

Directors' Report

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31 July 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and mould design and fabrication.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 15 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total Sales	Purchases
The largest customer	24%	–
Five largest customers in aggregate	72%	–
The largest supplier	–	13%
Five largest suppliers in aggregate	–	45%

At no time during the year have the Directors, their associates or any shareholder of the Company ("Shareholder(s)") (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 July 2003 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 33 to 72.

DIVIDENDS

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

FIXED ASSETS

Details of movements in fixed assets of the Company and the Group during the financial year are set out in note 16 on the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 28 on the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the financial year are set out in note 29 on the financial statements.

DISTRIBUTABLE RESERVES

As at 31 July 2003, the Company's reserves available for distribution calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to HK\$223,304,000 (2002: HK\$235,644,000). These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the financial year were:

EXECUTIVE DIRECTORS

Beh Kim Ling
Gan Sem Yam
Gan Chu Cheng
Zhang Pei Yu

NON-EXECUTIVE DIRECTOR

Gan Tiong Sia

INDEPENDENT NON-EXECUTIVE DIRECTORS

Diong Tai Pew
Cheung Kwan Hung, Anthony

In accordance with article 108(A) of the Company's articles of association, one-third of the Directors for the time being, other than a Director holding office as Chairman, should retire at each annual general meeting of the Company from office by rotation. Accordingly, Madam Gan Chu Cheng and Mr Gan Tiong Sia will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Beh Kim Ling, Gan Sem Yam, Zhang Pei Yu and Madam Gan Chu Cheng, being all the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 1 August 2001, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party to the other.

Messrs. Gan Tiong Sia and Diong Tai Pew are currently appointed as a non-executive Director and an independent non-executive Director for an initial term of one year from 5 November 2002 and 1 September 2003, respectively, which is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than two months' notice in writing served by either party to the other. Mr. Cheung Kwan Hung, Anthony is currently appointed as an independent non-executive Director for a term of one year from 15 January 2003.

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Report

DIRECTORS' INTERESTS IN SHARES

As at 31 July 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SF Ordinance")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SF Ordinance) or which will be required pursuant to Section 352 of the SF Ordinance to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)
Beh Kim Ling	The Company	Beneficial owner	17,437,500 ordinary shares of HK\$0.05 each ("Share(s)") (L)
	VVS Co., Ltd. ("VVS")	Beneficial owner	3,182 ordinary shares of HK\$1 each (L)
	VS Berhad	Beneficial owner	23,444,406 ordinary shares of Malaysian Ringgit ("RM")1 each (L) (Notes 3 and 13)
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 4 and 14)
	V.S. Technology Sdn. Bhd. ("VS Technology") (Note 5)	Beneficial owner	50,000 ordinary shares of RM1 each (L)
	Gan Sem Yam	The Company	Beneficial owner
VVS		Beneficial owner	3,182 ordinary shares of HK\$1 each (L)
VS Berhad		Beneficial owner	10,967,920 ordinary shares of RM1 each (L) (Notes 6 and 13)
VSHK		Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)
VS Investment		Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 7 and 14)

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)
	V.S. Ashin Technology Sdn. Bhd. ("VS Ashin") (Note 8)	Beneficial owner	746,667 ordinary shares of RM1 each (L)
	VS Technology (Note 5)	Beneficial owner	50,000 ordinary shares of RM1 each (L)
Gan Chu Cheng	The Company	Beneficial owner	17,437,500 Shares (L)
	VVS	Beneficial owner	3,182 ordinary shares of HK\$1 each (L)
	VS Berhad	Beneficial owner	21,897,548 ordinary shares of RM1 each (L) (Notes 9 and 13)
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)
	VS Investment	Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 10 and 14)
	VS Ashin (Note 8)	Beneficial owner	672,000 ordinary shares of RM1 each (L)
	VS Technology (Note 5)	Beneficial owner	50,000 ordinary shares of RM1 each (L)
Gan Tiong Sia	The Company	Beneficial owner	14,337,500 Shares (L)
	VVS	Beneficial owner	3,182 ordinary shares of HK\$1 each (L)
	VS Berhad	Beneficial owner	3,372,168 ordinary shares of RM1 each (L) (Notes 11 and 13)
	VS Berhad	Interest of spouse	16,000 ordinary shares of RM1 each (L) (Note 12)
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)
	VS Technology (Note 5)	Beneficial owner	50,000 ordinary shares of RM1 each (L)

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.
2. The letter "L" represents the Director's interest in the share and underlying shares of the Company or its associated corporations.
3. Mr. Beh Kim Ling's interests in these shares comprise 23,423,406 shares registered under his name and the 21,000 outstanding options granted to him under the employee's share option scheme of VS Berhad as referred to in note 13 below.
4. Mr. Beh Kim Ling's interests in these shares comprise 5 shares registered under his name and the 3,599,995 outstanding options granted to him under the Option Deed (as defined below) as referred to in note 14 below.
5. VS Technology is a company incorporated in Malaysia and is owned as to 75% by VS Berhad and the remaining shares by other shareholders, including but not limited to Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng.
6. Mr. Gan Sem Yam's interests in these shares comprise 10,306,920 shares registered under his name, 640,000 shares held in bare trust by Kenanga Nominees (Tempatan) Sdn. Bhd. ("Kenanga Nominees") for the benefit of Mr. Gan Sem Yam and the 21,000 outstanding options granted to Mr. Gan Sem Yam under the employee's share option scheme of VS Berhad as referred to in note 13 below. Under the SF Ordinance, Mr. Gan Sem Yam is deemed to be interested in all these shares.
7. Mr. Gan Sem Yam's interests in these shares comprise 5 shares registered under his name and the 3,599,995 outstanding options granted to him under the Option Deed (as defined below) as referred to in note 14 below.
8. VS Ashin is a company incorporated in Malaysia and is owned as to 54.4% by VS Berhad and the remaining shares by other shareholders, including but not limited to Madam Gan Chu Cheng and Mr. Gan Sem Yam.
9. Madam Gan Chu Cheng's interests in these shares comprise 19,498,948 shares registered under her name, 2,377,600 shares held in bare trust by Kenanga Nominees for the benefit of Madam Gan Chu Cheng and the 21,000 outstanding options granted to Madam Gan Chu Cheng under the employee's share option scheme of VS Berhad as referred to in note 13 below. Under the SF Ordinance, Madam Gan Chu Cheng is deemed to be interested in all these shares.
10. Madam Gan Chu Cheng's interests in these shares comprise 5 shares registered under her name and the 3,599,995 outstanding options granted to her under the Option Deed (as defined below) as referred to in note 14 below.
11. Mr. Gan Tiong Sia's interests in these shares comprise 3,322,168 shares registered under his name and the 50,000 outstanding options granted to him under the employee's share option scheme of VS Berhad as referred to in note 13 below.
12. These shares are registered in the name of and beneficially owned by Madam Loi Hui Hong. Madam Loi Hui Hong is the spouse of Mr. Gan Tiong Sia, who by virtue of Section 316(1) of the SF Ordinance is deemed to be interested in the same number of these shares in which Madam Loi Hui Hong is interested.
13. Each of Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng were granted options under the employee's share option scheme of VS Berhad, which became effective on 11 July 2000, to subscribe for 70,000 ordinary shares of RM1 each in the share capital of VS Berhad at the exercise price of RM2.77 per share, exercisable at any time during the period of five years commencing from and including 11 July 2000 to 10 July 2005. The respective number of outstanding options remained unexercised by each of Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng as at 31 July 2003 was as follows:

Name of Directors	Number of outstanding options
Beh Kim Ling	21,000
Gan Sem Yam	21,000
Gan Chu Cheng	21,000
Gan Tiong Sia	50,000

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

14. The following options were granted to the following Directors under an option deed dated 20 January 2002 ("Option Deed") and entered into between, among others, VS Investment and them, which were, as at 31 July 2003, outstanding:

Name of Directors	Number of outstanding options
Beh Kim Ling	3,599,995
Gan Sem Yam	3,599,995
Gan Chu Cheng	3,599,995

These options are exercisable at any time during the period of 36 months from and including 8 February 2002 to 5:00 p.m. (Hong Kong time) on the last date of such 36 months period or, if that date is not a business day in Hong Kong, on the business day in Hong Kong immediately before that date.

Save as disclosed above, none of the Directors and chief executive of the Company had any interest and short positions in the share, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he/she was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to Section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 32 on the financial statements, no contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 July 2003, the following Shareholders, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying shares in the Company as recorded in the register required to be kept under Section 336 of the SF Ordinance:

Name of Shareholder	Number of Shares held <i>(Note 1)</i>	Nature of interest	Approximate percentage of interest
VVS	426,250,000(L)	Beneficial owner	51.98%
VS Berhad	426,250,000(L)	Interest of a controlled corporation <i>(Note 2)</i>	51.98%
Value Partners Limited ("Value Partners")	66,234,000 (L)	Beneficial owner	8.09%
Cheah Cheng Hye	66,234,000 (L)	Interest of a controlled corporation <i>(Note 3)</i>	8.09%

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SUBSTANTIAL SHAREHOLDERS' INTEREST (CONTINUED)

Notes:

1. The letter "L" represents the entity's interest in the Shares.
2. These Shares were registered in the name of and beneficially owned by VVS, the entire issued share capital of which is registered in the name of and beneficially owned as to 87.272% by VS Berhad and 3.182% by each of Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng. Under the SF Ordinance, VS Berhad is deemed to be interested in all the Shares held by VVS.
3. These Shares were registered in the name of and beneficially owned by Value Partners, 33.20% of the entire issued share capital of which is beneficially owned by Mr. Cheah Cheng Hye. Under the SF Ordinance, Mr. Cheah Cheng Hye is deemed to be interested in all the Shares held by Value Partners.

SHARE OPTION SCHEME

The Company operates the Scheme, which was adopted on 20 January 2002, for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. The Scheme became effective on 8 February 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

- (i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest (including any executive director but excluding any non-executive director of the Group or any Invested Entity);
- (ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) (for so long as VS Berhad remains as a controlling Shareholder (as defined in the Listing Rules)) any employee or proposed employee (whether full time or part time) of VS Berhad, any of its subsidiaries or any entity in which VS Berhad or any of its subsidiaries holds an equity interest, including any executive director of VS Berhad, any of such subsidiaries or any entity in which VS Berhad or any of its subsidiaries holds an equity interest;
- (viii) (for so long as VS Berhad remains as a controlling Shareholder (as defined in the Listing Rules)) any non-executive directors (including independent non-executive directors) of VS Berhad, any of its subsidiaries or any entity in which VS Berhad or any of its subsidiaries holds an equity interest; and
- (ix) any other group or classes of participants from time to time determined by the Board as having contributed or may contribute by way of joint venture and business alliances to the development and growth of the Group.

SHARE OPTION SCHEME (CONTINUED)

As at the date of this report, the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group is 80,000,000, representing 10% of the issued share capital of the Company immediately upon completion of the share offer and the capitalisation issue which took place in February 2002. The maximum number of Shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive of the Company or substantial Shareholder, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the Shares in issue with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, in 12-month period up to and including the date of grant, are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

The subscription price for Shares under the Scheme shall be a price determined by the Board, but shall not be less than the highest of:

- (i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and
- (iii) the nominal value of the Shares.

As at 31 July 2003, no option has been granted or agreed to be granted under the Scheme.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 July 2003.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the year ended 31 July 2003 are set out in note 32 on the financial statements.

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CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

The Group had entered into the following connected transactions during the year ended 31 July 2003, the details of which are required to be disclosed in this report pursuant to Chapter 14 of the Listing Rules:

Name of connected person(s)	Nature of transaction	HK\$'000
(a) VS Berhad, its subsidiaries and/or associated companies (excluding any member of the Group) (Note 1)	Sales of moulds designed and fabricated by the Group and provision of certain plastic moulded products and parts (Note 2)	3,569
(b) Qingdao Haier, its holding company, subsidiaries and affiliated companies and other subsidiaries and affiliated companies of its holding company (collectively, the "Haier Group") (Note 3)	Sales of plastic moulded products and parts from VS Haier and HAIVS Qingdao (Note 4)	67,164 (sales from VS Haier) 108,000 (sales from HAIVS Qingdao)
(c) 青島海爾零件部採購有限公司 (Qingdao Haier Components Purchase Co., Ltd.) ("Haier CPCL"), a member of the Haier Group (Note 5)	Purchases of certain raw materials by VS Haier and HAIVS Qingdao (Notes 6 and 7)	29,041 (purchases by VS Haier) 17,340 (purchases by HAIVS Qingdao)
(d) Sumitronics Hong Kong Ltd. ("STX") (Note 8)	Processing fees payable by STX to VSA Holding Hong Kong Co., Limited ("VSA(HK)") for the processing of printed circuit board using the surface mounting technology by VSA(HK) (Note 9)	1,415

Notes:

- VS Berhad is a substantial Shareholder holding 45.36% indirect interest in the entire issued share capital of the Company.
- A waiver from the strict compliance of the requisite disclosure requirements pursuant to Rule 14.25(1) of the Listing Rules in respect of these transactions had been granted by the Stock Exchange on certain conditions, details of which are set out in the Company's announcement dated 22 November 2002.
- Qingdao Haier was a substantial shareholder of VS Haier, holding 20% interest in the registered capital of VS Haier prior to the completion of the acquisition of its 20% interest in VS Haier by the Group on 18 June 2003.
- A waiver from the strict compliance of the requisite disclosure and/or independent shareholders' approval pursuant to Chapter 14 of the Listing Rules in respect of these transactions had been granted by the Stock Exchange on certain conditions, details of which are set out in the section headed "Business" in the Company's prospectus dated 28 January 2002 (the "Prospectus").
- Haier CPCL is owned as to 10% by 青島海爾集團有限公司 (Qingdao Haier Group Company) ("QHGC") and 90% by 青島集體資產管理協會 (Qingdao Haier Collective Assets Management Association) ("QHCAMA"). The former joint venture partner of VS Haier, Qingdao Haier, then holding 20% interest in its registered capital, is owned as to 1.4% by QHGC and the remaining 98.6% by QHCAMA. During the material time, Haier CPCL was an associate of the substantial shareholder of VS Haier and therefore was then a connected person of the Company.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. A waiver from the strict compliance of the requisite disclosure and/or independent shareholders' approval pursuant to Chapter 14 of the Listing Rules in respect of these transactions had been granted by the Stock Exchange on certain conditions, details of which are set out in the Company's announcement dated 22 November 2002 and circular dated 13 December 2002 (the "Circular").
7. The Group's total costs of purchase of raw materials during the year ended 31 July 2003 amounted to HK\$777,539,000.
8. STX is a substantial shareholder of VSA(HK) holding 10% of its entire issued share capital.
9. A waiver from the strict compliance of the requisite disclosure requirements pursuant to Rule 14.25(1) of the Listing Rules in respect of these transactions had been granted by the Stock Exchange on certain conditions, details of which are set out in the Company's announcement dated 9 July 2003.

The Board, including the independent non-executive Directors, confirmed that:

1. the transactions in (a) above had been conducted in accordance with the conditions of the waivers granted by the Stock Exchange as set out in the Company's announcement dated 22 November 2002;
2. the transactions in (b) above, being the connected transactions as referred to in the paragraph "continuing connected transactions subject to waiver granted by the Stock Exchange" in the section headed "Business" in the Prospectus, had been conducted in accordance with the conditions of the waiver granted by the Stock Exchange as set out in the Prospectus;
3. the transactions in (c) above had been conducted in accordance with the conditions of the waiver granted by the Stock Exchange as set out in the Company's announcement dated 22 November 2002 and the Circular; and
4. the transactions in (d) above had been conducted in accordance with the conditions of the waiver granted by the Stock Exchange as set out in the Company's announcement dated 9 July 2003.

The auditors of the Company have also confirmed that the transactions set out above:

1. had been approved by the Directors;
2. had been entered into in accordance with the terms of the agreements relating to these transactions or, where there is no such agreement, on terms being no less favourable than those available to or from independent third parties; and
3. (i) the aggregate consideration paid in respect of the transactions in (a) above had not exceeded the higher of (aa) HK\$10 million or (bb) 3% of the book value of the Group's net tangible assets as at 31 July 2003;
- (ii) the aggregate consideration received in respect of the transactions in (b) above had not exceeded 20% of the Group's audited consolidated turnover for the year ended 31 July 2003;
- (iii) the aggregate consideration paid in respect of the transactions in (c) above had not exceeded 11% of the Group's total purchase costs for raw materials for the year ended 31 July 2003; and
- (iv) the aggregate processing fees received in respect of the transactions in (d) above had not exceeded the higher of (aa) HK\$10 million or (bb) 3% of the book value of the Group's net tangible assets as at 31 July 2003.

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CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Save as disclosed therein, there were no other transactions needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law of the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 July 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 July 2003 are set out in notes 25, 26 and 32(i) on the financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the year ended 31 July 2003 is set out on note 7 on the financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 74 of the annual report.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 73 of the annual report.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 6 on the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the year ended 31 July 2003, in compliance with Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Board established an audit committee (the "Committee") on 20 January 2002, which comprised two independent non-executive Directors, pursuant to the Code of Best Practice as set forth in Appendix 14 to the Listing Rules. The primary duties of the Committee are to review the Group's financial reporting process, internal controls system and Group's financial statements. The Committee has reviewed the Group's financial statements for the year ended 31 July 2003 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Beh Kim Ling

Chairman

Shenzhen, the PRC

26 September 2003