

# Chairman's Statement

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 2003.

## Results

The Group recorded a profit of HK\$4.2 million for the year, as opposed to a HK\$15.8 million loss in the previous year, on a turnover of HK\$221 million, an increase of 4% over last year. The earnings per share amounted to HK0.92 cents for the current year (2002: loss per share of HK3.45 cents).

## Dividend

The Directors do not recommend the payment of any dividend (2002: Nil) for the year ended 31 March 2003.

## Financial and Business Review

The Group achieved remarkable progress in the year under review as our core business in design and manufacture of electrical appliances has turned around and returned to profitability. The growth of the OEM business and the surge of sales to the US market contributed to the increase in turnover despite that the economic condition worldwide remained difficult. More importantly, the Group's operating margins have significantly increased, as our cost control measures and programs to improve operational efficiency that were adopted in the past year have started to bear fruit. Meanwhile the growing OEM business also helped to scale down the operating costs during the financial year.

The merchandise business, which is conducted through the trading arm of the Group's subsidiary in Germany, continued to grow and contribute to the earnings of the Group for the year under review.

During the year, the associated company disposed a wholly owned subsidiary which holds a sizable parcel of property development site in Dongguan, the PRC at a decent profit and it also contributed to the earnings of the Group.

The financial position of the Group has significantly improved. On the back of a stronger cash inflow from operating activities, which has increased by 49% over that of last year, all bank loans and overdraft were fully paid off during the year and the cash and cash equivalents at year end also increased by 105% over last year. These improvements, together with our available banking facilities, will provide sufficient financial resources to sustain the growth of the Group.

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## Prospects

Looking ahead, we will continue to focus on the profitability of our core business. To achieve that objective, we need to boost volume and further improve efficiency of production.

We will expand our capability to attract more OEM business that can bring us volume. Meanwhile we are putting more resources in the Research and Development Department to achieve higher technological and engineering standards, which will undoubtedly improve our product quality. In collaboration with a renowned testing service provider, a safety laboratory will be set up inside our PRC factory to enhance quality control and facilitate speedy approval of our products. We will continue to invest in modern energy-saving machinery to save energy and at the same time reduce maintenance cost.

To maintain the growth momentum of the ODM business, which is the mainstay of our core business, a fair number of well-styled new products with enhanced features will also be introduced to the market in the coming year. These products will have a higher margin that will further uplift the performance of the Group.

Although the market environment in which the Group is operating is expected to remain tough, the Directors are confident that the worst is behind us, and with the implementation of the above-mentioned measures and cost control programs, the Group has the competitive edge to overcome any challenge that lies ahead, and we will have a more favourable result in the coming year.

## 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 to the Company.

**Kwok Hon Ching**

*Chairman*

Hong Kong, 25 July 2003