Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 Reorganisation

The Company was incorporated in the Cayman Islands on 9 July, 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the Reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 20 January, 2002. Further details of the Reorganisation are set forth in the Prospectus.

2 Basis of presentation

The Group resulting from the Reorganisation has been regarded as a continuing group. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions", under which the Company was the holding company of the Group for both periods presented, rather than from 20 January, 2002. Under these circumstances, the results of the Group for the years ended 31 July, 2002 and 2001 include the results of the Company and its subsidiaries with effect from 1 August, 2000 or since their respective dates of incorporation/establishment, whichever is a shorter period. The consolidated balance sheet at 31 July, 2001 is a combination of the balance sheets of the Company and its subsidiaries as at 31 July, 2001. In the opinion of the Directors, the resulting consolidated financial statements give a more meaningful view of the results and the state of affairs of the Group as a whole.

The Company was incorporated on 9 July, 2001, no comparative figures are presented in respect of the Company's balance sheet.

3 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of land and buildings as explained in accounting policies set out below.

3 Significant accounting policies (continued)

(c) Subsidiaries and controlled enterprises

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in subsidiary is stated at cost less any impairment losses (see note 3(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

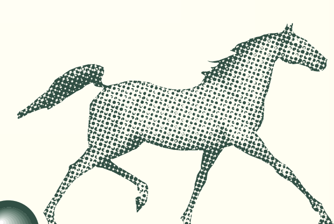
(d) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:–

- land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see note 3(g)). Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and
- plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 3(g)) and impairment losses (see note 3(h)).

(ii) Changes arising on the revaluation of land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:–

- when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, had previously been charged to the income statement.



3 Significant accounting policies (continued)

(d) Fixed assets (continued)

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. For land and building held for own use, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(e) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Lease of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease, or where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(h). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(f) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 3(h)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges and exchange differences on other designated financial instruments, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

3 Significant accounting policies (continued)

(g) Depreciation

Depreciation is calculated to write off the cost or valuation of fixed assets over their estimated useful lives as follows:–

– leasehold land is depreciated on a straight-line basis over the remaining term of the respective leases;

– buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases;

– leasehold improvements are depreciated on a straight-line basis over the shorter of their useful lives, being 10 years from the date of completion, and the unexpired terms of the leases; and

– other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:–

Plant and machinery	5 - 10 years
Office equipment, furniture and fixtures	3 - 5 years
Motor vehicles	5 years

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:–

– property, plant and equipment (other than properties carried at revalued amounts); and

– investments in subsidiaries (except for those accounted for at fair value under note 3(c)).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

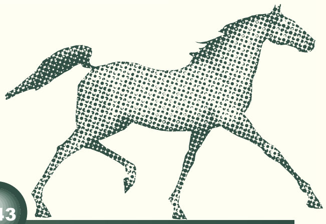
(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from those assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.



(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and losses of inventories is recognised as an expense in the period the written-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired.

(k) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 Significant accounting policies (continued)

(m) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:–

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results and balance sheet items of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a subsidiary outside Hong Kong, the cumulative amount of the exchange differences which relate to that subsidiary outside Hong Kong is included in the calculation of the profit and loss on disposal.

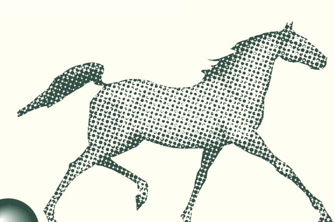
(o) Retirement cost

Contribution to retirement benefit schemes are charged to the income statement as and when incurred.

(p) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.



3 Significant accounting policies (continued)

(q) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

4 Turnover

The principal activities of the Group are the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and mould design and fabrication.

Turnover represents aggregate of invoiced value of goods sold. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

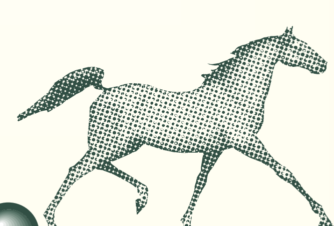
An analysis of the principal activities of the Group's operation is as follows:–

	2002	2001
	$'000	$'000
Breakdown of revenue by principal activities		
Plastic injection and moulding	**352,151**	310,590
Assembling of electronic products	**545,210**	290,314
Mould design and fabrication	**35,269**	38,278
	932,630	639,182

Pursuant to the relevant tax regulations in the PRC, the Group's operation in the PRC is predominately engaged in export sales that is exempted from value added tax which is calculated at 17 per cent. of the sales less any input value added tax incurred by the Group.

5 Other income

	2002	2001
	$'000	$'000
Gain on disposal of fixed assets	**198**	–



Notes on the Financial Statements

(Expressed in Hong Kong dollars)

6 Personnel expenses

	2002	2001
	$'000	$'000
Salaries, wages and allowances	**38,115**	26,032
Contributions to retirement benefit schemes	**1,436**	103
	39,551	26,135
Average number of employees during the year	**2,039**	906

Personnel expenses include Directors' remuneration totalling $7,969,000 (2001: $8,800,000 *(note (9))*.

A subsidiary of the Company has entered into processing arrangements with independent third parties (the "Providers") in respect of certain production facilities in Shenzhen, the PRC. Pursuant to the relevant processing agreements, labour required for production would be provided by the Providers, who are responsible for the labour's participation in retirement benefit schemes pursuant to the relevant rules and regulations in the PRC. In return, a processing charge calculated based on the number of labour engaged in the production is payable to the Providers. The Group has no obligations to pay any retirement benefits of existing and retired labour provided by the Providers.

Other subsidiaries of the Company operating in the PRC participate in a government pension scheme whereby the subsidiaries are required to pay annual contributions at the rates of 8 per cent. to 25 per cent. of the standard wages determined by the relevant authorities in the PRC. Under the scheme, retirement benefits of existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions.

Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the Mandatory Provident Fund Scheme at 5 per cent. of the employees' relevant income as defined under the Mandatory Provident Fund legislation. The contributions from employees and employer are subject to a cap of monthly relevant income of $20,000.

The Group does not operate or participate in any other scheme for retirement benefits provided to the Group's employees during the year.

7 Profit from ordinary activities before taxation

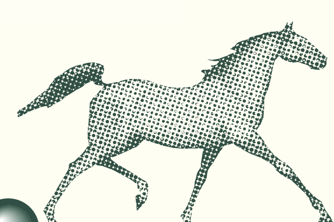
Profit from ordinary activities before taxation is arrived at after charging/(crediting):–

	2002	2001
	$'000	$'000
(a) Net finance costs:		
Interest on bank advances and other borrowings repayable within five years	11,007	10,546
Interest on other loan	2,502	3,452
Finance charges on obligations under finance leases	503	444
Total borrowing costs	14,012	14,442
Less: Borrowing costs capitalised as construction in progress*	(1,196)	–
	12,816	14,442
Interest income	(2,977)	(3,125)
Exchange losses/(gains)	119	(826)
Other charges	3,035	1,135
	12,993	11,626

* The borrowing costs have been capitalised at an average rate of 5.1 per cent. per annum for construction in progress.

	2002	2001
	$'000	$'000
(b) Other items:		
Cost of inventories#	787,380	530,889
Auditors' remuneration	1,433	200
Provision for doubtful debts	506	4,514
Processing fees#	26,158	30,486
Depreciation#		
– owned assets	30,794	21,564
– assets held under finance leases	749	417
Operating lease charges#		
– factory and hostel rentals	10,923	8,404

\# Cost of inventories includes $74,970,000 (2001: $59,778,000) relating to staff costs, depreciation expenses, processing fees and operating lease charges which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.



8 Taxation

(a) Profits tax

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax for the years ended 31 July, 2002 and 2001.

Profits for subsidiaries of the Company in the PRC are subject to PRC income tax. Subsidiaries of the Company in the PRC are foreign investment enterprises that are granted certain tax relief, under which they are entitled to income tax exemption for two years commencing from the first profit making year and are entitled to a 50 per cent. relief from PRC income tax for the following three years, after which the subsidiaries' profits are subject to PRC income tax at the rate of 15 per cent.. Pursuant to the tax relief above, the subsidiaries were entitled to income tax exemption for the years ended 31 July, 2002 and 2001.

A subsidiary of the Company has entered into processing agreements with the Providers in respect of certain production facilities in Shenzhen, the PRC. Pursuant to the processing agreements, the Providers bear any PRC tax in respect of the Group's relevant production facilities in Shenzhen, the PRC.

(b) Deferred taxation

(i) The movements during the year are as follows:–

	2002	2001
	$'000	$'000
Balance at 1 August	**–**	–
Arising from revaluation of land and buildings held for own use *(note 27 (a))*	**4,705**	–
Balance at 31 July	**4,705**	–

(ii) Major component of deferred tax liability of the Group is set out below:–

	2002	2001
	$'000	$'000
Arising from revaluation of land and buildings held for own use	**4,705**	–

There were no other material unprovided deferred taxation liabilities at the balance sheet date.

9 Directors' remuneration

Details of Directors' remuneration are as follows:–

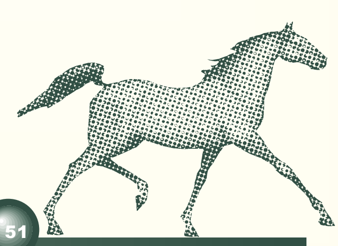
	2002	2001
	$'000	$'000
Fees	**195**	–
Basic salaries, allowances and other benefits	**7,774**	4,800
Discretionary bonuses	**–**	4,000
Retirement benefits contribution	**–**	–
	7,969	8,800
Number of Directors	7	4

Included in the Directors' remuneration were fees of $195,000 (2001: $Nil) payable to the two independent non-executive directors of the Company during the year.

The remuneration of the Directors falls within the following bands:–

	Number of Directors	
	2002	2001
$Nil - $1,000,000	**4**	1
$1,000,001 - $2,000,000	**2**	1
$2,000,001 - $3,000,000	**–**	1
$3,000,001 - $4,000,000	**–**	–
$4,000,001 - $5,000,000	**1**	1
	7	4

Each of the executive Directors is entitled, on completion of every twelve months of service, to a management bonus in respect of each financial year of the Company commencing from 1 August, 2001 for an amount to be determined by the Board in its absolute discretion. During the year ended 31 July, 2002, all executive Directors have agreed that their management bonuses should be waived.



10 Senior management's emoluments

Of the five individuals with the highest emoluments, three (2001: three) are Directors whose remuneration are reflected in the analysis presented in note 9. The aggregate of the emoluments in respect of the two (2001: two) individuals are as follows:–

	2002	2001
	$'000	$'000
Salaries, allowances and other benefits	**1,373**	1,381
Retirement benefits contribution	**–**	–
Discretionary bonuses	**–**	230
	1,373	1,611

The emoluments of the two (2001: two) individuals with the highest emoluments are within the following bands:–

	2002	2001
$Nil - $1,000,000	**2**	2

There were no amounts paid during the year ended 31 July, 2002 to the Directors or any of the five highest paid individuals as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

11 Profit attributable to shareholders

The profit attributable to shareholders includes a loss of $1,233,000 (2001: $Nil) which has been dealt with in the financial statements of the Company.

12 Dividends

(a) Dividend attributable to the year

	2002	2001
	$'000	$'000
Final dividend proposed after the balance sheet date of 0.5 cents (2001: 40.0 cents) per share	**4,100**	30,000

The final dividend of $30,000,000 for the year ended 31 July, 2001 represented the dividend declared and paid by the Company's subsidiary, VS Hong Kong, to the then shareholders prior to the Reorganisation.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(Expressed in Hong Kong dollars)

12 Dividends (continued)

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2002	2001
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 40.0 cents (2001: Nil) per share	**30,000**	–

13 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $65,791,000 (2001: $41,642,000) and the weighted average number of the 714,301,370 (2001: 620,000,000) shares in issue during the year, being the shares that would have been in issue throughout the year on the assumption that the Reorganisation as set forth in Appendix V to the Prospectus was complete on 1 August, 2000.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in existence during the years ended 31 July, 2002 and 2001.

14 Changes in accounting policy

(i) Land and buildings held for own use

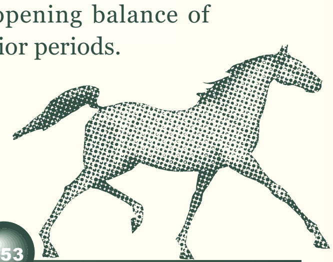
In prior years, land and buildings held for own use were stated at cost less accumulated depreciation. With effect from 8 February, 2002, the Group adopted an accounting policy of stating all land and buildings held for own use at revalued amounts as set out in note 3(d), following the listing requirement in respect of property valuation upon the listing of the Company's shares on the Stock Exchange.

As a result of the new accounting policy, the Group's profit for the year has been decreased by $328,000 and the net assets as at 31 July, 2002 have been increased by $33,042,000. The new accounting policy has been adopted prospectively as the financial impact on the financial statements for the previous year is not material.

(ii) Dividends

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1 January, 2001, in order to comply with SSAP 9 (revised) issued by the Hong Kong Society of Accountants, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the Directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends).

As a result of the new accounting policy, the Group's net assets as at 31 July, 2001 have been increased by $30,000,000. There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.



Notes on the Financial Statements

(Expressed in Hong Kong dollars)

15 Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(i) Business segments

The Group comprises the following main business segments:–

Plastic injection and moulding:	manufacture and sales of plastic moulded products and parts
Assembling of electronic products:	assembling and sales of electronic products
Mould design and fabrication:	manufacture and sales of plastic injection moulds

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Unallocated		Combined	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Turnover from external customers	**352,151**	310,590	**545,210**	290,314	**35,269**	38,278	**–**	–	**932,630**	639,182
Segment result	**76,613**	68,532	**35,499**	15,342	**8,222**	5,546	**(42,657)**	(36,152)	**77,677**	53,268
Net finance costs									**(12,993)**	(11,626)
Minority interests									**1,107**	–
Profit attributable to shareholders									**65,791**	41,642
Depreciation for the year	**19,946**	13,764	**2,635**	2,650	**2,874**	2,793	**6,088**	2,774	**31,543**	21,981
Significant non-cash expenses (other than depreciation)	**327**	3,461	**179**	519	**–**	534	**–**	–	**506**	4,514

15 Segment information (continued)

(i) Business segments (continued)

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Combined	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**483,234**	223,460	**202,006**	134,314	**40,387**	34,402	**725,627**	392,176
Unallocated assets							**270,133**	222,229
Total assets							**995,760**	614,405
Segment liabilities	**237,111**	44,577	**156,859**	111,062	**15,882**	1,952	**409,852**	157,591
Unallocated liabilities							**263,680**	285,758
Total liabilities							**673,532**	443,349
Capital expenditure incurred during the year	**163,592**	52,982	**33,053**	22,632	**11,372**	2,062	**208,017**	77,676
Unallocated capital expenditures							**35,783**	11,698
							243,800	89,374

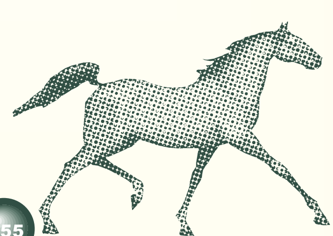
(ii) Geographical segments

The Group's business participates in five major principal economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets. All segment assets and capital expenditures are in the PRC.

Revenue from external customers is analysed as follows:–

	2002	2001
	$'000	$'000
Hong Kong	**569,586**	253,853
PRC (other than Taiwan and Hong Kong)	**192,915**	100,417
South East Asia	**64,535**	24,048
Japan	**63,853**	216,941
Taiwan	**41,321**	41,919
Others	**420**	2,004
	932,630	639,182



(Expressed in Hong Kong dollars)

16 Fixed assets

(a) The Group

	Land and buildings held for own use	Leasehold improve-ments	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation						
At 1 August, 2001	36,246	17,670	199,640	9,196	8,859	271,611
Transfer from construction in progress *(note 17)*	563	–	–	–	–	563
Additions	42,949	–	131,921	6,913	5,765	187,548
Surplus on revaluation	32,754	–	–	–	–	32,754
Disposals	–	–	(1,027)	–	(246)	(1,273)
At 31 July, 2002	112,512	17,670	330,534	16,109	14,378	491,203
Representing:						
Cost	–	17,670	330,534	16,109	14,378	378,691
Valuation	112,512	–	–	–	–	112,512
	112,512	17,670	330,534	16,109	14,378	491,203
Accumulated depreciation:						
At 1 August, 2001	202	4,912	49,220	3,380	2,839	60,553
Charge for the year	1,914	1,992	22,992	2,591	2,054	31,543
Written back on revaluation	(616)	–	–	–	–	(616)
Written back on disposals	–	–	(160)	–	(149)	(309)
At 31 July, 2002	1,500	6,904	72,052	5,971	4,744	91,171
Net book value:						
At 31 July, 2002	111,012	10,766	258,482	10,138	9,634	400,032
At 31 July, 2001	36,044	12,758	150,420	5,816	6,020	211,058

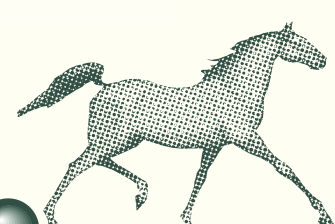
Notes on the Financial Statements

(Expressed in Hong Kong dollars)

16 Fixed assets (continued)

(b) The Company

	Land and buildings held for own use	Office equipment, furniture and fixtures	Total
	$'000	$'000	$'000
Cost or valuation:			
At 1 August, 2001	–	–	–
Additions	7,248	152	7,400
At 31 July, 2002	7,248	152	7,400
Representing:			
Cost	–	152	152
Valuation	7,248	–	7,248
	7,248	152	7,400
Accumulated depreciation:			
At 1 August, 2001	–	–	–
Charge for the year	73	13	86
At 31 July, 2002	73	13	86
Net book value:			
At 31 July, 2002	7,175	139	7,314



Notes on the Financial Statements

(Expressed in Hong Kong dollars)

16 Fixed assets (continued)

(b) The Company (continued)

(i) An analysis of net book value of properties is as follows:–

	The Group		The Company
	2002	2001	**2002**
	$'000	$'000	**$'000**
In Hong Kong			
– Medium-term leases	**7,175**	–	**7,175**
Outside Hong Kong			
– Medium-term leases	**103,837**	36,044	**–**
	111,012	36,044	**7,175**

(ii) The Group's and the Company's land and buildings held for own use were revalued at 31 October, 2001 and 31 July, 2002 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers in Hong Kong, at their open market value. The revaluation surplus of $33,370,000 has been transferred to the land and buildings revaluation reserve of the Group *(note 27(a))*.

The carrying amount of land and buildings held for own use of the Group and the Company at 31 July, 2002 would have been $77,970,000 (2001: $36,044,000) and $7,175,000 (2001: $Nil) had they been carried at cost less accumulated depreciation.

(iii) At 31 July, 2002, certain fixed assets had been pledged as security for the bank loans *(see note 24(ii))*.

(iv) The Group leases certain production plant and machinery under finance leases expiring in one to two years. At the end of the lease term the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The net book value of plant and machinery held under finance leases of the Group was $6,196,000 (2001:$6,945,000).

(v) During the year the Group was granted land use rights in respect of a piece of land located in Qingdao, Shandong Province, the PRC. As at 31 July, 2002, the relevant land use rights certificate had not been issued.

17 Construction in progress

	The Group
	2002
	$'000
Balance at 1 August, 2001	**296**
Additions	**56,252**
Transfer to fixed assets *(note 16)*	**(563)**
Balance at 31 July, 2002	**55,985**

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

18 Interest in subsidiaries

	2002
	$'000
Unlisted shares, at cost	258,122
Amounts due from subsidiaries	22,321
Amounts due to subsidiaries	(24,576)
	255,867

Balances with subsidiaries are unsecured, interest free and have no fixed terms of repayments. Details of the subsidiaries at 31 July, 2002 are as follows. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 3(c) and have been consolidated into the Group's financial statements.

				Proportion of ownership interest		
Name of company	Place of incorporation	Particulars of issued and paid up capital	Group's effective interest	held by the Company	held by subsidiary	Principal activity
V.S. International Industry Limited	BVI	US$100	100%	100%	–	Investment holding
V.S. Investment Holdings Limited	BVI	$54,000,025	100%	100%	–	Investment holding
V.S. Corporation (Hong Kong) Co. Limited	Hong Kong	$75,000,002 (75,000,000 non-voting deferred shares of $1 each and 2 ordinary shares of $1 each *(note iii)*)	100%	–	100%	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
V.S. Industry (Shenzhen) Co., Ltd. *(note i)*	PRC	$5,000,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Technology Industry Park (Zhuhai) Co., Ltd. *(note i)*	PRC	US$11,200,000	100%	–	100%	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components

18 Interest in subsidiaries (continued)

Name of company	Place of incorporation	Particulars of issued and paid up capital	Group's effective interest	Proportion of ownership interest held by the Company	Proportion of ownership interest held by subsidiary	Principal activity
HAIVS Industry (Qingdao) Co., Ltd. *(note i)*	PRC	RMB32,150,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Haier Electronics Plastic (Qingdao) Co., Ltd. *(note ii)*	PRC	RMB73,980,000	80%	–	80%	Manufacturing and selling of plastic moulded products and parts and electronic products

Notes:

(i) These are wholly foreign owned enterprises established in the PRC.

(ii) This is a sino-foreign equity joint venture company established in the PRC.

(iii) In accordance with the articles of association of VS Hong Kong, a shareholder of non-voting deferred shares is not entitled to any dividend, any participation in profits or assets of VS Hong Kong and is also not entitled to vote at any general meeting.

19 Inventories

	The Group 2002	The Group 2001
	$'000	$'000
Raw materials	**83,253**	48,924
Work-in-progress	**43,163**	3,048
Finished goods	**34,320**	16,256
	160,736	68,228

At 31 July, 2002, inventories stated at net realisable value amounted to $1,259,000 (2001: $Nil).

(Expressed in Hong Kong dollars)

20 Trade and other receivables

	The Group		The Company
	2002	2001	**2002**
	$'000	$'000	**$'000**
Trade receivables	**150,295**	130,715	**–**
Bills receivable	**14,585**	–	**–**
Other receivables, prepayments and deposits	**19,504**	7,434	**84**
	184,384	138,149	**84**

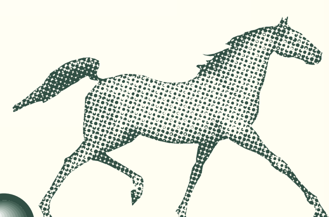
All of the trade and other receivables are expected to be recovered within one year. Credit terms granted by the Group to customers generally range from 30 to 120 days. The aging analysis of trade receivables and bills receivable (net of provisions for bad and doubtful debts) is as follows:–

	The Group	
	2002	2001
	$'000	$'000
Within 30 days	**102,215**	76,551
Over 30 days but within 90 days	**44,323**	40,015
Over 90 days and less than one year	**18,342**	14,149
	164,880	130,715

21 Deposits with banks

	The Group	
	2002	2001
	$'000	$'000
Deposits with banks with original maturity date over three months	**–**	16,384
Pledged fixed deposit with banks	**83,709**	84,814
	83,709	101,198

Pledged fixed deposit with banks have been pledged to banks as security for the bank loans and overdrafts *(note 24(ii))*.



Notes on the Financial Statements

(Expressed in Hong Kong dollars)

22 Cash and cash equivalents

	The Group		The Company
	2002	2001	**2002**
	$'000	$'000	**$'000**
Deposits with banks with original maturity date within three months	**1,887**	–	**–**
Cash at bank and in hand	**109,027**	92,187	**17,974**
	110,914	92,187	**17,974**

23 Trade and other payables

	The Group		The Company
	2002	2001	**2002**
	$'000	$'000	**$'000**
Trade payables	**191,719**	152,902	**–**
Bills payable	**16,291**	–	**–**
Accrued expenses and other payables	**109,585**	51,266	**545**
	317,595	204,168	**545**

All trade and other payables are expected to be settled within one year.

The aging analysis of trade payables and bills payable is as follows:–

	2002	2001
	$'000	$'000
Due within 30 days or on demand	**129,990**	107,287
Due after 30 days but within 90 days	**70,533**	45,611
Due after 90 days but within 180 days	**2,932**	4
Due over 180 days	**4,555**	–
	208,010	152,902

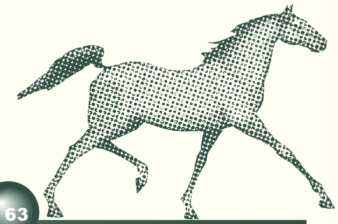
24 Bank loans and overdrafts

	The Group 2002	The Group 2001	The Company 2002
	$'000	$'000	**$'000**
Current:			
Within 1 year or on demand	**216,863**	184,412	**900**
Non-current:			
After 1 year but within 2 years	**1,839**	–	**–**
After 2 years but within 5 years	**80,854**	1,164	**3,150**
	82,693	1,164	**3,150**
	299,556	185,576	**4,050**

(i) An analysis of current and non-current bank loans and overdrafts is as follows:–

	The Group 2002	The Group 2001	The Company 2002
	$'000	$'000	**$'000**
Current:			
Overdrafts			
– secured	**21,976**	33,112	**–**
Bank loans			
– secured	**104,843**	113,825	**900**
– unsecured	**90,044**	37,475	**–**
	216,863	184,412	**900**
Non-current:			
Bank loans – secured	**82,693**	1,164	**3,150**
	299,556	185,576	**4,050**

None of the non-current bank loans is expected to be settled within one year.



(Expressed in Hong Kong dollars)

24 Bank loans and overdrafts (continued)

(ii) The banking facilities including overdrafts and bank loans are secured by the following assets owned by the Group and the Company.

	The Group 2002	The Group 2001	The Company 2002
	$'000	$'000	**$'000**
Fixed deposits *(note 21)*	**83,709**	84,814	**–**
Motor vehicles with aggregate carrying value *(note 16(iii))*	**3,776**	1,720	**–**
Buildings with aggregate carrying value *(note 16(iii))*	**7,175**	–	**7,175**
Plant and machinery with aggregate carrying value *(note 16(iii))*	**88,101**	–	**–**
	182,761	86,534	**7,175**

Such banking facilities, amounting to $254,030,000 (2001:$198,253,000), were utilised to the extent of $209,512,000 (2001: $148,101,000) at 31 July, 2002.

25 Obligations under finance leases

At 31 July, 2002, the Group had obligations under finance leases repayable as follows:–

	The Group 2002			The Group 2001		
	Present value of the minimum lease payments $'000	**Interest expense relating to future periods $'000**	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Interest expense relating to future periods $'000	Total minimum lease payments $'000
Amounts payable:						
Within 1 year	**1,939**	**224**	**2,163**	1,929	503	2,432
After 1 year but within 2 years	**821**	**42**	**863**	1,939	224	2,163
After 2 years but within 5 years	**–**	**–**	**–**	821	42	863
	821	**42**	**863**	2,760	266	3,026
	2,760	**266**	**3,026**	4,689	769	5,458

The Company has given a corporate guarantee on the lease obligations.

(Expressed in Hong Kong dollars)

26 Share capital

	Note	Number of shares	2002
		'000	$'000
Authorised:			
Ordinary shares of $0.05 each	(ii)	4,000,000	200,000
Issued and fully paid:			
At 31 July, 2001	(i)	–	75,000
At 1 August, 2001		–	75,000
Capital elimination on consolidation	(iii)	–	(75,000)
Issuance of shares for the acquisition of subsidiaries	(iii)	75,000	3,750
Capitalisation issue	(iv)	545,000	27,250
Issuance of shares for cash	(v)&(vi)	200,000	10,000
		820,000	41,000

Notes:

(i) The share capital as at 31 July, 2001 represented the aggregate amount of the nominal value of the paid share capitals of VS Hong Kong and VS Investment which held more than half of the issued share capital or controlled more than half of the voting power, or controlled the composition of the Board of all the subsidiaries of the Company as at 31 July, 2001.

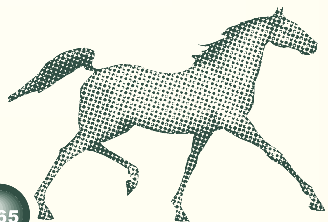
(ii) Pursuant to a resolution in writing of all shareholders of the Company passed on 20 January, 2002, the authorised share capital of the Company was increased from $100,000 to $200,000,000 by the creation of 3,998,000,000 shares of $0.05 each.

(iii) The Company became the holding company of the Group on 20 January, 2002 through the Reorganisation under which 75,000,000 shares of $0.05 each were issued during the period from 9 July, 2001 to 20 January, 2002 to acquire the entire equity interest of VS Hong Kong, giving rise to a contributed surplus of approximately $71,250,000.

(iv) On 4 February, 2002, an amount of $27,250,000 standing to the credit of the contributed surplus of the Company was applied in paying up in full at par 545,000,000 shares of $0.05 each which were allotted and issued as fully paid at par to the registered shareholders of the Company on 20 January, 2002 pursuant to their then equity percentages.

(v) On 5 February, 2002, a further 180,000,000 shares of $0.05 each were issued and allotted for cash at a price of $0.43 per share under the share offer as described in the Prospectus. The Group raised approximately $65,456,000 (including interest income) net of related expenses from the share offer.

(vi) On 27 February, 2002, the underwriters of the placing as described in the Prospectus exercised the over-allotment option for the issuance of 20,000,000 shares of $0.05 each at a price of $0.43 per share in accordance with the placing and underwriting agreement entered into between, among others, the underwriters and the Company on 25 January, 2002. The net proceeds from the issuance of 20,000,000 shares amounted to approximately $8,299,000 net of related expenses from the issue.



(Expressed in Hong Kong dollars)

26 Share capital (continued)

(vii) All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

(viii) On 20 January, 2002, a share option scheme was approved by the shareholders under which the Directors may, at their discretion, offer to any employee (including any director) of the Company or any of its wholly-owned subsidiaries and other eligible participants as referred to the rules of the share option scheme options to subscribe for shares in the Company subject to the terms and conditions stipulated in the scheme. As at 31 July, 2002, no option had been granted to any such eligible participants under the share option scheme.

27 Reserves

(a) The Group

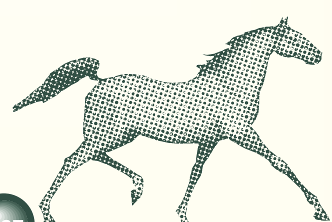
	Share premium *(Note (i))*	Contributed surplus *(Note (i))*	Foreign exchange translation reserve	Land and buildings revaluation reserve *(Note (ii))*	Statutory reserve fund *(Note (iii))*	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 August, 2000	–	–	–	–	–	54,294	54,294
Profit for the year	–	–	–	–	–	41,642	41,642
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	120	–	–	–	120
Appropriations	–	–	–	–	290	(290)	–
At 31 July, 2001	–	–	120	–	290	95,646	96,056

(Expressed in Hong Kong dollars)

27 Reserves (continued)

(a) The Group (continued)

	Share premium *(Note (i))* $'000	Contributed surplus *(Note (i))* $'000	Foreign exchange translation reserve $'000	Land and buildings revaluation reserve *(Note (ii))* $'000	Statutory reserve fund *(Note (iii))* $'000	Retained profits $'000	Total $'000
At 1 August, 2001							
– as previously reported	–	–	120	–	290	65,646	66,056
– prior period adjustment in respect of dividend proposed *(note 12(a))*	–	–	–	–	–	30,000	30,000
– as restated	–	–	120	–	290	95,646	96,056
Profit for the year	–	–	–	–	–	65,791	65,791
Dividend approved in respect of the previous year *(note 12(b))*	–	–	–	–	–	(30,000)	(30,000)
Reorganisation adjustment *(note 26(iii))*	–	71,250	–	–	–	–	71,250
Capitalisation issue *(note 26(iv))*	–	(27,250)	–	–	–	–	(27,250)
Premium arising on the issuance of shares for cash *(note 26(v)&(iv))*	76,000	–	–	–	–	–	76,000
Shares issuance expenses	(12,245)	–	–	–	–	–	(12,245)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	110	–	–	–	110
Revaluation surplus	–	–	–	33,370	–	–	33,370
Deferred tax liability arising from revaluation *(note 8(b))*	–	–	–	(4,705)	–	–	(4,705)
Appropriations	–	–	–	–	3,054	(3,054)	–
At 31 July, 2002	63,755	44,000	230	28,665	3,344	128,383	268,377



27 Reserves (continued)

(b) The Company

	Share premium *(Note (i))* $'000	Contributed surplus *(Note (i))* $'000	Accumulated losses $'000	Total $'000
At 1 August, 2001	–	–	–	–
Loss for the year	–	–	(1,233)	(1,233)
Reorganisation adjustment *(note 26(iii))*	–	200,372	–	200,372
Capitalisation issue *(note 26(iv))*	–	(27,250)	–	(27,250)
Premium arising on the issuance of shares for cash *(notes 26(v)&(iv))*	76,000	–	–	76,000
Share issuance expenses	(12,245)	–	–	(12,245)
At 31 July, 2002	63,755	173,122	(1,233)	235,644

Notes:

(i) Share premium and contributed surplus

(a) Under the Companies Law of the Cayman Islands, the funds in the share premium account and contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Pursuant to the Reorganisation, the Company became the holding company of the Group on 20 January, 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of shares issued by the Company in exchange under the Reorganisation was transferred to contributed surplus.

(ii) Land and buildings revaluation reserve

The land and buildings revaluation reserve has been set up and will be dealt with in accordance with the accounting policy adopted for revaluation of land and buildings held for own use *(note 3(d))*.

(iii) Statutory reserve fund

According to the articles of association of the subsidiaries of the Company in the PRC, the subsidiaries are required to transfer at least 10 per cent. of their net profit, as determined in accordance with the PRC accounting rules and regulations applicable to enterprises with foreign investment, to statutory reserve fund until the reserve balance reaches 50 per cent. of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital.

(iv) Distributable reserve

At 31 July, 2002, in the opinion of the Directors of the Company, the reserve of the Company available for distribution to shareholders amounted to $235,644,000 subject to the restriction stated above.

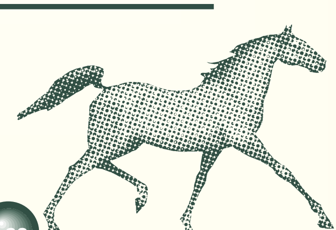
28 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	The Group	
	2002	2001
	$'000	$'000
Profit before taxation	**64,684**	41,642
Interest expense and finance lease charges	**12,816**	14,442
Interest income	**(2,977)**	(3,125)
Provision for bad and doubtful debts	**506**	4,514
Depreciation	**31,543**	21,981
Gain on disposal of fixed assets	**(198)**	–
Increase in inventories	**(92,508)**	(30,787)
Increase in trade receivables	**(20,086)**	(72,495)
Increase in bills receivable	**(14,585)**	–
Increase in other receivables, prepayments and deposits	**(12,070)**	(4,805)
Increase in trade payables	**38,817**	122,519
Increase in bills payable	**16,291**	–
Increase in accrued expenses and other payables	**1,691**	6,326
Net cash inflow from operating activities	**23,924**	100,212

(b) Analysis of changes in financing during the year

	Share capital *(including share premium and contributed surplus)*	Bank loans and other borrowings	Finance lease obligations
	$'000	$'000	$'000
At 1 August, 2000	44,500	117,261	2,982
Cash flow from financing	–	163,871	(1,126)
Inception of finance lease contracts	–	–	2,833
Repayment of bank loans and other borrowings	–	(76,755)	–
Net cash inflow from issuance of new shares	30,500	–	–
At 31 July, 2001	75,000	204,377	4,689
At 1 August, 2001	75,000	204,377	4,689
Cash flow from financing	–	350,439	(1,929)
Capital elimination on combination	(75,000)	–	–
Reorganisation adjustment	75,000	–	–
Issuance of shares for cash	86,000	–	–
Shares issuance expenses	(12,245)	–	–
Repayment of bank loans and other borrowings	–	(228,320)	–
At 31 July, 2002	148,755	326,496	2,760



29 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 July, 2002 not provided for in the financial statements are as follows:-

	The Group	
	2002	2001
	$'000	$'000
Contracted for	**24,184**	3,724
Authorised but not contracted for	**25,655**	–
	49,839	3,724

(b) Operating lease commitments

The Group leases a number of factories and hostels under operating leases. The leases typically run for periods from 6 months to 30 years with an option to renew the lease when all terms are renegotiated. Lease charges of $10,923,000 (2001: $8,404,000) were recognised as expenses in the income statement in respect of these operating leases. None of the leases includes contingent rentals.

The total future minimum lease payments of properties under non-cancellable operating leases are payable as follows:-

	The Group	
	2002	2001
	$'000	$'000
Within 1 year	**10,060**	7,833
After 1 but within 5 years	**50,630**	32,657
After 5 years	**198,739**	198,863
	259,429	239,353

30 Contingent liabilities

At 31 July, 2002, contingent liabilities of the Company were as follows:-

	The Company
	2002
	$'000
Guarantees given to banks by the Company in respect of banking facilities extended to certain wholly owned subsidiaries	**310,862**
Guarantee given to a supplier by the Company in respect of credit facilities extended to certain wholly owned subsidiaries	**9,348**
	320,210

The Group did not have any significant contingent liability as at 31 July, 2002 and 2001.

31 Material related party transactions

During the year ended 31 July, 2002, the following significant related party transactions took place:-

(i) At 31 July, 2002, there was an amount due to the ultimate holding company amounted to $51,811,000 (2001: $51,913,000). Pursuant to the loan agreement entered into between the Group and the ultimate holding company dated 20 January, 2002, the loan, which amounted to US$6,279,000 (equivalent to HK$48,916,000) as at the date of the loan agreement is repayable in twenty equal consecutive half-yearly instalments on 1 February and 1 August each year. The first instalment of the loan was repayable on 1 August, 2002. The loan is unsecured and carries interest at 5 per cent. per annum (2001: 5 per cent.) on the outstanding balance. Interest paid and payable to the ultimate holding company, amounted to $2,502,000 (2001: $3,452,000) for the year ended 31 July, 2002.

The remaining balance of $2,895,000 (2001: $2,997,000) due to the ultimate holding company, which was included in "Accrued expenses and other payables", is unsecured, interest free and with no fixed repayment terms.

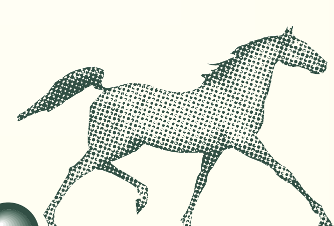
(ii) During the year ended 31 July, 2002, significant sales with related parties were as follows:-

	The Group	
	2002	2001
	$'000	$'000
Ultimate holding company	**5,905**	824
Fellow subsidiary	**1,312**	–
Related companies of the minority shareholder of a subsidiary	**39,157**	–
	46,374	824

(iii) For the year ended 31 July, 2002, significant purchases with related parties were as follows:-

	The Group	
	2002	2001
	$'000	$'000
Purchase of fixed assets from the ultimate holding company	**4,087**	–
Purchase of raw materials from the related companies of the minority shareholder of a subsidiary	**11,385**	–
Purchases of construction materials from the related companies of the minority shareholder of a subsidiary	**10,216**	–
Payment of electricity expenses to the related company of minority shareholder of a subsidiary	**1,352**	–

(iv) At 31 July, 2002, included in trade and other receivables were amounts due from a fellow subsidiary and the related companies of the minority shareholder of a subsidiary amounted to $805,000 (2001: $Nil) and $22,330,000 (2001: $Nil) respectively.



Notes on the Financial Statements

(Expressed in Hong Kong dollars)

31 Material related party transactions (continued)

(v) At 31 July, 2002, included in trade and other payables was amount due to related companies of the minority shareholder of a subsidiary amounted to $1,185,000 (2001: $Nil).

The Directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms or on terms described above in the ordinary course of business of the Group.

32 Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for land and buildings held for own use and dividends, details of which are set out in note 14.

33 Ultimate holding company

The Directors consider the ultimate holding company as at 31 July, 2002 to be VS Berhad, a company incorporated in Malaysia.