencies as required pending specific payments. Investments in held-to-maturity principal guaranteed funds and bonds were HK\$68,645,000 as at 30 September 2004. As at the same date, total borrowings was HK\$10,208,000 and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 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 six months ended 30 September 2004, the Group invested HK\$13,798,000 in plant and machinery, equipment, computer systems and other tangible assets. These capital expenditure were funded by internal resources.

PLEDGE OF ASSETS

The Group has pledged certain land and buildings having a net book value of approximately HK\$8,879,000 to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2004, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employed approximately 4,800 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.

PROSPECTS

Looking ahead, the Group remains cautiously optimistic about our business performance in the future under the ever more so difficult and highly competitive business environment that we are currently exposed to.

The keen competition among manufacturers continues. However, we believe this would be a consolidation period in which only the fittest and the one with strong and stable financial position survives. We would continue with our cost control measures and to further improve our production efficiency. We do not expect the raw material costs to drop significantly in the near future. In addition, we expect the shortage in labour supply in South China to continue thereby further intensifying the escalation in wages. 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 an important role in our continual improvement in product quality.

We are currently working on several new versions of Bath Spa, Foot Bath, Deep Fryer, Food Processor 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 will strive to improve our future performance.

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

As at 30 September 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”), were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Personal Interest	Number of ordinary shares held		Total	Approximate % of the issued share capital of the Company
			Corporate Interest	Other interest		
Mr. Cheung Lun	Founder of discretionary trust			139,679,960 (Note 1)	139,679,960	41.64%
Mr. Cheung Shu Wan	Beneficial Owner	37,744,400				
	Held by controlled corporation – Topsail Investments Inc. (Note 2)		6,694,935			
	Beneficiary of trust			139,679,960 (Note 1)	184,119,295	54.89%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000				
	Beneficiary of trust			139,679,960 (Note 1)	140,279,960	41.82%
Ms. Cheung Lai See, Sophie	Beneficial Owner	500,000				
	Beneficiary of trust			139,679,960 (Note 1)	140,179,960	41.79%
Mr. Cheung Pui	Beneficial Owner	1,000,000			1,000,000	0.3%

Notes:

- (1) The references to 139,679,960 shares relate to the same block of shares in the Company, of which 134,821,960 shares are held by Allan Investment Company Limited (“AICL”), 858,000 shares are held by Commence Investment Limited (“CIL”) and 4,000,000 shares are held by Unison Associates Limited (“UAL”). AICL and CIL are owned as to 89.0% and 99.8% by UAL respectively. Mr. Cheung Lun is the settlor of The Cheung Lun Family Trust (“Trust”). Credit Suisse Trust Limited as trustee of the Trust holds 100% of the shareholding of UAL and the discretionary beneficiaries of the Trust are, among others, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie and Ms. Cheung Lai See, Sophie.
- (2) Topsail Investments Inc. is a company wholly-owned by Mr. Cheung Shu Wan.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30 September 2004, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 September 2004, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long Positions of Substantial Shareholders in the Shares of the Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Credit Suisse Trust Limited	Trustee	139,679,960 <i>(Note 1)</i>	41.64%
Unison Associates Limited	Held by controlled corporation	135,679,960 <i>(Note 1)</i>	40.45%
	Beneficial Owner	4,000,000 <i>(Note 1)</i>	1.19%
Allan Investment Company Limited	Beneficial Owner	134,821,960 <i>(Note 1)</i>	40.19%
Webb, David Michael	Beneficial Owner	1,402,000	0.42%
	Held by controlled corporation	15,508,000 <i>(Note 2)</i>	4.62%
Preferable Situation Assets Limited	Beneficial Owner	16,816,000 <i>(Note 2)</i>	5.01%

Notes:

- (1) The reference to 139,679,960 shares interested in by Credit Suisse Trust Limited as Trustee of The Cheung Lun Family Trust comprises 134,821,960 shares held by Allan Investment Company Limited ("AICL"), 858,000 shares held by Commence Investment Limited ("CIL") and 4,000,000 shares held by Unison Associates Limited ("UAL"). AICL and CIL are owned as to 89.0% and 99.8% by UAL respectively, which is deemed to be interested in the 134,821,960 shares and 858,000 shares held by them respectively. The Cheung Lun Family Trust ("Trust") was set up by Mr. Cheung Lun and Credit Suisse Trust Limited as the Trustee of the Trust holds 100% of the shareholding of UAL and is therefore deemed to be interested in the shares interested in by UAL.

- (2) The reference to 15,508,000 shares above are held by Preferable Situation Assets Limited, a company 100% controlled by Mr. Webb, David Michael. According to a notice subsequently filed pursuant to Part XV of the SFO, the shareholding of Preferable Situation Assets Limited in the Company was increased to 16,816,000 shares.

Save as disclosed above, as at 30 September 2004, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 3 January 2005 to 6 January 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 no later than 4:00 p.m. on 31 December 2004, in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2004.

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 period under review.

AUDIT COMMITTEE

The Audit Committee and the external auditors have reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2004.

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 to the Group. Also, I am pleased to welcome Madam Chan How Chun who joined the Board in September 2004 as Independent Non-Executive Director.

On behalf of the Board
Cheung Shu Wan
Managing Director

Hong Kong, 15 December 2004