

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31 July 2004.

### *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 13 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	23%	–
Five largest customers in aggregate	53%	–
The largest supplier	–	14%
Five largest suppliers in aggregate	–	37%

At no time during the year had the Directors, their associates or any Shareholder (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 2004 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 31 to 72.

### *Dividends*

The Board has recommended the payment of a final dividend of HK0.5 cent (31 July 2003: HK0.5 cent) per share of HK\$0.05 each in the Company (each a "Share"), in respect of the financial year ended 31 July 2004, to the Shareholders whose names appear on the register of members of the Company on 8 November 2004. The proposed dividend will be paid on or about 30 December 2004 following approval thereof at the forthcoming Annual General Meeting to be held on 8 November 2004.

### *Fixed assets*

Details of movements in fixed assets of the Company and the Group during the financial year are set out in note 14 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 27 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 28 on the financial statements.

### *Distributable reserves*

As at 31 July 2004, 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\$218,994,000 (2003: HK\$223,304,000). 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

On 30 September 2004, Mr. Tang Sim Cheow was appointed as an independent non-executive Director.

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 from office by rotation. Accordingly, Messrs. Diong Tai Pew and Cheung Kwan Hung, Anthony will retire from the Board by rotation at the forthcoming annual general meeting of the Company ("Annual General Meeting") and, being eligible, offer themselves for re-election.

Further, according to Article 112 of the articles of association, any Director appointed by the Directors to fill casual vacancy in the Company, under that article of association, shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting. Pursuant to this article, the office of directorship of Mr. Tang Sim Cheow, who was appointed as an independent non-executive Director by the Directors on 30 September 2004, will end at the Annual General Meeting. Mr. Tang Sim Cheow, being eligible for re-election, offers himself for re-election at the Annual General Meeting.

### 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.

Mr. Gan Tiong Sia, and Messrs. Diong Tai Pew, Cheung Kwan Hung, Anthony and Tang Sim Cheow are currently appointed as a non-executive Director and independent non-executive Directors respectively. The appointments of Messrs. Gan Tiong Sia, Diong Tai Pew and Cheung Kwan Hung, Anthony are for an initial term of one year from 5 November 2003, 1 September 2004 and 15 January 2004, 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. The appointment of Mr. Tang Sim Cheow is for a term of one year from 30 September 2004.

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' interest in shares

As at 31 July 2004, 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 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 were 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 ("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)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	31,000,775 Shares (L)	3.78%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 3 and 6)	6.67%

*Directors' interest in shares (continued)*

<b>Name of Director</b> (Note 1)	<b>The Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b> (Note 2)	<b>Approximate percentage of interest</b>
Gan Sem Yam	The Company	Beneficial owner	31,000,775 Shares (L)	3.78%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 4 and 6)	6.67%
Gan Chu Cheng	The Company	Beneficial owner	31,000,775 Shares (L)	3.78%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 5 and 6)	6.67%
Gan Tiong Sia	The Company	Beneficial owner	27,900,775 Shares (L)	3.40%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%

## 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 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 6 below.
4. 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 6 below.
5. 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 6 below.

### Director's interest in shares (continued)

6. 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 2004, 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 31 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.

### Discloseable interest under Divisions 2 and 3 of Part XV of the SF Ordinance and substantial Shareholders

So far as is known to the Directors, as at 31 July 2004, the following persons, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance:

Name of Shareholder	Number of Shares held (Note 1)	Nature of interest/Capacity	Approximate percentage of interest
VS Berhad	371,996,900 (L)	Beneficial owner	45.37%
Atlantis Investment Management Ltd	51,676,000 (L)	Investment manager	6.30%
Value Partners Limited ("Value Partners")	48,928,000 (L)	Investment manager	5.97%
Cheah Cheng Hye	48,928,000 (L)	Interest of a controlled corporation (Note 2)	5.97%

### ***Discloseable interest under Divisions 2 and 3 of Part XV of the SF Ordinance and substantial Shareholders (continued)***

Notes:

1. The letter “L” represents the person’s interest in the Shares.
2. These Shares were registered in the name of and beneficially owned by Value Partners, 31.82% 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) 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) over 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 2004, no option had 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 2004.

### Connected transactions and related party transactions

Details of the significant related party transactions for the year ended 31 July 2004 are set out in note 31 on the financial statements.

The Group had entered into the following connected transactions during the year ended 31 July 2004, the details of which are required to be disclosed in this report pursuant to Chapter 14A of the Listing Rules:

	<b>Name of connected person(s)</b>	<b>Nature of transaction</b>	<b>HK\$'000</b>
(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)	3,195
(b)	STX (Note 3)	Processing fees payable by STX to VSA(HK) for the processing of printed circuit board and related products using surface mounting technologies (Note 4)	30,226
(c)	威士茂(珠海)管理有限公司 (V.S. (Zhuhai) Management Co., Ltd.) ("VS Management") (Note 5)	Operating lease charges and related management fee for the leasing of residential complex as staff quarters payable by VS Zhuhai to VS Management (Note 6)	2,049

Notes:

1. VS Berhad is a substantial Shareholder holding 45.37% interest in the entire issued share capital of the Company.
2. A waiver from the strict compliance of the requisite disclosure requirements pursuant to the then Rule 14.25(1) of the Listing Rules in respect of these transactions has been granted by the Stock Exchange on certain conditions, details of which are set out in the Company's announcement dated 22 November 2002.
3. STX is a substantial shareholder of VSA(HK) holding 10% of the entire issued share capital of VSA(HK).
4. A waiver from the strict compliance of the requisite disclosure requirements pursuant to the then Rule 14.26 of the Listing Rules in respect of these transactions has been granted by the Stock Exchange on certain conditions, details of which are set out in the Company's announcement dated 21 November 2003 and circular dated 12 December 2003.
5. VS Management is wholly owned by Mr Beh Kim Ling, an executive Director.
6. A waiver from the strict compliance of the requisite disclosure requirements pursuant to the then Rule 14.26 of the Listing Rules in respect of these transactions has been granted by the Stock Exchange on certain conditions, details of which are set out in the Company's announcement dated 11 December 2003 and circular dated 31 December 2003.



## ***Connected transactions and related party transactions (continued)***

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

1. the transactions in (a) 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;
2. the transactions in (b) 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 21 November 2003 and circular dated 12 December 2003;
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 11 December 2003 and circular dated 31 December 2003.

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

1. had been approved by the Directors;
2. (where applicable) were in accordance with the pricing policies of the Group;
3. 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
4. (i) the aggregate consideration received 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 2004.  
  
(ii) the aggregate consideration received in respect of the transactions in (b) above had not exceeded 4% of the Group's turnover for the year ended 31 July 2004.  
  
(iii) the aggregate consideration paid in respect of the transactions in (c) above had not exceeded HK\$2,684,000 from the effective date of the lease agreement to 31 July 2004.

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 in Cayman Islands.

## ***Purchase, sale or redemption of the Company's listed securities***

During the year ended 31 July 2004, 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 2004 are set out in notes 23, 24 and 31(c) on the financial statements.

### *Interest capitalised*

The amount of interest capitalised by the Group during the year ended 31 July 2004 is set out in note 5(a) 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 pages 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 4 on the financial statements.

### *Compliance with the Code of Best Practice*

Save that the non-executive Director and the independent non-executive Directors are not appointed for specific terms, none of the Directors is aware of any information that would reasonably indicate that the Company was not, at any time during the year ended 31 July 2004, in compliance with Appendix 14 to the Listing Rules.

### *Audit committee*

The Board established an audit committee ("Committee") on 20 January 2002, which comprises three 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 2004 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*

Zhuhai, the PRC

30 September 2004