



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 2003, together with the comparative figures for the corresponding period in 2002, are summarised as follows:

Condensed Consolidated Income Statement (Unaudited)

	<i>Notes</i>	Six months ended	
		2003	2002
		HK\$'000	<i>HK\$'000</i>
Turnover	2	116,856	108,747
Cost of sales		(89,503)	(82,718)
Gross profit		27,353	26,029
Other revenue		784	2,103
Selling and distribution costs		(8,249)	(8,634)
Administrative expenses		(16,920)	(17,551)
Profit from operating activities	3	2,968	1,947
Finance costs		(654)	(897)
Share of profits of an associate		112	244
Profit before taxation		2,426	1,294
Taxation	4	(203)	(151)
Net profit before minority interests		2,223	1,143
Minority interests		(63)	(82)
Net profit attributable to shareholders		2,160	1,061
Earnings per share – basic	5	0.47 cents	0.23 cents

Condensed Consolidated Balance Sheet

		(Unaudited)	(Audited)
		30 September	31 March
		2003	2003
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		99,158	98,193
Investment properties		1,290	1,290
Interest in associate		20,165	20,573
Notes receivable		5,105	5,105
		125,718	125,161
CURRENT ASSETS			
Inventories		50,445	45,659
Mould deposits		4,866	4,936
Trade receivables	7	25,895	15,367
Prepayments, deposits and other receivables		3,845	3,341
Cash and bank balances		8,666	11,592
		93,717	80,895
CURRENT LIABILITIES			
Trade payables	8	38,268	27,772
Other payables and accruals		12,046	8,759
Interest – bearing bank loan and other borrowings		265	2,535
		50,579	39,066
NET CURRENT ASSETS		43,138	41,829
TOTAL ASSETS LESS CURRENT LIABILITIES		168,856	166,990
NON-CURRENT LIABILITIES			
Interest – bearing bank loan and other loans		11,900	12,250
Finance lease payables		162	296
		12,062	12,546
MINORITY INTERESTS		153	84
		156,641	154,360
CAPITAL AND RESERVES			
Issued capital	9	45,752	45,752
Reserves	10	110,889	108,608
		156,641	154,360

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Issued ordinary share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Assets revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	45,752	103,948	2,789	25,170	(7)	(23,292)	154,360
Net profit for the period	-	-	-	-	-	2,160	2,160
Exchange realignments	-	-	-	-	121	-	121
At 30 September 2003	<u>45,752</u>	<u>103,948</u>	<u>2,789</u>	<u>25,170</u>	<u>114</u>	<u>(21,132)</u>	<u>156,641</u>
	Issued ordinary share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Assets revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>
Reserves retained by:							
Company and subsidiaries	45,752	103,948	2,789	25,170	114	(43,071)	88,950
An associate	-	-	-	-	-	21,939	21,939
At 30 September 2003	<u>45,752</u>	<u>103,948</u>	<u>2,789</u>	<u>25,170</u>	<u>114</u>	<u>(21,132)</u>	<u>156,641</u>
Company and Subsidiaries	45,752	103,948	2,789	25,225	(197)	(44,858)	132,659
An associate	-	-	-	-	-	18,407	18,407
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>

* These reserve accounts comprise the consolidated reserves of HK\$110,889,000 (31/03/03: HK\$108,608,000) in the consolidated balance sheet.

Condensed Consolidated Cash Flow Statement (Unaudited)

	Six months ended 30 September 2003 HK\$'000	Six months ended 30 September 2002 HK\$'000
Net cash from operating activities	6,280	8,567
Net cash used in investing activities	(6,076)	(383)
Net cash used in financing activities	(3,257)	(2,179)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(3,053)	6,005
Cash and cash equivalents at the beginning of period	11,592	5,581
Effect of foreign exchange rate changes, net	127	(24)
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	8,666	11,562
	<hr/> <hr/>	<hr/> <hr/>

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	8,666	11,809
Trust receipt loan with original maturity of less than three months when acquired	–	(247)
	<hr/>	<hr/>
	8,666	11,562
	<hr/> <hr/>	<hr/> <hr/>

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 2003, except as described below.

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The Adoption of this standard has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

2. Segment Information

Segment information is presented by way of two segment formats: (i) by business segment on a primary segment reporting basis; and (ii) by geographical segment on a secondary segment reporting basis.

(a) Business segments

The Group has two business segments, namely the design and manufacture of electrical appliances and the trading of merchandise. The design and manufacture of electrical appliances segment constitutes more than 90% of the consolidated turnover. Moreover, the segment results and segment assets for the trading of merchandise are less than 10% of the combined results and total assets of all segments, respectively. Therefore, no business segment analysis is presented.

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of assets.

The following tables present revenue for the Group's geographical segments.

	Segment revenue	
	Sales to external customers	
	Six months ended 30 September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical area:		
Western Europe	48,827	41,938
Eastern Europe	4,038	2,202
North America	39,323	38,220
South America	3,953	3,236
Asia Pacific	14,396	15,900
Middle East	2,437	2,311
Oceania	3,846	3,939
Africa	36	1,001
	116,856	108,747

3. Profit from Operating Activities

Six months ended	
30 September	
2003	2002
HK\$'000	HK\$'000

Profit from operating activities is arrived at after charging:

Depreciation and amortisation	5,747	6,149
-------------------------------	--------------	-------

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	
2003	2002
HK\$'000	HK\$'000

Group:		
Elsewhere	171	71
Share of tax attributable to an associate	32	80
Tax charge for the period	203	151

5. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of 2,160,000 (2002: HK\$1,061,000) and on the weighted average of 457,524,848 (2002: weighted average of 457,524,848) ordinary shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 September 2003 and 2002 have not been disclosed as no diluting events existed during these periods.

6. Property, Plant and Equipment

During the period, the Group spent approximately HK\$6,712,000 (2002: HK\$1,982,000) on additions to plant and equipment to upgrade its manufacturing capabilities.

7. Trade Receivables

The Group's trading terms with its customers are mainly on credit and letter of credit, except for new customers, where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 60 days after issuance, except for certain well-established customers, where the terms are extended to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	30 September	31 March
	2003	2003
	HK\$'000	HK\$'000
0 – 30 days	16,344	6,958
31 – 60 days	3,539	2,403
61 – 90 days	1,409	2,623
More than 90 days	4,603	3,383
	<hr/>	<hr/>
	25,895	15,367
	<hr/> <hr/>	<hr/> <hr/>

8. Trade Payables

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

	30 September	31 March
	2003	2003
	HK\$'000	HK\$'000
0 – 30 days	7,936	9,195
31 – 60 days	10,119	5,863
61 – 90 days	8,207	3,068
More than 90 days	12,006	9,646
	<u>38,268</u>	<u>27,772</u>

9. Share Capital and Share Options

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

10. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior period are presented in the consolidated statement of changes in equity on page 3 of the financial statements.

11. Contingencies and Commitments

	30 September	31 March
	2003	2003
	HK\$'000	HK\$'000
Contingent liabilities		
Bills discounted with recourse	<u>332</u>	<u>1,866</u>
Capital commitments		
Authorised and contracted for	<u>98</u>	<u>4,015</u>

12. Related Party Transactions

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

	<i>Notes</i>	Six months ended	
		30 September	
		2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
Nature of transaction			
Interest expenses paid to an associate	(i)	<u>9</u>	<u>62</u>

Note:

- (i) The interest expenses related to advance from an associate at interest rates of 0.125% (2002: 0.34% to 0.88%) per annum during the period.

13. Post balance sheet events

Pursuant to a special resolution passed at the annual general meeting of the Company on 15 September 2003 which took effect on 6 October 2003, the entire amount of HK\$103,948,000 standing to the credit of the share premium account of the Company was reduced to zero, of which HK\$98,953,000 was being applied towards eliminating the accumulated losses of the Company as at 31 March 2003 with the remaining balance of HK\$4,995,000 being credited to other distributable reserve account of the Company.

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 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2003, the Group recorded a consolidated profit of HK\$2.16 million (2002: HK\$1.06 million) on turnover of HK\$116.9 million (2002: HK\$108.7 million).

Turnover of the Group's core business in design and manufacture of electrical appliance registered an steadily growth of 4.7% while the merchandise trading business registered a sales increase of 58.4% over the same period last year.

During the period under review, the Group was able to maintain its profit margins in defiance of the rising material price by enhancing its supply chain management and manufacturing efficiencies through implementation of quality improvement and staff development programs. Trendy new ODM products with innovative features and superior value launched were well received and expanded our market share during the period. Meanwhile, the growth of the OEM business also help to boost sales volume and driven down operating cost.

Prospects

The Group expects generally improved market prospects as consumer confidence returns. At the date of this report, orders on hand are much stronger than the same time of last year that would sustain our growth into the second half of the financial year and beyond. In view of this surging demand, the Group will expand its production capacity and will continue to invest in areas that would improve its core competence to stay ahead of the market.

The Directors are committed to increase financial results by continuous performance improvement in every aspect of the business and are confident that the Group will deliver better returns to the shareholders in the coming year.

Financial Review

The Group's gearing ratio, expressed as a percentage of total liabilities over total net assets of the Group, increase from 33.4% at the beginning of the period to 40% as at 30 September 2003. The working capital of the Group increased from HK\$41.8 million at the beginning of the period to HK\$43.1 million at balance sheet date. While accounts payable and accruals were up as a result of strong orders on hand, the increase was more than offset by the corresponding increase in inventories and trade receivables at end of the period.

The Group has HK\$11.9 million (31/03/03: HK\$14.5 million) interest bearing loans, all the loans are other borrowings denominated in Hong Kong dollars and is repayable within the second year. As at 30 September 2003, the Group had total cash and cash equivalents amounting to HK\$8.7 million (31/03/03: HK\$11.6 million). At the balance sheet date, the net asset value of the Group was HK\$156.6 million (31/03/03: HK\$154.4M) representing approximately HK\$0.34 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\$14.7 million (31/03/03: HK\$14.7 million) and investment properties with a carrying value of HK\$1.3 million (31/03/03: 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 2,056 (31/03/03: 1,866) 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 2003, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company under Part XV of SFO, were as follows:

Ordinary shares of HK\$0.10 each in the Company

Name of director	Notes	Number of shares held and nature of interest (long position)		Percentage of total issued capital
		Personal	Other	
Kwok Hon Ching	(a), (c)	8,900,000	150,000,000	34.73
Kwok Hon Kau, Johnny	(b), (c)	8,900,000	150,000,000	34.73
Kwok Hon Lam	(c)	8,900,000	75,000,000	18.34
Lee Ho Man, Eric		2,000,000	–	0.44
Chau Kwok Wai		1,000,000	–	0.22

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

Notes:

- (a) 75,000,000 shares are held by Saramade Company Limited, a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Ching.
- (b) 75,000,000 shares are held by Prominent Field Inc., a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Kau, Johnny.
- (c) 75,000,000 shares are held by Armstrong Inc., a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Madam Hui Mei Heung, including Messrs. Kwok Hon Ching, Kwok Hon Lam and Kwok Hon Kau, Johnny.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section "share option scheme", at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the register of substantial shareholders required to be kept under Section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors.

Substantial Shareholders (other than Kwok Hon Ching, Kwok Hon Kau, Johnny and Kwok Hong Lam)	<i>Notes</i>	Number of shares held in the Company of HK\$0.10 each (long position)	Percentage of total issued capital
Hui Mei Heung		75,000,000	16.39
Kwok Lee Shu Noo	<i>(a)</i>	158,900,000	34.73
Leung Wai Shan, Christina	<i>(b)</i>	158,900,000	34.73
Cheng Mei Chu	<i>(c)</i>	83,900,000	18.34
Armstrong Inc.		75,000,000	16.39
Prominent Field Inc.		75,000,000	16.39
Saramade Company Limited		75,000,000	16.39
MeesPierson (Bahamas) Limited	<i>(d)</i>	225,000,000	49.18

Notes:

- (a) 158,900,000 Shares are deemed to be held by Mrs Kwok Lee Shu Noo by virtue of her being the spouse of Mr Kwok Hon Ching.
- (b) 158,900,000 Shares are deemed to be held by Ms Leung Wai Shan, Christina by virtue of her being the spouse of Mr Kwok Hon Kau, Johnny.
- (c) 83,900,000 Shares are deemed to be held by Ms Cheng Mei Chu by virtue of her being the spouse of Mr Kwok Hon Lam.
- (d) MeesPierson (Bahamas) Limited is the trustee of the discretionary trusts mentioned in notes (a), (b) and (c) of the section "Directors interests in Shares".

SHARE OPTION SCHEME

Pursuant to the share option scheme ("Scheme") adopted by the Company on 9 September 2002, the Company can grant options to eligible participants who contribute to the success of the Group's operations.

No share option was granted during the period.

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 2003.

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, 22 December 2003