

## Chairman's Statement

Dear shareholders,

### Solidify real strength and constantly strive to advance

All of us live in a global village whereby events happen in every corner of the Earth and these events are very often unpredictable and beyond our control. The Iraqi War, far away in the Middle East, and the Severe Acute Respiratory Syndrome ("SARS") epidemic, occurred in our very own place, have affected the world economy and business environment. The Group's business results for the financial year under review were therefore unavoidably affected.

#### RESULTS AND DIVIDEND

The Group reported a turnover of HK\$1,136.05 million in the financial year ended 31 July 2003, representing a 21.81% increase comparing with the previous financial year. Profit attributable to shareholders however reduced by 71.31% to HK\$18.87 million. Basic earnings per share amounted to HK2.30 cents.

The board of directors of the Company (the "Board") has recommended the payment of a final dividend of HK0.5 cent per share in respect of the year ended 31 July 2003 (2002: HK0.5 cent) to the shareholders listed on the register of members on 21 November 2003. The proposed final dividend will be paid on 26 December 2003 following approval at the forthcoming annual general meeting of the Company ("Annual General Meeting") to be held on 21 November 2003.

#### BUSINESS REVIEW AND PROSPECTS

The world economy was shrouded by economic uncertainties during the financial year under review. Not deterred by such adverse business environment, the Group, standing on the solid foundation that had long been built and relying on its agile management, continued to thrive incessantly. The Group's plastic injection moulding business recorded a revenue growth of 70.52%, contributing to the Group's aggregate increase in sales turnover.



**BEH KIM LING**  
CHAIRMAN

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The losses incurred by the subsidiaries in Qingdao and the newly setup subsidiaries during the financial year however more than offset the revenue growth. Both administrative and finance costs increased as a result of the Group's business expansion. The increase in the cost of plastic resin, fueled by the Iraqi War, further reduced the profit margin of its products. Nevertheless, the directors of the Company (the "Director(s)") believe that the profit will improve after the business environment turnaround.

The success of an enterprise hinges not on its status quo, but on its ability to obtain a broad global view to grasp opportunities ahead of its competition. It is envisioned that the Closer Economic Partnership Arrangement ("CEPA") and the economic prosperity in the Pearl River Delta will bring tremendous business opportunities for the Group. In view of this, the Group, apart from expanding its existing business, has also aggressively broadening its product range in order to further enhance the competitiveness in the market.

The Group has set up a joint venture with two well-known Japanese companies to collaborate on technological transfer in order to enter the high-end electronic market. Since then, the Group has commenced to manufacture printed circuit board embedded in digital cameras for an internationally known Japanese electronic manufacturer. As we are confident in the prospects of the booming mobile phone industry in the PRC, we have established a production line to produce mobile phone plastic parts. We will be setting our long-term strategic development plan as a one-stop mobile phone manufacturer. We see that this business will derive another revenue stream for the Group.

On the other hand, the streamlining of the Qingdao operations will help reduce operating cost. As a results, I believe that the profitability from the Qingdao operations will improve.

Looking forward to the year 2004, the Group will continue taking steps to recuperate its business. The restructuring and consolidating efforts will restore and facilitate the Group's business growth. At the same time, the Board is confident and optimistic that the Group's business performance will steadily improve in the long-term.



The Group was awarded "Certificate of OEM Green Partner" by Sony

### APPRECIATION

On behalf of the Board, I would like to extend my heartfelt thankfulness to the management and all our staff for their dedicated work and contributions during the past year. I would also like to show my gratitude to the unrelenting support and trust which our shareholders, business partners and customers have demonstrated. This concerted effort of all parties, I believe, will continue and bring the Group and us to a new height.

By order of the Board

**V.S. International Group Limited**

**Beh Kim Ling**

*Chairman*