



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

Interim Report
2003/2004

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, 2003 together with the comparative figures for the six months ended 30 September, 2002, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September,	
		2003	2002
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	405,985	396,064
Cost of sales		(317,310)	(304,364)
		<hr/>	<hr/>
Gross profit		88,675	91,700
Other operating income		943	3,355
Distribution costs		(14,531)	(14,489)
Administrative expenses		(40,213)	(38,895)
		<hr/>	<hr/>
Profit from operations	3	34,874	41,671
Impairment loss recognized on investments in non-trading securities		–	(4,553)
Investment income		1,575	1,591
Interest on borrowings and finance lease charges		(96)	(171)
		<hr/>	<hr/>
Profit before taxation		36,353	38,538
Taxation	4	(5,635)	(5,711)
		<hr/>	<hr/>
Net profit for the period		30,718	32,827
		<hr/> <hr/>	<hr/> <hr/>
Dividend	5	6,709	6,709
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	6		
Basic		9.16 Cents	9.79 Cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September, 2003 (Unaudited)	31 March, 2003 (Audited) (Restated)
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Investment property		2,400	2,400
Property, plant and equipment	7	180,361	156,676
License fee		1,000	2,000
Investments in securities	8	60,282	27,437
Loans receivable – due after one year		660	675
		244,703	189,188
Current assets			
Inventories		89,147	62,966
Trade receivables and bills receivable	9	179,193	101,568
Investments in securities	8	4,759	–
Other receivables		3,502	3,506
Mould deposits paid		6,156	4,577
Loans receivable – due within one year		1,253	1,333
Taxation recoverable		108	1,838
Time deposits and money fund held for investment		89,417	161,251
Bank balances and cash		16,711	17,451
		390,246	354,490
Current liabilities			
Trade payables and bills payable	10	144,278	72,520
Other payables		29,720	24,736
Mould deposits received		5,288	2,415
Taxation payable		3,460	272
Obligations under finance leases – due within one year		2,728	5,075
		185,474	105,018
Net current assets			
		204,772	249,472
		449,475	438,660
Capital and reserves			
Share capital	11	33,543	33,543
Reserves		399,075	388,245
		432,618	421,788
Non-current liabilities			
Deferred taxation		16,857	16,611
Obligations under finance leases – due after one year		–	261
		16,857	16,872
		449,475	438,660

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2003

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Investments revaluation reserve	Investment property revaluation reserve	Dividend reserve	Accumulated profits	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 April, 2002									
- As originally stated (audited)	33,543	109,884	793	114	(4,971)	-	26,835	230,237	396,435
- Adjustment on adoption of SSAP 12 (Revised) (see note 2)	-	-	-	-	-	-	-	(3,827)	(3,827)
- As restated	33,543	109,884	793	114	(4,971)	-	26,835	226,410	392,608
Deficit on revaluation of investments and net loss not recognized in the income statement	-	-	-	-	(1,480)	-	-	-	(1,480)
Reserve realized upon impairment of securities	-	-	-	-	4,553	-	-	-	4,553
Profit for the period	-	-	-	-	-	-	-	32,827	32,827
Dividend declared	-	-	-	-	-	-	6,709	(6,709)	-
Dividend paid	-	-	-	-	-	-	(26,835)	-	(26,835)
At 30 September, 2002									
- As originally stated (unaudited)	33,543	109,884	793	114	(1,898)	-	6,709	257,164	406,309
- Adjustment on adoption of SSAP 12 (Revised) (see note 2)	-	-	-	-	-	-	-	(4,636)	(4,636)
- As restated	33,543	109,884	793	114	(1,898)	-	6,709	252,528	401,673
Surplus on revaluation of investment property and net gain not recognized in the income statement	-	-	-	-	-	1,755	-	-	1,755
Reserve realized upon disposal of securities	-	-	-	-	1,684	-	-	-	1,684
Profit for the period	-	-	-	-	-	-	-	23,385	23,385
Dividend declared	-	-	-	-	-	-	20,126	(20,126)	-
Dividend paid	-	-	-	-	-	-	(6,709)	-	(6,709)
At 31 March, 2003 and 1 April, 2003									
- As originally stated (audited)	33,543	109,884	793	114	(214)	1,755	20,126	261,000	427,001
- Adjustment on adoption of SSAP 12 (Revised) (see note 2)	-	-	-	-	-	-	-	(5,213)	(5,213)
- As restated	33,543	109,884	793	114	(214)	1,755	20,126	255,787	421,788
Surplus on revaluation of investments and net gain not recognized 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)	<u>33,543</u>	<u>109,884</u>	<u>793</u>	<u>114</u>	<u>24</u>	<u>1,755</u>	<u>6,709</u>	<u>279,796</u>	<u>432,618</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	31,054	29,980
Net cash used in investing activities	(9,060)	(7,578)
Net cash used in financing activities	(22,734)	(29,830)
Net decrease in cash and cash equivalents	(740)	(7,428)
Cash and cash equivalents at beginning of the period	17,451	18,991
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>16,711</u>	<u>11,563</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2003

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 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 investment property and investments in securities.

In the current interim period, 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 recognized 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 recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis 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 2002 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). The profits for the six months ended 30 September, 2003 had also been decreased by HK\$203,000 (six months ended 30 September, 2002: decreased by HK\$809,000).

Other than the above, the accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 March, 2003.

2. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions – household electrical appliances and personal care products. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Six months ended 30 September, 2003

	Household electrical appliances (Unaudited) <i>HK\$'000</i>	Personal care products (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Turnover	<u>284,809</u>	<u>121,176</u>	<u>405,985</u>
Segment result	<u>31,377</u>	<u>3,497</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>

Six months ended 30 September, 2002

	Household electrical appliances (Unaudited) <i>HK\$'000</i>	Personal care products (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Turnover	<u>299,781</u>	<u>96,283</u>	<u>396,064</u>
Segment result	<u>39,468</u>	<u>2,203</u>	41,671
Impairment loss recognized on investments in non-trading securities			(4,553)
Investment income			1,591
Interest on borrowings and finance lease charges			<u>(171)</u>
Profit before taxation			38,538
Taxation			<u>(5,711)</u>
Net profit for the period			<u>32,827</u>

3. PROFIT FROM OPERATIONS

	Six months ended 30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortization of held-to-maturity securities netted off in investment income	77	–
Amortization of license fee included in cost of sales	1,000	1,000
Depreciation on property, plant and equipment	20,439	19,272
and crediting:		
Gain on disposal of property, plant and equipment	<u>532</u>	<u>498</u>

4. TAXATION

	Six months ended 30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% (2002: 16%) on the estimated assessable profit	4,686	4,776
– Income tax in other regions of the People's Republic of China calculated at prevailing rates	<u>703</u>	<u>592</u>
	<u>5,389</u>	<u>5,368</u>
Deferred tax		
– Current period	(824)	343
– Change in tax rate	<u>1,070</u>	<u>–</u>
	<u>246</u>	<u>343</u>
	<u>5,635</u>	<u>5,711</u>

5. DIVIDENDS

On 28 August, 2003, a final dividend of HK6 cents (2002: HK5 cents) and a special dividend of Nil (2002: HK3 cents) per share were paid to the shareholders for the year ended 31 March, 2003.

The board of directors have determined that an interim dividend of HK2 cents (2002: HK2 cents) per share be paid on or before 9 January, 2004 to the shareholders of the Company whose names appear on the Register of Members on 29 December, 2003.

6. EARNINGS PER SHARE

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

	Six months ended	
	30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share	<u>30,718</u>	<u>32,827</u>

	Six months ended	
	30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	Number	Number
	of Shares	of Shares
Number of ordinary shares for the purpose of basic earnings per share	<u>335,432,520</u>	<u>335,432,520</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$44,127,000 for the construction of factory premises in the People's Republic of China and to upgrade its manufacturing capabilities.

8. INVESTMENTS IN SECURITIES

During the period, the Group acquired held-to-maturity securities and club debentures of approximately HK\$42,743,000 and HK\$160,000, respectively. In addition, the Group redeemed held-to-maturity securities with a carrying value of approximately HK\$5,460,000 for a consideration of approximately HK\$5,508,000, resulting in a gain on redemption of approximately HK\$48,000.

9. TRADE DEBTORS AND BILLS RECEIVABLE

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

10. TRADE CREDITORS AND BILLS PAYABLE

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

11. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorized:		
At 1 April, 2003 and at 30 September, 2003	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 April, 2003 and at 30 September, 2003	<u>335,432,520</u>	<u>33,543</u>

12. CAPITAL COMMITMENTS

At 31 March, 2003, the Group was committed to capital expenditure of HK\$26,433,000 for the construction of factory premises and acquisition of plant and equipment. The corresponding factory premises had been completed during the current period and related plant and equipment acquired were included in property, plant and equipment at 30 September, 2003. The Group had no significant capital commitments at 30 September, 2003.

13. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (30 September, 2002: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (30 September, 2002: HK\$102,000). 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 directors and/or substantial shareholders of the above mentioned related companies.

BUSINESS REVIEW

For the six months ended 30 September, 2003, the Group's sales turnover increased by 3% to HK\$405,985,000 (2002: HK\$396,064,000) and consolidated net profit decreased by 6% to HK\$30,718,000 (2002: HK\$32,827,000). Basic earnings per share of the Group decreased by HK0.6 cents to HK9.2 cents (2002: HK9.8 cents). The Board of Directors recommends an interim dividend of HK2 cents (2002: HK2 cents) per share shall be paid.

Turnover of household electrical appliances decreased by 5% to HK\$284,809,000 representing 70% of the Group's turnover. Turnover of personal care products increased by 26% to HK\$121,176,000 representing 30% of the Group's turnover.

Geographically, turnover to Europe decreased by 3% to HK\$188,286,000 representing 46% of the Group's turnover. Turnover to America decreased by 1% to HK\$147,094,000 representing 36% of the Group's turnover. Turnover to Asia and other markets increased by 35% to HK\$70,605,000 representing 18% of the Group's turnover.

Gross profit margin dropped from 23% to 22% due to the continual pricing pressure from customers. The Group's distribution costs and administrative expenses were maintained at 4% and 10% to turnover respectively. Profit from operations dropped by 2% to 9% to turnover. The profit from operations dropped to HK\$34,874,000 (2002: HK\$41,671,000). This decrease was mainly attributed to the decrease in the average selling price and the increase in plastic resin prices.

The outbreak of SARS in Hong Kong and China has not affected the Group's operation significantly. During the outbreak, preventive measures were implemented in our Hong Kong office and PRC factories thereby slightly increasing the administrative expenses. In addition, some of our overseas customers refrained from travelling to Hong Kong which has caused a certain extent of delay to the development timeframe of the new projects in the pipeline.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong balance sheet and a healthy liquidity position. As at 30 September, 2003, the Group held HK\$168,539,000 in cash, bank deposits and held-to-maturity principal guaranteed bonds and funds. 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. Total borrowings as at 30 September, 2003 including obligations under finance leases was HK\$2,728,000 representing less than 1% of the Group's shareholders' equity at the same date.

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.

PROSPECTS

Looking ahead, business environment remains difficult and highly competitive. We expect customer's request for selling price decrease and shorter order lead time to continue. The Group would continue to focus on stringent cost control, expenditure reduction, efficiency improvement, material sourcing and research and development in new products.

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

With a strong and stable financial position, long established experience and goodwill, dedication and focus in our core business, the Group is confident to meet the challenges lying ahead and will strive to operate under difficult business conditions and create value to our shareholders.

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

At 30 September, 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained 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 (<i>Note 1</i>)	Corporate and personal	124,849,544
Mr. Cheung Shu Wan (<i>Note 2</i>)	Corporate and personal	44,439,335
Ms. Cheung Lai Chun, Maggie	Personal	600,000
Ms. Cheung Lai See, Sophie	Personal	500,000
Mr. Cheung Pui (<i>Note 1</i>)	Corporate and personal	15,830,416

Notes:

- (1) A total of 134,821,960 shares are held by Allan Investment Company Limited (“AICL”), a company owned as to 89% by Mr. Cheung Lun and his spouse, Ms. Tse Kam. The balance of the shares (11%) in AICL is owned by Mr. Cheung Pui. In addition, a total of 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 37,744,400 shares are held by Mr. Cheung Shu Wan personally.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more of the issued capital of the Company as at 30 September, 2003:

Name of shareholder	Long Position	Short Position	Number of Shares held/ Approximate shareholding percentage		
			Lending Pool	Total	%
J.P. Morgan Chase & Co. (<i>Note 1</i>)	36,712,595	–	9,929,767	46,642,362	13.91
Preferable Situation Assets Ltd.	16,816,000	–	–	16,816,000	5.01

Note 1: J.P. Morgan Chase & Co's interests in the Company are held through its subsidiaries, JP Morgan Investment Management Inc., JP Morgan Chase Bank, JP Morgan Fleming Asset Management (UK) Ltd. and JF Asset Management Ltd.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 30 December, 2003 to 2 January, 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 no later than 4:00 p.m. on 29 December, 2003, 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, 2003.

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, 2003.

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 Shu Wan

Managing Director

Hong Kong, 12 December, 2003