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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Cheung Lun (*Chairman*)
Mr. Cheung Shu Wan (*Managing Director*)
Ms. Cheung Lai Chun, Maggie
Ms. Cheung Lai See, Sophie
Mr. Cheung Pui
Mr. Wong Wing Ming
Mr. Lai Ah Ming, Leon[†]
Dr. Lo Chung Mau[†]
Ms. Ma Wai Man, Catherine*

* *non-executive director*

[†] *independent non-executive director*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS ON BERMUDA LAW

Conyers, Dill and Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

COMPANY SECRETARY

Ms. Lui Pik Siu

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
Dao Heng Bank Limited
UBS AG

SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Standard Registrars Limited
5th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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, 38/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 21st September, 2000 at 3:45 p.m. for the following purposes:-

1. To receive and consider the audited financial statements and the report of the directors and auditors for the year ended 31st March, 2000.
2. To declare a final dividend of 6.0 cents per share for the year ended 31st March, 2000.
3. To re-elect the retiring directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolution as ordinary resolutions:-
 - A. "THAT:-
 - (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company 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) shall authorise the directors of the Company 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 share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 percent of the aggregate nominal amount of the share capital of the Company in issue and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(continued)

(d) for the purposes 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; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company 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 recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. “THAT:-

- (a) the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase its own shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company on The Stock Exchange of Hong Kong Limited or any other stock exchanges recognised for this purpose by the Securities and Future Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue, and the said approval be limited accordingly; and
- (c) for the purposes 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;

NOTICE OF ANNUAL GENERAL MEETING

(continued)

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."
- C. "THAT conditional upon resolution 5B above being passed, the aggregate nominal amount of the number of share in the capital of the Company under the authority granted to the directors as mentioned in resolution 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution 5A above."

By Order of the Board
Cheung Lai See, Sophie
Director

Hong Kong, 18th August, 2000

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

Notes:–

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong at 12th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (3) The register of members of the Company will be closed from 18th September, 2000 to 21st September, 2000, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of the shareholders entitled to attend and vote at the meeting; 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 not later than 4:00 p.m. on 15th September, 2000.
- (4) An explanatory statement containing further details regarding resolution 5A to 5C above will be sent to members together with the 2000 Annual Report.

CHAIRMAN'S STATEMENT

I am pleased to announce the audited consolidated results for the Company and its subsidiaries (the "Group") for the year ended 31st March, 2000.

FINANCIAL RESULTS

For the year ended 31st March, 2000, turnover for the Group was HK\$726,955,000 (1999 – HK\$485,214,000). The audited consolidated net profit for the year of the Group was HK\$69,669,000 (1999 – profit of HK\$45,825,000).

Basic earnings per share of the Group for the year ended 31st March, 2000 was 22.10 cents (1999 – 14.54 cents) per share.

DIVIDEND

The Directors recommend the payment of a final dividend of 6.0 cents per share for the year ended 31st March, 2000. Together with the interim dividend of 2.0 cents per share paid in January 2000, the total dividends for the year ended 31st March, 2000 will be 8.0 cents per share (1999: 5.3 cents). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or before 10th October, 2000 to shareholders whose names appear on the register of members of the Company on 21st September, 2000.

BUSINESS REVIEW

The Group has continued to achieve promising results in turnover and earnings. For the year ended 31st March, 2000, turnover increased by 50% to HK\$726,955,000 (1999 – HK\$485,214,000) and the consolidated net profit for the year increased by 52% to HK\$69,669,000 (1999 – HK\$45,825,000).

Turnover to Europe and America both posted significant increase due to strong economies in these two markets. Turnover to Europe increased by 54% to HK\$325,193,000 representing 45% of the Group's turnover. Turnover to America increased by 96% to HK\$263,883,000 representing 36% of the Group's turnover. However, as the economy of the Japan market has not fully recovered from the financial crisis, turnover to Japan decreased by 25% to HK\$75,806,000 representing 10% of the Group's turnover.

CHAIRMAN'S STATEMENT

(continued)

BUSINESS REVIEW *(continued)*

The core of the Group's business is comprised of household electrical appliances and personal care products. Turnover of household electrical appliances increased by 49% to HK\$500,472,000 representing 69% of the Group's turnover. Turnover of personal care products increased by 78% to HK\$204,259,000 representing 28% of the Group's turnover.

New products launched during the year includes Electric Shower, 4-cup Coffee Maker, 10-cup Coffee Maker, Hair Trimmer, Electric Kettle, new versions of Deep Fryer, Food Processor and Blender.

Approximately 5,800 workers are currently employed in our 3 factories in Huiyang, Guangdong Province, PRC and approximately 140 staff are employed in our Hong Kong office.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2000, the Group had total assets of HK\$471,200,000 which was financed by current liabilities of HK\$159,469,000, long-term liabilities and deferred taxation of HK\$24,450,000 and shareholders' equity of HK\$287,281,000.

At the end of the financial year, the Group had a strong balance sheet and a healthy liquidity position. Total borrowings was HK\$22,694,000 as at 31st March, 2000 which is equivalent to 7.9% of the Group's shareholders' equity at the same date. The said borrowings included bank loans and overdrafts of HK\$1,899,000 and obligations under finance leases of HK\$20,795,000. With cash and bank balance as at 31st March, 2000 of HK\$103,602,000 as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

PROSPECTS

The Group will continue to focus in new business and territory development. New projects under development includes Twin-nozzle Bath Spa, Bath Spa with mattress, Bath Spa with remote control, Cloth Shaver, Foot Bath Massager, new versions of Hair Trimmer, Massager, Coffee Maker, Electric Kettle, Can Opener, Electric Knife, Food Processor, Deep Fryer and Blender.

CHAIRMAN'S STATEMENT

(continued)

PROSPECTS *(continued)*

The construction of the 2 new factory blocks in the PRC is at the final stage of completion. These two new blocks are expected to be in operation in the 4th quarter of this year, thus adding 9,525 m² of production floor space to our manufacturing capacity. To prepare for our next stage of expansion, the Group is planning to build new factory blocks at our industrial complex in Lihlin village, Guangdong Province, PRC. The funding of this expansion would be drawn from the Group's internal resources and financing from the existing bankers of the Group.

The progress of the implementation of the ERP system is satisfactory. We are currently working very closely with the Hong Kong Productivity Council on the implementation and fine-tuning of the system which is expected to be in operation in the year 2001.

The Group will strive to work closely with our customers and suppliers to achieve a Supplier Chain relationship. We will continue to focus on technology advancement, new product development, cost control, logistics & efficiency, staff development and training which we believe to be the key success factors in our business.

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 of their contribution and support throughout the year.

Cheung Lun

Chairman

Hong Kong, 18th August, 2000

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Cheung Lun, aged 72, is the founder and Chairman of the Group. He has more than 38 years of management and technical experience in the industry. He is responsible for formulating the Group's overall strategic planning and development.

Cheung Shu Wan, aged 39, is the Managing Director of the Group. He is the son of Mr. Cheung Lun and joined the Group in 1983. He obtained a degree in Bachelor of Science from the University of London, England. He is responsible for the sales & marketing, research & development and engineering functions of the Group. He also assists the Chairman in corporate strategic planning and development.

Cheung Lai Chun, Maggie, aged 42, is the Executive Director of the Group. She is the daughter of Mr. Cheung Lun and joined the Group in 1984. She obtained a degree in Bachelor of Science from Kingston Polytechnic, England. She is in charge of the overall manufacturing operations of the Group.

Cheung Lai See, Sophie, aged 37, is the Executive Director of the Group. She is the daughter of Mr. Cheung Lun and joined the Group in 1995. She obtained a degree in Bachelor of Science from the University of London, England and a master degree in Business Management from the City University, England. She is responsible for the financial and administration functions of the Group.

Cheung Pui, aged 53, is the Executive Director of the Group and joined the Group in 1963. He has over 33 years of experience in the plastic injection moulding industry. He is responsible for all technical aspects of plastic injection moulding activities of the Group.

Wong Wing Ming, aged 60, is the Executive Director of the Group and joined the Group in 1980. He has over 33 years of experience in the industry. He is responsible for the Group's infrastructure and development in PRC factories.

DIRECTORS AND SENIOR MANAGEMENT

(continued)

NON-EXECUTIVE DIRECTORS

Lai Ah Ming, Leon, aged 43, was appointed as an Independent Non-Executive Director in December 1995. He is a solicitor majoring in commercial and property works and a partner of a solicitors firm.

Lo Chung Mau, aged 39, was appointed as an Independent Non-Executive Director in November 1997. He is a surgeon specialising in liver surgery including liver transplantation and is currently Associate Professor of Surgery at the University of Hong Kong.

Ma Wai Man, Catherine, aged 34, is a chartered secretary and has over 10 years of working experience in the company secretarial profession. She was appointed as a Non-Executive Director in January 1997. Ms. Ma is a director of China Strategic Holdings Limited and also a director or secretary of its group of companies which are listed in Hong Kong and overseas.

SENIOR MANAGEMENT

Chan Siu Yue, aged 50, is the Senior Engineering Manager of the Group and joined the Group in 1990. He obtained a higher diploma in Production Engineering from the Hong Kong Technical Colleges and is responsible for the product development of the Group.

Chan Yim Ha, Vivian, aged 34, is the Manager of Allan Toys Manufacturing Limited and joined the company in 1994. She is responsible for the manufacturing management and control of the company in the aspects of production planning management and control, quality control, shipping and purchasing.

Cheung Shu Chun, Simon, aged 40, is the General Manager of Allan Toys Manufacturing Limited. He is the son of Mr. Cheung Lun and joined the Group in 1983. He obtained a degree in Bachelor of Science from the University of Wales. He is responsible for the sales & marketing functions of the company.

Cheung Shu Sang, aged 35, is the Assistant General Manager of Conan Electric Manufacturing Limited which commence operation in April, 2000 to handle all business with the Conair Group. He is the son of Mr. Cheung Lun and joined the Group in 1994. He obtained a degree in Bachelor of Science and a master degree in Management Science from the University of London, England and a PhD. degree in Automation from the University of Bristol. He is responsible for the company's sales & marketing functions.

DIRECTORS AND SENIOR MANAGEMENT

(continued)

SENIOR MANAGEMENT *(continued)*

Chung Chi Yin, aged 37, is the Engineering Manager of the Group and joined the Group in 1990. He is responsible for the product development of the Group.

Kwok Ka Lee, Carrie, aged 32, is the Assistant to Managing Director and joined the Group in 1990. She assists the Managing Director in new product development and special projects. She obtained a Higher Certificate in Purchasing and Supply from Hong Kong Technical Colleges.

Leung Mun Keung, aged 41, is the General Manager of Conan Electric Manufacturing Limited which commence operation in April, 2000 to handle all business with the Conair Group. He joined the Group in 1991 and is responsible for the manufacturing functions of the company.

Li Wing Kong, aged 39, is the Marketing Manager – Europe Region and joined the Group in 1988. He obtained a higher diploma in Electrical Engineering from Hong Kong Polytechnic. He is responsible for the Group's sales & marketing functions in Europe region.

Lou Fong Kun, aged 39, is the Administration and Personnel Manager of the Group and joined the Group in 1992. She is responsible for the personnel and office administration management of the Group.

Suen Wai Mei, aged 42, is the Finance and Accounts Manager of the Group and joined the Group in 1990. She obtained a master degree in Business Management from the University of East Asia, Macau and a master degree in Professional Accounting from the Victoria University of Technology, Australia. She is responsible for all the financial and accounting aspects of the Group.

Tsang Wing Tong, Michelle, aged 33, is the Manufacturing Manager of Allan Electric Mfg., Limited and joined the Group in 1987. She is responsible for the manufacturing management and control of the company in the aspects of production planning, management and control, quality control, shipping, purchasing and transportation.

Tsui Wing Keung, aged 44, is the Moulds and Tools Manager of the Group and joined the Group in 1992. He has over 12 years of experience in plastic injection mould making. He is responsible for the management of the mould making operation for plastic injection moulds.

Yasuhiro Terada, aged 38, is the Marketing Manager – Asia Pacific and America Region. He joined the Group in 1993 and has over 10 years of experience in marketing of electrical home appliances. He is responsible for the Group's sales & marketing functions in the Asia Pacific and America region.

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st March, 2000.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 16 to the financial statements.

The Group's turnover and contribution to profit before taxation for the year ended 31st March, 2000, analysed by principal activity and geographical market, are as follows:

	Turnover <i>HK\$'000</i>	Contribution to profit before taxation <i>HK\$'000</i>
By principal activity:		
Household electrical appliances	500,472	67,031
Personal care products	204,259	7,540
Toys	22,224	(1,868)
	<u>726,955</u>	72,703
<i>Less:</i> Finance costs		(1,089)
<i>Add:</i> Investment income		<u>7,325</u>
Profit before taxation		<u><u>78,939</u></u>

DIRECTORS' REPORT

(continued)

PRINCIPAL ACTIVITIES (continued)

	Turnover <i>HK\$'000</i>	Contribution to profit before taxation <i>HK\$'000</i>
By geographical market:		
Europe	325,193	36,028
America	263,883	26,422
Japan	75,806	4,278
Other Asian countries	14,829	1,725
Australia/New Zealand	19,410	2,597
Africa	27,834	1,653
	<u>726,955</u>	72,703
<i>Less:</i> Finance costs		(1,089)
<i>Add:</i> Investment income		<u>7,325</u>
Profit before taxation		<u>78,939</u>

Note: The breakdown of turnover by geographical market is determined on the basis of the destination of shipments of products ex-factory.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2000 are set out in note 16 to the financial statements.

DIRECTORS' REPORT

(continued)

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2000 are set out in the consolidated income statement on page 24.

An interim dividend of 2.0 cents per share amounting to HK\$6,302,650 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 6.0 cents per share to the shareholders on the register of members on 21st September, 2000, amounting to HK\$18,982,951, and the retention of the remaining profit.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

Purchases

- the largest supplier	11.4%
- five largest suppliers combined	30.7%

Sales

- the largest customer	22.2%
- five largest customers combined	59.1%

No directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested at any time during the year in any of the above suppliers or customers.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 58.

DIRECTORS' REPORT

(continued)

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$38 million on the purchase of plant and machinery and approximately HK\$14 million on the purchase of moulds and tools to expand and upgrade its manufacturing facilities.

Details of these and other movements in the property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

SHARE CAPITAL

During the year, 1,250,000 share options were exercised to subscribe for 1,250,000 ordinary shares of the Company at an exercise price of HK\$0.41 per share. Details of the share capital of the Company are set out in note 20 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BORROWINGS

Details of bank loans and other borrowings of the Group are set out in note 23 to the financial statements.

No interest was capitalised by the Group during the year.

DIRECTORS' REPORT

(continued)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Cheung Lun
Mr. Cheung Shu Wan
Ms. Cheung Lai Chun, Maggie
Ms. Cheung Lai See, Sophie
Mr. Cheung Pui
Mr. Wong Wing Ming

Non-executive directors

Mr. Lai Ah Ming, Leon[†]
Dr. Lo Chung Mau[†]
Ms. Ma Wai Man, Catherine

[†] *Independent non-executive directors*

In accordance with the provisions of the Company's Bye-Laws, Ms. Cheung Lai Chun, Maggie, Ms. Cheung Lai See, Sophie and Dr. Lo Chung Mau shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

(continued)

DIRECTORS' INTERESTS IN SHARES

(i) Shares

At 31st March, 2000, 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 ("SDI Ordinance") were as follows:

Name of directors	Number of ordinary shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Cheung Lun	–	–	145,679,960*	–
Mr. Cheung Shu Wan	46,002,400	–	6,694,935†	–
Ms. Cheung Lai Chun, Maggie	200,000	–	–	–
Ms. Cheung Lai See, Sophie	700,000	–	–	–
Mr. Cheung Pui	800,000	–	–	15,930,416*
Mr. Wong Wing Ming	200,000	–	–	–

* A total of 144,821,960 shares are held by Allan Investment Company Limited, a company owned as to 89 percent 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. A total of 858,000 shares are held by Commence Investment Limited, a company beneficially owned by Mr. Cheung Lun.

† A total of 6,694,935 shares are held by Topsail Investments Inc., a company beneficially owned by Mr. Cheung Shu Wan.

DIRECTORS' REPORT

(continued)

DIRECTORS' INTERESTS IN SHARES (continued)

(ii) Options

The directors had personal interests in share options to subscribe for shares in the Company at a subscription price of HK\$0.41 per share, exercisable from 25th September, 1997 to 24th September, 2000 as follows:

Name of directors	At 1.4.1999	Number of share options			At 31.3.2000
		Granted during the year	Exercised during the year	Lapsed during the year	
Mr. Cheung Lun	7,000,000	-	-	-	7,000,000
Mr. Cheung Shu Wan	6,500,000	-	-	-	6,500,000
Ms. Cheung Lai Chun, Maggie	4,000,000	-	200,000	-	3,800,000
Ms. Cheung Lai See, Sophie	5,000,000	-	-	-	5,000,000
Mr. Cheung Pui	1,000,000	-	-	-	1,000,000
Mr. Wong Wing Ming	1,000,000	-	200,000	-	800,000

Details of the Company's share option scheme are set out in note 20 to the financial statements.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' REPORT

(continued)

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as explained above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Allan Toys Manufacturing Limited ("Toys"), a subsidiary of the Company, entered into a tenancy agreement with Allan Investment Company Limited ("AICL"), a company in which Mr. Cheung Lun, his spouse Ms. Tse Kam and Mr. Cheung Pui have beneficial interests and Mr. Cheung Lun, Mr. Cheung Pui, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie and Ms. Cheung Lai See, Sophie are also directors of AICL, pursuant to which AICL granted to Toys a tenancy in respect of Lihlin Village, Huizhou, the People's Republic of China ("PRC") at a monthly rent of HK\$75,000. The tenancy agreement is for a term of 2 years commencing from 1st January, 1999 and was subsequently terminated on 31st March, 2000. The total amount of rent paid for the year attributable to the Group in respect of this agreement was HK\$900,000.

On 1st March, 2000, Conan Electric Manufacturing Limited ("Conan"), a subsidiary of the Company, entered into a new tenancy agreement with AICL, pursuant to which AICL granted Conan a tenancy in respect of Lihlin Village, Huizhou, the PRC at a monthly rent of HK\$75,000. The tenancy agreement is for a term of 2 years commencing from 1st April, 2000.

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

(continued)

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 10% or more in the share capital of the Company:

Name	Number of shares beneficially owned	%
China Strategic Holdings Limited (<i>Note 1</i>)	35,403,865	11.19
Mr. Oei Hong Leong (<i>Note 2</i>)	35,633,865	11.26

Notes:

1. China Strategic Holdings Limited's ("CSH") interests in 35,403,865 shares of the Company are held through 3 of its subsidiaries.
2. Mr. Oei Hong Leong, through Calisan Development Limited, Sanion Enterprises Limited and Chip Lian Investments (HK) Limited, holds approximately 46.11 percent interest in CSH. Calisan Development Limited and Sanion Enterprises Limited are companies owned by Mr. Oei Hong Leong whereas Chip Lian Investments (HK) Limited is a company owned by Mr. Oei Hong Leong and his spouse. Accordingly, Mr. Oei Hong Leong is deemed under SDI Ordinance to be interested in the 35,403,865 shares of the Company held by CSH. The rest of Mr. Oei Hong Leong's interest in the Company represents 230,000 shares directly held by Chip Lian Investment (HK) Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10 percent or more of the Company's issued share capital as at 31st March, 2000.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$141,097 (1999: HK\$218,808).

DIRECTORS' REPORT

(continued)

PENSION SCHEME

The Group operates a defined contribution pension scheme ("Scheme") for all eligible employees. The Scheme is funded by contributions from employees at 5% of their salaries. The employer contributes based on the monthly salaries of employees according to the following schedule:-

Number of completed years of service	Rate of contribution
Not more than 5 years	5%
More than 5 years but not more than 10 years	7.5%
More than 10 years	10%

The employees are entitled to the full benefit of the Group's contributions and accrued interest after participating in the Scheme for 10 years, or at a reduced scale of 30% to 90% after participating in the Scheme from 3 to 9 years respectively. Where an employee leaves the Group's employment prior to becoming fully entitled to the employer's contribution, the excess contributions are forfeited and the employer may utilise the forfeited contributions to reduce its future contributions. The total amount injected by the Group into the Scheme and charged to the income statement for the year ended 31st March, 2000 was HK\$2,577,330 after netting off forfeited contributions amounting to HK\$383,264 utilised to reduce current year's contributions. As at 31st March, 2000, the amount of forfeited contributions for the period up to 31st March, 2000 was HK\$13,680 which may be used to reduce the Group's future contributions.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2000 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the Company's audit committee was not established until 1st June, 1999.

On 1st June, 1999, the Company established an Audit Committee comprised of Messrs. Lai Ah Ming, Leon and Lo Chung Mau, independent non-executive directors. In establishing the terms of reference for this committee, the directors have had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

DIRECTORS' REPORT

(continued)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Cheung Lun

Chairman

Hong Kong, 18th August, 2000

AUDITORS' REPORT

德勤·關黃陳方會計師行

Certified Public Accountants

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF ALLAN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31st March, 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Hong Kong, 18th August, 2000

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2000

	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	4	726,955	485,214
Cost of sales		<u>(540,549)</u>	<u>(351,508)</u>
Gross profit		186,406	133,706
Other revenue		13,733	4,454
Distribution costs		(32,710)	(18,607)
Administrative expenses		<u>(94,726)</u>	<u>(69,618)</u>
Profit from operations	5	72,703	49,935
Finance costs	8	(1,089)	(912)
Investment income	9	<u>7,325</u>	<u>3,767</u>
Profit before taxation		78,939	52,790
Taxation	10	<u>(9,270)</u>	<u>(6,965)</u>
Net profit for the year	11	69,669	45,825
Dividends	12	<u>(25,285)</u>	<u>(16,702)</u>
Profit for the year, retained		<u><u>44,384</u></u>	<u><u>29,123</u></u>
Earnings per share	13		
Basic		<u><u>22.10 cents</u></u>	<u><u>14.54 cents</u></u>
Diluted		<u><u>21.51 cents</u></u>	<u><u>14.44 cents</u></u>

CONSOLIDATED BALANCE SHEET

As at 31st March, 2000

	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	14	157,656	123,988
Intangible assets	15	8,000	–
Investments in securities	17	25,352	1,955
Loans receivable	18	1,575	700
		192,583	126,643
Current assets			
Inventories	19	83,409	48,214
Trade debtors, bills receivable, deposits and prepayments		86,334	47,800
Mould deposits paid		3,811	4,873
Current portion of loans receivable	18	1,218	893
Taxation recoverable		243	–
Time deposits, bank balances and cash		103,602	103,576
		278,617	205,356
Current liabilities			
Trade creditors, bills payable, deposits received and accruals		125,681	61,642
Mould deposits received		3,792	5,327
Taxation payable		4,853	19
Proposed dividend		18,983	11,975
Obligations under finance leases – due within one year	23	5,611	2,333
Bank loans – due within one year	23	549	499
		159,469	81,795
Net current assets		119,148	123,561
		311,731	250,204

CONSOLIDATED BALANCE SHEET

As at 31st March, 2000
(continued)

	Notes	2000 HK\$'000	1999 HK\$'000
Capital and reserves			
Share capital	20	31,638	31,513
Reserves	21	255,643	207,185
		<u>287,281</u>	<u>238,698</u>
Non-current liabilities			
Deferred tax liabilities	22	7,916	5,905
Borrowings – due after one year	23	16,534	5,601
		<u>24,450</u>	<u>11,506</u>
		<u>311,731</u>	<u>250,204</u>

The financial statements on pages 24 to 57 were approved by the Board of Directors on 18th August, 2000 and are signed on its behalf by:

CHEUNG LAI CHUN, MAGGIE
Director

CHEUNG LAI SEE, SOPHIE
Director

BALANCE SHEET
As at 31st March, 2000

	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	14	3,627	3,778
Intangible assets	15	8,000	–
Interests in subsidiaries	16	229,662	167,190
Investments in securities	17	15,876	624
Loans receivable	18	500	700
		257,665	172,292
Current assets			
Trade debtors, bills receivable, deposits and prepayments		2,029	5,733
Current portion of loans receivable	18	693	493
Time deposits, bank balances and cash		71,600	86,808
		74,322	93,034
Current liabilities			
Trade creditors, bills payable, deposits received and accruals		17,094	6,320
Proposed dividend		18,983	11,975
		36,077	18,295
Net current assets		38,245	74,739
		295,910	247,031
Capital and reserves			
Share capital	20	31,638	31,513
Reserves	21	161,365	151,823
		193,003	183,336
Non-current liabilities			
Deferred tax liabilities	22	531	–
Amounts due to subsidiaries	24	102,376	63,695
		102,907	63,695
		295,910	247,031

CHEUNG LAI CHUN, MAGGIE
Director

CHEUNG LAI SEE, SOPHIE
Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st March, 2000

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Revaluation increase on investments in securities not recognised in the consolidated income statement	3,687	-
Net profit for the year	69,669	45,825
Total recognised gains	<u>73,356</u>	<u>45,825</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2000

	<i>Note</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	88,455	89,907
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,747	4,328
Dividends paid		(18,277)	(15,757)
Interest paid		(293)	(335)
Interest paid on obligations under finance leases		(796)	(577)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(14,619)	(12,341)
TAXATION			
Hong Kong Profits Tax paid		(2,253)	(5,559)
Income tax paid other than in Hong Kong		(415)	(406)
TAX PAID		(2,668)	(5,965)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(53,490)	(21,533)
Acquisition of investments in securities		(17,325)	-
Loans receivable (advanced) repaid		(1,200)	200
Proceeds from disposals of property, plant and equipment		3,343	372
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(68,672)	(20,961)
NET CASH INFLOW BEFORE FINANCING CARRIED FORWARD		2,496	50,640

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2000

(continued)

	<i>Note</i>	2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW BEFORE FINANCING			
BROUGHT FORWARD		2,496	50,640
FINANCING	26		
Repayment of obligations under finance leases		(2,484)	(4,073)
Repayment of bank loans		(498)	(435)
Proceeds from sale and lease back of property, plant and equipment		-	4,405
Issue of shares		512	-
NET CASH OUTFLOW FROM FINANCING		(2,470)	(103)
INCREASE IN CASH AND CASH EQUIVALENTS		26	50,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		103,576	53,039
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		103,602	103,576
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits, bank balances and cash		103,602	103,576

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 16.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 2 (Revised)	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 24	Accounting for investments in securities

SSAPs 1 and 2 are concerned with the presentation and disclosure of financial information. The presentation in the current year's financial statements has been modified in order to conform with the requirements of those standards. Comparative amounts have been restated in order to achieve a consistent presentation.

In particular:

- additional analyses of income and expenditure have been presented; and
- amounts owing by subsidiaries which had previously been presented together with the Company's investments in such enterprises have been reclassified as non-current liabilities according to the nature of the transactions giving rise to the balances.

In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of the new standards.

None of the amendments outlined above has affected the results for the current or prior periods.

SSAP 24 has introduced a new framework for the classification of investments in securities. In adopting SSAP 24, the Group has selected the alternative treatment for securities other than held-to maturity securities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Under SSAP 24, investments in securities are now classified as held-to-maturity (carried at amortised cost less provision for irrecoverable amounts), trading securities (carried at fair value, with valuation movements dealt with in the income statement) and other securities (carried at fair value, with valuation movements dealt with in equity). The accounting treatment specified by SSAP 24 has been applied retrospectively which resulted in a reversal of unrealised loss on holding investments in securities in prior years of HK\$2,385,000 and does not have a material effect on the profit for the current or prior accounting periods. Accordingly, no prior period adjustments has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than factory premises under construction are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the assets.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of assets other than factory premises under construction over their estimated useful lives and after taking into account their estimated residual value, using the reducing balance method or straight-line method, at the following rates per annum:

Land held under long lease	2%
Land held under medium-term lease	Over the term of lease
Buildings	4%
Factory premises outside Hong Kong	4%
Plant and machinery	20%
Furniture, fixtures and equipment	15 – 20%
Moulds and tools	20 – 50%
Motor vehicles	20 – 35%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Factory premises under construction are stated at cost which includes all development expenditure and other direct costs attributable to such projects. Factory premises under construction are not depreciated until completion of construction. The cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

Intangible assets

The intangible assets represent manufacturing licence fee paid to a customer for the licence to manufacture their brand name products. The asset is amortized over a period of five years commencing from the first manufacturing of the brand name products.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities *(continued)*

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits are accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Retirement benefit scheme

The retirement benefit cost charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

4. TURNOVER

Turnover represents the aggregate invoiced value of goods sold, less returns and discounts by the Group to outside customers. All material intra-group transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

5. PROFIT FROM OPERATIONS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Amortisation of intangible assets	2,000	–
Auditors' remuneration	926	912
Depreciation		
Owned assets	20,556	20,330
Assets held under finance leases	6,684	2,196
(Gain) loss on disposal of property, plant and equipment	(607)	13
Loss on write-off of property, plant and equipment	7,089	–
Loss on dissolution of a subsidiary	24	–
Operating lease rentals for land and buildings	900	900
Contribution to retirement benefit scheme, net of forfeited amount	2,194	1,866
Other staff costs	96,449	64,219
Total staff costs	98,643	66,085

6. DIRECTORS' EMOLUMENTS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Directors' fees:		
Executive	–	–
Non-executive	–	50
Independent non-executive	50	50
	50	100
Other emoluments (Executive directors):		
Management emoluments	8,293	8,301
Contributions to pension schemes	529	529
Bonus	7,062	6,486
Others	164	–
Total emoluments	16,098	15,416

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

6. DIRECTORS' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

	No. of directors	
	2000	1999
HK\$Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,500,001 to HK\$7,000,000	1	–

In the year ended 31st March, 2000, two non-executive directors waived emoluments of HK\$50,000 each (1999: one independent non-executive director waived emoluments of HK\$50,000).

7. EMPLOYEES' EMOLUMENTS

During the years ended 31st March, 2000 and 1999, the five highest paid individuals in the Group are all directors of the Company and details of their emoluments are included in note 6 above.

During the years ended 31st March, 2000 and 1999, no emoluments were paid by the Group to the five highest individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

8. FINANCE COSTS

	2000	1999
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	293	335
Finance lease charges	796	577
	<u>1,089</u>	<u>912</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

9. INVESTMENT INCOME

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interest income from bank deposits	4,747	4,277
Realised gain on disposal of investment in securities	193	-
Reversal of unrealised loss on holding investments in securities in prior years	2,385	-
Unrealised loss on holding of investments in securities	-	(510)
	7,325	3,767

10. TAXATION

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
The charge comprises:		
Profit for the year		
Hong Kong	6,720	3,778
Other regions in The People's Republic of China ("PRC")	497	423
Prior years		
Hong Kong	42	512
Deferred taxation		
Current year (<i>Note 22</i>)	2,011	2,252
	9,270	6,965

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

10. TAXATION (continued)

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

Taxation for other regions in the PRC is calculated at the rates prevailing in the respective jurisdictions.

Details of the potential deferred taxation charge (credit) not provided for in the year are set out in note 22.

11. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year, a profit of HK\$28,093,000 (1999: HK\$34,141,000), has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Ordinary shares:		
Interim, paid – 2.0 cents (1999: 1.5 cents) per share	6,302	4,727
Final, proposed – 6.0 cents (1999: 3.8 cents) per share	18,983	11,975
	<u>25,285</u>	<u>16,702</u>

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year of HK\$69,669,000 (1999: HK\$45,825,000) and on the weighted average number of 315,208,340 (1999: 315,132,520) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

13. EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Earnings for the purposes of diluted earnings per share	69,669	45,825
	Number of shares	Number of shares
Number of shares used in calculating basic earnings per share	315,208,340	315,132,520
Effect of share options	8,613,419	2,266,063
Weighted average number of shares used in calculating diluted earnings per share	323,821,759	317,398,583

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Factory premises		Plant and machinery	Furniture, fixtures and equipment		Moulds and tools	Motor vehicles	Total
	Land and buildings	Completed		Under construction	and			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST								
At 1st April, 1999	21,824	50,124	780	69,284	30,572	64,608	6,479	243,671
Additions	-	140	6,980	37,963	9,300	14,213	2,137	70,733
Disposals	-	-	-	(6,240)	(11)	(1,280)	(608)	(8,139)
Write-off	-	-	-	-	-	(11,009)	-	(11,009)
At 31st March, 2000	21,824	50,264	7,760	101,007	39,861	66,532	8,008	295,256
DEPRECIATION								
At 1st April, 1999	4,606	7,030	-	44,707	19,834	39,840	3,666	119,683
Provided for the year	552	1,492	-	12,275	4,039	7,888	994	27,240
Eliminated on disposals	-	-	-	(4,950)	(6)	(257)	(190)	(5,403)
Eliminated on write off	-	-	-	-	-	(3,920)	-	(3,920)
At 31st March, 2000	5,158	8,522	-	52,032	23,867	43,551	4,470	137,600
NET BOOK VALUE								
At 31st March, 2000	16,666	41,742	7,760	48,975	15,994	22,981	3,538	157,656
At 31st March, 1999	17,218	43,094	780	24,577	10,738	24,768	2,813	123,988

The net book value of properties shown above comprises:

	Land and buildings		Factory premises	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Land in Hong Kong:				
Long lease	16,666	17,218	-	-
Land outside Hong Kong:				
Long lease	-	-	10,696	10,899
Medium-term lease	-	-	38,806	32,975
	16,666	17,218	49,502	43,874

The net book value of property, plant and equipment includes an amount of HK\$26,734,000 (1999: HK\$8,785,000) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

THE COMPANY

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
AT COST			
At 1st April, 1999	2,543	3,922	6,465
Additions	778	350	1,128
Disposals	(11)	(608)	(619)
At 31st March, 2000	3,310	3,664	6,974
DEPRECIATION			
At 1st April, 1999	992	1,695	2,687
Provided for the year	465	391	856
Eliminated on disposals	(6)	(190)	(196)
At 31st March, 2000	1,451	1,896	3,347
NET BOOK VALUE			
At 31st March, 2000	1,859	1,768	3,627
At 31st March, 1999	1,551	2,227	3,778

15. INTANGIBLE ASSETS

THE GROUP AND THE COMPANY

	<i>HK\$'000</i>
Manufacturing licence acquired during the year	10,000
<i>Less: amortisation for the year</i>	(2,000)
Balance at 31st March, 2000	8,000

The Group entered into an agreement for the supply of manufacturing services with an independent third party. In accordance with the agreement, the independent third party agreed to transfer the manufacture of its brand name products to the Group under a manufacturing licence and supply the tooling to the Group in accordance with the terms of the agreement. The third party has also agreed to undertake sales of a total of HK\$600 million in respect of the brand name product in the coming four years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

16. INTERESTS IN SUBSIDIARIES

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	53,524	53,524
<i>Add:</i> Amounts due from subsidiaries	178,809	116,337
	232,333	169,861
<i>Less:</i> Provision for diminution in value	(2,671)	(2,671)
	229,662	167,190

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amount will not be repaid within twelve months from the balance sheet date and the balance therefore was classified as non-current.

Particulars of subsidiaries as at 31st March, 2000 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Percentage of equity attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Allan Electric Mfg., Limited	Hong Kong	100	100 ordinary shares of HK\$10 each and 50,000 non-voting deferred shares of HK\$10 each	Manufacturing and trading of household electrical appliances
*Allan International Limited	British Virgin Islands/ Hong Kong	100	55,000 ordinary shares of HK\$1 each	Investment holding
Allan Mould Manufacturing Limited	Hong Kong/PRC	100	100 ordinary shares of HK\$1 each	Manufacturing of plastic injection moulds
Allan Plastic Mfg., Limited	Hong Kong	100	3,005 ordinary shares of HK\$1 each	Trading of household electrical appliances and personal care products
Allan Toys Manufacturing Limited	Hong Kong	100	270,000 ordinary shares of HK\$10 each	Trading of toys and moulds

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Percentage of equity attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
† 雅美工業(惠陽) 有限公司	PRC	100	Registered capital HK\$10,000,000	Manufacturing of toys
Artreal Manufactory Limited	Hong Kong	100	2 ordinary shares of HK\$1 each	Trading of toys
* Champion Horse Holdings Limited	Hong Kong	100	2 ordinary shares of HK\$1 each	Property holding
Electrical Investments Limited	British Virgin Islands/ Hong Kong	100	1 ordinary share of US\$1	Investment holding
Ever Sources Investment Limited	Hong Kong	100	100 ordinary shares of HK\$1 each	Property holding
† Huiyang Allan Plastic & Electric Industries Co. Ltd.	PRC	100	Registered capital HK\$70,000,000	Manufacturing of household electrical appliances, personal care products and plastic parts
Karan Electric Manufacturing Limited	Hong Kong	100	100 ordinary shares of HK\$1 each	Trading of personal care products
Ngai Shing (Far East) Plastic & Metalwares Factory Limited	Hong Kong	100	100 ordinary shares of HK\$10 each and 54,000 non-voting deferred shares of HK\$10 each	Development of moulds and trading of precision components
* Progress Associates Limited	British Virgin Islands/ Hong Kong	100	1 ordinary share of US\$1 each	Investment in overseas shares
* Southern Well Holdings Limited	Hong Kong/PRC	100	2 ordinary shares of HK\$1 each	Property holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Percentage of equity attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Warran Electric Manufacturing Limited	Hong Kong/PRC	100	100 ordinary shares of HK\$10 each	Provision of sub- contracting services for group companies
* Well Sincere Investment Limited	Hong Kong	100	2 ordinary shares of HK\$1 each	Investment holding
Conan Electric Manufacturing Limited	Hong Kong	100	2 ordinary shares of HK\$1 each	Inactive

* *Direct subsidiaries*

† *Companies not audited by Deloitte Touche Tohmatsu*

None of the subsidiaries had any loan capital outstanding at the end of the year.

17. INVESTMENTS IN SECURITIES

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
AT FAIR VALUE				
Club debentures	1,950	624	650	624
Listed shares				
Hong Kong	19,486	-	14,924	-
Overseas	3,916	1,331	302	-
	23,402	1,331	15,226	-
	25,352	1,955	15,876	624
Market value of listed shares				
Hong Kong	19,486	-	14,924	-
Overseas	3,916	1,331	302	-
	23,402	1,331	15,226	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

18. LOANS RECEIVABLE

	The Group		The Company	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans to officers	1,593	1,593	1,193	1,193
Loans to others	1,200	-	-	-
Less: Current portion	(1,218)	(893)	(693)	(493)
	<u>1,575</u>	<u>700</u>	<u>500</u>	<u>700</u>

Included in loans receivable, there are loans receivable from officers disclosed pursuant to Section 161B of the Companies Ordinance are as follows:-

Name of borrower	: Windgate Limited, a company controlled by Mr. Yasuhiro Terada (Marketing Manager)	Mr. Leung Mun Keung (General Manager)
Terms of repayment	: Annual instalment of HK\$200,000 plus final payment of HK\$300,000 in year 2002	Not later than 31st March 2001
Interest rate	: Interest-free	Interest-free
Security	: Property	Unsecured
At 1st April, 1999	: HK\$1,193,000	HK\$400,000
At 31st March, 2000	: HK\$1,193,000	HK\$400,000
Maximum amount outstanding during the year	: HK\$1,193,000	HK\$400,000

19. INVENTORIES

	The Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	54,726	26,630
Work in progress	12,368	11,019
Finished goods	16,315	10,565
	<u>83,409</u>	<u>48,214</u>

Included above are raw materials of HK\$14,956,000 (1999: HK\$9,418,000), work in progress of HK\$775,000 (1999: HK\$1,171,000) and finished goods of HK\$3,030,000 (1999: HK\$1,405,000) which are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

20. SHARE CAPITAL

	Number of shares		Nominal value	
	2000	1999	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning and end of year	600,000,000	600,000,000	60,000	60,000
Issued and fully paid:				
At beginning of year	315,132,520	315,132,520	31,513	31,513
Exercise of share options	1,250,000	-	125	-
At end of year	316,382,520	315,132,520	31,638	31,513

Share option scheme

Under the terms of the share option scheme which became effective on 21st October, 1992, the board of directors of the Company may offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares or 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. The share option scheme will remain in force for a period of 10 years commencing on 21st October, 1992.

On 25th September, 1997, options were granted under the scheme to subscribe for 31,300,000 ordinary shares of the Company at an exercise price of HK\$0.41 per share, subject to adjustments, exercisable from 25th September, 1997 to 24th September, 2000.

During the year, 1,250,000 share options were exercised to subscribe for 1,250,000 ordinary shares of the Company at an exercise price of HK\$0.41 per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

21. RESERVES

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
At 1st April, 1998	103,591	114	-	-	793	73,564	178,062
Profit for the year	-	-	-	-	-	45,825	45,825
Dividends	-	-	-	-	-	(16,702)	(16,702)
At 1st April, 1999	103,591	114	-	-	793	102,687	207,185
Valuation surplus	-	-	3,687	-	-	-	3,687
Shares issued at premium	387	-	-	-	-	-	387
Profit for the year	-	-	-	-	-	69,669	69,669
Dividends	-	-	-	-	-	(25,285)	(25,285)
At 31st March, 2000	103,978	114	3,687	-	793	147,071	255,643
THE COMPANY							
At 1st April, 1998	103,591	-	-	28,229	793	1,771	134,384
Profit for the year	-	-	-	-	-	34,141	34,141
Dividends	-	-	-	-	-	(16,702)	(16,702)
At 1st April, 1999	103,591	-	-	28,229	793	19,210	151,823
Valuation surplus	-	-	6,347	-	-	-	6,347
Shares issued at premium	387	-	-	-	-	-	387
Profit for the year	-	-	-	-	-	28,093	28,093
Dividends	-	-	-	-	-	(25,285)	(25,285)
At 31st March, 2000	103,978	-	6,347	28,229	793	22,018	161,365

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

21. RESERVES (continued)

The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Allan International Limited and the value of the net assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they became due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The reserves available for distribution to the shareholders at the balance sheet date, as calculated under the Companies Act of Bermuda and the Bye-Laws of the Company, amounted to HK\$50,247,000 (1999: HK\$47,439,000).

22. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	5,905	3,653	-	-
Charge for the year (Note 10)	2,011	2,252	531	-
Balance carried forward	7,916	5,905	531	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

22. DEFERRED TAX LIABILITIES *(continued)*

At the balance sheet date, the major components of the deferred taxation liabilities (assets), provided and unprovided, are as follows:

	PROVIDED		UNPROVIDED	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
Tax effect of timing differences				
because of:				
Excess of tax allowances over				
depreciation	7,901	6,074	62	1,032
Other timing differences	15	-	-	(27)
Tax losses	-	(169)	(1,514)	(712)
	<u>7,916</u>	<u>5,905</u>	<u>(1,452)</u>	<u>293</u>
THE COMPANY				
Tax effect of timing differences				
because of:				
Excess of tax allowances over				
depreciation	516	-	-	357
Other timing differences	15	-	-	(27)
Tax losses	-	-	(741)	(88)
	<u>531</u>	<u>-</u>	<u>(741)</u>	<u>242</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

22. DEFERRED TAX LIABILITIES *(continued)*

The amount of the provided and unprovided deferred taxation charge (credit) for the year are as follows:

	PROVIDED		UNPROVIDED	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
Tax effect of timing differences				
because of:				
Difference of tax allowance and depreciation	1,827	2,228	(970)	(162)
Other timing differences	15	-	27	(72)
Tax losses	169	24	(802)	(514)
	<u>2,011</u>	<u>2,252</u>	<u>(1,745)</u>	<u>(748)</u>
THE COMPANY				
Tax effect of timing differences				
because of:				
Difference of tax allowance and depreciation	516	-	(357)	(74)
Other timing differences	15	-	27	(72)
Tax losses	-	-	(653)	110
	<u>531</u>	<u>-</u>	<u>(983)</u>	<u>(36)</u>

Deferred tax has not been provided on the revaluation surplus arising on the valuation of investments in securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

23. BORROWINGS

	THE GROUP	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Bank loans, secured	1,899	2,397
Obligations under finance leases	20,795	6,036
	<u>22,694</u>	<u>8,433</u>
<i>Less: Amount due within one year</i>	<i>(6,160)</i>	<i>(2,832)</i>
Amount due after one year	<u><u>16,534</u></u>	<u><u>5,601</u></u>
The borrowings are repayable as follows:		
Bank loans, secured:		
Within one year	549	499
More than one year but not exceeding two years	610	553
More than two years but not exceeding five years	740	1,345
	<u>1,899</u>	<u>2,397</u>
<i>Less: Amount due within one year</i>	<i>(549)</i>	<i>(499)</i>
Amount due after one year	<u><u>1,350</u></u>	<u><u>1,898</u></u>
Obligations under finance leases:		
Within one year	5,611	2,333
More than one year but not exceeding two years	5,494	1,847
More than two years but not exceeding five years	9,690	1,856
	<u>20,795</u>	<u>6,036</u>
<i>Less: Amount due within one year</i>	<i>(5,611)</i>	<i>(2,333)</i>
Amount due after one year	<u><u>15,184</u></u>	<u><u>3,703</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

24. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and with no fixed repayment terms. In the opinion of the Directors, the amounts due will not be repaid within twelve months from the balance sheet date and the amount is therefore classified as non-current.

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	78,939	52,790
Interest income	(4,747)	(4,277)
Interest expenses	293	335
Charges on finance leases	796	577
Depreciation	27,240	22,526
Amortization of intangible assets	2,000	-
(Gain) loss on disposal of property, plant and equipment	(607)	13
Loss on write-off of property, plant and equipment	7,089	-
Unrealised loss on holding investments in securities	-	510
Reversal of unrealised loss on holding investments in securities in prior years	(2,385)	-
(Increase) decrease in inventories	(35,195)	7,901
Increase in trade debtors, bills receivable, deposits and prepayments	(43,534)	(8,945)
Decrease (increase) in mould deposits paid	1,062	(41)
Increase in trade creditors, bills payable, deposits received and accruals	59,039	16,800
(Decrease) increase in mould deposits received	(1,535)	1,718
Net cash inflow from operating activities	88,455	89,907

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
At 1st April, 1998	135,104	2,832	4,540
Inception of finance lease contracts in respect of assets purchased this year	-	-	1,164
Proceeds from sale and lease back of property, plant and equipment	-	-	4,405
Repayment of obligations under finance lease	-	-	(4,073)
Repayment of bank loans	-	(435)	-
At 1st April, 1999	135,104	2,397	6,036
Inception of finance lease contracts in respect of assets purchased	-	-	17,243
Repayment of obligations under finance lease	-	-	(2,484)
Repayment of bank loans	-	(498)	-
Issue of shares	512	-	-
At 31st March, 2000	<u>135,616</u>	<u>1,899</u>	<u>20,795</u>

27. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$17,243,000 (1999: HK\$1,164,000).

28. RELATED PARTY TRANSACTIONS

Rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$900,000 (1999: HK\$900,000).

Mr. Cheung Lun, 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 company. In the opinion of the directors, including non-executive directors, the monthly rental was determined with reference to estimated market value.

During the year, 3 months (1999: full year) rent free quarter was provided to a director of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

29. CONTINGENT LIABILITIES

	The Group		The Company	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given in respect of loans and banking facilities made available to subsidiaries	-	-	115,000	65,000

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31st March, 2000 amounted to approximately HK\$20,052,000 (1999: HK\$2,397,000).

30. LONG SERVICE PAYMENTS

At 31st March, 2000, the Group had a number of employees who had completed the required number of years of service under Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all eligible employees been terminated on 31st March, 2000 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$1,278,000 (1999: HK\$1,559,000). No provision has been made in the financial statements in respect of such long service payments.

31. LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, as follows:

	The Group		The Company	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating leases which expire:				
- Within one year	-	-	-	2,497
- In the second to fifth year inclusive	900	900	2,497	-
	900	900	2,497	2,497

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2000

(continued)

32. CAPITAL COMMITMENTS

	The Group		The Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Authorised and contracted for:				
Capital expenditure in respect of factory premises under construction	4,101	2,867	-	-
Capital expenditure in respect of acquisition of other property, plant and equipment	2,275	33,657	156	33,647
	<u>6,376</u>	<u>36,524</u>	<u>156</u>	<u>33,647</u>

33. RETIREMENT BENEFITS SCHEME

The Group operates defined contribution retirement benefits schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost charged to income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable in the future years was HK\$13,680 (1999:HK\$22,715).

34. PLEDGE OF ASSETS

The Group has pledged certain land and buildings having a net book value of approximately HK\$15,904,000 (1999: HK\$16,398,000) to secure general banking facilities granted to the Group.

