

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31 July 2005.

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 12 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	36%	–
Five largest customers in aggregate	60%	–
The largest supplier	–	20%
Five largest suppliers in aggregate	–	45%

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 2005 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 36 to 84.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK0.8 cents (31 July 2004: HK0.5 cents) per share (each a "Share") of HK\$0.05 each in the Company, in respect of the financial year ended 31 July 2005, to the Shareholders whose names listed on the register of members of the Company on 2 December 2005. The proposed dividend will be paid on or about 10 January 2006 subject to approval thereof at the forthcoming annual general meeting to be held on 2 December 2005 ("Annual General Meeting").

FIXED ASSETS

Details of movements in fixed assets of the Company and the Group during the financial year are set out in note 13 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 2005, 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\$196,970,000 (2004: HK\$218,994,000). 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 and up to the date of this report 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
Tang Sim Cheow (appointed on 30 September 2004)

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 or Managing Director, should retire at each annual general meeting from office by rotation. Accordingly, Madam Gan Chu Cheng and Mr. Zhang Pei Yu will retire from the Board by rotation at the 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.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS (CONTINUED)

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 2004, 1 September 2005 and 15 January 2005, 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. Currently, 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.

DIRECTOR'S INTEREST IN SHARES

As at 31 July 2005, 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 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 Issuers 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	39,200,775 Shares (L) (Notes 3 and 11)	4.78%
	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	5 ordinary shares of HK\$1 each (L)	–
Gan Sem Yam	The Company	Beneficial owner	39,200,775 Shares (L) (Notes 4 and 11)	4.78%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–

DIRECTOR'S INTEREST IN SHARES (CONTINUED)

Name of Director (Note 1)	The Company/ name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	39,200,775 Shares (L) (Notes 5 and 11)	4.78%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–
Zhang Pei Yu	The Company	Beneficial owner	2,500,000 Shares (L) (Notes 6 and 11)	0.30%
Gan Tiong Sia	The Company	Beneficial owner	29,900,775 Shares (L) (Notes 7 and 11)	3.65%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	500,000 Shares (L) (Notes 8 and 11)	0.06%
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	500,000 Shares (L) (Notes 9 and 11)	0.06%
Tang Sim Cheow	The Company	Beneficial owner	300,000 Shares (L) (Notes 10 and 11)	0.04%

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 shares and underlying shares of the Company or its associated corporations.
3. 8,200,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Beh Kim Ling by the Company under the Scheme, details of which are set out in note 11 below.
4. 8,200,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Gan Sem Yam by the Company under the Scheme, details of which are set out in note 11 below.

Report of the Directors

DIRECTOR'S INTEREST IN SHARES (CONTINUED)

Notes: (continued)

5. 8,200,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Madam Gan Chu Cheng by the Company under the Scheme, details of which are set out in note 11 below.
6. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Zhang Pei Yu by the Company under the Scheme, details of which are set out in note 11 below.
7. 2,000,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Gan Tiong Sia by the Company under the Scheme, details of which are set out in note 11 below.
8. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Diong Tai Pew by the Company under the Scheme, details of which are set out in note 11 below.
9. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Cheung Kwan Hung, Anthony by the Company under the Scheme, details of which are set out in note 11 below.
10. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Tang Sim Cheow by the Company under the Scheme, details of which are set out in note 11 below.
11. On 12 July 2005 share options were granted by the Company under the Scheme to, among other eligible participants, the Directors. All these share options, which remained outstanding as at 31 July 2005, are exercisable at a subscription of HK\$0.18 per Share during the exercise periods set out below. Details of the share options granted are as follows:

Name of Director	Number of Shares that would be allotted and issued		Exercise period
Beh Kim Ling	(i)	2,050,000	12 July 2005 to 12 July 2007
	(ii)	2,050,000	25 November 2005 to 12 July 2007
	(iii)	2,050,000	10 April 2006 to 12 July 2007
	(iv)	2,050,000	23 August 2006 to 12 July 2007
Gan Sem Yam	(i)	2,050,000	12 July 2005 to 12 July 2007
	(ii)	2,050,000	25 November 2005 to 12 July 2007
	(iii)	2,050,000	10 April 2006 to 12 July 2007
	(iv)	2,050,000	23 August 2006 to 12 July 2007
Gan Chu Cheng	(i)	2,050,000	12 July 2005 to 12 July 2007
	(ii)	2,050,000	25 November 2005 to 12 July 2007
	(iii)	2,050,000	10 April 2006 to 12 July 2007
	(iv)	2,050,000	23 August 2006 to 12 July 2007
Zhang Pei Yu	(i)	625,000	12 July 2005 to 12 July 2007
	(ii)	625,000	25 November 2005 to 12 July 2007
	(iii)	625,000	10 April 2006 to 12 July 2007
	(iv)	625,000	23 August 2006 to 12 July 2007
Gan Tiong Sia	(i)	500,000	12 July 2005 to 12 July 2007
	(ii)	500,000	25 November 2005 to 12 July 2007
	(iii)	500,000	10 April 2006 to 12 July 2007
	(iv)	500,000	23 August 2006 to 12 July 2007

DIRECTOR'S INTEREST IN SHARES (CONTINUED)

Notes: (continued)

Name of Director	Number of Shares that would be allotted and issued	Exercise period
Diong Tai Pew	(i) 125,000	12 July 2005 to 12 July 2007
	(ii) 125,000	25 November 2005 to 12 July 2007
	(iii) 125,000	10 April 2006 to 12 July 2007
	(iv) 125,000	23 August 2006 to 12 July 2007
Cheung Kwan Hung, Anthony	(i) 125,000	12 July 2005 to 12 July 2007
	(ii) 125,000	25 November 2005 to 12 July 2007
	(iii) 125,000	10 April 2006 to 12 July 2007
	(iv) 125,000	23 August 2006 to 12 July 2007
Tang Sim Cheow	(i) 75,000	12 July 2005 to 12 July 2007
	(ii) 75,000	25 November 2005 to 12 July 2007
	(iii) 75,000	10 April 2006 to 12 July 2007
	(iv) 75,000	23 August 2006 to 12 July 2007

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 Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of share options granted to the Directors which remained outstanding as at 31 July 2005 are given in the section headed "Share option scheme" in this report.

Other than as disclosed above, at no time during the year ended 31 July 2005 was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 July 2005, 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 (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%

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.

SHARE OPTION SCHEME

The Company operates the Scheme 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;

SHARE OPTION SCHEME (CONTINUED)

- (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.

As at the date of this report, the total number of Shares which may be issued upon exercise of all options granted or to be granted under the Scheme and any other share option scheme of the Group is 82,000,000, 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 and 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.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

The following table discloses details of share options held by the grantees and movements in such holdings during the year ended 31 July 2005:

Name of grantee	Date of grant (Note 1)	Exercise period	Exercise price HK\$	Outstanding at 1 August 2004	Granted during the year	Lapsed during the year	Outstanding at 31 July 2005
Directors							
Beh Kim Ling	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		25 November 2005 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		10 April 2006 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		23 August 2006 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
Gan Sem Yam	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		25 November 2005 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		10 April 2006 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		23 August 2006 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
Gan Chu Cheng	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		25 November 2005 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		10 April 2006 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
		23 August 2006 to 12 July 2007	0.18	-	2,050,000	-	2,050,000
Zhang Pei Yu	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	625,000	-	625,000
		25 November 2005 to 12 July 2007	0.18	-	625,000	-	625,000
		10 April 2006 to 12 July 2007	0.18	-	625,000	-	625,000
		23 August 2006 to 12 July 2007	0.18	-	625,000	-	625,000
Gan Tiong Sia	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	500,000	-	500,000
		25 November 2005 to 12 July 2007	0.18	-	500,000	-	500,000
		10 April 2006 to 12 July 2007	0.18	-	500,000	-	500,000
		23 August 2006 to 12 July 2007	0.18	-	500,000	-	500,000

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercise period	Exercise price HK\$	Outstanding at 1 August 2004	Granted during the year	Lapsed during the year	Outstanding at 31 July 2005
Diong Tai Pew	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	125,000	-	125,000
		25 November 2005 to 12 July 2007	0.18	-	125,000	-	125,000
		10 April 2006 to 12 July 2007	0.18	-	125,000	-	125,000
		23 August 2006 to 12 July 2007	0.18	-	125,000	-	125,000
Cheung Kwan Hung, Anthony	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	125,000	-	125,000
		25 November 2005 to 12 July 2007	0.18	-	125,000	-	125,000
		10 April 2006 to 12 July 2007	0.18	-	125,000	-	125,000
		23 August 2006 to 12 July 2007	0.18	-	125,000	-	125,000
Tang Sim Cheow	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	75,000	-	75,000
		25 November 2005 to 12 July 2007	0.18	-	75,000	-	75,000
		10 April 2006 to 12 July 2007	0.18	-	75,000	-	75,000
		23 August 2006 to 12 July 2007	0.18	-	75,000	-	75,000
				-	30,400,000	-	30,400,000
Other employees (Note 2)	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	4,522,000	-	4,522,000
		25 November 2005 to 12 July 2007	0.18	-	4,522,000	-	4,522,000
		10 April 2006 to 12 July 2007	0.18	-	4,522,000	-	4,522,000
		23 August 2006 to 12 July 2007	0.18	-	4,522,000	-	4,522,000
				-	18,088,000	-	18,088,000
Employees of VS Berhad	12 July 2005	12 July 2005 to 12 July 2007	0.18	-	125,000	-	125,000
		25 November 2005 to 12 July 2007	0.18	-	125,000	-	125,000
		10 April 2006 to 12 July 2007	0.18	-	125,000	-	125,000
		23 August 2006 to 12 July 2007	0.18	-	125,000	-	125,000
				-	500,000	-	500,000
				-	48,988,000	-	48,988,000

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The closing price of the Shares immediately before 12 July 2005, being the date of the grant of share options, was HK\$0.185.
2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap. 57, Laws of Hong Kong).

At the date of this report, the total number of Shares to be issued upon exercise in full of the outstanding options is 48,988,000, representing 5.97% of the issued share capital of the Company at the date of this report.

The share options granted are not recognised in the financial statements until they are exercised, no charge is recorded in the income statement or the balance sheet for their cost. Upon the exercise of the share options, the resulting Shares to be issued will be recorded by the Company as additional share capital at the nominal value of the Shares, and the excess of the subscription price per Share over the nominal value of the Shares will be recorded by the Company in the share premium account.

The Directors consider that it is not appropriate to state the value of the share options granted to the eligible participants during the year ended 31 July 2005 on the ground that there are serious limitations in the application of the Black-Scholes Model and the Binominal Model in the valuation of share options. Especially there are a number of variables which are crucial to the calculation of the value of the share options, thus rendering such value not able to be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

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 2005.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the year ended 31 July 2005 are set out in note 32 to the financial statements.

The Group had entered into the following connected transactions during the year ended 31 July 2005, the details of which are required to be disclosed in this report pursuant to Chapter 14A 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)	1,346
(b) Sumitronics Hong Kong Ltd. ("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)	37,211
(c) 威士茂(珠海)管理有限公司 (V.S. (Zhuhai) Management Co., Ltd.) ("VS Management") (Note 5)	Rental and related management fee for the leasing of residential complex as staff quarters payable by VS Zhuhai to VS Management (Note 6)	7,014

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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.

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 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 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 paid in respect of the transactions in (a) above during the year ended 31 July 2005 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 2005;
- (ii) the aggregate consideration received in respect of the transactions in (b) above during the year ended 31 July 2005 had not exceeded 5% of the Group's turnover for the same period; and
- (iii) the aggregate consideration paid in respect of the transactions in (c) above during the year ended 31 July 2005 had not exceeded HK\$11,042,000.

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.

Report of the Directors

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 2005, 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 2005 are set out in notes 23, 24 and 32(c) to the financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the year ended 31 July 2005 is set out on 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 page 86 of the annual report.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 85 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 APPENDIX 10 TO THE LISTING RULES

On 20 January 2002 the Company adopted its securities dealing code ("Substituted Code") regarding the dealings of the Directors and members of the senior management of the Group in securities of the Company on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules then in force.

The Company adopted on 30 September 2004 its new securities dealing code ("New Code") on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in the revised Appendix 10 to the Listing Rules which came into effect on 31 March 2004.

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period under review with the New Code or, as the case may be, the Substituted Code and Appendix 10 to the Listing Rules then in force.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

The table below sets out the details, as required by Rule 13.15 of the Listing Rules, of advances to entities by the Group as at 31 July 2005, which continued to exist and were discloseable pursuant to Rule 13.13 of the Listing Rules:

Name of entity (and affiliated companies)	Nature of advances giving rise to the disclosure obligation	Aggregate amount due to the Group as at 31 July 2005	Terms of advances
Canon Zhongshan Business Machines Co., Ltd Canon Zhuhai Inc. Canon Logistic Inc. Canon Engineering (H.K.) Co., Ltd. Canon Finetech Industries Development Co., Ltd.	Trade receivables arising from sales of plastic moulded parts and mould design and fabrication by the Group	HK\$52,308,000	Unsecured, interest free and with payment terms of 30 to 60 days
青島海爾國際貿易有限公司 (Qingdao Haier International Trading Company Limited) 大連海爾國際貿易有限公司 (Dalian Haier International Trading Company Limited) 海爾集團大連電器產業有限公司 (Haier (Dalian) Electrical Appliances Company Limited) 青島海爾零部件採購有限公司 (Qingdao Haier Components Purchase Co., Ltd.) 青島海爾洗碗機有限公司 (Qingdao Haier Dishwasher Co., Ltd.)	Trade receivables and deposits for guarantee arising from sales of plastic moulded parts and the provision of assembly services by the Group	HK\$14,300,000	Unsecured, interest free and with payment terms of 45 to 90 days
Uniden Hong Kong Ltd	Trade receivables arising from sales of plastic moulded products and mould design and fabrication by the Group	HK\$27,490,000	Unsecured, interest free and with payment terms of 60 days
Zegna-Daidong Limited	Trade receivables arising from sales of assembling of electronic products by the Group	HK\$14,270,000	Unsecured, interest free and with payment terms of 60 days

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his independence from the Group and the Company considers that each of them to be independent from the Group based on the guidelines set out in Rule 3.13 of the Listing Rules.

Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 July 2005.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the financial year ended 31 July 2005 with those paragraphs of the Code of Best Practice ("Code") as set out in Appendix 14 (which was in force immediately before 1 January 2005) of the Listing Rules, except that the non-executive Director and the independent non-executive Directors (except Mr. Tang Sim Cheow) are not appointed for specific terms.

AUDIT COMMITTEE

The Board established an audit committee ("Committee") on 20 January 2002 with written terms of reference in compliance with the Code. The Committee was re-constituted on 30 September 2004. 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 comprises three independent non-executive Directors, namely, Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow pursuant to Appendix 14 to the Listing Rules.

The Committee has reviewed the Group's financial statements for the year ended 31 July 2005 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 will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board

Beh Kim Ling

Chairman

Zhuhai, the PRC

23 September 2005