

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 2004.

Results

The Group recorded a loss of HK\$9.3 million for the year, against a profit of HK\$4.2 million in the previous year on turnover of HK\$239.2 million, an increase of 8.2% over last year. The loss per share amounted to HK2.02 cents for the current year (2003: profit of HK0.92 cents).

Dividend

The Directors do not recommend the payment of any dividend (2003: Nil) for the year ended 31 March 2004.

Business Review

For the year under review, the Group achieved a turnover of HK\$239.2 million against that of HK\$221.1 million of last year.

While business looked very promising for our core business in design and manufacture of electrical appliances in the first half of the year, our overall profit margin was squeezed in the second half by the sharp rises of the raw material cost and factory wages, the latter was caused by the abrupt shortage of labor in the Pearl River Delta as a result of robust economic growth in China. Since the sales prices were contracted some months before such cost increases, we could not possibly recoup the additional cost from the customers. At the same time, selling and distribution costs also increased during the year to further strengthen the Group's sales and distribution network in the overseas markets. As a result, the core business suffered a loss for the full year despite achieving a sales growth of 8.6%.

The merchandise business through the trading division of the Group's subsidiary in Germany recorded a sales increase of 4.1%. However, a small loss was incurred due to rising distribution costs and thinner gross margin.

CHAIRMAN'S STATEMENT

Prospects

With strong orders on hand, our main focus in the coming year is definitely on cost control.

Since the beginning of the new fiscal year, cost of our key materials have been trending downwards as a result of the austerity measures implemented by the PRC Government to cool down the overheated economy. These measures will help to stabilize material and labor costs while at the same time reduce the operating costs of our PRC factory in the coming year.

Meanwhile, we have implemented measures to enhance our profit margin, including headcount reduction through flexible production shift planning, replacement of ageing machines with modern energy-saving machines, and more importantly the strengthening of our procurement team so as to get the best terms and pricing from our suppliers.

With demand for our products growing strongly and the implementation of the above cost reduction measures in place, the directors are confident that the Group can achieve substantial sales growth, control the production cost and restore our profitability 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, 28 July 2004