



ANEX INTERNATIONAL HOLDINGS LIMITED

安歷士國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 723)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The directors of Anex International Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	NOTE	For the six months ended 30 September	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	3	109,603	85,815
Cost of sales		(98,364)	(81,489)
Gross profit		11,239	4,326
Other revenue		1,931	931
Selling and distribution costs		(9,167)	(5,336)
General and administrative expenses		(21,690)	(19,032)
Loss from operations		(17,687)	(19,111)
Finance costs		(1,540)	(1,101)
Share of profits of an associate		171	362
Loss before taxation	4	(19,056)	(19,850)
Income tax	5	(94)	(215)
Loss after taxation		(19,150)	(20,065)
Attributable to:			
Equity shareholders of the Company		(19,160)	(20,075)
Minority interests		10	10
Loss after taxation		(19,150)	(20,065)
Loss per share			
Basic	6	(1.68 cents)	(4.42 cents)
Diluted	6	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

	At 30 September 2006 HK\$'000 (Unaudited)	At 31 March 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	83,211	82,714
Interests in leasehold land held for own use under operating leases	5,297	5,368
Interest in an associate	16,279	16,108
Deposit for acquisition of a subsidiary	18,290	-
	123,077	104,190
CURRENT ASSETS		
Inventories	41,482	34,189
Mould deposits	10,273	8,862
Trade receivables	23,045	23,832
Prepayments, deposits and other receivables	9,947	6,961
Pledged deposits	7,348	7,320
Cash and bank balances	43,014	12,242
	135,109	93,406
CURRENT LIABILITIES		
Bank overdrafts	1,107	552
Trade payables	39,321	31,473
Other payables and accruals	19,004	19,304
Due to a director	-	6,000
Interest-bearing bank and other loans	26,898	24,776
Finance lease payables	1,795	1,116
	88,125	83,221
NET CURRENT ASSETS	46,984	10,185
TOTAL ASSETS LESS CURRENT LIABILITIES	170,061	114,375
NON-CURRENT LIABILITIES		
Finance lease payables	1,598	935
Deferred tax liabilities	5,529	5,529
	7,127	6,464
Net assets	162,934	107,911
CAPITAL AND RESERVES		
Share capital	153,728	76,864
Reserves	9,113	30,969
Total equity attributable to equity shareholders of the Company	162,841	107,833
Minority interests	93	78
TOTAL EQUITY	162,934	107,911

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1. **BASIS OF PREPARATION**
The condensed consolidated interim financial report has 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 (the "Stock Exchange") and with Hong Kong Accounting Standard No.34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The condensed consolidated interim financial report should be read in conjunction with the 2006 annual financial statements.

2. **CHANGES IN ACCOUNTING POLICIES**
The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2006. The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 March 2007.
- | | |
|-------------------------------|---|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures ¹ |
| HKAS 21 (Amendment) | Net Investment in a Foreign Operation ¹ |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecas ¹
Intragroup Transactions ¹ and The Fair Value Option ¹ |
| HKAS 39 & HKFRS 4 (Amendment) | Financial Guarantee Contracts ¹ |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources ¹ |
| HK (IFRIC) - INT 4 | Determining whether an Arrangement Contains a Lease ¹ |
| HK (IFRIC) - INT 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ¹ |
| HK (IFRIC) - INT 6 | Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment ² |
| HK (IFRIC) - INT 7 | Applying the Restatement Approach under HKAS 29
Financial Reporting in Hyperinflationary Economies ³ |

¹ Effective for annual periods beginning on or after 1 January, 2006
² Effective for annual periods beginning on or after 1 December, 2005
³ Effective for annual periods beginning on or after 1 March, 2006

The adoption of the above new standards, amendments to standards and interpretations did not result in substantial changes to the Group's accounting policies.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

- | | |
|---------------------|---|
| HKAS 1 (Amendment) | Capital Disclosures ¹ |
| HKFRS 7 | Financial Instruments - Disclosures ¹ |
| HK (IFRIC) - INT 8 | Scope of HKFRS ² |
| HK (IFRIC) - INT 9 | Reassessment of Embedded Derivatives ³ |
| HK (IFRIC) - INT 10 | Interim Financial Reporting and Impairment ⁴ |

¹ Effective for annual periods beginning on or after 1 January, 2007
² Effective for annual periods beginning on or after 1 May, 2006
³ Effective for annual periods beginning on or after 1 June, 2006
⁴ Effective for annual periods beginning on or after 1 November, 2006

3. **SEGMENT INFORMATION**
Segment information is presented in respect of the Group's geographical segments. Information related to geographical segments based on the location of external customers is chosen because it is more relevant to the Group internal financial reporting. The Group has two business segments, namely the design and manufacture of electrical appliances and the trading of merchandise. No further business segment information is presented as over 90% of the Group's consolidated turnover, results and assets are related to the design and manufacture of electrical appliances.

Geographical segments

The following table presents segment revenue, segment assets and capital expenditure information for the Group's geographical segments.

	Segment revenue		Other segment information			
	Sales to external customers	Sales to	Capital expenditure	Segment assets	As at 30 September	As at 31 March
	Six months ended	Six months ended	Six months ended	Six months ended	September	31 March
	2006	2005	2006	2005	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	60,186	36,637	2,801	1,349	103,761	85,874
North America	30,060	22,080	1,399	813	51,823	58,953
South America	6,151	7,209	286	266	10,604	17,452
Asia Pacific	4,773	10,710	218	394	8,061	9,335
Middle East	6,410	6,860	298	253	11,051	7,213
Oceania	2,023	2,319	94	85	3,488	2,661
Corporate and others	-	-	471	-	69,398	16,108
	109,603	85,815	5,567	3,160	258,186	197,596

Carrying amount of segment assets and capital expenditure by location of assets are as follows:

	Capital expenditure		Segment assets	
	Six months ended	Six months ended	As at 30 September	As at 31 March
	2006	2005	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	10	5	10,950	10,527
North America	-	-	10,757	10,341
South America	-	-	6,242	6,001
Asia Pacific	5,086	3,155	157,918	151,812
Middle East	-	-	2,525	2,427
Oceania	-	-	396	380
Corporate and others	471	-	69,398	16,108
	5,567	3,160	258,186	197,596

4. **LOSS BEFORE TAXATION**
Loss before taxation is arrived at after charging/(crediting):

	Six months ended	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
(a) Finance costs:		
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,372	1,045
Finance charges on obligations under finance leases	168	56
Total borrowing costs	1,540	1,101

(b) Other items:	2006	2005
Cost of inventories sold*	98,364	81,489
Staff costs (including directors' remuneration)	22,975	16,203
Depreciation	5,070	5,475
(Gain)/loss on disposal of property, plant and equipment	(16)	25
Minimum lease payments under operating leases for land and building (including directors' quarters)	827	628

* Included staff costs of approximately HK\$11,420,000 (2005: HK\$7,710,000) and depreciation of approximately HK\$3,884,000 (2005: HK\$4,065,000), the amount of which is also included in the respective total amounts disclosed separately above.

5. INCOME TAX	Six months ended	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current tax - Overseas	94	215

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during both periods. Taxations for overseas subsidiaries are charged at the appropriate current rates of taxation in the relevant countries.

6. **LOSS PER SHARE**
(a) *Basic loss per share*
The calculation of basic loss per share for the six months ended 30 September 2006 is based on the net loss attributable to equity shareholders of the Company of approximately HK\$19,160,000 (2005: HK\$20,075,000) and the weighted average number of 1,143,512,000 ordinary shares (2005: weighted average of 454,460,000 ordinary shares after adjusting for the rights issue in 2006) in issue during the period.

(b) *Diluted loss per share*
Diluted loss per share for the six months ended 30 September 2006 have not been disclosed as the bonus warrants outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

7. **COMMITMENTS**
(a) Capital commitments outstanding at 30 September 2006 not provided for in the financial statements were as follows:

	At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
Contracted but not provided for	826	1,450

(b) At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
Within one year	1,420	1,420
In the second to fifth years, inclusive	997	1,707
	2,417	3,127

8. **CONTINGENT LIABILITIES**
At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
Standby letter of credit facilities granted by a bank for warranty claims	6,630	-

9. **RELATED PARTY TRANSACTIONS**
(a) During the current period, the Group had the following transactions with the related parties:

	Notes	Six months ended	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest expenses paid to a director	(i)	207	-
Rental of a director's quarter paid to a related company	(ii)	270	240
Rental of office premises paid to a related company	(iii)	440	-
Purchase of a motor vehicle from a director	(iv)	342	-

Note:
(i) The interest expense related to an advance of HK\$8,000,000 from a director, Mr. Cheng Tun Nei. The interest is calculated at a rate of 1% per annum and above the Prime Rate. The loan has been settled on 29 June 2006.
(ii) On 22 May 2006 the Company entered into a lease agreement with a related company, Mountain Dew Limited, a company controlled by Mr. Kwok Hon Lam, a director of the Company, to lease a director's quarter for a period of 33 months commencing on 1 March 2006 at a monthly rental of HK\$45,000 (2005: HK\$40,000)

- (iii) On 28 February 2006 the Company entered into a lease agreement with a related company, Gold Regent International Limited, a company controlled by Mr. Cheng Tun Nei, a director of the Company, to lease office premises for a period of two years commencing on 1 March 2006 at a monthly rental of HK\$73,340 (2005: HK\$Nil)
- (iv) On 1 April 2006 the Company entered into a purchase agreement with a director, Mr. Cheng Tun Nei, to purchase a motor vehicle from the latter for a consideration of HK\$341,644.
- (b) Key management compensation

Details of compensation paid to key management of the Group (all being directors of the Company) are as follows:

	Six months ended 30 September 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Salaries and other benefits	2,073	1,054
Contribution to retirement benefit scheme	32	37
	<u>2,105</u>	<u>1,091</u>

10. EVENT AFTER BALANCE SHEET DATE

(a) Acquisition of subsidiaries

- (1) On 13 October 2006, Anex Construction and Engineering Holdings Limited ("Anex Construction"), a wholly-owned subsidiary of the Company, and Mr. Cheng Tun Nei and Mr. Cheng Tze Kit, Larry (the "Vendors") entered into an agreement pursuant to which Anex Construction had conditionally agreed to purchase the entire issued share capital and the shareholders' loans made to BIP (HK) Company Limited for a consideration of HK\$5,776,114.

The Vendors were executive directors of the Company and the acquisition therefore constituted a connected transaction of the Company as outlined in the Company's circular dated 1 November 2006. The acquisition was completed on 1 November 2006.

- (2) Subsequent to the balance sheet date on 19 October 2006, the acquisition of Ancen Properties was approved by the shareholders of the Company and completed on 20 October 2006.

(b) Expired banking facilities

Subsequent to the balance sheet date on 10 December 2006, the letter of credit facilities granted by a bank for warranty claims was expired and released.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the marketing effort on home appliances business and the launch of building materials business, the Group's turnover was improved by 27.7% to HK\$109.6 million for the six months ended 30 September 2006 (2005: HK\$85.8 million) and the net loss for the interim period was dropped by 4.5% to HK\$19.2 million (2005: HK\$20.1 million). The competition of home appliances manufacturing industry was still keen. Drastic increases in prices of essential raw materials, gradual rise of labour cost in the mainland China and appreciation of Renminbi had constrained the performance of the core business in design and manufacturing of home appliances of the Group. Included in the calculation of gross profit margin, there were a value added tax export refund of HK\$3.2 million and reversal of provision of obsolete inventories of HK\$3.0 million.

FINANCIAL REVIEW

On 30 June 2006, the Company had successfully made a rights issue of one rights share for every existing share together with an issue of two bonus warrants for every five rights shares, at an issue price of HK\$0.10 per rights share, resulting in the issue of 768,641,743 shares of HK\$0.10 each for a total cash consideration. As a result, a total of 307,456,696 warrants were issued which entitling the holders thereof to subscribe for new shares at an initial subscription price of HK\$0.10 per share upon exercise of one warrant. The gross proceeds amounted to HK\$76,864,000 and the net proceeds from the rights issue of HK\$74,000,000.

Accordingly, the Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders, reduced from 23.0% at the beginning of the period to 16.5% as at 30 September 2006, while the reserves of the Group had been reduced by the rights issue expenses and loss incurred for the period. Besides, working capital rose from HK\$10.2 million at the beginning of the period to HK\$47.0 million as at 30 September 2006.

HUMAN RESOURCES AND REMUNERATION POLICY

The Group had a total of approximately 1,784 employees as at 30 September 2006 mostly in Hong Kong and mainland China. The total amount of remuneration paid by the Group to its employees (including directors) for the interim period was HK\$23.0 million (2005: HK\$16.2 million).

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Staff benefits include medical insurance coverage and provident fund scheme. The Group also awards discretionary bonuses to its employees based on their individual performance and it also maintains staff share option scheme. The remuneration policy and packages of the Group are reviewed from time to time.

PROSPECTS

The business environment for the second half year remains challenging for the home appliances business of the Group as keen competition of the industry, increase in prices of essential raw materials, gradual rise of labour cost in the mainland China and appreciation of Renminbi continue taken place. Nevertheless, the Group will continue to develop and strengthen our marketing strategies and sales volume and

strive to maintain our leading position in the industry. Going forward, the Group will focus on improving the profitability through new design and new products.

Through acquisitions of equity interests in Ancen Properties Limited and BIP (HK) Company Limited, the Group would accelerate the pace of growth and expansion in the industry of property development and related building material business. In view of the growing property market in the mainland China, we anticipate that "Jia Lake Mountain Villa", a property project under development in Dongguan, the PRC, will bring solid profit to the Group. Besides, we also believe that the business development of our building material division will be benefited from the economic growth in Macau.

In the meantime, the Group is also striving to explore more business opportunities in order to improve the return of our shareholders in the foreseeable future.

INTERIM DIVIDEND

The Board of the Company did not declare an interim dividend for the six months ended 30 September 2006 (2005: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 30 June 2006, rights issue of one rights share for every existing share together with an issue of two bonus warrants for every five rights shares was made, at an issue price of HK\$0.10 per rights share, resulting in the issue of 768,641,743 shares of HK\$0.10 each for a total cash consideration. As a result, a total of 307,456,696 warrants were issued, entitling the holders thereof to subscribe for new shares at an initial subscription price of HK\$0.10 per share upon exercise of one warrant.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2006, except for the following deviation:

- (1) The Non-executive Director and the Independent Non-executive Directors of the Company were not appointed for specific terms. However, Non-executive Director and the Independent Non-executive Directors are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.
- (2) The Company has not established a Nomination Committee. However, according to the Bye-laws of the Company, the Board is empowered to appoint Director(s) at any time so as to fill a casual vacancy or, to add a new member of the Board. Appointment is made on basis of the qualifications, experience and personality of the appointee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made a specific enquiry, all the Directors confirmed that they had complied with the standards set out in the Model Code for the six months ended 30 September 2006.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors namely Mr. Fung Kwan Yin, James (as Chairman), Mr. Chan Sun Kwong and Mr. Chow Nim Sun, Nelson. On 15 December 2006, the Audit Committee met to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2006. After review and discussions, the Audit Committee recommended the Board's approval of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2006. The Group's Interim Report for the six months ended 30 September 2006 has been reviewed by the Audit Committee.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information in respect of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website (<http://www.hkex.com.hk>) in due course.

By Order of the Board
Anex International Holdings Limited
Cheng Tun Nei
Chairman

Hong Kong, 15 December 2006

As at the date of this announcement, the Directors of the Company are as follows:

Executive Directors:
Mr. Cheng Tun Nei
(Chairman)
Mr. Kwok Hon Lam
(Vice-Chairman)
Dr. Siu Miu Man
(Chief Executive Officer)
Mr. Kwok Chi Hang, Peter
Mr. Cheng Tze Kit, Larry

Independent Non-Executive Directors:
Mr. Chan Sun Kwong
Mr. Fung Kwan Yin, James
Mr. Chow Nim Sun, Nelson

Non-executive Director:
Mr. Yeung Chee Tat

* For identification purpose only