



ANEX  
INTERNATIONAL  
HOLDINGS  
LIMITED

I  
N  
T  
E  
R  
N  
A  
T  
I  
O  
N  
A  
L  
R  
E  
P  
O  
R  
T

2

0

0

1

## OPERATING RESULTS

The Board of Directors of Anex International Holdings Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2001, together with the comparative figures for the corresponding period in 2000, are summarised as follows:—

### Consolidated Income Statement (Unaudited)

		Six months ended	
		30 September	
		2001	2000
	Notes	HK\$'000	HK\$'000
Turnover	2	113,074	111,389
Cost of sales		<u>(87,649)</u>	<u>(92,006)</u>
Gross profit		25,425	19,383
Other revenue		1,762	1,829
Selling and distribution costs		(9,087)	(7,863)
Administrative expenses		(21,714)	(23,035)
Other operating expenses		<u>(269)</u>	<u>—</u>
Loss from operating activities	2, 3	(3,883)	(9,686)
Finance costs		(1,641)	(1,618)
Gain on disposal of associates	4	1,958	12,537
Gain on disposal of subsidiaries		—	33
Share of losses of an associate		<u>(65)</u>	<u>(2,010)</u>
Loss before taxation		(3,631)	(744)
Taxation	5	<u>—</u>	<u>(7)</u>
Net loss before minority interests		(3,631)	(751)
Minority interests		<u>(97)</u>	<u>(45)</u>
Net loss attributable to shareholders		<u><u>(3,728)</u></u>	<u><u>(796)</u></u>
Loss per share — basic	6	<u><u>(0.8 cents)</u></u>	<u><u>(0.2 cents)</u></u>

Condensed Consolidated Statement of Recognised Gains and Losses (Unaudited)



Six months ended

30 September

2001

2000

HK\$'000

HK\$'000

*Exchange differences on translation of  
the financial statements of foreign entities*

6

(19)

*Net loss for the period attributable to shareholders*

(3,728)

(796)

***Total recognised losses***

**(3,722)**

**(815)**

## Consolidated Balance Sheet

At 30 September 2001

	Notes	(Unaudited) 30 September 2001 HK\$'000	(Audited) 31 March 2001 HK\$'000
<b>Non-current assets</b>			
Fixed assets		105,778	109,848
Investment properties		3,340	3,340
Interest in associates		16,443	27,906
Long term receivable		7,400	—
		<u>132,961</u>	<u>141,094</u>
<b>Current assets</b>			
Inventories		61,351	54,436
Mould deposits		5,993	5,417
Accounts receivable	8	28,386	18,346
Prepayments, deposits and other accounts receivable		7,380	2,650
Cash and cash equivalent		8,326	9,577
		<u>111,436</u>	<u>90,426</u>
<b>Current liabilities</b>			
Accounts payable	9	42,239	31,496
Other accounts payable and accruals		17,198	10,402
Interest bearing bank loan and other borrowings		5,100	1,500
Finance leases payable		533	488
Tax payable		—	46
		<u>65,070</u>	<u>43,886</u>
<b>Net current assets</b>		<b>46,366</b>	<b>46,540</b>
<b>Total assets less current liabilities</b>		<b>179,327</b>	<b>187,634</b>
<b>Non-current liabilities</b>			
Interest bearing bank loan and other borrowings		16,625	20,975
Finance lease payable		—	285
Deferred tax		32	32
		<u>16,657</u>	<u>21,292</u>
<b>Minority interests</b>		<b>121</b>	<b>24</b>
		<u>162,549</u>	<u>166,318</u>
<b>Capital and reserves</b>			
Share capital	10	45,752	45,752
Reserves	11	116,797	120,520
		<u>162,549</u>	<u>166,272</u>

## Condensed Consolidated Cash Flow Statement (Unaudited)

	<b>Six months ended</b> <b>30 September</b> <b>2001</b> <b>HK\$'000</b>	<i>Six months ended</i> <i>30 September</i> <i>2000</i> <i>HK\$'000</i>
<i>Net cash inflow from operating activities</i>	<b>1,302</b>	9,883
<i>Net cash outflow from returns on investments and servicing of finance</i>	<b>(1,614)</b>	(1,603)
<i>Tax paid</i>	<b>(46)</b>	(21)
<i>Net cash inflow/(outflow) from investing activities</i>	<b>89</b>	(3,156)
<b><i>Net cash inflow/(outflow) before financing</i></b>	<b>(268)</b>	5,103
<i>Net cash outflow from financing</i>	<b>(990)</b>	(26,005)
<i>Decrease in cash and cash equivalents</i>	<b>(1,258)</b>	(20,902)
<i>Cash and cash equivalents at beginning of the period</i>	<b>9,577</b>	31,656
<i>Effect of foreign exchange rate changes</i>	<b>7</b>	(21)
<b><i>Cash and cash equivalents at end of the period</i></b>	<b>8,326</b>	10,733

## NOTES

### 1. Significant Accounting Policies

The unaudited condensed interim financial statements of the Group have been prepared in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, and on a basis consistent with the accounting policies adopted in the preparation of the Group's financial statements for the year ended 31 March 2001.

### 2. Turnover

	<b>Turnover</b>		<b>Profit / (Loss) from</b>	
	<b>Six months ended</b>		<b>operating activities</b>	
	<b>30 September</b>		<b>Six months ended</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>By activity:</b>				
<i>Design and manufacture of electrical appliances</i>	<b>101,029</b>	111,374	<b>(4,801)</b>	(9,446)
<i>Trading of merchandise</i>	<b>12,045</b>	15	<b>918</b>	(240)
	<b><u>113,074</u></b>	<b><u>111,389</u></b>	<b><u>(3,883)</u></b>	<b><u>(9,686)</u></b>
<b>By geographical area:</b>				
<i>Western Europe</i>	<b>50,653</b>	43,997	<b>(3,831)</b>	(3,732)
<i>Eastern Europe</i>	<b>1,814</b>	2,598	<b>(272)</b>	(220)
<i>North America</i>	<b>26,395</b>	28,725	<b>(316)</b>	(2,436)
<i>South America</i>	<b>5,688</b>	9,537	<b>102</b>	(809)
<i>Asia Pacific</i>	<b>19,811</b>	16,549	<b>949</b>	(1,642)
<i>Middle East</i>	<b>3,839</b>	3,589	<b>(216)</b>	(304)
<i>Oceania</i>	<b>3,934</b>	5,762	<b>(237)</b>	(489)
<i>Africa</i>	<b>940</b>	632	<b>(62)</b>	(54)
	<b><u>113,074</u></b>	<b><u>111,389</u></b>	<b><u>(3,883)</u></b>	<b><u>(9,686)</u></b>

### 3. Loss from Operating Activities

Six months ended	
30 September	
2001	2000
HK\$'000	HK\$'000

*Loss from operating activities is arrived at after charging:*

Depreciation and amortisation	<u>6,590</u>	<u>6,099</u>
-------------------------------	--------------	--------------

### 4. Gain on Disposal of Associates

On 4 September 2001, the Group entered into a sale and purchase agreement to dispose the remaining 29% equity interests in the Group's associates — Cosmedia Group Co. Ltd. and Cosmedia Limited ("Cosmedia Group") to an independent third party. The profit realised from the disposal is approximately HK1,958,000.

### 5. Taxation

The Group has no profits which arise in, nor is derived from Hong Kong during both of the above periods. Accordingly, the Group has not provided any Hong Kong Profits Tax.

Taxes on profits assessable elsewhere in prior period have been calculated at the rates of taxation prevailing in the country in which the Group operates.

### 6. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$3,728,000 (2000: HK\$796,000) and on the 457,524,848 (2000: 427,824,848) ordinary shares in issue during the period.

No disclosure of diluted loss per share for the six months ended 30 September 2001 and for the comparative period is shown as the effect of dilutive potential ordinary shares for both periods are anti-dilutive.

## 7. Property, Plant and Equipment

During the period, the Group spent approximately HK\$3,598,000 (2000: HK\$6,502,000) on additions to plant and equipment to upgrade its manufacturing capabilities.

## 8. Accounts Receivable

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable between 30 to 60 days after issuance, except for certain well-established customers, where the terms are extended to 90 days.

The ageing analysis of the Group's accounts receivable is as follows:

	30 September 2001	31 March 2001
	HK\$'000	HK\$'000
0 — 30 days	21,041	12,927
31 — 60 days	4,045	2,622
61 — 90 days	1,129	218
More than 90 days	2,171	2,579
	<u>28,386</u>	<u>18,346</u>

## 9. Accounts Payable

The ageing analysis of the Group's accounts payable is as follows:

	30 September 2001	31 March 2001
	HK\$'000	HK\$'000
0 — 30 days	12,159	8,762
31 — 60 days	10,083	5,343
61 — 90 days	8,400	2,992
More than 90 days	11,597	14,399
	<u>42,239</u>	<u>31,496</u>

## 10. Share Capital and Share Options

During the period there was no changes in the share capital and share options.



## 11. Reserves

Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ losses) (Accumulated HK\$'000	Total HK\$'000
Balance at 1 April 2001	103,948	2,789	25,784	(172)	(11,829)	120,520
Loss of the period	—	—	—	—	(3,729)	(3,729)
Exchange realignments	—	—	—	6	—	6
<b>Balance at 30 September 2001</b>	<b>103,948</b>	<b>2,789</b>	<b>25,784</b>	<b>(166)</b>	<b>(15,558)</b>	<b>116,797</b>
<i>Reserves retained by:</i>						
Company and subsidiaries	103,948	2,789	25,784	(166)	(33,466)	98,889
Associate	—	—	—	—	17,908	17,908
	<b>103,948</b>	<b>2,789</b>	<b>25,784</b>	<b>(166)</b>	<b>(15,558)</b>	<b>116,797</b>

## 12. Contingencies and Commitments

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
<b>Contingent liabilities</b>		
Bills discounted with recourse	<b>5,549</b>	<b>1,495</b>
<b>Capital commitments</b>		
Authorised and contracted for	<b>32</b>	<b>239</b>

### 13. Related Party Transactions

During the period, the Group had the following transactions with related parties:

Nature of transactions	Notes	Six months ended 30 September	
		2001 HK\$'000	2000 HK\$'000
Gross rental received from an associate		—	120
Consultancy income received from associates		—	420
Interest income received from an associate	(i)	233	314
Interest expenses paid to an associate	(ii)	272	—

Notes:

- (i) The interest income related to loans provided to an associate. Interest income was calculated based on 1% above the one-month Hong Kong Interbank Offered Rate ("HIBOR").
- (ii) The interest expenses related to advance from an associate at interest rates from 1.5% to 3.5% per annum during the period.

### 14. Comparative Figures

Certain comparative figures have been reclassified to conform to current period's presentation.

## INTERIM DIVIDEND

*The directors of the Company (the "Directors") do not recommend the payment of any interim dividend for the period (2000: Nil).*

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

*For the six months ended 30 September 2001, the Group's turnover was HK\$113 million and the net loss attributable to shareholders was HK\$3.7 million after realizing a gain of HK\$2 million on disposal of associates.*

*The period under review was a period of business restructuring for the Group. The Company disposed the remaining 29% equity interest in the Cosmedia Group and realized a gain of approximately HK\$2 million on the disposal. The Group's business-to-customer (B2C) website ([www.direct88.com.hk](http://www.direct88.com.hk)) also ceased its operation during the period.*

*The Group's core business of design and manufacture of electrical appliances was affected by the slack performance of the world economy and recorded a 9.3% decrease in turnover to HK\$101 million for the six months ended 30 September 2001. However, operating margin has improved due to the general decrease in material costs and the Group's stringent control on operating costs during the period. As a result, the operating loss before finance costs of the core business during the period was decreased by 49% to HK\$4.8 million when comparing with the last corresponding period of a loss of HK\$9.4 million.*

### **Prospects**

*Whilst the Group remains cautious in the prevailing global economic downturn, it is sharpening its competitive edges by streamlining its operations and is vigilant in tightly monitoring its costs. To capture sales, new products are developed to broaden the product range and to replenish phased out models. This year, the Group is committed to launch about 20 to 25 new products, including such trendy items like ultrasonic tooth brush, wax warmer, hair straightener and stainless steel jug kettle which are expected to be well received by the market. The Group believed that these measures would raise its competitiveness and preserve its capability to grow when the global economy rebound.*

## Financial Review

The Group's gearing ratio, expressed as a percentage of total liabilities over total net assets of the Group, increased from 39.2% at the beginning of the period to 50.3% as at 30 September 2001. The working capital of the Group at balance sheet date was HK\$46.4 million, same as at the beginning of the period as the increase in accounts payable and accruals were offsetted by the corresponding increase in inventory and accounts receivable.

The Group has HK\$21.7 million interest bearing loans consisted of a HK\$3.1 million secured bank loan and other borrowings of HK\$18.6 million. The aforesaid loans comprise approximately 23.5% (31/3/01 : 6.7%) thereof that is repayable within one year. 75.9% repayable within the second year and the balance of 0.6% repayable in the third year. All borrowings are denominated in Hong Kong dollars.

## Charge on Assets

Certain properties of the Group situated in Hong Kong were pledged to secure general banking facilities granted to the Group. These properties comprised leasehold land and buildings at a total net book value amounting to HK\$17.4 million (31/03/01:HK\$17.4 million) and investment properties with a carrying value of HK\$3.3 million (31/03/01:HK\$3.3 million) as at the period end.

## Exposure to Exchange Risk

The Group has little foreign exchange exposure as its sales revenue was principally denominated either in Hong Kong dollars or in U.S. dollars and its borrowings are in Hong Kong dollars.

## Employee and Remuneration Policy

The Group employs a total of 1,896 (31/03/01:1,937) employees in Hong Kong and elsewhere in the People's Republic of China at end of the period. The Group regularly reviews its employees' pay levels and performance bonus system to ensure that the remuneration policy is competitive within the relevant industries.

## DIRECTORS INTERESTS IN SHARES

At 30 September 2001, the interests of the directors in the share capital issued by the Company or its associated corporations 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 of director	Notes	Number of shares held and nature of interests		
		Personal	Others	Total
Kwok Hon Ching	(a)	8,900,000	55,000,000	63,900,000
Kwok Hon Kau, Johnny	(b)	8,900,000	75,000,000	83,900,000
Kwok Hon Lam	(c)	8,900,000	75,000,000	83,900,000
Lee Ho Man, Eric		2,000,000	—	2,000,000
Chau Kwok Wai		1,000,000	—	1,000,000
		<u>29,700,000</u>	<u>205,000,000</u>	<u>234,700,000</u>

Notes:

- (a) 55,000,000 shares held by Saramade Company Limited, a trustee of a unit trust owned by a discretionary trust established for the benefits of the family members of Mr. Kwok Hon Ching.
- (b) 75,000,000 shares held by Prominent Field Inc., a trustee of a unit trust owned by a discretionary trust established for the benefits of the family members of Mr. Kwok Hon Kau, Johnny.
- (c) 75,000,000 shares held by Armstrong Inc., a trustee of a unit trust owned by a discretionary trust established for the benefits of the family members of Mr. Kwok Hon Lam.

The interests of the directors in the share options of the Company are separately disclosed in the section "Directors' rights to acquire shares".

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the directors may grant options to the directors and employees of the Group to subscribe for up to 10% of the share capital of the Company in issue from time to time, excluding any shares issued pursuant to the exercise of options granted under the share option scheme.

On 1 February 2000, options to subscribe for 480,000 shares in the Company at any time during the period of three years to 31 January 2003 at exercise price of HK\$0.40 per share were granted to Mr. Chau Kwok Wai (appointed as Executive Director on 15 August 2001). As at 30 September 2001, all the above options remained outstanding.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of issued share capital</b>
Saramade Company Limited	55,000,000	12.0
Prominent Field Inc.	75,000,000	16.4
Armstrong Inc.	75,000,000	16.4

Save as disclosed above, no person, other than the directors of the company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of SDI Ordinance.

## SHARE OPTIONS

*The Company has a share option scheme under which the directors may grant options to employees or the directors during such periods as may be determined by the directors (which shall be less than ten years from the date of issue of the relevant option) to subscribe for shares of the Company. The maximum number of shares which can be granted under the scheme may not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued pursuant to the exercise of options granted under the scheme.*

*At 30 September 2001, the Company had outstanding share options of 9,390,000 (31/03/01: 9,390,000) at an exercise price of HK\$0.40 per share entitling the holders to subscribe in cash at any time during the period of three years from 1 February 2000. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 9,390,000 shares of HK\$0.40 each at a consideration of approximately HK\$3,756,000.*

## AUDIT COMMITTEE

*The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Unaudited Interim Financial Statements.*

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

*Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2001.*

## CODE OF BEST PRACTICE

*Except that the Company's non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the provision of the company's Bye-Laws, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001 in compliance 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.*

By Order of the Board

**Kwok Hon Ching**

Chairman

Hong Kong, 20 December 2001