

Chairman's Statement



To shareholders

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the first annual results of the Group since its listing on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 February, 2002. It was a major achievement for the Group when the subscription of the Company's shares was over subscribed by 78.4 times and 5.5 times in public offering and placing exercises respectively. Such conspicuous support contributed approximately HK\$73.76 million of net proceeds for the Company.

Established in 1997, we have gradually evolved from a supplier of plastic moulded products and parts to a leading integrated manufacturing solutions provider. Leveraging on our solid background and recent achievements, we will further enhance our presence in our existing markets while identifying potential business opportunities, continuing to achieve excellent results in the years ahead.

Results

The Board is proudly to report that our performance has continued to grow. For the year ended 31 July, 2002, turnover and net profit attributable to shareholders have continued to accelerate and achieved impressive amount of HK\$932.63 million and HK\$65.79 million respectively and this represents an increase of 45.91 per cent. and 58.00 per cent. respectively over the last financial year. The Group's net profit margin rose slightly from 6.51 per cent. in the last financial year to 7.05 per cent..

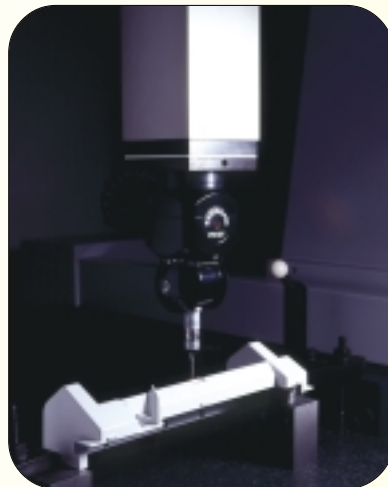
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Dividend

The Board has recommended the payment of a final dividend of HK0.5 cent per share in respect of the year ended 31 July, 2002 (31 July, 2001: HK40.0 cents) to the shareholders listed on the register of members on 22 November, 2002. The proposed final dividend will be paid on 22 December, 2002 following approval at the forthcoming annual general meeting of the Company ("Annual General Meeting") on 22 November, 2002.

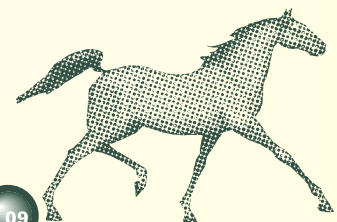
Business review and prospects

Year 2001 has been one of the most challenging and rewarding years to the Group. Although the global economy entered into a recession,



coupled with the impact of the 911 incidence, the Group had attained tremendous results and business expansions. The encouraging performance was mainly attributed to the Group's long term and concrete relationships with major customers, effective cost control and prudent inventory control measures.

The Group will continue to strengthen its sales and marketing capability by widening the sales network and customer base in order to sustain positive and aggressive revenue growth while minimise risk of reliance on certain major customers. The Group will also adopt information technology to keep abreast of the customer requirements and market trends so that we will be ready to adapt, change and improve along with our customers' needs.



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Despite the economy slowdown, the Board is very optimistic about the PRC market especially with the accession of the PRC to the World Trade Organisation ("WTO"). This will definitely provide tremendous business opportunities as PRC will be the main incubator for entrepreneurship and domestic initiatives for Original Equipment Manufacturing ("OEM")/Original Design Manufacturing ("ODM") business development. During the financial year, revenue generated from the Group's telecommunication and electrical appliances sector accounted for approximately 9.1 per cent. of the Group's turnover. The Group views this as an emerging market in the PRC and will step up our move to strengthen our partnership with the world's renowned manufacturers or domestically so as to capture these emerging business opportunities in the PRC.

Appreciation

This financial year was a fruitful year for the Group and solid foundations for aggressive future developments have been laid. On behalf of the Board, I would like to take this opportunity to thank the Group's valued customers, dedicated management team, diligent staff as well as the shareholders for their strong support. We will continue to add value to our shareholders and to bring better returns to them.



By order of the Board
V.S. International Group Limited
Beh Kim Ling
Chairman