



ANEX INTERNATIONAL  
HOLDINGS LIMITED

## OPERATING RESULTS

The Board of Directors of Anex International Holdings Limited (the "Company") are pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002, together with the comparative figures for the corresponding period in 2001, are summarised as follows:

### Condensed Consolidated Income Statement (Unaudited)

	Notes	Six months ended	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	<b>108,747</b>	113,074
Cost of sales		<b>(82,718)</b>	(87,649)
Gross profit		<b>26,029</b>	25,425
Other revenue		<b>2,103</b>	1,762
Selling and distribution costs		<b>(8,634)</b>	(9,087)
Administrative expenses		<b>(17,551)</b>	(21,714)
Other operating expenses		—	(269)
Profit/(Loss) from operating activities	2,3	<b>1,947</b>	(3,883)
Finance costs		<b>(897)</b>	(1,641)
Gain on disposal of associates		—	1,958
Share of profits/(losses) of an associate		<b>244</b>	(65)
Profit/(Loss) before taxation		<b>1,294</b>	(3,631)
Taxation	4	<b>(151)</b>	—
Net profit/(loss) before minority interests		<b>1,143</b>	(3,631)
Minority interests		<b>(82)</b>	(97)
Net profit/(loss) attributable to shareholders		<b>1,061</b>	(3,728)
Earnings/(Loss) per share — basic	5	<b>0.23 cents</b>	(0.81 cents)

## Condensed Consolidated Balance Sheet

		(Unaudited) 30 September 2002 HK\$'000	(Audited) 31 March 2002 HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		97,014	102,981
Investment properties		1,290	1,290
Interests in associates		17,121	16,957
Notes receivable		5,105	5,605
		<u>120,530</u>	<u>126,833</u>
<b>CURRENT ASSETS</b>			
Inventories		49,897	43,385
Mould deposits		6,236	5,567
Trade receivables	7	21,994	19,553
Prepayments, deposits and other receivables		6,706	5,313
Cash and bank balances		11,809	6,179
		<u>96,642</u>	<u>79,997</u>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		—	525
Trade payables	8	38,538	27,754
Other payables and accruals		11,562	11,263
Trust receipt loan		247	73
Interest – bearing bank loan and other borrowings		1,523	1,782
		<u>51,870</u>	<u>41,397</u>
<b>NET CURRENT ASSETS</b>		<b>44,772</b>	38,600
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>165,302</b>	165,433
<b>NON-CURRENT LIABILITIES</b>			
Interest – bearing bank loan and other loans		14,125	15,375
<b>MINORITY INTERESTS</b>		<b>111</b>	32
		<u>151,066</u>	<u>150,026</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	9	45,752	45,752
Reserves	10	105,314	104,274
		<u>151,066</u>	<u>150,026</u>

### Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Issued ordinary share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2002	45,752	103,948	2,789	25,312	(176)	(27,599)	150,026
Net profit for the period	—	—	—	—	—	1,061	1,061
Disposal of leasehold land and building	—	—	—	(87)	—	87	—
Exchange realignments	—	—	—	—	(21)	—	(21)
At 30 September 2002	<u>45,752</u>	<u>103,948</u>	<u>2,789</u>	<u>25,225</u>	<u>(197)</u>	<u>(26,451)</u>	<u>151,066</u>
	Issued ordinary share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2001	45,752	103,948	2,789	25,784	(172)	(11,829)	166,272
Net loss for the period	—	—	—	—	—	(3,728)	(3,728)
Exchange realignments	—	—	—	—	5	—	5
At 30 September 2001	<u>45,752</u>	<u>103,948</u>	<u>2,789</u>	<u>25,784</u>	<u>(167)</u>	<u>(15,557)</u>	<u>162,549</u>

### Condensed Consolidated Cash Flow Statement (Unaudited)

	<b>Six months ended 30 September 2002 HK\$'000</b>	Six months ended 30 September 2001 HK\$'000
Net cash from operating activities	<b>8,567</b>	1,256
Net cash used in investing activities	<b>(383)</b>	(150)
Net cash used in financing activities	<b>(2,179)</b>	(2,364)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>6,005</b>	(1,258)
Cash and cash equivalents at the beginning of period	<b>5,581</b>	9,577
Effect of foreign exchange rate changes, net	<b>(24)</b>	7
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	<b>11,562</b>	8,326
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### ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	<b>11,809</b>	8,326
Trust receipt loan with original maturity of less than three months when acquired	<b>(247)</b>	—
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	<b>11,562</b>	8,326
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*Notes*

**1. Basis of Preparation and Principal Accounting Policies**

The unaudited condensed consolidated financial statements for the period of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies adopted are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2002, except for the adoption of the following revised and new SSAPs which are effective for the first time in the period.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The new and revised standards have introduced revised disclosure requirements which have been adopted in the condensed financial statements. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of the above standards has had no material impact on the results for the current or prior accounting periods.

## 2. Turnover

	Turnover		Profit/(Loss) from operating activities	
	Six months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By principal activity:</b>				
Design and manufacture of electrical appliances	103,192	101,029	1,487	(4,801)
Trading of merchandise	5,555	12,045	460	918
	<u>108,747</u>	<u>113,074</u>	<u>1,947</u>	<u>(3,883)</u>
	Turnover		Profit/(Loss) from operating activities	
	Six months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By geographical area:</b>				
Western Europe	41,938	50,653	684	(3,831)
Eastern Europe	2,202	1,814	(105)	(272)
North America	38,220	26,395	1,035	(316)
South America	3,236	5,688	(159)	102
Asia Pacific	15,900	19,811	826	949
Middle East	2,311	3,839	15	(216)
Oceania	3,939	3,934	(295)	(237)
Africa	1,001	940	(54)	(62)
	<u>108,747</u>	<u>113,074</u>	<u>1,947</u>	<u>(3,883)</u>

### 3. Profit/(Loss) from Operating Activities

Six months ended	
30 September	
2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit/(Loss) from operating activities is arrived at after charging:

Depreciation and amortisation	<u>6,149</u>	<u>6,590</u>
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### 4. Taxation

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during both periods. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Six months ended	
30 September	
2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

Group:

Elsewhere	71	—
Share of tax attributable to an associate	<u>80</u>	<u>—</u>
Tax charge for the period	<u>151</u>	<u>—</u>



## 5. Earnings/(Loss) per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$1,061,000 (2001: Loss of HK\$3,728,000) and on the weighted average of 457,524,848 (2001: weighted average of 457,524,848) ordinary shares in issue during the period.

No dilutive earnings per share was presented for the six months ended 30 September 2002 as there was no potential dilutive ordinary shares in existence during the period. Diluted loss per share amounts for the comparative period have not been disclosed as no diluting events existed during that period.

## 6. Property, Plant and Equipment

During the period, the Group spent approximately HK\$1,982,000 (2001: HK\$3,598,000) on additions to plant and equipment to upgrade its manufacturing capabilities.

## 7. Trade Receivables

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.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	<b>30 September</b>	31 March
	<b>2002</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 - 30 days	<b>15,147</b>	14,251
31 - 60 days	<b>2,185</b>	381
61 - 90 days	<b>1,481</b>	1,163
More than 90 days	<b>3,181</b>	3,758
	<hr/> <b>21,994</b> <hr/>	<hr/> 19,553 <hr/>

## 8. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	<b>30 September</b>	31 March
	<b>2002</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	<b>5,966</b>	7,830
31 - 60 days	<b>10,137</b>	5,079
61 - 90 days	<b>10,257</b>	4,460
More than 90 days	<b>12,178</b>	10,385
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	<b>38,538</b>	27,754
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## 9. Share Capital and Share Options

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

## 10. Reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2002	103,948	2,789	25,312	(176)	(27,599)	104,274
Net profit for the period	—	—	—	—	1,061	1,061
Disposal of leasehold land and buildings	—	—	(87)	—	87	—
Exchange realignments	—	—	—	(21)	—	(21)
At 30 September 2002	<u>103,948</u>	<u>2,789</u>	<u>25,225</u>	<u>(197)</u>	<u>(26,451)</u>	<u>105,314</u>
Reserves retained by:						
Company and subsidiaries	103,948	2,789	25,225	(197)	(44,857)	86,908
Associate	—	—	—	—	18,406	18,406
	<u>103,948</u>	<u>2,789</u>	<u>25,225</u>	<u>(197)</u>	<u>(26,451)</u>	<u>105,314</u>

## 11. Contingencies and Commitments

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
<b>Contingent liabilities</b>		
Bills discounted with recourse	<u>4,708</u>	<u>1,113</u>
<b>Capital commitments</b>		
Authorised and contracted for	<u>232</u>	<u>170</u>

## 12. Related Party Transactions

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

	<i>Note</i>	<b>Six month ended</b>	
		<b>2002</b>	<b>2001</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Nature of transactions			
Interest income received from an associate		—	233
Interest expenses paid to an associate	(i)	<b>62</b>	272

*Note:*

- (i) The interest expenses related to advance from an associate at interest rates from 0.34% to 0.88% (2001: 1.5% to 3.5%) per annum during the period.

## 13. 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 (2001: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

For the six months ended 30 September 2002, the Group recorded a consolidated profit of HK\$1.06 million (2001: loss of HK\$3.73 million) on turnover of HK\$108.7 million (2001: HK\$113.0 million)

The decline in turnover was due mostly to the decrease in sales of the merchandise trading business. The Group’s core business in design and manufacture of electrical appliance, on the other hand, had a more successful six months with sales increased by 2.1% over the prior period.

Despite the current difficult business environment, the Group was back to profit in the period under review by improving its operating margin through cost control measures on both manufacturing and administrative outlay. On the revenue side, the introduction of trendy new products with higher margin to the market during the period also help to increase sales of the core business and enhance profit margin.

### **Prospects**

The return to profit in the period under review proves the success of our efforts in restructuring the business operation of the Group as mentioned in our last Annual Report. To ensure that the Group is right on track to a sustainable growth, we’ll strive to slash costs on every possible area and to reap extra profits by improving our operational efficiency continuously. Barring unforeseen circumstances, the Directors are confident that the Group will achieve positive results for the full year.



## **Financial Review**

The Group's gearing ratio, expressed as a percentage of total liabilities over total net assets of the Group, increase from 37.8% at the beginning of the period to 43.7% as at 30 September 2002. The working capital of the Group increased from HK\$38.6 million at the beginning of the period to HK\$44.8 million at balance sheet date. The increase was primarily due to an increase in cash and bank balances and a reduction in bank overdraft and interest-bearing bank loan and other borrowings.

The Group has HK\$15.6 million interest bearing loans consisted of a HK\$1.6 million secured bank loan and other loans of HK\$14 million. The aforesaid loans comprise approximately 9.7 % (31 March 2002: 11.5%) thereof that is repayable within one year and the balance of the 90.3 % (31 March 2002: 88.5%) repayable within the second year. All borrowings are denominated in Hong Kong dollars. As at 30 September 2002, the Group had total cash and cash equivalents amounting to HK\$11.8 million (31 March 2002: HK\$6.1 million). At the balance sheet date, the net asset value of the Group was HK\$151 million representing approximately HK\$0.33 per share.

## **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\$16.0 million (31 March 2002:HK\$18.0 million) and investment properties with a carrying value of HK\$1.3 million (31 March 2002:HK\$1.3 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 1,915 (31 March 2002: 1,726) 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 2002, 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		Total
		Personal	Others	
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 2002, 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 2002, 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 share option scheme ("Old Scheme") adopted by the Company on 27 June 1991 was terminated on 26 June 2001. A new share option scheme ("New Scheme") was adopted by the Company in the 2002 Annual General Meeting ("AGM") held on 9 September 2002.

The purpose of the New Scheme is to provide incentives or rewards to Participants (as defined in the New Scheme, including but not limited to, the directors, employees, partners, associates & etc. of the Group) for their contribution to the Group.

Pursuant to this 10-year term New Scheme, the Company can grant options to Participants for a consideration of HK\$1.00 for each grant payable by the Participants to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. The maximum number of options shares can be granted under the New Scheme shall not exceed 45,752,484 shares, which is 10% of the total number of shares in issue at the date of the AGM. Subscription price in relation to each option pursuant to the New Scheme shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to a Participant; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of directors of the Company. No share options have been granted under the New Scheme for the period ended 30 September 2002.

Share options granted pursuant to the Old Scheme remain effective and the details of the outstanding share options are as follows:

Name or category of participant	Number of share options			Date of grant of share options <sup>*</sup>	Exercise period of share options	Exercise price of share options <sup>**</sup> HK\$	Price of Company's Shares <sup>***</sup> at grant date of options HK\$
	At 1 April 2002	Lapsed during the period	At 30 September 2002				
<b>Directors</b>							
Mr. Chau Kwok Wai	480,000	—	480,000	1 February 2000	1 February 2000 to 31 January 2003	0.40	0.50
<b>Other employees</b>							
In aggregate	3,510,000	—	3,510,000	1 February 2000	1 February 2000 to 31 January 2003	0.40	0.50
	3,990,000	—	3,990,000				

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.

\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.



## 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 2002.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the interim report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the bye-laws of the Company.

By Order of the Board

**Kwok Hon Ching**

*Chairman*

Hong Kong, 20 December 2002