

YEAR IN REVIEW

WONG NGIT LIONG
Group President & CEO



PERFORMANCE REVIEW

2003 was an eventful year with the Iraq War and the SARS outbreak threatening to derail any recovery in the electronics industry. Overall end-market demand remained weak in several areas for most of the year.

Despite these challenges, the Group registered another year of record performance, and set two performance milestones. For the first time ever, total sales crossed the three-billion dollar mark to S\$3.17b, and profit after tax surged past two hundred million dollars to S\$240.4m. This represented year-on-year increases of 34% and 33% respectively. Earnings per share was 25% higher at 96.3 Singapore cents. Such results were achieved in spite of higher depreciation and amortization charges, and a significantly weaker US dollar, which had a negative impact on our foreign exchange position.

The Group continued to enjoy strong demand for its products in the printing/imaging, and computer peripherals/data storage categories. These contributed 42% and 41% to total turnover, while contribution from products, in the "others" category, including test/measurement equipment, medical and automotive products, amounted to 9%. Contribution from the networking/communications segment was 8%.

OPERATIONAL REVIEW

2003 saw considerable expansion of the Group's operations, both geographically and in terms of activities.

In Shanghai (China), the manufacturing facility that was leased in late 2002 has been running at full capacity since becoming operational in early 2003. Backed by customers' demand, the

Group took the opportunity to exercise the option for a second lease of about 80,000 square-feet, bringing our total operating capacity to about 180,000 square feet. Apart from handling products in the printing/imaging category, the facilities are also engaged in the manufacture of industrial electronics and automotive products. In line with our effort to employ Shanghai as the hub for our North Asia cluster of excellence, the Group has also established a new product introduction (NPI) and design centre there.

Our 400,000 square-foot manufacturing facility in Johore Bahru (Malaysia), leased at the end of 2002, was operational by the first quarter of 2003 and enjoyed very healthy utilization throughout the year. Our operations in Penang have also been turning in very positive results, with the plant moving beyond the manufacturing of storage products to high-end subassemblies of networking and test/measurement devices. In addition, the Group has also deployed a team of R&D engineers in this facility to focus on power supply and printing/imaging technologies.

Our presence in the USA was boosted significantly in 2003. A new facility was established in Santa Ana, California to cater to RF communication products, while two others were set up on the back of a collaborative partnership with Agilent Technologies. These were established for the purpose of providing cost-effective manufacturing and development expertise for Agilent's wireless network optimization tool for telecommunications companies. The Group is particularly excited by this development, as it gives us an opportunity not only to sharpen our technological edge, but also to work closely with our customers to create further success in our respective fields.

Our e-fulfillment activities were expanded to include product servicing and reverse logistics as part of the value chain. In establishing the service centres in Europe and the USA, we channeled significant effort towards addressing human resource, infrastructure, process, and information relay requirements. Recognizing the importance of real-time information accessibility in supply chain management, the Group also invested in some IT systems to meet this need.

We successfully acquired the remaining 33% of the issue share capital of Univac Precision Engineering Pte Ltd in August, bringing our stake in the company to 100%. Univac, with its leading-edge capabilities in strategic components, also saw significant expansion in its operations in the course of the year. During the year, Univac doubled its capacity in Malaysia with a 52,000 square-foot lease that will cater to injection molding in a clean-room environment and obtained QS9000 certification in anticipation of orders from automotive customers. In China, the company obtained ISO14000 certification on top of its ISO9001 and QS9000 certification and increased its injection molding capacity by 20%. In Europe, Univac's customer base was significantly broadened by the penetration of a number of key accounts. In the USA, a marketing office was established to extend its reach to customers looking to Asia for manufacturing solutions.

NEW CAPABILITIES

While our printing/imaging and portable terminals business grew from strength to strength, 2003 was also a year in which the Group broke new ground in the medical electronics, storage and enterprise network computing

and RF communication segments, enabling us to increase our product generation activities across a wider spectrum of product segments.

Within the printing/imaging segment, the Group continued to secure projects that are progressive both in terms of design complexity and new business models, whereby customers co-develop future product platforms with Venture's design teams. In addition to reflecting our customers' confidence in the world-class capabilities that we have built over the years, this brings us closer to realizing our vision of becoming a key player within the virtual enterprises that we participate in.

In particular, our capabilities were strengthened significantly with respect to high-speed digital designs for server, storage and printing/imaging products, with corresponding strong support in printed circuit board (PCB) layout and thermal analysis and management. In the area of enterprise network computing, the Group has ventured into the development of advanced storage systems. This promises to exercise and enhance our expertise in storage, computing and switching technologies. In addition, the Group has also begun manufacturing and co-developing automatic optical inspection (AOI) systems and automatic test equipment (ATE).

The Group continues to make good progress in the medical equipment sector. Having implemented stringent design control and manufacturing processes to meet international standards including ISO 13485, ISO 9001:2000 and FDA Quality System Regulation (QSR) 21 CFR Part 820, the Group has embarked on several medical product design projects including patient health monitoring devices and surgery-related equipment.

Our collaboration with Agilent to develop optimization systems for cellular networks further augments our existing capabilities in RF components design and enabled us to acquire expertise in digital signal processing (DSP) and application software development that involved large databases and mapping in the Windows and Java environment.

We continue to enhance our IT infrastructure to streamline and optimize business processes for our customers. During the year, the Group adopted advanced shop-floor tracking and collaborative supply chain management solutions to improve manufacturing traceability, warehouse inventory tracking and order fulfillment. This has allowed us to provide our partners with online access to shop-floor and manufacturing process information, as well as to enhanced electronic data interchange (EDI) standards.

OUTLOOK

With signs of improvement in the operating environment, the Group is cautiously optimistic about its prospects for 2004. Nevertheless, it remains mindful of the intense competition and the resulting price erosion that prevails in the industry.

The outsourcing trend in Europe and the USA continues to be positive, with an increasing number of activities within the value chain being considered for outsourcing. The Group has invested in resources enabling the expansion of prototyping, NPI, and product testing activities, and enhanced its capabilities in both high-mix product development and high-volume manufacturing. This, together with our early entry into the ODM arena and our continual build-up of technological know-how to develop products

involving higher, more complex technological content, will give us an edge in attracting progressive customers and forging tight, synergistic relationships with them.

The Group expects to make further inroads in the manufacturing of automotive and medical electronics products. Our in-house manufacturing capabilities have improved significantly, and our attainment of the ISO 16949, QS 9000, and Food and Drug Administration (FDA) certifications for several key locations such as Singapore and China will put us in a good position to widen our base of customers in these sectors. As the overall markets in the US and Europe continue to improve, our share of the outsourced EMS business is also expected to continue to grow significantly.

China remains an exciting growth area. Our operations there are bearing fruit, and in 2003 the Group registered tremendous revenue growth from a mere few million dollars to well over S\$100m. This is a demonstration of our ability to scale for high production runs within a very short period of time, without compromising on quality and on-time delivery. We are set to further expand not just our scale of operations, but also the scope of our activities there to cater to the growing demand for electronics services in the country.

In the e-fulfillment business, customers are increasingly seeking out partners to fulfill their entire factory-to-shop consumer requirements, and service providers could well differentiate themselves by developing supply chain solutions that provide for the movement of products in a seamless and transparent manner, while



maintaining a high degree of responsiveness to meet dynamic demand. We are well positioned, and will continue to make the necessary investments to support our customers' pre- and post-sales operations globally, particularly in high-volume product segments.

In our effort to add more value and contribute to our customers' success, we shall continue to build upon our core competencies and capabilities to provide world-class value chain management solutions, particularly in areas where our skills and expertise can be differentiated. We will also continue to enhance our cost-to-capability ratio through the optimization of our resource utilization worldwide. To complement our organic growth strategy, the Group will also be exploring other growth opportunities involving strategic alliances and acquisitions.

TRIBUTE

As we look back at developments in 2003 which had impacted the Venture Group in one way or another, we are weighed down by one event in particular — the passing on of Mr. Gopala Achuta Menon, who was the Group's Chairman since its formation in 1989 till his death on 1 December 2003. Mr. Menon was a very optimistic person, abounding in energy and enthusiasm, and was always on hand to extend his advice and help when needed. Though profoundly saddened by his sudden departure, the Board, management and staff of the Venture Group will always remember Mr. Menon for his years of guidance, and would like to place on record our deep appreciation for his invaluable counsel, commitment, and contribution to the growth of the Venture Group throughout his 14-year tenure.

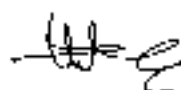
APPRECIATION

The support of many of our shareholders over the long term has been a source of encouragement to us. On behalf of the Board, I would like to express our appreciation for this support and reiterate our commitment to delivering value for all our stakeholders. For the year 2003, the Board has proposed a final tax-exempt dividend of 25% and a bonus dividend of 50% less 22% tax.

Our heartfelt appreciation also goes to all our customers, partners and suppliers for their guidance and steadfast support over the years. We have successfully forged many synergistic relationships and we look forward to building even more of these in the year to come.

We also thank the management and staff of the Group for their passion and dedication throughout the year. Our outstanding financial results are due, in no small part, to the unwavering diligence and outstanding teamwork of our employees. Their efforts will stand us in good stead as we reach for greater heights in 2004.

Finally, the Group would like to extend its gratitude to our Board of Directors for spending valuable time and attention to guide us through the year. Their experience and wise counsel have been instrumental in ensuring that the Group stays on smooth course through good and challenging times alike.



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