



It is my duty to submit to the Board of Directors ("Directors") of Anex International Holdings Limited (the "Company") the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2001.

RESULTS

The Group's turnover of HK\$205 million is not as satisfactory as last year because of the partial disposals of two former subsidiaries, which subsequently became associated companies. The turnover of our manufacturing division in fact has an increase over that of the previous year although the operating results this year was still not profitable. The audited consolidated net loss attributable to shareholders was HK\$23.7 million after realizing a HK\$12.5 million gain on the aforesaid disposals.

DIVIDEND

The Directors do not recommend the payment of a dividend (2000: Nil) for the year ended 31 March 2001.

BUSINESS REVIEWS

The core business of design and manufacture of electrical appliances experienced another difficult financial year because of higher cost of production in raw materials which cannot be passed onto customers. In the meantime, oversupply under generally depressed economic conditions in our major markets caused fierce external competition. As a result of these factors, the Group suffered an operating loss even though turnover in this segment has shown some growth.

The new "Home Stylish" product line, which is distinguished by its colourful translucent exteriors, continue to gain favorable recognition in the market after the range of products were launched in early 2000. Several new models of Cordless Jug Kettles and a Deep Fryer are being added to this line, which have become very popular with customers at large.

The Group disposed an aggregate of 22% equity interest in Cosmedia Limited and Cosmedia Group Co. Limited (together the "Cosmedia Companies") to two independent third parties for a total consideration of HK\$15.3 million. The above transactions netted a total gain of HK\$12.5 million, which is recognized in the current year's accounts. The Group's shareholdings in the Cosmedia Companies now stands at 29% as at 31 March 2001.

The Cosmedia Companies had a difficult year of operation as a number of its TV drama series under various stages of production development were not ready for sale and/or distribution through program syndication before the year-end. The poor performance of these associated companies adversely affected the results of the Group as we had to pick up HK\$7.1 million of its net operating losses for the financial year. With the completion of the re-run drama series in June 2001 and the upcoming distribution of several self-produced TV dramas in the PRC, however, the operating result of the Cosmedia Companies in the following year should improve.



BUSINESS PROSPECTS

The Group continues its search of excellence in developing ODM (original design) products, which is the mainstay of our core business. Each year our Research & Development Department designs about 20 to 25 new products from which customers may conveniently select to order. We then manufacture the ordered products and export them under the customer's own private label or brand names.

The success of the "Home Stylish" series not only renew the Group's corporate image but also confirmed our capability to create unique designs for OEM (original equipment) customers as well. With more OEM products under various stages of development, the Group aims to increase turnover and cut down on product development costs.

The manufacturing business is entering into its usual high season from July to November as the level of orders on hand remains quite high. The Group is prepared to meet new opportunities in increasing turnover and improving profitability. In the coming year we are committed to launch a larger range of new models for OEM and other private-label customers, which surely will increase our competitiveness in the market. Our aim is to attract new customers by new product development whilst maintaining our other regular clients with high quality products from our entire catalogue of over 300 items.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the management and staff for their contribution and dedication.

Kwok Hon Ching
Chairman

Hong Kong, 25 July 2001