

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, 2001 together with the comparative figures for the six months ended 30 September, 2000, as follows:–

CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 September,	
		2001	2000
			As restated
	Notes	HK\$'000	HK\$'000
Turnover	2	400,241	513,870
Cost of sales		<u>(300,503)</u>	<u>(390,101)</u>
Gross profit		99,738	123,769
Other revenue		5,693	5,099
Distribution costs		(17,434)	(22,244)
Administrative expenses		<u>(48,559)</u>	<u>(52,406)</u>
Profit from operations	3	39,438	54,218
Finance costs		(576)	(1,295)
Investment income		<u>2,261</u>	<u>6,040</u>
Profit before taxation		41,123	58,963
Taxation	4	<u>(8,122)</u>	<u>(10,852)</u>
Net profit for the period		<u>33,001</u>	<u>48,111</u>
Dividend			
Proposed interim dividend of 2 cents (2000: 2 cents) per share	5	<u>6,709</u>	<u>7,816</u>
Earnings per share	6		
Basic		<u>9.84 Cents</u>	<u>15.05 Cents</u>
Diluted		<u>Nil</u>	<u>14.49 Cents</u>

CONSOLIDATED BALANCE SHEET

		Unaudited 30 September, 2001	Audited 31 March, 2001 <i>As restated</i> HK\$'000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	7	184,319	182,012
Intangible assets		5,000	6,000
Investments in non-trading securities		6,013	7,800
Loans receivable		434	827
		195,766	196,639
CURRENT ASSETS			
Inventories		64,849	62,477
Trade debtors and bills receivable	8	156,617	85,285
Deposits and prepayments		3,550	2,938
Mould deposits paid		5,510	3,595
Current portion of loans receivable		1,417	1,213
Taxation recoverable		96	1,619
Time deposits, bank balances and cash		105,513	123,277
		337,552	280,404
CURRENT LIABILITIES			
Trade creditors and bills payable	9	87,296	46,027
Deposits received and accrual		30,222	27,452
Mould Deposits received		7,034	8,427
Taxation payable		5,278	1,448
Borrowings – due within one year		6,462	6,572
		136,292	89,926
NET CURRENT ASSETS		201,260	190,478
		397,026	387,117
CAPITAL AND RESERVES			
Share capital	10	33,543	33,543
Reserves	11	342,261	331,173
		375,804	364,716
NON-CURRENT LIABILITIES			
Deferred taxation		12,796	10,727
Borrowings – due after one year		8,426	11,674
		21,222	22,401
		397,026	387,117

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Unaudited	
	Six months ended	
	30 September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revaluation decrease on investments in non-trading securities not recognised in the consolidated income statement	(1,787)	(7,522)
Net profit for the period	33,001	48,111
Total recognised gains	<u>31,214</u>	<u>40,589</u>
Prior period adjustment arising from a change in accounting policy in respect of dividend recognition on adoption of SSAP 9 (Revised) – increase in dividend reserve at 1 April, 2000		<u>18,983</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	28,092	46,472
NET CASH (OUTFLOW) INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(18,748)	1,237
TAX PAID	(700)	(1,193)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(23,050)</u>	<u>(31,089)</u>
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING	(14,406)	15,427
NET CASH (OUTFLOW) INFLOW FROM FINANCING	<u>(3,358)</u>	<u>6,634</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,764)	22,061
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>123,277</u>	<u>103,602</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD REPRESENTED BY TIME DEPOSITS, BANK BALANCES AND CASH	<u>105,513</u>	<u>125,663</u>

1. ACCOUNTING POLICIES

(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 (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

(ii) Principal accounting policies

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March, 2001, except that in the current period, the Group has adopted, for the first time, a number of new/revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following change in accounting policy.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP No. 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a component of reserves. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment of increasing the shareholders' funds at 31 March, 2001 by HK\$20,126,000 (increase of HK\$18,983,000 at 31 March, 2000).

2. SEGMENTAL INFORMATION

	Turnover Unaudited		Profit from operations Unaudited	
	Six months ended		Six months ended	
	30 September,		30 September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
Manufacturing and trading of household electrical appliances	286,013	312,828	37,162	36,494
Manufacturing and trading of the personal care products	114,228	192,474	2,448	17,077
Manufacturing and trading of toys (Note i)	–	8,568	(172)	647
	<u>400,241</u>	<u>513,870</u>	<u>39,438</u>	<u>54,218</u>
Geographical segments				
America	168,819	232,674	17,064	24,549
Europe	171,247	218,614	17,023	23,066
Asia	44,543	45,833	4,287	4,836
Australia and New Zealand	10,133	11,669	450	1,231
Africa	5,499	5,080	614	536
	<u>400,241</u>	<u>513,870</u>	<u>39,438</u>	<u>54,218</u>

Notes:

- (i) During the current period, the Group ceased to manufacture and trade toys. In the six months ended 30 September, 2000, all toys were mainly sold to the American region.
- (ii) The breakdown of turnover by geographical market is determined on the basis of the destination of shipments of products ex-factory.

3. PROFITS FROM OPERATIONS

	Unaudited Six months ended 30 September,	
	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intangible assets	1,000	1,000
Depreciation on property, plant and equipment	20,932	14,172
Loss on disposal of property, plant and equipment	<u>—</u>	<u>352</u>

4. TAXATION

	Unaudited Six months ended 30 September,	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on estimated assessable profit		
Current period	5,306	7,605
Overprovision in prior period	(400)	—
Income tax in other regions in the People's Republic of China calculated at applicable rates		
Current period	246	900
Under (over) provision in prior period	<u>901</u>	<u>(98)</u>
	6,053	8,407
Deferred taxation	<u>2,069</u>	<u>2,445</u>
	<u>8,122</u>	<u>10,852</u>

5. DIVIDENDS

On 3 September, 2001, a dividend of 6 cents (2000 final dividend: 6 cents) per share was paid to the shareholders as the final dividend for the year ended 31 March, 2001.

The board of directors have determined that an interim dividend of HK2 cents (2000: HK2 cents) per share shall be paid on or before 22 January, 2002 to the shareholders of the Company whose names appear on the Register of Members on 8 January, 2002.

6. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 September,	
	2001 HK\$'000	2000 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>33,001</u>	<u>48,111</u>
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>335,432,520</u>	319,678,968
Effect of dilutive share options		<u>12,382,865</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share		<u>332,061,833</u>

As all the outstanding share options lapsed on 24 September, 2000, there was no effect of dilutive share options for the current period.

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$23,239,000 on additions to property, plant and equipment (2001: HK\$33,747,000).

8. TRADE DEBTORS AND BILLS RECEIVABLE

The Group maintains defined credit policy. An aged analysis of trade debtors and bills receivable at the reporting dates is as follows:

	Unaudited 30 September, 2001 HK\$'000	Audited 31 March, 2001 HK\$'000
up to 90 days	148,260	85,113
91 – 120 days	6,864	172
over 120 days	1,493	–
	<u>156,617</u>	<u>85,285</u>

9. TRADE CREDITORS AND BILLS PAYABLE

An aged analysis of trade creditors and bills payable at the reporting date is as follows:

	Unaudited 30 September, 2001 HK\$'000	Audited 31 March, 2001 HK\$'000
up to 90 days	85,843	44,569
91 – 120 days	200	596
over 120 days	1,253	862
	<u>87,296</u>	<u>46,027</u>

10. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April, 2001 and at 30 September, 2001	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 April, 2001 and at 30 September, 2001	<u>335,432,520</u>	<u>33,543</u>

There were no movements in the Company's share capital for the current period.

11. RESERVES

	Share premium HK\$'000	Dividend reserve HK\$'000	Capital reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April, 2000							
– as originally stated	103,978	–	114	3,687	793	147,071	255,643
– prior period adjustment (note i)	–	18,983	–	–	–	–	18,983
– at restated	103,978	18,983	114	3,687	793	147,071	274,626
Valuation decrease	–	–	–	(15,177)	–	–	(15,177)
Reserve realised upon disposal	–	–	–	(2,924)	–	–	(2,924)
Impairment loss charged to income statement	–	–	–	10,920	–	–	10,920
On issue of ordinary shares	5,906	–	–	–	–	–	5,906
Profit for the year	–	–	–	–	–	84,621	84,621
Dividends declared	–	27,942	–	–	–	(27,942)	–
Dividends paid	–	(26,799)	–	–	–	–	(26,799)
At 31 March, 2001 (audited and restated)	109,884	20,126	114	(3,494)	793	203,750	331,173
Valuation decrease	–	–	–	(1,787)	–	–	(1,787)
Profit for the period	–	–	–	–	–	33,001	33,001
Dividends declared	–	6,709	–	–	–	(6,709)	–
Dividends paid	–	(20,126)	–	–	–	–	(20,126)
At 30 September, 2001 (unaudited)	<u>109,884</u>	<u>6,709</u>	<u>114</u>	<u>(5,281)</u>	<u>793</u>	<u>230,042</u>	<u>342,261</u>

12. CAPITAL COMMITMENTS

	Unaudited 30 September, 2001 <i>HK\$'000</i>	Audited 31 March, 2001 <i>HK\$'000</i>
Capital expenditure authorized and contracted for in respect of:		
Factory premises under construction	939	5,203
Acquisition of other property, plant and equipment	233	1,136
	<u>1,172</u>	<u>6,339</u>

13. RELATED PARTY TRANSACTIONS

During the period rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (2000: HK\$450,000) and Income Village Limited amounted to HK\$102,000 (2000: HK\$102,000). The rentals were determined with reference to estimated market value.

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 directors and/or substantial shareholders of the above mentioned related companies.

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 September, 2001, the Group's sales turnover decreased by 22% to HK\$400,241,000 (2000: HK\$513,870,000) and the Group's profit after taxation decreased by 31% to HK\$33,001,000 (2000: HK\$48,111,000). Basic earnings per share decreased by 35% to 9.84 cents (2000: 15.05 cents).

During the six months under review, sales turnover dropped by HK\$113,629,000 as compared with the same period in the previous year. Sales turnover across all sectors and markets declined. Sales turnover to America and Europe suffered drastically with a decline of 27% and 22% respectively. Business environment has been difficult since the beginning of 2001. Our business has been adversely affected by the global economic slowdown leading to weak market demand, pressure on selling price reduction, and customers' tendency to reduce inventory and defer orders. All of these unfavorable factors were further aggravated by the tragic event of 11 September, 2001 in the US.

Despite these difficult situations, the Group is able to remain profitable. The decrease in profit after taxation was mainly attributed to the decrease in sales turnover due to volume and price reduction. In fact, we managed to maintain gross profit margin as a percentage to sales at 25% due to our continuous efforts in cost reduction in both material and manufacturing costs.

The Group maintains a strong balance sheet with a healthy liquidity position and a very low debt-to-equity ratio. With our existing cash reserve and available banking facilities, we have sufficient liquidity to meet the current commitments and working capital requirements.

The global economic outlook will no doubt have an impact on the Group's business performance. The Group, however, is confident to meet the changes and challenges ahead. A number of cost reduction programs are already in place to further improve our cost structure, efficiency and competitiveness. With our solid experience, determination and strong financial resources, we are certain that we would be able to ride through this unprecedented economic downturn and difficult business environment.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 September, 2001, the interests of the Directors in the share capital of the Company and its associated corporations recorded in the register kept by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance") were as follows:

Name	Type of interest	Number of shares
Mr. Cheung Lun (Note 1)	Corporate and personal	149,679,960
Mr. Cheung Shu Wan (Note 2)	Corporate and personal	55,289,335
Ms. Cheung Lai Chun, Maggie	Personal	600,000
Ms. Cheung Lai See, Sophie	Personal	700,000
Mr. Cheung Pui (Note 1)	Personal and other	17,474,416
Mr. Wong Wing Ming	Personal	1,000,000

Notes:

- (1) A total of 144,821,960 shares are held by Allan Investment Company Limited, a company owned as to 89% by Mr. Cheung Lun and his spouse, Ms. Tse Kam. The balance of the shares in Allan Investment Company Limited is owned by Mr. Cheung Pui, and 858,000 shares are held by Commence Investment Ltd., a company beneficially owned by Mr. Cheung Lun. The remaining 4,000,000 shares are held by Mr. Cheung Lun personally.
- (2) a total of 6,694,935 shares are held by Topsail Investments Inc., a company beneficially owned by Mr. Cheung Shu Wan. The remaining 48,594,400 shares are held by Mr. Cheung Shu Wan personally.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 30 September, 2001.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 8 January, 2002 to 11 January, 2002, 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 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4:00 p.m. on 7 January, 2002, 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, 2001.

CODE OF BEST PRACTICE

Throughout the accounting period, the Company was in compliance with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited except that the non-executive directors of the Company have no set term of office but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

AUDIT COMMITTEE

The Audit Committee and the external auditors has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September, 2001.

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.

On behalf of the Board
Cheung Lai See, Sophie
Director

Hong Kong, 18 December, 2001