

Steel Value Chain

Steel
Value
Chain

Van Shung Chong Holdings Limited
萬 順 昌 集 團 有 限 公 司

Annual Report 2007年報

Stock Code 股票代號 : 1001



1997

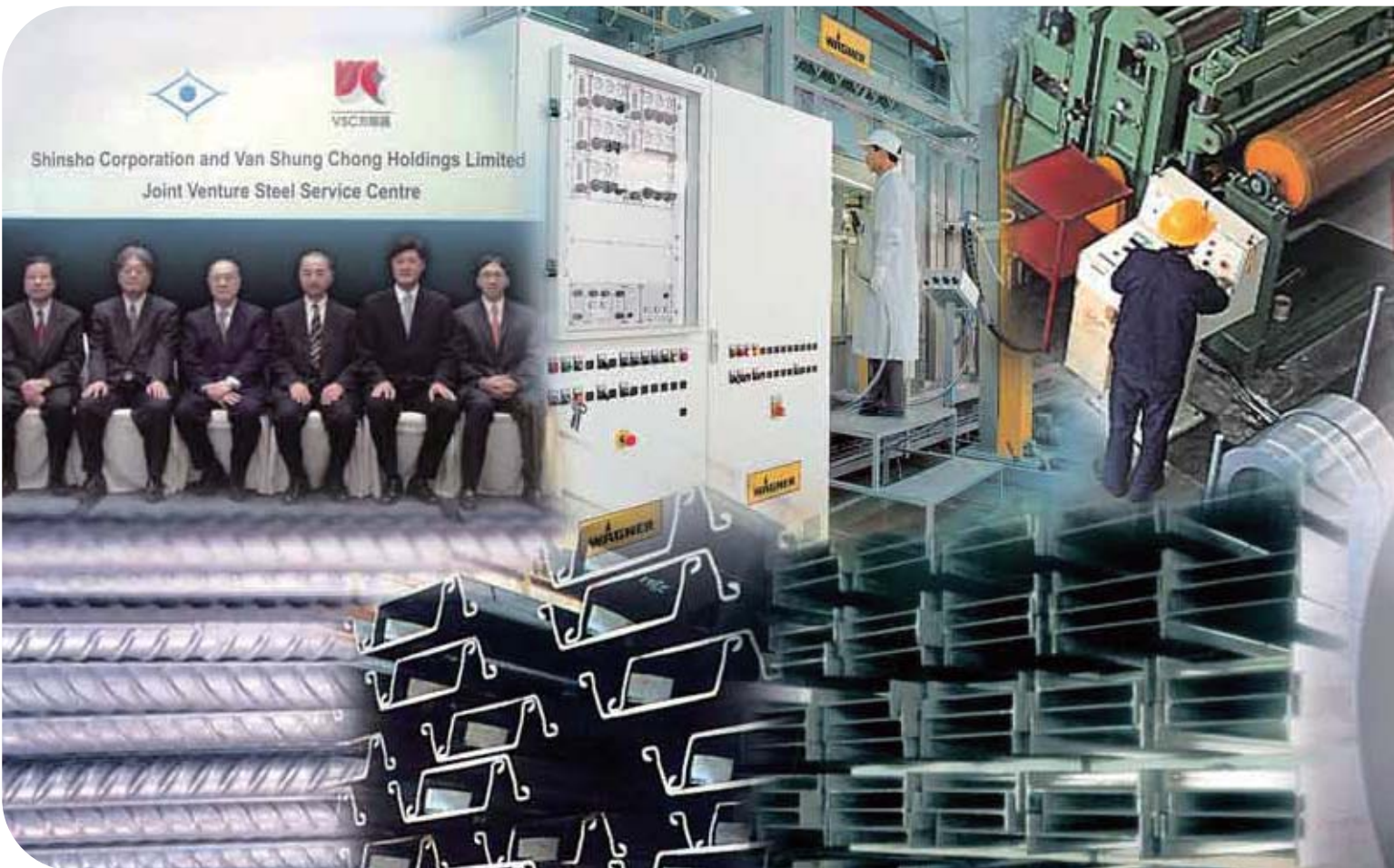
1998

1999

2000

2001

2002



Shinsho Corporation and Van Shung Chong Holdings Limited
Joint Venture Steel Service Centre

10-Year Review on HKSAR



Jul 1997
Hong Kong's Handover (Establishment of HKSAR)

Jul 1998
Inauguration of Hong Kong's new airport

May 2001
HKSAR government launched Admission Scheme for Mainland Talents and Professionals

Jun 2003
Signing of CEPA

Jun 2004
Signing of the Pan-Pearl River Delta Regional Co-operation Framework Agreement

Jul 2005
Hong Kong chosen to stage the Equestrian Events for the 2008 Beijing Olympic Games

Sept 2005
Opening of Hong Kong Disneyland

Dec 2005
Hong Kong successfully hosted the WTO Ministerial Conference

Mar 2007
Donald Tsang re-elected as Chief Executive for the third-term of the HKSAR government

2002

2003

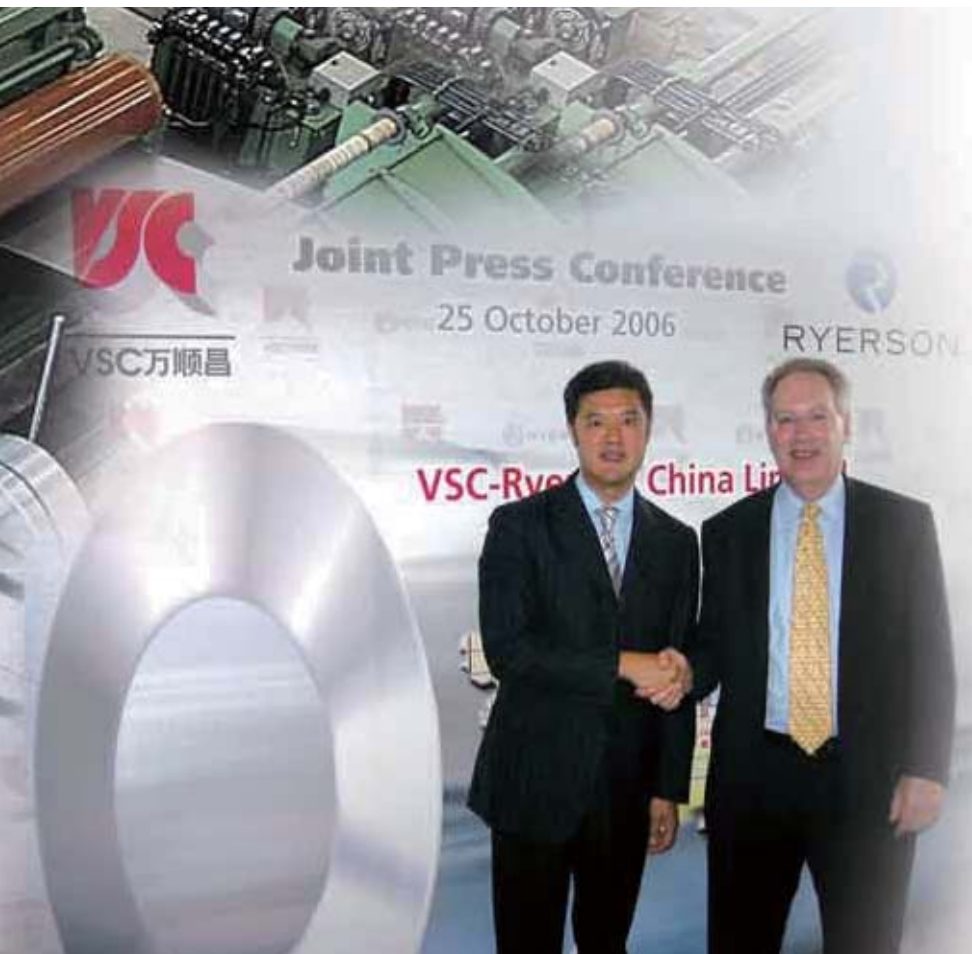
2004

2005

2006

2007

10-Year Review on VSC



Jan 1998
Formed a JV at Nansha with Baosteel Corporation and Mitsui & Co., Ltd.

Nov 1999
Acquired Shougang Concord Steel Co., Ltd.

May 2001
Established Van Jia Yuan through acquiring a Chinese telecommunication equipment producer

Apr 2002
Launched Leisure Plus, a one-stop lifestyle outlet for bathroom products

Jun 2003
Set up a regional headquarters in Shanghai to better serve our customers

Jul 2003
Tianjin Coil Centre commenced production


Mar 2004
Partnered with Shinsho Corporation for the development of Guangzhou Coil Centre

Mar 2005
Provide supply chain services of China-made metal products to overseas buyers with strategic ally – Metal China

Sept 2006
Forged partnership with Ryerson Inc., one of North America's leading metals distributors and processors

Jan 2007
Kunshan Coil Centre commenced production

MISSION STATEMENT

VSC partner with our global and local customers to create competitive advantage for them. We do this through our expertise and China experience with value-added processing, supply chain management and total solution service. 



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Employees

"VSC devotes on staff training, our quality of work and efficiency have constantly uplifted through various training from working skills to team spirit building through collaboration with various management institutions and multinational professional consultants. I need to continuously improve myself, working even harder to fulfill the Company's expectations. Sometimes my fellow members will say: "Thanks for working so hard for many years!" but to me, I definitely enjoy what I have been doing. Through practicing of our eCSC and core values, we have achieved a remarkable result in cost saving, improving our profit, turning cut-throat competition to win-win situation. I am really proud of being a member of VSC."

Tse King Hung, Assistant General Manager, HK Steel Department, Joined VSC since Sept. 1983

eCSC

As an industry anchor, we not only care about our business development, but also the direction and prospects of the steel industry. Through implementing eCSC ("Employees", "Customers", "Suppliers" and "Co-opetitors") concept, we believe that the fundamental principles generated by the synergy of employees, customers, suppliers and co-opetitors is much more powerful than any single individual. Thus every party takes up an integral role, and the closely co-operative module would definitely lead to greater enhancement towards the steel industry and results in a win-win achievements.

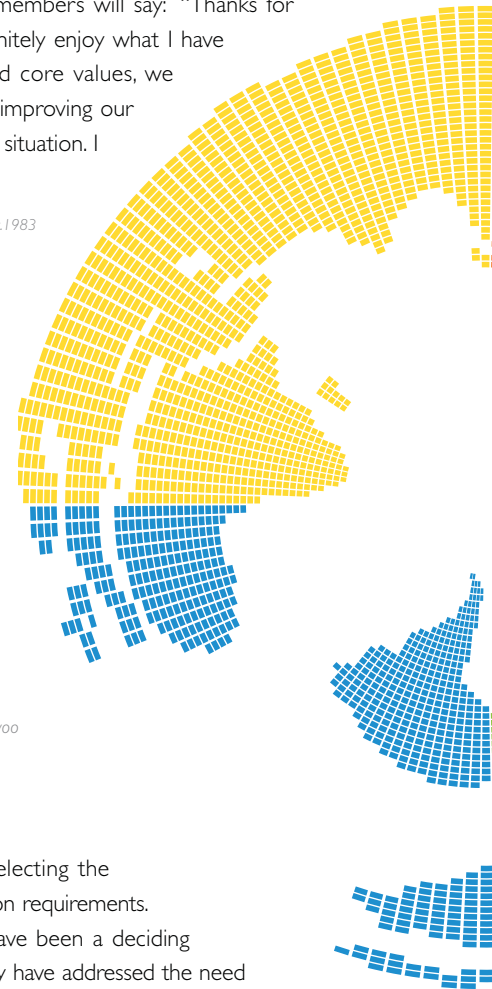
Customers

"As our products are home appliances such as air conditioner and microwave oven, we pay great attention to materials provided by our vendors. VSC is our major supplier in Mainland China and they are very accommodating in providing ideal solutions in the supply chain. Their products have been of great quality. In addition, their prices are reasonable and deliveries are always on schedule."

Daewoo Microwave Oven (Tian Jin) Co., Ltd., a wholly owned subsidiary of Daewoo International Corporation in Mainland China, home appliances manufacturer

"As an air-cooled condenser manufacturer, a key criterion when selecting the material is matching with our corporate standard and fit for our production requirements. VSC's vast expertise in steel processing and competitiveness in prices have been a deciding factor in our purchase of cold rolled steel strips from them. Moreover, they have addressed the need of getting the products here on time year after year. What is more important – their great attention to after-sales customer services and the professionalism of their sales and quality control staff. Their salespersons have paid regular visits to our company for understanding our latest needs. Their technicians have visited us at least once every half-year for quality assurance of their products."

SPX Cooling Technologies (Zhang Jia Kou) Co., Ltd., a wholly owned subsidiary of SPX Corporation in Mainland China, a provider of thermal equipment



马钢钢材指定经销商

DESIGNATED DISTRIBUTOR OF MASTEEL'S STEEL PRODUCT

马鞍山钢铁股份有限公司销售公司
二〇〇六年十二月



Suppliers

"In addition to retaining loyal customers retention, VSC also targets at high-end customers through the expansion of its geographic coverage over the years. VSC has constant interaction with counterparts to share and exchange market information. Its Executive Information System provides instant data analysis for decision making."

China Steel Corporation, Taiwan's largest steelmaker

"VSC management and staff not only work collaboratively as a team to enhance the company's competitiveness in the fast changing market but also places great emphasis on developing the China high-end market with long-term partner through technology and swift exchange of information."

JFE Steel Corporation, the world's fifth-largest steelmaker

"VSC is famous for its rebars business, and is the biggest importer of this product in Hong Kong. Being awarded the ISO certificate, its outstanding management system, together with the Total Cycle Time (TCT) system, strictly controls the production process to guarantee the quality of products and services. VSC's people, with an international perspective, take advantage of the fast-growing market to further develop their business with us."

Kam Kwan Enterprises (Holdings) Ltd., one of the core members of Guangzhou Iron & Steel Enterprises Group, China's third-largest construction steel producer

"VSC is a leading steel supplier in Hong Kong. Being business partners for years, we have gone through many ups and downs in the market. VSC is proactively expanding its business, which fits in with ours. VSC and we share the same thoughts on management of people. It pays great attention to internal training and strives for continuous improvement."

Laigang Group, one of China's top ten steelmakers

Co-opetitors

"VSC spent great effort to develop PRC market and strive to expand their valued-added processing business. As a leading member in the industry, VSC stresses on the exchange of industry news and technology information. They also emphasize providing value-added services to customers in the industry."

Guangzhou Mayer Corp., Ltd., a leading steel processor and steel pipe manufacturer in the Greater China



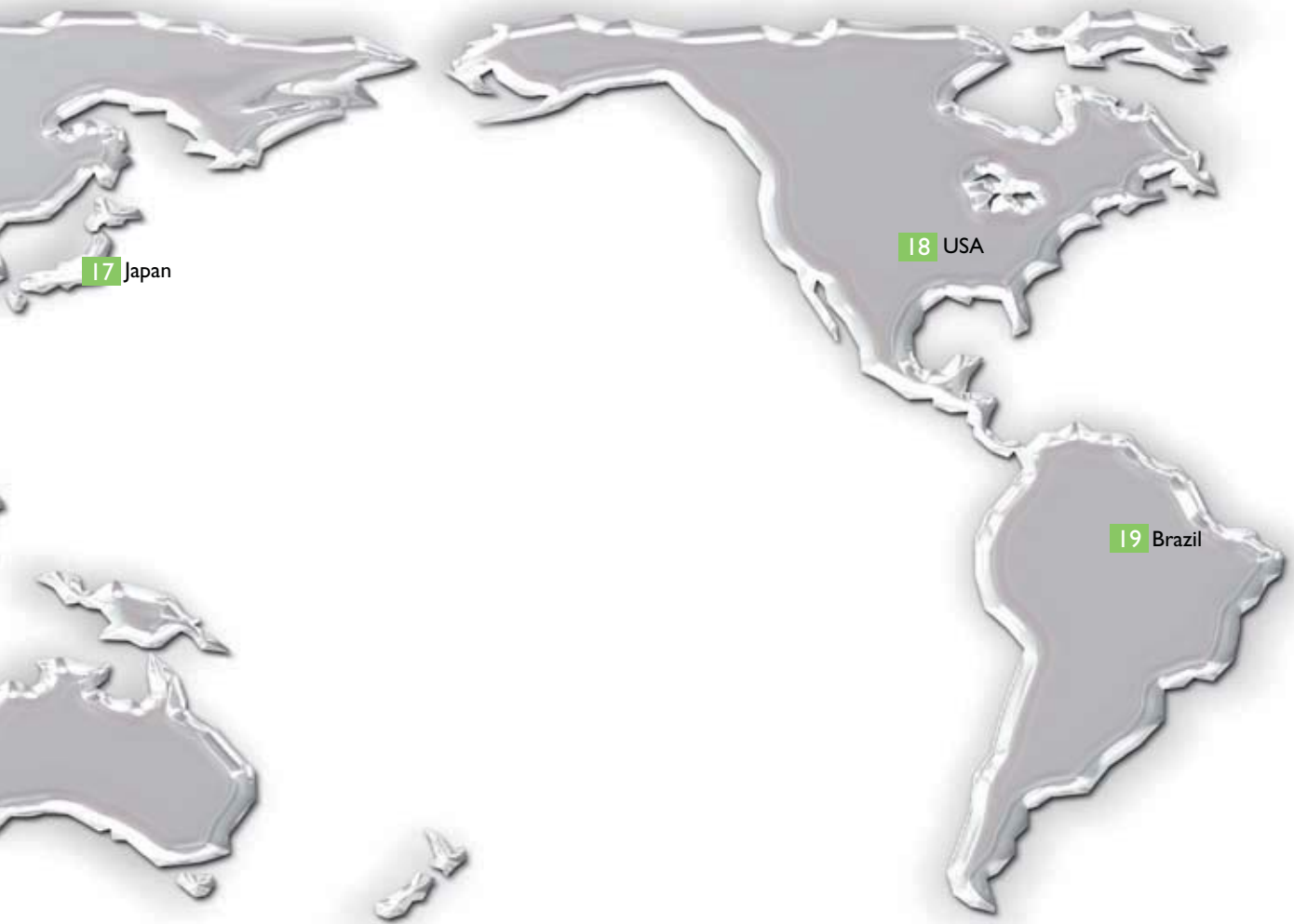


- 1** Orb Electrical Steel
Outokumpu
- 2** Acerinox
- 3** Ugine
- 4** ALZ
- 5** Outokumpu Stainless AB
- 6** BMZ
- 7** ICDAS
- 8** Columbus
Duferco Steel Processing
Scaw
- 9** Zapsib

- 10** Bhushan Steel
DSP
Duferco Asia
Jindal Stainless
Shah Alloys
- 11** Siam United Steel
TCR
TCS
- 12** Natsteel
- 13** PT Jindal Stainless
- 14** Anshan Iron & Steel
Baosteel Corp.

- 14** Benxi Iron & Steel
Changshu Xingdao
Chongqing Iron & Steel
Dayawan
Fujian Songli
Guangdong Sino Master
Guangzhou Doowon
Guangzhou Iron & Steel
Handan Iron & Steel
Hyun Chul
Jiangyin Changfa
Jinan Iron & Steel

- 14** Laiwu Steel
Lian Yuan Iron & Steel
Lianzhong Stainless
Maanshan Iron & Steel
Nanjing Iron & Steel
Panzhuhua Iron & Steel
Pingxiang Iron & Steel
Rizhao Steel
Shagang
Shougang
Shuangling Iron & Steel
Shuicheng Iron & Steel



17 Japan

18 USA

19 Brazil

- 14 Sichuang Desheng Group
Tangshan Iron & Steel
Tianjin Tiantie
Union Steel (China)
Wuhan Iron & Steel
Wuxi Changjiang
Zhangjigang Pohang Stainless Steel
- 15 China Steel Corporation
Great Fortune
Hai Kwang
Kao Hsing Chang
Tang Eng

- 15 Tonyi
Tung Ho
Yieh Phui
Yieh United
- 16 Dai Yang
Dongbu
Dongkuk
Dongshin
Doowon
Hysco
Hyundai
Pocos

- 16 Posco
Taihan
Union
- 17 JFE
Kobe
Nippon Steel & Sumikin
Nisshin
NSC
Sumitomo Metal
Yamato
- 18 Nucor
- 19 Acesita
Gerdau

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Andrew Cho Fai Yao (*Chairman*)

Mr. Fernando Sai Ming Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chow Yei Ching

Mr. Harold Richard Kahler

Mr. Kenny King Ching Tam

Mr. Xu Lin Bao

COMPANY SECRETARY

Ms. Tse Sau Wai, FCS FCS

QUALIFIED ACCOUNTANT

Mr. Paul Po-Gun Chow, FCPA

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

SOLICITORS

Johnson Stokes & Master Lawyers (on Hong Kong Laws)

Conyers Dill & Pearman (on Bermuda Laws)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Company Limited,

Hong Kong Branch

BNP Paribas, Hong Kong Branch

Chong Hing Bank Limited

CITIC Ka Wah Bank Limited

DBS Bank (Hong Kong) Limited

Fortis Bank SA/NV, Singapore Branch

HSB Nordbank, Asia

Industrial and Commercial Bank of China

(Asia) Limited

KBC Bank N.V., Hong Kong Branch

Mizuho Corporate Bank, Limited,

Hong Kong Branch

Shanghai Commercial Bank Limited

The Bank of East Asia, Limited

The Bank of Tokyo-Mitsubishi UF Limited,

Hong Kong Branch

The Hongkong and Shanghai Banking

Corporation Limited

**SHARE REGISTRARS AND
TRANSFER OFFICES****PRINCIPAL REGISTRAR**

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

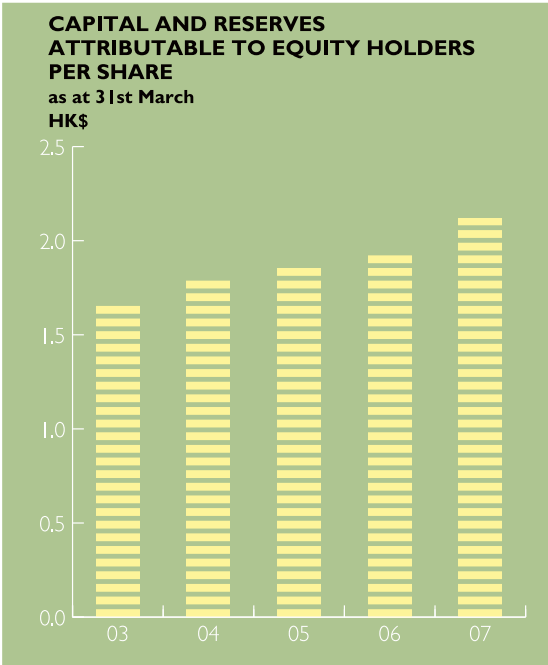
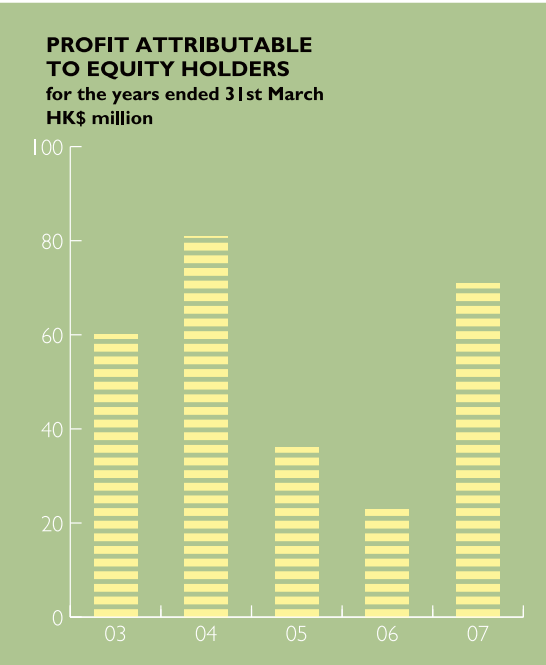
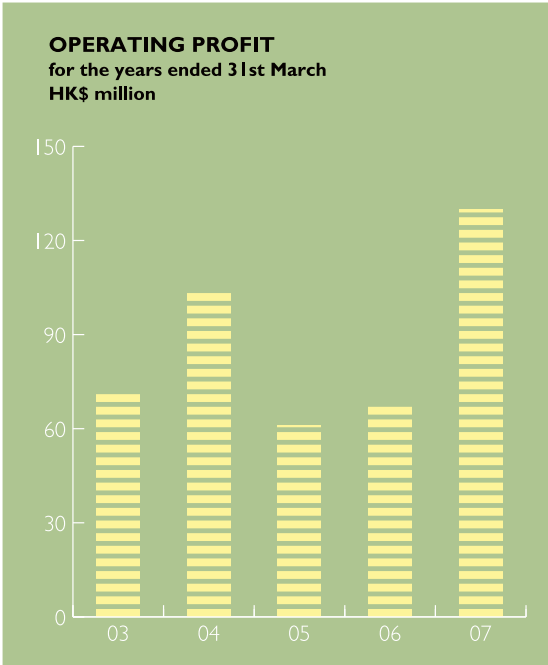
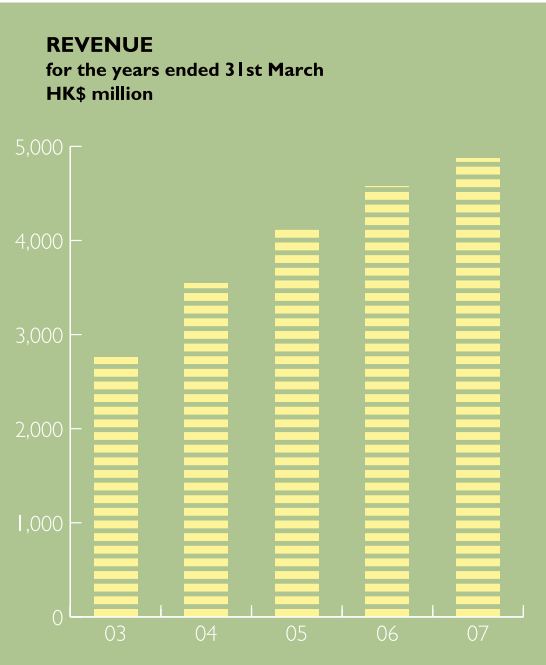
**HEAD OFFICE AND PRINCIPAL
PLACE OF BUSINESS**

Rooms 4902–8, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Website : <http://www.vschk.com>
E-mail Address : vschk@vschk.com

**LISTED ON THE STOCK EXCHANGE
OF HONG KONG LIMITED**

Stock Code : 1001



	2006	2007	% Change
<i>HK\$ million</i>			
Revenue	4,575	4,868	+6%
Gross profit	239	318	+33%
Operating profit	68	130	+91%
Profit attributable to equity holders	23	71	+209%
Total assets	1,847	2,249	+22%
Capital and reserves attributable to equity holders	715	783	+10%
<i>In million</i>			
Number of shares	369	369	0%
Per Share Data			
<i>HK cents</i>			
Basic earnings	6.20	19.16	+209%
Diluted earnings	6.20	19.16	+209%
Total cash dividends	1.10	4.80	+336%
<i>HK\$</i>			
Capital and reserves attributable to equity holders	1.94	2.12	+9%
Financial Ratios			
Gross profit margin (%)	5.22	6.53	+25%
Net profit margin (%)	0.50	1.45	+190%
Current ratio	1.50	1.67	+11%
Quick ratio	1.03	1.16	+13%
Gearing ratio	0.80	0.52	-35%
Interest cover	1.64	3.57	+118%
Cash dividend payout (%)	17.73	25.05	+41%

Note:

Certain prior years' figures have been reclassified to conform with the current year's presentation.

Definitions		
Basic earnings per share	Profit attributable to equity holders	
	Weighted-average number of shares	
Diluted earnings per share	Profit attributable to equity holders	
	Diluted weighted-average number of shares	
Capital and reserves attributable to equity holders per share	Capital and reserves attributable to equity holders	
	Number of shares as at year end	
Gross profit margin (%)	Gross profit	×100%
	Revenue	
Net profit margin (%)	Profit attributable to equity holders	×100%
	Revenue	
Current ratio	Current assets	
	Current liabilities	
Quick ratio	Current assets (excluding inventories)	
	Current liabilities	
Gearing ratio	Interest bearing loans minus cash and cash equivalents	
	Capital and reserves attributable to equity holders	
Interest cover	Operating profit	
	Net finance costs	
Cash dividend payout (%)	Total cash dividends proposed for the year	×100%
	Profit attributable to equity holders	

The following is a summary of the audited consolidated financial statements of Van Shung Chong Holdings Limited (the "Company" or "VSC") and its subsidiaries (together the "VSC Group") for the respective years as hereunder stated.

CONSOLIDATED INCOME STATEMENT

	Year ended 31st March 2003 HK\$'000	Year ended 31st March 2004 HK\$'000	Year ended 31st March 2005 HK\$'000	Year ended 31st March 2006 HK\$'000	Year ended 31st March 2007 HK\$'000
Revenue	2,755,769	3,549,110	4,138,621	4,574,939	4,867,657
Operating profit	72,162	103,482	60,665	68,066	129,854
Net finance costs	(6,257)	(7,027)	(12,868)	(41,469)	(36,401)
Profit before income tax	65,905	96,455	47,797	26,597	93,453
Income tax (expense)/credit	(2,164)	(11,061)	29	(68)	(12,534)
Profit for the year	63,741	85,394	47,826	26,529	80,919
Attributable to:					
Equity holders of the Company	60,412	81,063	36,189	22,867	70,627
Minority interest	3,329	4,331	11,637	3,662	10,292
	63,741	85,394	47,826	26,529	80,919
Dividends	18,111	21,180	8,114	4,055	17,693

Notes:

- The Hong Kong Institute of Certified Public Accountants has issued a number of revised Hong Kong Financial Reporting Standards ("HKFRS") that are effective or available for early adoption for accounting periods beginning on or after 1st January 2006. Information on the changes in accounting policies resulting from initial application of these revised HKFRSs is provided in note 2 to the consolidated financial statements.
- Certain prior years' figures have been reclassified to conform with the current year's presentation.

CONSOLIDATED BALANCE SHEET

	As at 31st March 2003 HK\$'000	As at 31st March 2004 HK\$'000	As at 31st March 2005 HK\$'000	As at 31st March 2006 HK\$'000	As at 31st March 2007 HK\$'000
Non-current assets	207,126	264,565	253,129	217,111	333,467
Current assets	1,211,578	1,756,709	2,019,703	1,630,092	1,915,225
Current liabilities	(871,073)	(1,239,224)	(1,376,754)	(1,083,826)	(1,148,069)
Non-current liabilities	(20,725)	(97,326)	(172,867)	(3,118)	(93,220)
Net assets	526,906	684,724	723,211	760,259	1,007,403
Equity:					
Share capital	31,226	36,778	36,861	36,861	36,861
Reserves	489,178	623,780	650,973	678,594	745,734
Capital and reserves attributable to equity holders	520,404	660,558	687,834	715,455	782,595
Minority interest	6,502	24,166	35,377	44,804	224,808
	526,906	684,724	723,211	760,259	1,007,403

Scaling New Heights

With the prevailing trend among customers to increasingly outsource non-core business processes to VSC, we are constantly looking at ways of improving our supply chain functions. These efforts will help us to become the best provider of materials through comprehensive supply chain management and value-added processing in the PRC. 



Professionalism



We deliver excellence by being:
Specific, Measurable, Achievable,
Relevant and Timely

Our Performance

In 2006, the VSC Group clearly proved its strength and agility in adapting to a number of market challenges in the industry. Competition intensified as a result of the increases in the price of raw materials and there was greater demand among customers for more value added processes.

Business performance in the year improved significantly as the company's sustained "pricing versus risk" strategies took effect, resulting in significantly lower interest expenses coupled with improved stock management, all contributing towards a much better profit margin.

Consolidated revenue grew 6% to HK\$4,868 million and profit attributable to equity holders reached HK\$71 million, 209% higher than a year earlier. Results for both our CAMP and CMG businesses were strong, with segment results registering at HK\$37 million and HK\$119 million, jumping a respective 18% and 61% from 2006.

CAMP occupies a downstream position in the steel supply chain by providing value-added, quality and efficient steel processing service complementing plastic resin materials distributions which all target the high growth industries that include IT, telecommunications and automobile parts.

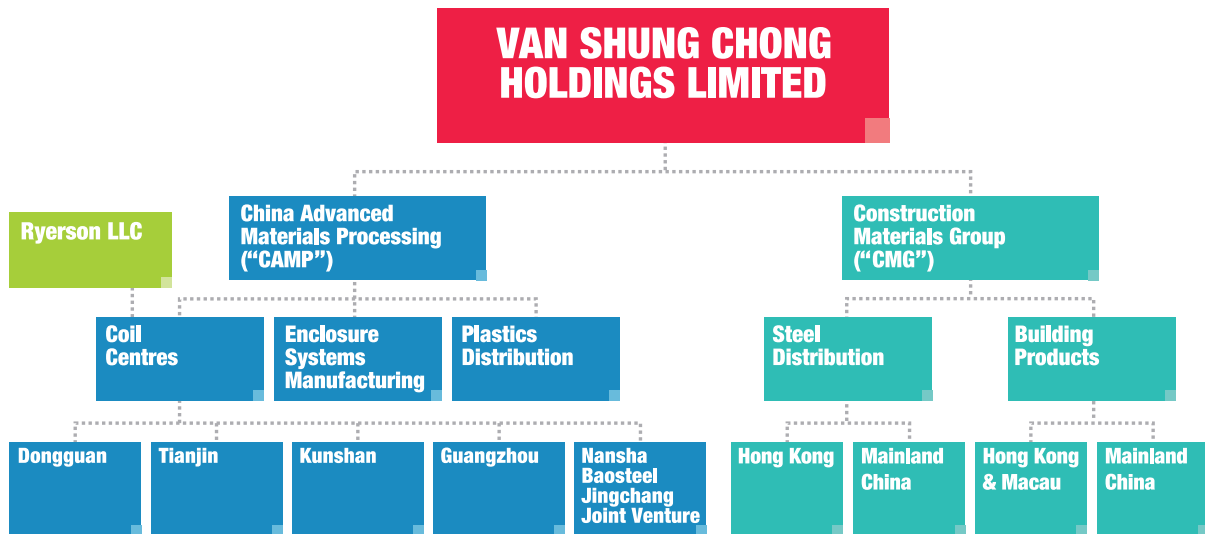
CMG, occupies an upstream position, and acts as a bridge between suppliers and customers by sourcing materials for customers from steel mills around the world.

Our Approach to Business

The year, defined by the strong increase in profitability and sound business growth, is a clear testimony to our ability in embracing our mission statement in creating a competitive advantage for our global customers by providing value-added processing, supply chain management and total solution services that leverage on our expertise in Mainland China. Headquartered in Hong Kong, with a strong focus on Mainland China, we have emerged as one of the industry's leading steel sourcing and processing agents.

Much of our success has hinged upon the widening of our value added processing chain through the offering of additional steel processes coupled with a more integrated total solutions business model provided by the CAMP and CMG division working together in a more effective manner. We believe our value proposition will sharpen the competitive advantage of our existing customers and help us attract new ones.

There is no better example of a more dynamic partnership that will help us in this endeavour at our coil centers than our latest alliance with Ryerson Pan-Pacific LLC ("Ryerson LLC"), a wholly-owned subsidiary of Ryerson Inc. ("Ryerson") in the USA. The transaction, completed at the end of October, saw Ryerson subscribing a 40 percent stake in the VSC-Ryerson China Limited ("VSC-Ryerson China") venture. VSC holds a 60% equity interest. This arrangement allows both stakeholders to combine our resources to offer world class and unrivaled comprehensive solutions for our customers in the PRC.



It also allows VSC to capitalize on Ryerson's expertise, technology and customer base to garner a dominant position in the vast PRC market. Ryerson counts among its customers global heavyweights in both yellow and brown goods manufacturing. The venture will allow VSC access to Ryerson's Return On Operating Asset model, a performance measurement indicator tool that charts investment returns, with the aim of enhancing operational efficiency and increasing profitability in the long term.

In the year under review, this partnership also made efforts in expanding its portfolio of processing services, including punching, bending, stamping, coating, assembly, technical design and quality control, which will greatly enhance our suite of services on offer to the customers.

To supplement the breadth of our value added processes, we have placed equal emphasis on honing our seamless supply chain management solution capitalising on our core competence in the steel and metal industry that has a PRC focus. Our Mainland China based procurement services is responsible for end-to-end sourcing, production, quality control, logistics and financing.

By drawing on our extensive sourcing network in Mainland China and our technological expertise in stamping, machining, welding, forging, casting and extrusion, we have successfully captured a solid client base of multinationals in industries that span from retail, mining to manufacturing, real estate and construction.

With the prevailing trend among customers to increasingly outsource non-core business processes to VSC, we are constantly looking at ways of improving our supply chain functions, such as our just in time delivery programme, better management of inventory control and enhancing communications with customers. These efforts will help us to become the best provider of materials through our comprehensive supply chain management and value-added processing in the PRC.

The VSC Culture

The realization of our long term goals hinges, to a large extent, on the successful implementation of our eCSC concept ("employees", "customers", "suppliers" and "co-opetitors") and adherence to our core values. It is these elements that can work in tandem to push forward the execution of a challenging roadmap and ensure maximum value creation for all our customers.

Our core values of teamwork, professionalism, continuous improvement and integrity are guiding principles for our workforce, ensuring colleagues work more productively with each other; suppliers and customers. This, in conjunction with the eCSC approach, which advocates each party taking an integral role and working in synergy to nurture greater value proposition towards the steel industry, will result in win-win scenarios for VSC, our suppliers and customers.



Teamwork

We put company interest above our own interest. We think, plan, act and align collectively to deliver excellence as a team: People, Reliable, Involves, Developing and Excellence

People — our greatest asset

To satisfy increasing demands from customers, and our strategy to aggressively capture business opportunities, particularly in the PRC, mean staff development is of paramount importance to the fulfillment of our mission. We firmly believe employees will always remain our greatest asset.

Our human resources model of recruit-retain-retrain sees training as a crucial component of our staff development. During the year, through co-operations with various educational institutions, and industry practitioners, we offered a range of training courses catering to specific staff needs as well as various leadership development programmes.

A host of various social activities in the year also served to boost morale, enhance teamwork among colleagues and nurture a sense of belonging. In addition to numerous sporting events, the Group's HR department also organized various themed gatherings: notable events like the Annual Corporate Challenge Day, Team Activities Days, Annual Vision Day, Christmas Party and Staff Annual Dinner Party. It is my hope that each of these events will further nurture the spirit of teamwork among employees and bring home to them the essence of what VSC is all about.

Customers — our main priority

The management of customer relationships is critical to the success of our business. Our sales force continuously strives to understand the varying needs of our global customers in every aspect. In order to achieve greater customer intimacy, the Group during the year, initiated a deeper and more "real time" evaluation program to measure synchronicity of the customer needs against our portfolio of service offered. In addition, we also started initiatives such as weekly growth call, lost order report, margin enhancement and by-product growth roadmaps. On the hardware side, we also plan to invest in additional processing capabilities at our existing plants to better meet the changing requirements of customers.

Suppliers — our invaluable partnerships

One of the most important cornerstones of our service reliability is a secure and stable supply of steel particularly amid an industry where fluctuating steel prices is the norm. This is especially crucial in an environment caused by the PRC's voracious appetite for the commodity which grows stronger every year.

Through years of continuous efforts, the VSC Group have cultivated a reliable pool of high quality suppliers over the years; many of whom have worked with us for decades. Some of these supplier relationships have flourished to become closer co-operations in the form of joint venture partnerships, such as with Baosteel, MISI and Shinsho Corporation. These alliances have enabled us to secure a strong foothold in our market so we can leverage on our partners' extensive network in the PRC to capture the emerging business opportunities there.

Integrity

We respect our customers and colleagues, demonstrate honesty, integrity in all we do



Working closely with almost one hundred suppliers that cover a global sourcing network spanning twenty countries from the USA to Brazil, Russia to India, we are constantly examining ways of enlarging our nexus of suppliers so we can offer our customers the highest quality products at the most competitive market rates.

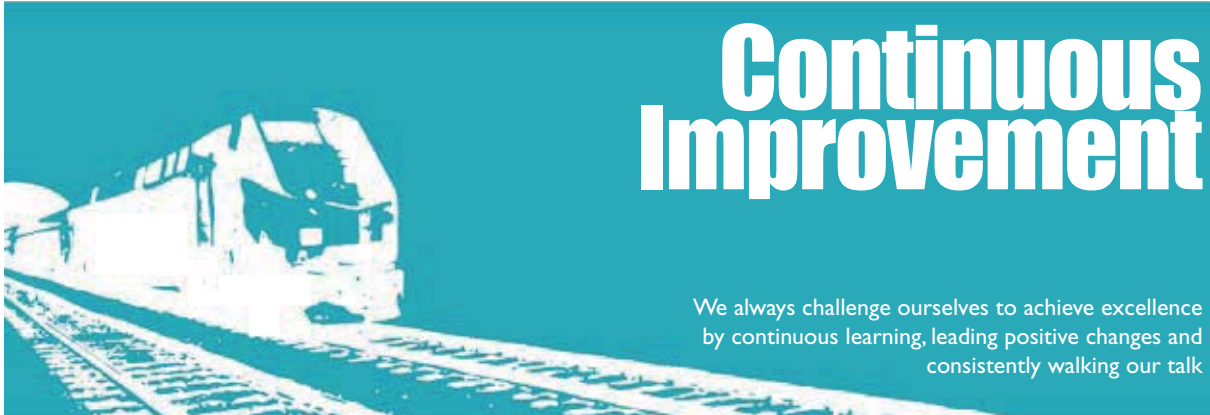
Co-opetitors — our greatest allies

An integral part of the eCSC approach lies in the realization that no single player can do it alone. We recognize the value of healthy competitions through interactions with our co-opetitors whether it is in the exchanging of industry news or technology information, to improve the overall state of the industry allowing us to better train our employees in operational and technical improvements so that together we can work towards offering the best available value-added services to our worldwide customers. As such, considerable efforts were extended by our management to facilitate industry related trade associations, seminars and gatherings.

Moving Forward

We are extremely optimistic about the future of our industry. With the PRC now the world's number one steel consumer and producer; coupled with its insatiable demand for a wide range of products from white goods to yellow goods, it is expected that the market will grow organically by at least 10 percent per annum in tonnage over the next few years, outstripping the total demand volumes of more mature countries like Japan, the USA and Korea. VSC is well positioned to capture such growth opportunities through our strategy of increasing volume through value.

Mainland China's relatively inexpensive yet high quality supply of steel; against the widespread protectionist environment is increasingly requiring steel be processed before being exported. The expanding pool of semi-skilled Chinese labourers who have the technical know-how to weld and assemble at highly competitive rates are all factors that will contribute towards our plan to further develop our range of value added processes enabling us to better serve the customers with specialized products and solutions.



Continuous Improvement

We always challenge ourselves to achieve excellence by continuous learning, leading positive changes and consistently walking our talk

Looking ahead, we will improve operations across all of our coil centers in the PRC by introducing new machinery to expand the processing capability of our products, such as stainless steel, which we already began trading in 2006, and broadening our value added processes to include plate fabrication for yellow goods.

Measures to step up and deepen the value added processes in our supply chain while simultaneously improving the management of our operations in the form of better production and logistical planning at the coil centers will enable VSC to more accurately and thoroughly meet the diverse needs of our customers. This will in turn help our customers to sharpen their competitive edge.


On the operations side, we have committed to improving management of our assets by better managing our inventory through enhanced IT platforms so we can maximize the turnover of our stock. We can also lower interest expenses by shortening the terms of our account receivables.

To ensure these goals are fully realized, we will train our staff to adapt their mindsets to become more aware of the benefits of an enhanced asset management approach and how it can help to achieve greater profitability in the future.

Efforts to create value through our IT infrastructure in the form of developing a data mining platform as well as the establishment of a virtual processing business model for our purchasing operation will also consolidate and simplify the sourcing process of our multinational clients.


We look forward to another financially successful year. By embarking on our strategic roadmap backed by our committed workforce, I am confident we will meet the challenges ahead and successfully fulfill our long term vision.

Appreciation

In conclusion, I would like to add that the success of this past year would not have been achieved if it was not for the hard work of our stellar workforce and the unwavering support of our Board of Directors, shareholders, customers, business partners and suppliers. May I take this opportunity to extend my heartfelt gratitude to each and every one of you. 



Corporate Culture Driving the Group Forward

The year 2006 was named as the VSC Corporate Culture year, reinforcing our emphasis on human resources being our biggest assets. With a dedicated workforce, we are able to carry out business plans which will accelerate the Group's growth momentum. 



As a result of effective execution of its business, financing and investment strategies, the VSC Group reported favourable FY2007 full year results...

The VSC Group experienced a healthy enhancement in its performance during the financial year ended 31st March 2007 ("FY2007"). As a result of effective execution of its business, financing and investment strategies, the VSC Group reported favourable FY2007 full year results, with its revenue amounting to HK\$4,868 million representing a 6% increase when compared with that of the previous year. The VSC Group reported a gross profit of HK\$318 million, which was 33% higher than that of the previous year. This was due partly to an improved gross margin of 25%, which was 1.3 percentage points higher than that of the previous year. Profit attributable to equity holders improved by 209% from that of the previous year to HK\$71 million.

The upsurge in revenue was mainly attributable to the inauguration of the VSC Group's Kunshan Coil Centre, Plastics distribution operations and Building Products, which served to lift the VSC Group's overall growth in business volume. Strong performance of the VSC Group's steel distribution and widened profit margin from these operations led to an improvement in full year net profit. However, compared with last year, provision for doubtful debts increased due partly to enlarged sales volume, as well as a more conservative treatment of receivables from certain financially affected customers. There were also one-off higher provisions for inventory consisting mostly from VJY enclosure system manufacturing in order to better position our inventory. We have discontinued certain slow moving or obsolete product range in order to expand our business into new product, new customers and new market, particularly on those key local and global customers.

Following the commencement of the cooperation with Ryerson in November 2006, we managed to further leverage our unique position in coil processing and services in Mainland China, and to extend our reach to the international market. We will further cement our relationship with long-term customers through our commitment to total satisfaction and unchallenged product quality. Our seamless collaboration with supplier and investment in human resources and information systems will further enhance our supply chain efficiency.

Operation Efficiency

The VSC Group's operating expenses during the year increased in line with its sales growth, new business establishments and increase in salary related expenses. The increase in salary related expenses was a result of a larger workforce to cope with the inauguration of Kunshan Coil Center's operations and the VSC Group's expanding businesses, and in accordance with the VSC Group's incentive programme to retain caliber people and China's new minimum wage requirement. However, we managed to strengthen our cash flow through effective tightening of control measure and application of monitoring systems. The VSC Group's operation efficiency is reflected in the improvement in various statistic and financial indicators.

Core corporate strategies for FY2007:

Execute business plan of VSC-Ryerson China; Increase customer loyalty; Enhance distribution network and supply chain



The Days Sales Outstanding (“DSO”; average trade and bill receivables divided by revenue X 365 days) and inventory turnover days (average inventories divided by cost of sales X 365 days) had been shortened to 56 days and 44 days respectively. Such improvement resulted in positive cash flow from operation for the VSC Group to expand business while controlling the level of borrowings. The subscription price from Ryerson has improved the working capital efficiency and strengthened the cash position. The VSC Group has significantly strengthened its financial position with its interest bearing loans reduced by HK\$59 million to HK\$711 million. Its net interest expense reduced by 12% to HK\$36 million, with average interest rate remaining at the same level of last year, due to better current asset management. The VSC Group’s gearing ratio (interest bearing loans minus cash and cash equivalents/capital and reserves attributable to equity holders) dropped from the past year’s 0.80 to 0.52 at book close.

The VSC Group’s core corporate strategies for FY2007 are summarised as follows:

1) To execute the strategies and business plan of VSC-Ryerson China

The cooperation with Ryerson on VSC-Ryerson China commenced in November 2006, with VSC indirectly holding 60% and Ryerson LLC holding 40%. Ryerson LLC is a wholly-owned subsidiary of Ryerson which is one of the North America’s leading distributors and processors of metals with a network of service centres across the United States and in Canada, Mexico and India. The goals of VSC-Ryerson China are as follows: (i) VSC-Ryerson

“A special task force is being formed in the headquarters of VSC-Ryerson China to lead the execution of business strategies and drive performance.”

“We trained our sales team to focus on addressing customer’s needs and wants, understanding our customers’ business plans...”



In FY2007, we continued to execute business expansion strategies including enhancement of our distribution network, realignment of our resources and organization structure.

China is able to capitalise on the expertise, customer base and technology and know how of Ryerson to improve its competitive position in the vast PRC market; (ii) the subscription price paid by Ryerson LLC will provide VSC-Ryerson China with additional funds for its future development; and (iii) the VSC Group will be allowed to realise its investment in VSC-Ryerson China and its subsidiaries. A special task force is being formed in the headquarter of VSC-Ryerson China to lead the execution of business strategies and drive performance.

2) To increase customer loyalty through key account management, quality products and services

Substantial efforts were made to improve customer satisfaction and key account management. We trained our sales team to focus on addressing customer's needs and wants, understanding our customers' business plans including the requirements of their downstream customers. Members of our senior management team continued to pay programmed visits to major customers, keep up with latest market trends and seek customer feedback to improve service quality. Annual business plan was designed to include selling strategies and account plan of key customers. Monthly review of sales performance and variance analysis were in place to redirect the forecast, while weekly sales meeting between sales team and senior management were held to assess the prevailing market situation, with action plans to address critical strategic moves.

3) To enhance distribution network and supply chain

We continued to ally with steel mills in the PRC and other Asian countries to secure continuous and timely supply of a full range of products including hot rolled coils, cold rolled coils, galvanized steel, pre-painted color steel sheets, aluminium & zinc coated steel, aluminum coated steel, stainless steel, silicon steel, reinforcing bars, steel H-piles and steel sheet piles, etc. Our alliance with steel mills worldwide together with our experience and expertise in distribution, value-added processing, supply chain management and total solution services continued to make us preferred vendor of our domestic as well as global customers. In FY2007, we continued to execute business expansion strategies including enhancement of our distribution network, realignment of our resources and organization structure. Our flat product steel distribution in Guangzhou CMG Division was successfully amalgamated with CAMP to support its operations by strengthening the source of supply and inventory quality, and through adding to the range of materials for processing with those previously traded by CMG. Our long product steel distribution in Hong Kong, Shanghai and Shenzhen continued to focus on our key accounts, leveraging our experience in supply chain and technical services.

CAMP

China Advanced Materials Processing

CHINA ADVANCED MATERIALS PROCESSING ("CAMP")

The VSC Group's CAMP operations comprise three business units, namely, 1) coil centre operations, under VSC-Ryerson China which provides rolled steel processing services to finished products/OEM manufacturers of white goods, electrical appliances, computers and automobile parts; 2) manufacturing of customised enclosure systems which focuses on a variety of precision metal processing and assembly services, mainly for the telecommunications industry; 3) distribution of engineering plastic resins to industrial manufacturers of household appliances, audio/video equipments, telecommunications applications and computers in Hong Kong and the PRC.

Since the partnership with Ryerson only came into effect in November last year, and its contribution, both in efficiency and actual dollars terms, is yet to be reflected in our accounts. However, during the last five months of the year under review, VSC-Ryerson China had already begun to provide new business leads and introduced international account management and internal control systems to the operations. We are optimistic with the long-term contribution from VSC-Ryerson China on VSC Group's ongoing development.

In FY2007, overall CAMP's revenue was HK\$2,052 million increased by 37% as compared with last year's HK\$1,502 million. Revenue growth was a result of growth in VJY and Plastics along with our new Kunshan Coil Centre and amalgamating of Guangzhou flat product steel distribution into CAMP. Segment result was approximately HK\$37 million as compared with HK\$32 million last year. Detail discussion of each business unit is as follows:

Coil Centers — Joining hands with a world leader

In July 2006, the Kunshan Coil Centre commenced production. The VSC Group's coil centre operations thus expand from the main processing facilities in Dongguan, Tianjin and Guangzhou to Kunshan. The VSC Group also has a 14% minority interest in a joint venture company in Nansha. In November 2006, Ryerson LLC subscribed for 40% stake in the enlarged share capital of VSC-Ryerson China which holds the interest of all the coil centres, including Nansha and VSC indirectly holds the remaining 60%. After the forming of the partnership, our Guangzhou flat product steel distribution was amalgamated



We deliver to customers through just-in-time (JIT) delivery and reliable supply chain management with quality assurance and a flexible supply of product range, leading to reduction in scrap and materials handling costs and savings in investment of machinery and factory space.

CAMP Service Centres



Coil Centre Operations

into VSC-Ryerson China. **Guangzhou flat product steel distribution** reported revenue of HK\$398 million and gross profit of HK\$10 million. Bridging between steel mills and finished products/OEM manufacturers, a coil centre acts as an essential intermediary in the steel consumption value chain. We deliver to customers through just-in-time (JIT) delivery and reliable supply chain management with quality assurance and a flexible supply of product range, leading to reduction in scrap and materials handling costs and savings in investment of machinery and factory space. To enable our value proposition to our customers, the coil centres have to maintain a certain level of inventory and offer credits to trustworthy customers.

The **Dongguan coil centre (DGCC)** is VSC-Ryerson China's leading coil centre with 12 years of operations. Located in Humen, Dongguan, DGCC focuses on serving many Hong Kong and Taiwan based OEM manufacturers of electrical appliances (e.g. DVD, LCD panel) and computers (e.g. notebook, printer) around the nearby Pearl River Delta regions. Revenue for FY2007 was approximately HK\$415 million as compared with HK\$492 million last year; shipped volume for the year was 63,000 metric tons as compared with 73,000 metric tons last year. During the year, the price of high-end rolled flat steel products continued to decline, which combined with severe competitions led to decrease in both volume and revenue. Despite a decreased revenue, we managed to improve the gross margin through increasing customer satisfaction and a more effective supply chain. In FY2007, gross profit was HK\$38 million as compared with HK\$21 million in the financial year ended 31st March 2006 ("FY2006"). Gross margin in FY2007 improved to 9%, as compared with 4% last year. Operating expenses as well as selling and general expenses remained at a similar level of last year.

“...Ryerson LLC subscribed for 40% stake in the enlarged share capital of VSC-Ryerson China which holds the interest of all the coil centres...”

The **Tianjin coil centre (TJCC)** had significantly turned around their business performance. Revenue for FY2007 was HK\$321 million as compared with HK\$247 million last year, while volume shipped during the year was 52,000 metric tons, representing a 33% increase from 39,000 metric tons last year. Gross profit for FY2007 was HK\$24 million, which represented an increase of eight times from last year's HK\$3 million. The remarkable improvement was attributable to the new management in TJCC shifting its focus on customer satisfaction, inventory management and cost control. Selling and general expenses were similar to last year's, bad debt provision increased on last year owing to the fact that a couple of customers suffered from financial difficulties.

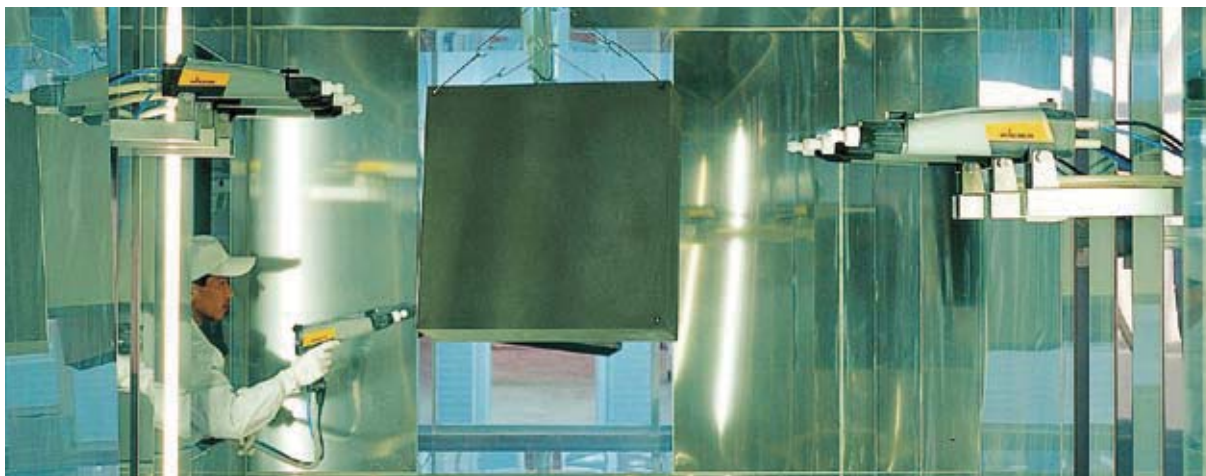
VSC-Ryerson China continues to indirectly hold 70% equity shares in the **Guangzhou coil centre (GZCC)**. Situated in Huangpu, Guangzhou, GZCC provides services to the manufacturers of auto parts, computers, office and home appliances, etc in the Pearl River Delta regions. Shinsho Corporation, the core trading arm of Kobe Steel Group, continued to provide strong support in ensuring a stable and high quality supply of steel as well as developing a strong customer portfolio of established Japanese clientele in the automobile and home appliance sectors. Revenue for the FY2007 was approximately HK\$306 million as compared with HK\$363 million last year; volume shipped during the year was 44,000 metric tons, representing a 14% decrease from 51,000 metric tons last year as a result of intensified competition. Gross profit for FY2007 was HK\$21 million, a drop of 5% when compared with HK\$22 million last year.



The VSC-Ryerson China's indirect 14% investment in the **Baosteel Jingchang joint venture** in Nansha reported a net profit of approximately RMB17 million as compared with last year's RMB14 million. Dividends during the year totalled approximately RMB1.9 million as compared with last year's RMB1.7 million. In FY2007, volume shipped was 130,000 metric tons, of which 90,000 metric tons were direct sales and 40,000 metric tons were toll processing. This joint venture has a reputable industry position for offering highly competitive prices and quality service.

Kunshan Coil Centre (KSCC), a wholly-owned subsidiary located in Kunshan, Jiangsu Province of China, was successfully incorporated in April 2006. This coil centre aims to serve the surging demand from our customers in the Yangtze River Delta regions. The newly-constructed factory has an annual capacity of 60,000 metric tons for the first phase. KSCC started its business by offering toll processing services until the factory commenced trial run in July 2006 and was fully equipped in December 2006. In FY2007, KSCC shipped 18,000 metric tons, including 5,000 metric tons of toll processing. Revenue for FY2007 was HK\$70 million with a gross profit of approximately HK\$5 million. The second phase development program for metal fabrication is underway and is expected to complete by the end of 2007.

Enclosure Systems Manufacturing



“....to cope with its strategies to expand business with key local and global customers, a new management with extensive international exposure has been put in place.”

The **VJY enclosure systems manufacturing (VJY)** in Shenzhen provides comprehensive steel processing services and solution to customer including punching, bending, stamping, coating, assembly, technical design and quality control. Its main focus is on the high growth telecommunications industry in Southern China and it continues to be the vendor of choices with top customers like Huawei and Zhongxing. Revenue for FY2007 was HK\$198 million, compared to HK\$142 million last year. To strengthen its operation efficiency and to cope with its strategies to expand business with key local and global customers, a new management with extensive international exposure has been put in place. VJY has also beefed up its internal control through a thorough review of its go-to-market strategies, supply chain management, and outsourcing procedures, as well as the introduction of a new ERP system and re-engineering of its workflow. Under the new leadership, we are confident that VJY will be back on track and will continue to improve its market penetration, by leveraging its technical manufacturing capability and global account management skill introduced by VSC-Ryerson China partnership.

Plastics Distribution



For the year under review, the price of crude oil remained at high levels, causing the price of plastics resin to stay at high levels similar to those of the year before. To sustain growth in this market with profitable return to the VSC Group, our strategies were to penetrate new markets and to increase our volume. In FY2007, revenue was HK\$345 million, representing a 33% increase from HK\$259 million of the previous year, and the actual tonnage sold was also increased by 31% to 21,000 tons as compared with last year's 16,000 tons. The growth in revenue and tonnage was achieved by keeping our existing customers while securing new customers from the consumer electronics & electrical market segment. For FY2007, the segment profit was HK\$13 million as compared with HK\$11 million last year. We continued to promote engineering plastic resins from a wide range of suppliers including Samsung Total, Samsung Cheil, GE Plastics and UMG. Our team offered technical assistance to customers on new products development and coordinated with our suppliers to ensure steady supply and delivery of quality products. In FY2007, our sales teams in Shenzhen and Guangzhou supported customers in the Pearl River Delta region, while the sales team in Shanghai served the Eastern China market. Our team will continue to focus on the markets with huge demand for high quality imported resins, particularly in the home appliance and electrical and electronic markets.

“To sustain growth in this market with profitable return to the VSC Group, our strategies were to penetrate new markets and to increase our volume.”

CMG

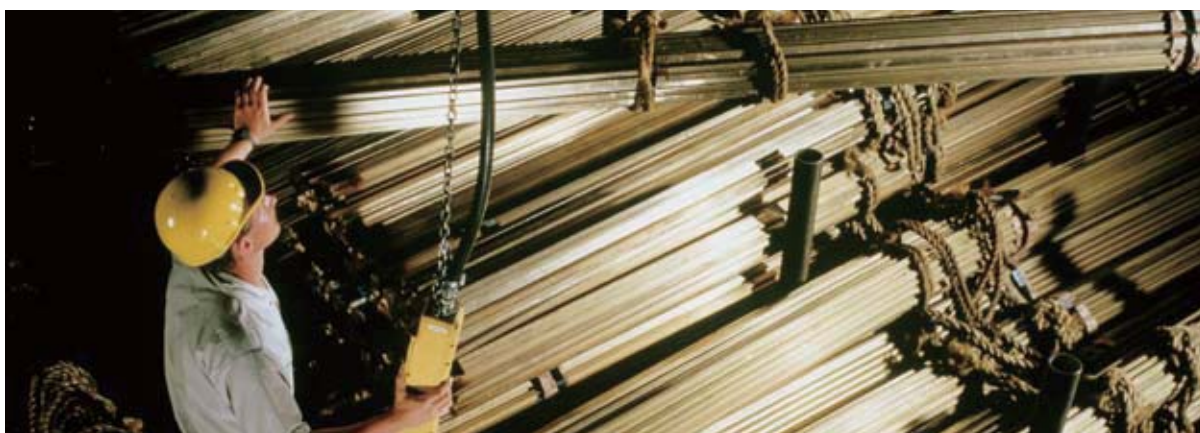
Construction Materials Group

CONSTRUCTION MATERIALS GROUP (“CMG”)

In FY2007, we continued to pursue our objective of building a steel distribution network to provide products and high value-added solutions to target customers across the Mainland China and Hong Kong. The businesses of CMG operations include distribution of steel and building products primarily to large reputable developers and contractors for construction work in

Hong Kong, Macau and other major cities in the PRC (including Shenzhen, Guangzhou and Shanghai). Revenue of CMG for the year was HK\$2,813 million, compared with HK\$3,071 million last year. The overall segment profit for the year was HK\$119 million as compared to HK\$74 million last year. In FY2007, CMG accounted for approximately 58% of the VSC Group’s total revenue as compared with last year’s 67%.

Steel Distribution



The CMG operations in steel distribution comprise of stockholding business of rebars, structural steel and engineering products in Hong Kong; and steel distribution in Mainland China.

VSC has a 66.7% owned joint venture — Shanghai Bao Shun Chang (“BSC”), which engages in the distribution of domestic steel products in Eastern China.



We continued to pursue our objective of building a steel distribution network to provide products and high value-added solutions to target customers across the Mainland China and Hong Kong.

Hong Kong Steel Distribution

During the year, this department implemented a series of enhancement strategies and actions to minimise the risk of fluctuations in prices with customers and suppliers, to avoid entering into fixed price sales contracts with a term of over two years, to reduce operating cost and to improve operation efficiency. As a result, this department continued to achieve encouraging operating profit in FY2007. Despite a 7% decrease in revenue to HK\$1,151 million in the reporting year, this department achieved a segment profit of HK\$107 million as compared to HK\$95 million last year. The improvement strategies and cost measures were very successful. Sales revenue from distribution of steel in Hong Kong contributed 41% to the total CMG steel distribution revenue for the year. Currently, the department's total contracts-on-hand is HK\$683 million, extending to year 2008 and beyond. Major projects worth highlighting are Dream City in Tseung Kwan O, Celestial Heights in Homantin, Shatin New Town Stage II Road Works, Foundation Works at Hoi Ting Road, Property Development at Tai Wai Maintenance Centre, Ocean Park Redevelopment, and City of Dreams in Macau. Looking forward to the year 2008, we can expect some challenges as the export tax rebate had been cancelled by the PRC Government in April 2007 coupled with 10% export tax levied in May 2007. As we source a significant amount of rebars from PRC mills, the effect of these policies with no doubt affect our profit margin. But having said that, we expect the impact to be short term as the VSC Group has, through prior experiences, a policy of not entering into long term fixed price contracts, coupled with the new contracts entered into by the VSC Group would have incorporated these factors already. The operating performance of this division is expected to continue in the coming year by exploring new market in other countries.

Mainland China Steel Distribution

With the continued implementation of China's macro-economic policies to curb excessive investments in several overheated industries including steel and the real estate sector, the Mainland China Steel Distribution Department continued to operate under a difficult environment. Revenue for the year was HK\$1,454 million as compared with HK\$1,685 million last year, and a profit of HK\$3 million was reported as compared with a loss of HK\$22 million last year. The results of the Mainland China Steel Distribution Department included BSC, our 66.7% joint venture company. In FY2007, BSC reported an increase of 4% in revenue to HK\$999 million as compared with HK\$964 million last year, and a net profit after minority interests of HK\$0.8 million. During the year, our strategic venture alliance MetalChina continued to progress as scheduled. Our goal is to provide a virtual chain market linking procurement services to overseas buyers so that China-made metal products could be exported to satisfy global demand. The strategic intent of such specialised services is to develop VSC Group's domestic sourcing capability and to lower its capital requirements and risks associated with inventory. It further provides cross-selling opportunity for processing activities for the CAMP operations. In FY2007, MetalChina was in touch with a number of global customers, and the progress of engagement proceeded according to each project plan. CMG management will continue to support MetalChina in resources realignment and project management to assure solid result in the coming year.

Building Products



In FY2007, Building Products Department reported a revenue of HK\$208 million and a segment profit of HK\$9 million as compared with HK\$154 million and HK\$1 million last year. This department consists of four business units, namely, Hong Kong Building Products, Shenzhen Building Products, Shanghai Leisure Plus and Vanyee Macau, which all engaged in distributing sanitary wares of TOTO, Hansgrohe, and Rover conglomerate marble.

During the year, **Hong Kong Building Products** continued to operate a retail showroom in Wanchai and engage in projects sales to contractors. Revenue for FY2007 dropped from HK\$73 million last year to HK\$68 million, mainly due to the closure of the kitchen cabinets installation business during the year. Segment profit was HK\$5 million for the year. Hong Kong Building Products currently has contracts-on-hand worth around HK\$14.5 million. Major outstanding projects-on-hand include the supply of bathroom sanitary wares and tiles for One Island East, Kowloon Station International Commerce Centre, Hong Kong Community College, Landmark North Office Tower, Langham Hotel renovation, Yu To Sang Building renovation, Luk Yeung Galleria renovation, flooring renovation in Pacific Place and Renovation at Tsim Sha Tsui Centre & Empire Centre. **Shanghai Leisure Plus** reported a revenue of HK\$82 million and profit of HK\$2 million for FY2007, while **Shenzhen Building Products** realised a revenue of HK\$34 million and returned to profitability with a profit of HK\$0.5 million. The opening of a brand new retail shop in Shenzhen in June 2007 is expected to contribute steady revenue and profit to VSC. **Vanyee Macau** is a 82% owned joint venture, Vanyee Building

Products (Macau) Company Limited, which started operation in June 2006 with focus on the booming hotel and casino and residential development business. Vanyee Macau's revenue for FY2007 was HK\$24 million, with a profit of HK\$2 million.

Other Investment

During the year, the VSC Group continued to maintain a 6.61% investment with direct holding of equity shares in North Asia Strategic Holdings Limited ("NAS"), a company listed in the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since April 2000. In FY2007, NAS and its subsidiaries (together the "NAS Group") returned to profitability. Revenue significantly improved by 55% from last year to approximately HK\$559 million, and a profit attributable to equity holders of approximately HK\$67 million was reported.

To enhance the VSC Group's presence in the PRC and also to accommodate its rapid growth within the PRC, it is the intention of the VSC Group to acquire a more permanent premise to house the VSC Group's operational headquarter in the PRC. In June 2007, the VSC Group acquired a one-sixth (1/6) shareholding in a company to own a brand new office building in Shanghai. The VSC Group's intended investment commitment in this project is approximately RMB75 million.



KEY ELEMENTS OF GROWTH

1) Human Capital

Human resources are the most valuable assets of the VSC Group, which are reflected in every aspect of our operations.

Corporate Culture and Values:

Our emphasis in corporate culture — eCSC (Employee, Customer, Supplier & Co-opetitor) and our core values in Professionalism, Continuous Improvement, Teamwork and Integrity aim to provide a more transparent environment to our staff to assist them to quickly assimilate to the VSC family, increase our employee engagement, good relationships, and commitment. As such, we named the year 2006 a VSC Corporate Culture year to promote our culture across the entire group. To achieve this, we apply our core values using a “PRIDE” approach, which stands for “People, Reliable, Involve, Developing, Excellence”. With a clear concept, a commitment to espousing core values and a dedicated approach, we are confident that every employee of the VSC Group will be devoted to their jobs.

Communications:

We build not only a high performance culture, but also trust and confidence through maintaining regular dialogue with staff by holding various staff communications sessions, Annual Vision Day, and through human resources intranet, eNewsletter and staff online forum, where staff opinion and feedback on the Company policy are collected and news about the Company is imparted to keep staff informed of the latest development of the VSC Group.

Training & Development:

VSC supports a culture of continuous improvement for employees, and we believe that when people are equipped with better skills they are more engaged with their work. In addition, training can result in high productivity of staff. As such, we offer course sponsorship and organize various in-house training programs such as customer relationship management training, motivation, performance appraisal, coaching skills, team buildings as well as e-learning platform.

Rewards and Compensation:

To recruit and retain our talents, efforts have been done to ensure our pay structure in line with the prevailing market trend. Linking reward with performance, tailor-made incentive schemes for bonuses and commission with measurable targets in achieving key success are designed with bottom-up approach for respective business units and corporate support function.

Social Responsibility:

VSC actively takes part in various community services in order to foster a caring environment. The VSC Group has organized a variety of community services activities and encouraged our staff to participate. We took part in the Dress Special Day; Orbis Pin Day; Skip Lunch Day; Corporate Challenge; and Run for Love, New Balance — CICC Charity Run (Shanghai) in FY2007.

Balance of Life:

We believe by maintaining a work-life balance of our employees, the VSC Group will benefit in individual productivity, accountability and commitment, better team work and communication, improved morale, while individual staff will also benefit in stress management and improved relationships, both on and off the job. To promote a work-life balance, the VSC Group organizes various social activities for staff and their families.



Staffing:

In March 2007, the VSC Group employed 1,575 staff, a 11% increase over last year. The increase in the number of employees is due to the newly established coil centre in Kunshan.

To cope with our partnership with Ryerson, we had also strategically invested in various levels of our human resources. All the new employees were able to access our new hire orientation on intranet and visit our plants and facilities. There are also plans in place for us to exchange personnel for cross training between VSC and Ryerson in appropriate locations.

Our HR system and corporate structure have been modified to accommodate staff from all backgrounds, and cultivate them into a coherent team. The HR strategy to sustain a long-term growth of the VSC Group's business is to build up capable management teams in all the business units and the headquarters. Our senior executives are local professionals with western education background and/or work experience at various multinational corporations. They understand Mainland China's best practices and also have a modern management mindset.

Total staff costs including contribution to retirement benefit schemes incurred during FY2007 amounted to approximately HK\$113 million. During the year under review, options to subscribe 8,800,000 shares have been offered and granted to our employees under the new share option scheme adopted since 12th November 2001.

Department	Headcount March 2007	Headcount March 2006
CAMP		
CAMP Management	13	7
Coil Centre	423	332
Enclosure Systems	902	838
Plastics Distribution	19	17
CMG		
CMG Management	2	3
Steel Distribution	69	87
Building Products	54	49
Corporate Support		
HK Office	62	56
Shanghai Office	25	25
Shenzhen Office	6	5
Total	1,575	1,419

Recognition:

The VSC Group will continue to dedicate to maintaining and building our employer brand and to remain as a 'preferred employer'. We are proud to be granted the award of China Best Employer 2006, Shanghai which serves as a symbol of our tremendous efforts in managing our human capital.

2) Finance Capital

During the year under review, there was no significant change in the capital and loan structure of the VSC Group as a whole. As at the end of FY2007, the VSC Group's total equity increased to HK\$1,007 million from HK\$760 million last year. Interest-bearing debt reduced to HK\$711 million as compared to HK\$770 million last year. To support the continuous growth of revenue, the VSC Group requires significant short-term banking lines to finance its working capital need on inventory and trade receivable. With continuous positive operating results over the past years, the VSC Group has developed excellent relationships with a number of local and international banks in Hong Kong. To cope with the need of short term financings, VSC Group has continued to expand and consolidate its banking profile. Aggregate banking facilities offered by banks in Hong Kong and China was about HK\$1,762 million as at the end of



FY2007. Such bank lines consist of letters of credit, trust receipt loans and short term loans. Interest costs are levied on inter-bank borrowing rates plus competitive margins. As the VSC Group establishes more presence and sourcing in China, the need for RMB financing is expected to play a more important role in VSC's funding needs. RMB term loans and bills exchange facilities have been obtained from domestic as well as foreign banks in China. As at the end of FY2007, the VSC Group has outstanding RMB loans in the amount of RMB143 million.


During the year, VSC Group allotted shares of VSC-Ryerson China Limited, which is the intermediate holding company of five coil centres. The consideration of US\$28.288 million was paid by Ryerson in cash; part of it had been used to improve the working capital efficiency and the balance will be used for future business expansion. As steel price is going up and our business is expanding, the VSC Group will adopt various strategies and actions to reduce interest bearing loans by reducing its stock and receivables turnover. The interest cost is expected to be maintained at similar levels in the coming year.

3) Intelligent Enterprise

Along with human and finance capital, intelligent information is another critical factor for continuous business growth and success. To ensure all levels of management in VSC have access to timely and quality intelligent information for business decision making,

our strategies focus on building an effective network infrastructure, applying web-based solutions and providing continuous training to our IT Professionals and other stakeholders.

To build an effective network infrastructure, we have partnered with CPCnet (Hong Kong) to set up a virtual private network to connect all the VSC business locations across China and Hong Kong, including offsite backup for critical information. To protect and secure the network and computing environment, all sites have been equipped with SonicWall firewall, all PC have been equipped with Norton anti-virus protection and our central email system is being protected by Barracuda spam firewall. To ensure up-to-date and secure end-user computing software support, VSC has also entered into a long-term Enterprise Licensing Agreement (EA) with Microsoft.

Along with the underlying network infrastructure, we have re-defined our finance architecture and set up appropriate data bases for critical management information. Through our Executive Information System, intelligent information is available to various level of management on a daily basis. We will keep improving our business processes, apply web-based approval to reduce administrative lead time and to enhance our solution applications for timely and quality data analysis. Our goal is to have a single source of truth with one touch for getting the intelligent information. We will continue to apply our strategies to enable VSC to evolve to an intelligent enterprise. 

THE FOLLOWING MANAGEMENT DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE HEREIN.

(Note: The financial years ended 31st March 2006 and 2007 are referred to herein as FY2006 and FY2007, respectively. Certain comparative figures in FY2006 have been reclassified to conform with the presentation in FY2007.)

CONSOLIDATED RESULTS

1.1 Revenue and gross profit

Revenue for FY2007 amounted to HK\$4,868 million, representing an increase of 6% over FY2006. Overall gross profit increased by 33% and gross margin increased by 1.3 percentage point. The improvement is mainly from the Hong Kong steel rebars stockholding business of CMG. Coil centres recovered from last year's trough and had a much improved profit margin in FY2007.

(1) CONSOLIDATED INCOME STATEMENT

Notes	FY2007 HK\$'000	FY2006 HK\$'000	Change %
1.1 Revenue	4,867,657	4,574,939	6%
Cost of sales	(4,549,893)	(4,336,273)	5%
1.1 Gross profit	317,764	238,666	33%
Other gains — net	37,238	14,223	162%
1.2 Selling and distribution expenses	(33,540)	(30,261)	11%
1.2 General and administrative expenses	(191,608)	(154,562)	24%
Operating profit	129,854	68,066	91%
1.3 Net finance costs	(36,401)	(41,469)	-12%
Profit before income tax	93,453	26,597	251%
1.4 Income tax expense	(12,534)	(68)	18,332%
Minority interest	(10,292)	(3,662)	181%
1.5 Profit attributable to equity holders	70,627	22,867	209%
1.6 Dividends per share	HK4.80 cents	HK1.10 cents	336%
1.7 Earnings per share			
— Basic	HK19.16 cents	HK6.20 cents	209%
— Diluted	HK19.16 cents	HK6.20 cents	209%

1.2 Operating expenses

Selling and distribution expenses ("S&D expenses") increased by 11% or approximately HK\$3 million. The increase was in line with the growth in revenue. General and administrative expenses ("G&A expenses") increased by 24% or approximately HK\$37 million mainly due to increased employment costs as a result of larger workforce to cope with the inauguration of Kunshan Coil Centre's operations and the VSC Group's expanding businesses, and the upsurge in average salary along with related social benefit contribution in Hong Kong and PRC labour market. During the year, the management adopted a more conservative approach in making provision for impairment of receivables. As a result, impairment on trade and other receivables increased by approximately HK\$9 million as compared to FY2006.

1.3 Net finance costs

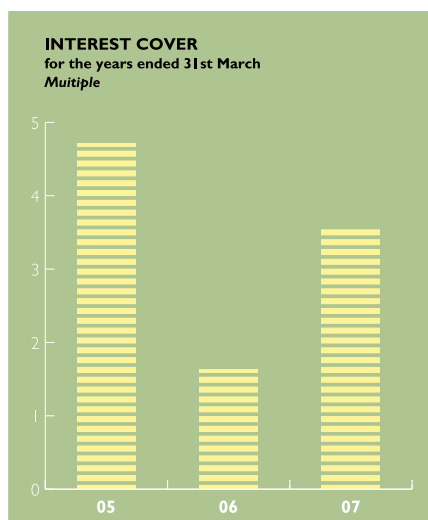
Net finance costs decreased by 12% due to reduction in bank borrowings as a result of better cash and asset management. Interest cover (operating profit divided by net finance costs) increased to about 3.57 (FY2006: 1.64) as a consequence of better profit coupled with reduced net finance costs.

1.4 Income tax expense

Taxation included current taxation of about HK\$19 million (FY2006: HK\$2.5 million) offset by deferred taxation credit of about HK\$6 million (FY2006: HK\$2.5 million). Deferred taxation credit mainly arrived from the tax loss of our business.

1.5 Profit attributable to equity holders

Profit attributable to equity holders increased 209% to HK\$71 million. Net profit margin (profit attributable to equity holders divided by revenue) improved from 0.5% in FY2006 to 1.5% in FY2007. Return on equity (profit attributable to equity holders divided by capital and reserves attributable to equity holders) improved to 9.0% (FY2006: 3.2%) and return to total assets (profit attributable to equity holders divided by total assets) also improved to 3.1% (FY2006: 1.2%). All these three ratios increased as a result of increased in profit attributable to equity holders.



1.6 Dividends per share

Interim dividend of HK2.20 cents per share was paid during the year and the Board recommended to declare a final dividend of HK2.60 cents per share. Cash dividend payout (total dividends divided by profit attributable to equity holders X 100%) for the year is around 25% (FY2006: 18%). VSC is actively seeking investment opportunities and the management will through reinvestments of capital to maximise the VSC Group's shareholders' value in the medium to longer term.



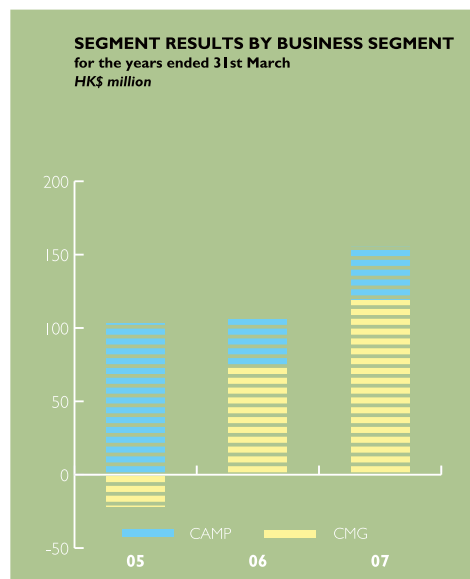
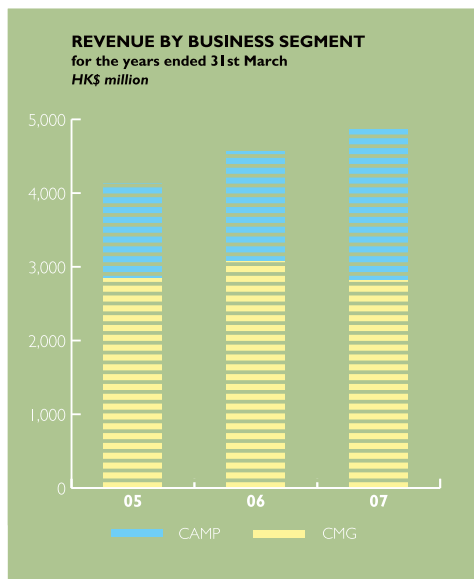
1.7 Earnings per share

Basic earnings per share increased by 209% to HK19.16 cents mainly due to increase in profit attributable to equity holders. Diluted earnings per share increased by 209% to HK19.16 cents.



SEGMENT RESULTS

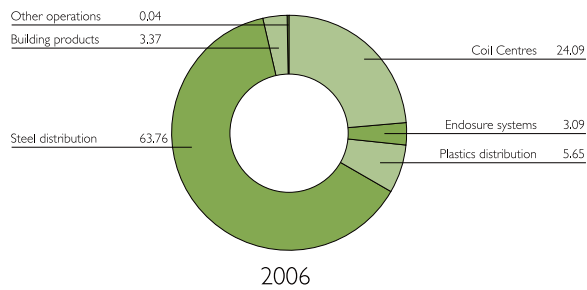
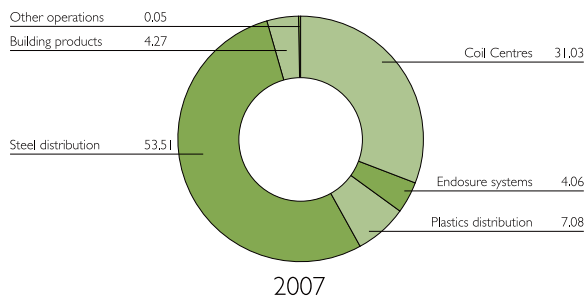
	Revenue			Segment results		
	FY2007 HK\$'000	FY2006 HK\$'000	Change %	FY2007 HK\$'000	FY2006 HK\$'000	Change %
CAMP						
— Coil centres	1,510,318	1,102,078	37%	55,861	12,240	356%
— Enclosure systems	197,516	141,564	40%	(31,985)	8,250	N/A
— Plastics distribution	344,518	258,551	33%	13,483	11,218	20%
CAMP total	2,052,352	1,502,193	37%	37,359	31,708	18%
CMG						
— Steel distribution	2,604,869	2,916,604	-11%	110,026	72,889	51%
— Building products	208,036	154,333	35%	8,993	947	850%
CMG total	2,812,905	3,070,937	-8%	119,019	73,836	61%
Other operations	2,400	1,809	33%	(5,564)	(5,650)	-2%
	4,867,657	4,574,939	6%	150,814	99,894	51%



REVENUE BY PRODUCT/OPERATION

for the years ended 31st March

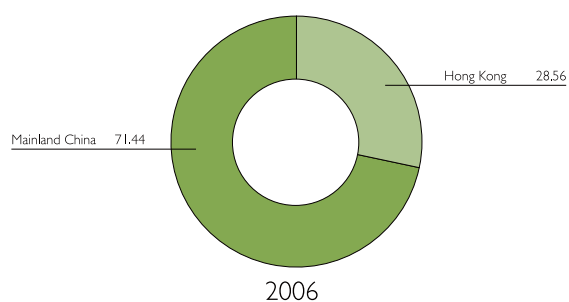
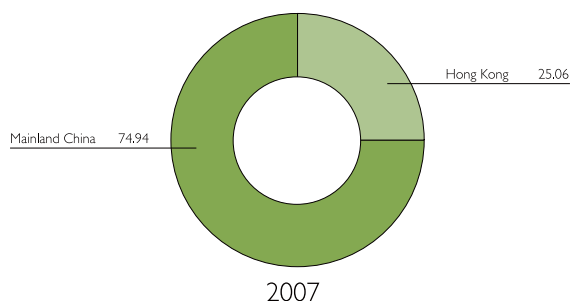
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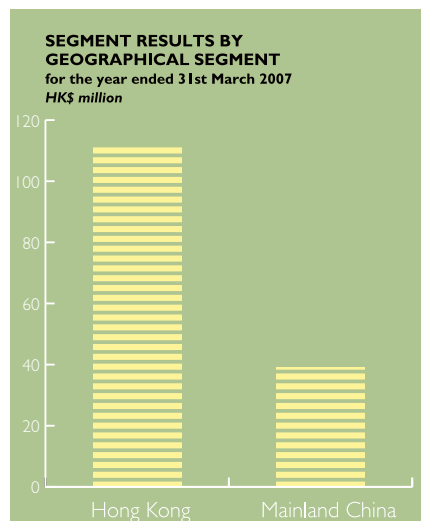
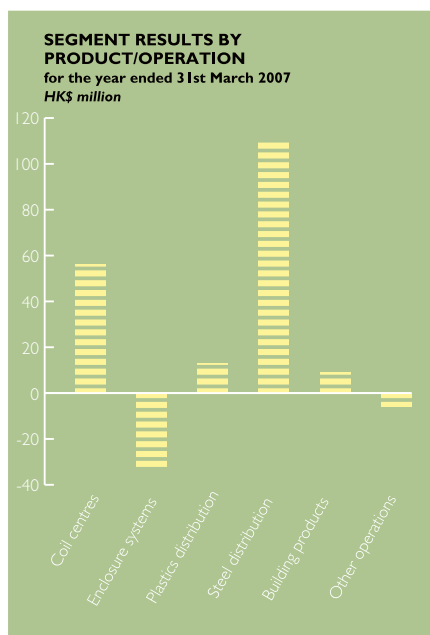


REVENUE BY GEOGRAPHICAL SEGMENT

for the years ended 31st March

%





a) China Advanced Materials Processing (“CAMP”)

Revenue of the CAMP operations went up 37% to approximately HK\$2,052 million representing 42% of total revenue of the VSC Group. Segment result of the CAMP operations improved from HK\$32 million to HK\$37 million.

In FY 2007, our “Greenfield” Kunshan coil centre has commenced operation and volume processed already surpasses 18,000MT. New products, such as stainless steel, are also being introduced to the coil centres and bring in a new stream of revenue. Total revenue on processing and trading of rolled flat steel products amounted to HK\$1,510 million which represents a growth of 37% from last year. Profit margin has been improved as the price of flat steel products was stabilized. S&D expenses increased by 37%, in line with the increase in revenue. G&A expenses increased by 25% mainly because of the newly established Kunshan coil centre's operation and increased employment cost. Segment result increased by 356% to HK\$56 million.

Despite the change in management, revenue of VJY for FY2007 increased by 40% to approximately HK\$198 million. However, there was one-off provision for some obsolete stock which brought down the profit margin significantly. Although S&D expenses and G&A expenses remained at similar level as last year, segment result dropped from a profit of HK\$8 million to a loss of HK\$32 million.

During FY2007, trade volume of Plastic department increased by 31%. Revenue also increased by 33%, in line with the increase in trade volume, to HK\$345 million. S&D expenses increased by 16%. G&A expenses increased by 53% mainly because of the set up of the Shanghai and Guangzhou sales team. Segment result increased by 20% to about HK\$13 million.

b) Construction Materials Group (“CMG”)

Despite a decline in revenue of CMG for FY2007 by 8% to HK\$2,813 million, the department reported a segment result of HK\$119 million, which represented a 61% increase over last year's HK\$74 million.

As a result of the VSC Group's determined efforts to modify its business model to create higher shareholders' value, the Hong Kong Steel Department continued to achieve encouraging operating profit in FY2007. Despite a 7% decrease in revenue to approximately HK\$1,151 million, the department achieved a segment profit of HK\$107 million in FY2007.

Steel distribution in Mainland China is facing fierce competition in FY2007. Our strategies to turnaround the loss position of last year including rearrangement of our product offering, focus on end users instead of distributor, and resource realignment. Our efforts have paid off as the segment result turnaround from a loss of HK\$22 million to a profit of HK\$3 million despite an 14% dropped in revenue from HK\$1,685 million to HK\$1,454 million.

Revenue of the Building Products Department increased by 35% to HK\$208 million as compared to last year. The distribution business in Shenzhen has become matured and its revenue has increased 94% to about HK\$34 million. The department will continue to expand into the booming cities like Macau, Shanghai, Shenzhen and Guangzhou as these cities are experiencing unprecedented growth leading to an increase of consumer spending. The VSC Group will continue its distribution of TOTO sanitary wares in Shanghai, Shenzhen and Guangzhou through wholesale, channel sales, project sales and showroom. Distribution channel have been established to expand sales coverage in these cities. The department has formed Vanyee Macau, a subsidiary in Macau, to capture the business opportunity there. Vanyee Macau is in operation in the second half of FY2007 and already recorded a revenue of approximately HK\$24 million.

(2) CONSOLIDATED BALANCE SHEET

Notes	As at 31st March				Change %
	2007		2006		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
2.1		126,315		103,198	22%
2.1		50,000		48,000	4%
		26,527		22,741	17%
2.2		31,202		6,775	361%
		5,832		5,832	0%
		23,329		17,193	36%
		12,992		13,372	-3%
2.3		57,270		—	N/A
		1,915,225		1,630,092	17%
2.4		587,872	514,304		14%
		3,935	8,325		-53%
2.5		769,352	729,615		5%
		217,428	173,202		26%
2.3		1,704	—		N/A
		510	—		N/A
3.1		29,850	6,090		390%
3.1		304,574	198,556		53%
		(1,148,069)		(1,083,826)	6%
		(301,031)	(189,796)		59%
		—	(102)		-100%
		—	(9,396)		-100%
		(106,185)	(56,695)		87%
		(40,587)	(45,916)		-12%
		(16,579)	(11,486)		44%
2.3		—	(216)		-100%
3.1		(683,687)	(770,219)		-11%
2.3		(63,619)		(736)	8,544%
		(2,301)		(2,382)	-3%
3.1		(27,300)		—	N/A
		1,007,403		760,259	33%
		36,861		36,861	0%
		471,137		460,993	2%
		265,013		213,546	24%
		9,584		4,055	136%
3.1		782,595		715,455	9%
		224,808		44,804	402%
		1,007,403		760,259	33%

2.1 Property, plant and equipment and leasehold land and land use rights

Property, plant and equipment net increased by approximately HK\$23 million. Major addition during the year include construction of our Kunshan coil centre and purchase of machinery for Kunshan coil centre, Tianjin coil centre and VJY. Leasehold land and land use rights increased by approximately HK\$4 million which is the addition of land use right for the Kunshan coil centre.

2.2 Goodwill

During FY2007, VSC has acquired 4.9% equity interest in a subsidiary from the minority shareholders at a consideration of approximately HK\$31 million and recognized a goodwill of approximately HK\$24 million.

2.3 Derivative financial instruments

Derivative financial instruments represent (i) a put option granted by Ryerson LLC to VSC to require Ryerson to purchase up to 20% equity interest of VSC-Ryerson China, a subsidiary of VSC. The fair value of the put option is approximately HK\$57 million and is recorded as non-current assets; (ii) fair value of forward foreign exchange contracts of approximately HK\$2 million recorded as current assets (2006: approximately HK\$0.2 million and HK\$0.7 million recorded as current liabilities and non-current liabilities respectively); (iii) a call option, with fair value of approximately HK\$56 million, granted by VSC to Ryerson LLC to allow Ryerson LLC to purchase 20% equity interest in VSC-Ryerson China which is recorded as non-current liabilities; and (iv) the embedded derivative of an interest rate instrument with fair value of approximately HK\$8 million which is also recorded as non-current liabilities.

2.4 Inventories

Inventories increased 14% to about HK\$588 million from last year level of about HK\$514 million. By business segment, inventories of CAMP and CMG increased by approximately HK\$30 million and HK\$44 million respectively. Overall inventory turnover (average inventories divided by cost of sales \times 365 days) decreased to about 44 days (FY2006: 59 days).

2.5 Trade and bill receivables

Trade and bill receivables ("AR"), net of provision for impairment of receivables, increased by 5% or approximately HK\$40 million. AR of CAMP decreased by about HK\$22 million while AR of CMG increased by about HK\$62 million. Overall DSO (average AR divided by revenue \times 365 days) decreased to around 56 days (FY2006: 58 days).

During the normal course of its businesses, the VSC Group offered credit terms ranging from 15 to 90 days.

An ageing analysis of AR based on delivery date was as follows:

	As at 31st March 2007 HK\$ million	As at 31st March 2006 HK\$ million
0 to 60 days	559.0	472.7
61 to 120 days	161.0	175.3
121 to 180 days	13.8	42.7
181 to 365 days	23.7	19.6
Over 365 days	31.6	34.4
	789.1	744.7
Less: Provision for impairment of receivables	(19.7)	(15.1)
	769.4	729.6

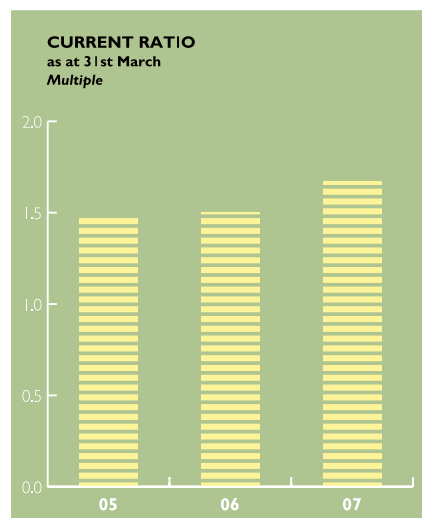
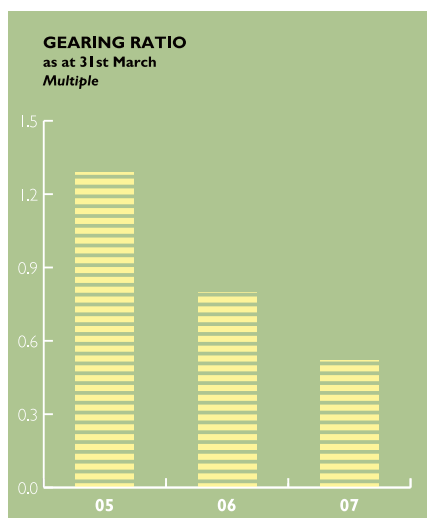
(3) FINANCIAL RESOURCES AND LIQUIDITY

3.1 Liquidity and financing

The VSC Group's cash and cash equivalents were HK\$305 million as at 31st March 2007 (2006: HK\$199 million) of which about 57.9% in US dollar, 33.2% in Renminbi (RMB), 7.9% in HK dollar and 1.0% in other currencies. Net cash inflow generated from operating activities for the year was approximately HK\$65 million.

At 31st March 2007, the VSC Group's total borrowings amounted to approximately HK\$711 million of which 100% were interest-bearing borrowings (2006: HK\$770 million). Net interest-bearing borrowings, after deducting cash and bank deposits of about HK\$305 million (2006: HK\$199 million), amounted to approximately HK\$406 million (2006: HK\$571 million). The decrease in net interest-bearing borrowings was mainly attributable to the proceed from the deemed disposal of 40% equity interest in VSC-Ryerson China and the increase in cash and cash equivalent. The finance cost was decreased as compared with last year due to the fact that the working capital efficiency has been improved and the bank borrowings have reduced.

Gearing ratio at 31st March 2007, calculated on the basis of net interest-bearing borrowings to capital and reserves attributable to equity holders significantly improved from 80% to 52% and the current ratio was improved from 1.50 times to 1.67 times as compared to 31st March 2006. The VSC Group is comfortable to maintain these financial ratios at current level, after taking due consideration of its business nature and risk assessments on overall exposure against industry norm. The VSC Group's business operations were generally financed by cash generated from its business activities and bank facilities provided by its banks. The VSC Group is also negotiating with banks in Hong Kong and Mainland China for additional financing to support its business development. As at 31st March 2007, letter of credit and trust receipts loans facilities available were around HK\$1.6 billion and HK\$1.3 billion respectively. Bank loan and trade facilities of approximately RMB145 million were obtained to mitigate its exposure on its Mainland China operations. The VSC Group will also continue its policy of maintaining gearing ratio at this level to minimize the finance cost.



The maturity profile of the VSC Group's gross interest-bearing borrowings were set out as follows:

	As at 31st March 2007 HK\$ million	As at 31st March 2006 HK\$ million
Repayable:		
Within one year	684	770
After one year but within two years	8	—
After two year but within three years	19	—
	<hr/>	<hr/>
Total interest-bearing borrowings	711	770
Less: Cash and cash equivalents	305	199
	<hr/>	<hr/>
Net interest-bearing borrowings	406	571

In terms of the VSC Group's available financial resources as at 31st March 2007, the VSC Group had total undrawn bank loan and trade facilities of HK\$0.7 billion and net cash on hand of HK\$0.3 billion. The VSC Group is hence financially sound and has sufficient financial resources to satisfy its capital commitments and ongoing working capital requirements for future expansion.

The VSC Group's capital and reserves attributable to equity holders increased by 9% to approximately HK\$783 million as at 31st March 2007 as compared to approximately HK\$715 million at the end of last year.

3.2 Treasury policies

All of the VSC Group's financing and treasury activities were centrally managed and be controlled at the corporate level. The VSC Group's overall treasury and funding policies focused on managing financial risks, including interest rate and foreign exchange risks, and on cost efficient funding of the VSC Group and its group companies. The VSC Group had always adhered to prudent financial management principles.

The VSC Group's businesses were primarily transacted in Hong Kong dollar, US dollar, RMB and Euro dollar. As exchange rate between HK dollars and the US dollars is pegged, the VSC Group believes its exposure to exchange rate risk arising from US dollars is not material. Facing the appreciation of RMB, the VSC Group will continue to match RMB payments with RMB receipts to minimize exchange exposure. Transaction values involving Euro dollar were relatively insignificant.

As at 31st March 2007, about 63.7% of the VSC Group's interest-bearing borrowings were in HK dollar, 20.4% in RMB, and 15.9% in US dollar. Forward foreign exchange contracts were entered into when suitable opportunities arise and when considered appropriate, to hedge against major non-HK dollar currency exposures. As at 31st March 2007, the VSC Group had forward foreign


currency contracts to hedge principal repayment of future US dollar debts under letters of credit, in the amount of approximately HK\$344 million.

All of the VSC Group's borrowings were subject to floating rates basis. The use of financial derivative instruments was strictly controlled and solely for management of the interest rate and foreign currency exchange rate exposures in connection with the borrowings. It was the VSC Group's policy not to enter into derivative transactions for speculative purposes.

3.3 Contingent liabilities

As at 31st March 2007, the VSC Group had outstanding performance bonds for its sanitary wares supply projects amounting to approximately HK\$1.7 million (2006: HK\$1.6 million).

3.4 Charges on assets

As at 31st March 2007, the VSC Group had certain charges on assets which included (i) bank deposits of approximately HK\$26 million were pledged for RMB bank facilities and of approximately HK\$4 million was restricted as customs deposits in Mainland China; (ii) inventories of approximately HK\$63 million were pledged for bank loans; (iii) land and building of approximately HK\$25 million were pledged for RMB bank loans; and (iv) certain of inventories held under short-term trust receipts bank loan arrangements in Hong Kong. 

CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited ("VSC") is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for VSC and its subsidiaries (the "VSC Group") to manage business risks, enhance transparency, maintain high standards of accountability and protect shareholders' interest in general. VSC has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31st March 2007, save for the deviations discussed below. The Board will continuously review and improve the corporate governance practices and standards of VSC to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

MODEL CODE FOR SECURITIES TRANSACTIONS

VSC has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of VSC ("Directors") on 31st March 2004. Having made specific enquiry of all Directors, they all confirmed that they have complied with the required standard set out in the Model Code during the year ended 31st March 2007. On 9th March 2006, the Board has approved that the Model Code also applies to other specified relevant employees of the VSC Group in respect of their dealings in the securities of VSC.

BOARD OF DIRECTORS

Currently, the Board consists of two executive Directors and four independent non-executive Directors. One of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. VSC is of the view that all independent

non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Board members have no financial, business, family or other material/relevant relationships with each other. VSC has arranged appropriate insurance cover in respect of legal actions against the directors within the VSC Group.

The executive Directors are responsible for managing the overall business. They mainly involve in the formulation and execution of the corporate strategies. The independent non-executive Directors consist of eminent business executives from Hong Kong, Mainland China and United States, who provide independent advices to the management through their wide range of skills and experiences. The executive Directors have regular meetings with the unit heads of CAMP and/or CMG, general managers of respective business units and key staff of support units to discuss major business plans and review operation and financial performance. Independent non-executive Directors are also invited to participate in special review meetings.

The Board members have access to appropriate business documents and information about the VSC Group in a timely basis. The Directors are free to have access to the management for enquiries and to obtain further information when required. The Directors are encouraged to update their skills, knowledge and familiarity with the VSC Group through ongoing participation at board and committee meetings. All Directors also have access to external legal counsel and other professionals for independent advice at VSC's expense if they require it.

Three Board committees, namely the Executive Committee, the Remuneration Committee and the Audit Committee, have been established to oversee various aspects of the VSC Group's affairs. The Board has delegated the execution and daily operations of the VSC Group's business to Presidents of CAMP and CMG, HR Director and CFO under the leadership of the CEO.

Minutes of Board meetings are taken by the Company Secretary and these minutes, together with any supporting board papers, are freely accessed by all board members for inspection.

The number of Board meetings, Remuneration Committee meetings and Audit Committee meeting attended by each Director during the year is as follows:

Directors	Board meetings	Remuneration Committee meetings	Audit Committee meetings
<i>Executive Directors:</i>			
Mr. Andrew Cho Fai Yao (<i>Chairman</i>)	4/4	2/2	N/A
Mr. Fernando Sai Ming Dong	4/4	N/A	N/A
<i>Independent Non-Executive Directors:</i>			
Dr. Chow Yei Ching	1/4	N/A	1/2
Mr. Harold Richard Kahler	4/4	2/2	2/2
Mr. Kenny King Ching Tam	4/4	2/2	2/2
Mr. Xu Lin Bao (<i>Appointed on 21st April 2006</i>)	3/4	N/A	0/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code provision A.2.1 stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. VSC has both the positions of chairman and chief executive officer held by Mr. Andrew Cho Fai Yao. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the VSC Group with strong and consistent leadership, efficiency usage of resources and allows for effective planning, formulation and implementation of VSC's business strategies which will enable the VSC Group to sustain the development of the VSC Group's business efficiently.

SPECIFIC TERMS OF NON-EXECUTIVE DIRECTORS & RE-ELECTION OF DIRECTORS

The CG Code provisions A.4.1 and A.4.2 stipulates that (1) the non-executive directors should be appointed for a specific term, subject to re-election and (2) all directors, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. VSC's non-executive Directors (except for Mr. Harold Richard Kahler) are not appointed for a specific term. Before the amendment of the Bye-

Laws of VSC at the annual general meeting of VSC held on 31st August 2006 ("2006 AGM"), the chairman and the managing director of VSC are not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. To comply with the CG Code provision A.4.2, a resolution has been approved by the shareholders of VSC in 2006 AGM to amend the Bye-Laws of VSC so that every Director is required to retire by rotation at least once every three years.

EXECUTIVE COMMITTEE

Executive Committee has been set up in March 2006 and now consists of all executive Directors with Mr. Andrew Cho Fai Yao as chairman and Mr. Fernando Sai Ming Dong as member:

When the Board is not in session, the Executive Committee can discharge the specific power and administrative functions authorised by the Board. The Executive Committee is mainly responsible for monitoring the daily operations of the VSC Group.

Minutes of committee meetings are taken by the Company Secretary and, together with any supporting committee papers, are available to all board members.

REMUNERATION COMMITTEE

The Remuneration Committee has been set up in July 2005 and includes the executive Director Mr. Andrew Cho Fai Yao (as chairman) and two independent non-executive Directors, Mr. Harold Richard Kahler and Mr. Kenny King Ching Tam. The Remuneration Committee's role is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the VSC Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates may be involved in any decisions as to his own remuneration. The Remuneration Committee has adopted its terms of reference, which is in line with the CG Code was posted to VSC's website at <http://www.vschk.com>.

Minutes of committee meetings are taken by the Company Secretary and, together with any supporting committee papers, are available to all board members.

The attendance record of the Remuneration Committee meeting is stated in the table under "BOARD OF DIRECTORS".

AUDIT COMMITTEE AND INTERNAL AUDIT

The Audit Committee has been set up since December 1998 and now consists of four independent non-executive Directors with Mr. Kenny King Ching Tam as chairman and Dr. Chow Yei Ching, Mr. Harold Richard Kahler and Mr. Xu Lin Bao as members. Mr. Kenny King Ching Tam who is an independent non-executive Director with appropriate professional accounting expertise as required under Rule 3.10 of the Listing Rules.

The VSC Group's financial statements for the year ended 31st March 2007 now reported on have been reviewed by the Audit Committee, who is of opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

The Audit Committee meetings are held not less than twice a year to review and discuss the various audit issues as reported by the external auditors and internal audit team. It also reviews the interim and final financials. There was no disagreement between the Board and the Audit Committee on the selection or appointment of the external auditors. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues, which the members consider necessary.

Scope of the work of the Audit Committee is defined and approved by the Board in relation to various internal control and audit issues with a view to further improving our corporate governance. The Audit Committee has adopted its terms of reference, which is in line with the CG Code was posted to VSC's website at <http://www.vschk.com>.

An internal audit department has also been established to conduct audits of the Company and its subsidiaries. The Internal Audit department reports directly to the Audit Committee of the Board and is independent from other operations of the VSC Group.

Minutes of committee meetings are taken by the Company Secretary and, together with any supporting committee papers, are available to all board members.

The attendance record of the Audit Committee meetings is stated in the table under "BOARD OF DIRECTORS".

INTERNAL CONTROL

The Board has overall authority and responsibility to establish and to review the Group's internal control system. The Board has tasked the day-to-day responsibility of establishing, implementing, and reviewing the effectiveness of the VSC Group's financial, operational, compliance and risk management controls to the four senior executives of the VSC Group, namely: the Presidents of the CAMP and CMG divisions, HR Director and CFO under the leadership of CEO.

The Audit Committee received, in addition, to the reports from the independent external auditors and internal audit department, it also receives individually-signed representations from the Presidents of the CAMP, and CMG divisions, the CFO and the HR Director on their respective responsible areas for the year under review. The Audit Committee took such reports and representations and subsequent queries into consideration when it makes recommendations to the Board.

NOMINATION OF DIRECTORS

VSC has not established a Nomination Committee. The Board is empowered under the VSC's Bye-laws to appoint any person as Director either to fill a casual vacancy or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. After the amendments of the Bye-laws of VSC in 2006 AGM, a newly-appointed Director must retire and be re-elected at the first annual general meeting or any special general meeting after his/her appointment. At each annual general meeting, one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election.

AUDITORS' REMUNERATION

During the year ended 31st March 2007, PricewaterhouseCoopers, the external auditors of VSC, provided the following services to the VSC Group and their respective fees charges are set out below:

Types of services	HK\$'000
Audit fee for the VSC Group	1,700
Taxation services	138
Special engagements	1,200
Total	3,038

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on pages 61 and 62 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon VSC's ability to continue as a going concern.

INVESTOR RELATIONS AND COMMUNICATION

The VSC Group is committed to promoting transparency and maintaining effective communication with investors, analysts and the press. The management periodically meets with existing and potential investors to make corporate presentations. Regular plant visits to our various manufacturing facilities are arranged for various interested fund managers, research analysts and bankers. Our user-friendly website, <http://www.vschk.com>, provides investors with the latest news, senior management interviews, corporate and financial information including announcements and annual and interim reports. The VSC Group continues to maintain a high level of transparency in information disclosures. 

The Board of Directors ("Board") of Van Shung Chong Holdings Limited ("VSC") are pleased to present their annual report together with the audited accounts of VSC and its subsidiaries (together the "VSC Group") for the year ended 31st March 2007.

PRINCIPAL ACTIVITIES

VSC is an investment holding company and its subsidiaries are principally engaged in (i) China Advanced Materials Processing including manufacturing of industrial products such as processing of rolled flat steel products and manufacturing of enclosure systems and trading of engineering plastic resins, and (ii) Construction Materials Group including trading and stockholding of construction materials such as steel products, sanitary wares and kitchen cabinets.

Details of the VSC Group's revenue and segment results by business segment and geographical segment are set out in Note 5 to the accompanying accounts.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March 2007, the five largest customers of the VSC Group accounted for less than 30% of the VSC Group's total turnover, and the five largest suppliers of the VSC Group accounted for less than 30% of the VSC Group's total purchases.

None of the directors, their associates, or any shareholders (which to the knowledge of VSC's Directors owned more than 5% of VSC's share capital) had a beneficial interest in the five largest suppliers of the VSC Group.

RESULTS AND APPROPRIATIONS

Details of the VSC Group's results for the year ended 31st March 2007 are set out in the consolidated income statement on page 63 of this annual report.

An interim cash dividend of HK2.2 cents per ordinary share was declared and paid during the year and the Directors have resolved to recommend the payment of a final cash dividend of HK2.6 cents per ordinary share. Total cash dividend paid and payable for the year ended 31st March 2007 will amount to HK4.8 cents per ordinary share or approximately HK\$17,693,000 (2006: HK\$4,055,000).

SHARE CAPITAL AND SHARE OPTIONS

Details of share capital and share options of VSC are set out in Notes 32 and 33 respectively, to the accompanying accounts.

RESERVES AND RETAINED EARNINGS

Movements in reserves and retained earnings of the VSC Group and VSC during the year are set out in Note 34 to the accompanying accounts.

As at 31st March 2007, approximately HK\$53,986,000 (2006: HK\$53,986,000) of VSC's reserves and approximately HK\$14,684,000 (2006: HK\$11,841,000) of VSC's retained earnings were available for distribution to its equity holders, of which HK\$9,584,000 (2006: HK\$4,055,000) has been proposed as final dividend for the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither VSC nor any of its subsidiaries has purchased, sold or redeemed any of VSC's shares during the year ended 31st March 2007.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under VSC's By-laws and the laws of Bermuda.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND LEASEHOLD LAND AND LAND USE RIGHTS

Details of movements of property, plant and equipment, investment properties and leasehold land and land use rights during the year are set out in Notes 15, 16 and 17, respectively, to the accompanying accounts.

SUBSIDIARIES AND ASSOCIATE

Particulars of VSC's subsidiaries and associate are set out in Notes 19 and 20, respectively, to the accompanying accounts.

BORROWINGS

Particulars of borrowings as at 31st March 2007 are set out in Note 31 to the accompanying accounts.

PENSION SCHEMES

Details of the pension schemes are set out in Note 13 to the accompanying accounts.

CHARITABLE DONATIONS

During the year, the VSC Group made charitable donations of approximately HK\$264,000 (2006: HK\$1,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of VSC ("Directors") who held office during the year and up to the date of this annual report were:

Executive Directors

Mr. Andrew Cho Fai Yao, *Chairman*

Mr. Fernando Sai Ming Dong

Independent Non-executive Directors

Dr. Chow Yei Ching

Mr. Harold Richard Kahler

Mr. Kenny King Ching Tam

Mr. Xu Lin Bao

(Appointed on 21st April 2006)

In accordance with VSC's revised Bye-law 87(1), Mr. Andrew Cho Fai Yao, Dr. Chow Yei Ching and Mr. Harold Richard Kahler will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Harold Richard Kahler has entered into an employment contract with VSC for a term of 3 years until 31st December 2009.

Saved as disclosed above, none of the directors has a service contract with the VSC Group which is not determinable by the VSC Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2007, the interests and short positions of the Directors and chief executives of VSC in the shares of HK\$0.10 each in the capital of VSC ("Shares"), underlying shares and debentures of VSC or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to VSC

and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to VSC and the Stock Exchange, were as follows:

(i) Long positions in Shares and options of VSC

Name of Directors	Nature of interest	Attributable interest to the Directors	Number of Shares	Approximate percentage	Number of share options (Note b)	Aggregate interest
Mr. Andrew Cho Fai Yao	Corporate interest held by Huge Top (Note a)	deemed interest (indirectly)	173,424,000	47.05%	—	173,424,000
		Personal interest 100% (directly)	1,614,000	0.44%	1,500,000	3,114,000
			<u>175,038,000</u>	<u>47.49%</u>	<u>1,500,000</u>	<u>176,538,000</u>
Mr. Fernando Sai Ming Dong	Personal interest	100% (directly)	342,000	0.09%	500,000	842,000
Mr. Harold Richard Kahler	Personal interest	100% (directly)	66,000	0.02%	—	66,000

Notes:

- a. As at 31st March 2007, Huge Top Industrial Ltd. ("Huge Top") holds 173,424,000 Shares. Mr. Andrew Cho Fai Yao is one of the two directors of Huge Top. Mr. Andrew Cho Fai Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. ("Perfect Capital") owns approximately 42.86% of the issued shares of Huge Top and is entitled to exercise more than one-third

of the voting power at general meetings of Huge Top. Mr. Andrew Cho Fai Yao owns the entire issued share capital of Perfect Capital. These interests of the aforesaid Director in the Shares were corporate interests.

- b. The interests of the Director in the share options of VSC are separately disclosed in the section headed "Share Option Scheme" below.

(ii) Long positions in associated corporation — Huge Top

Name of Directors	Nature of interest	Attributable interest to the Directors	Number of shares	Approximate percentage
Mr. Andrew Cho Fai Yao (Refer to Note a in (i) above)	Corporate interest held by Perfect Capital Personal interest	deemed interest (indirectly) 100% (directly)	36 10	42.86% 11.91%
			<hr/> 46	<hr/> 54.77%
Mr. Fernando Sai Ming Dong	Personal interest	100% (directly)	<hr/> 5	<hr/> 5.95%

Save as disclosed above, as at 31st March 2007, none of the Directors, chief executives of VSC and their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of VSC or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to VSC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (include interests and short positions which they are taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to VSC and the Stock Exchange.

Apart from the foregoing, at no time during the year was VSC or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under the 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of VSC or any other body corporate, and no Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for equity or debt securities of VSC nor exercised any such right.

DIRECTOR'S INTEREST IN CONTRACTS

Save as disclosed in Note 40 to the accompanying accounts, no contracts of significance in relation to the VSC Group's business to which VSC or any of its subsidiaries was a party and in which any of VSC's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

Other than interests disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and

Debentures" above, as at 31st March 2007, according to the register of interests kept by VSC under section 336 of the SFO, the following entities have interests or short positions in the shares and underlying Shares of VSC which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest	Number of Shares	Approximate percentage	Number of share options	Aggregate interest
Huge Top Industrial Ltd.	Directly	173,424,000	47.05%	—	173,424,000
Ms. Miriam Che Li Yao	Corporate	173,424,000 (Note)	47.05%	—	173,424,000
	Personal	2,000,000	0.54%	1,000,000	3,000,000
		175,424,000	47.59%	1,000,000	176,424,000

Note: As at 31st March 2007, Huge Top held 173,424,000 Shares. Ms. Miriam Che Li Yao is one of the two directors of Huge Top while the remaining director of Huge Top is Mr. Andrew Cho Fai Yao who is the brother of Ms. Miriam Che Li Yao and therefore is deemed to be interested in these Shares through Huge Top.

Save as disclosed above, as at 31st March 2007, the Directors are not aware of any other persons (other than Directors or chief executives of VSC) who have interests or short positions in the shares, underlying shares or debentures of VSC or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to VSC under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

A share option scheme has been adopted by VSC since 12th November 2001 (the "Share Option Scheme") and VSC may grant options to the participants as set out in the Share Option Scheme. The terms of the Share Option Scheme are contained in a circular sent to shareholders of VSC in October 2001 and the shareholders have also approved the refreshment of Share Option Scheme mandate limit ("Refreshment") at the annual general meeting of VSC held on 31st August 2006 ("2006 AGM"). Summary of the Share Option Scheme was as follows:

1. PURPOSE OF THE SHARE OPTION SCHEME

To provide incentives to participants to contribute to the VSC Group and/or to enable the VSC Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the VSC Group.

2. PARTICIPANTS OF THE SHARE OPTION SCHEME

Employee, agent, consultant or representative, including any executive or non-executive Director, of any member of the VSC Group or any other person who satisfies the selection criteria as set out in the Share Option Scheme.

3. TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE SHARE OPTION SCHEME AND PERCENTAGE OF ISSUED SHARE CAPITAL AS AT THE DATE OF THE ANNUAL REPORT

After the Refreshment in 2006 AGM, VSC may initially grant options representing 36,860,525 Shares under the Share Option Scheme (i.e. approximately 10% of the issued share capital of VSC as at 31st August 2006 (the

date of the 2006 AGM) and approximately 9.8% of the issued share capital of VSC as at the date of this annual report).

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of VSC and/or its subsidiaries must not exceed 30% of the Shares in issue from time to time. No options shall be granted under any share option scheme(s) of VSC or any of its subsidiaries if this will result in the 30% limit being exceeded.

4. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT UNDER THE SHARE OPTION SCHEME

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) within any twelve-month period under the Share Option Scheme and any other share option scheme(s) of VSC and/or any of its subsidiaries must not exceed 1% of the number of Shares in issue.

5. THE PERIOD WITHIN WHICH THE SHARES MUST BE TAKEN UP UNDER AN OPTION

Must not be more than ten years from the date of offer of grant of the option.

6. THE MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED

No such minimum period specified and an option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee.

7. THE AMOUNT PAYABLE ON APPLICATION OR ACCEPTANCE OF THE OPTION AND THE PERIOD WITHIN WHICH PAYMENTS OR CALLS MUST OR MAY BE MADE OR LOANS FOR SUCH PURPOSES MUST BE PAID

The acceptance of an option, if accepted, must be made within 28 days from the date on which the offer is made with a non-refundable payment of HK\$10 from the grantee to VSC.

8. THE BASIS OF DETERMINING THE EXERCISE PRICE

The exercise price of an option will be at least the highest of:

- a. the closing price of the Shares as state in the Stock Exchange's daily quotations sheet on the date of offer of the grant of the option, which must be a business day;
- b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant of the option; and
- c. the nominal value of the Shares.

9. THE REMAINING LIFE OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date i.e. 12th November 2001.

The share options outstanding under the Share Option Scheme during the year were as follows:

Name of category of participant	Date of grant	Exercise period	Exercise price per Share	Number of share options			
				Beginning of the year	Granted during the year	Lapsed during the year	End of the year
				'000	'000	'000	'000
Directors:							
Mr. Andrew Cho Fai Yao	13th September 2006	13th September 2007 to 12th September 2016	HK\$0.90	—	1,500	—	1,500
Mr. Fernando Sai Ming Dong	19th September 2003	19th September 2005 to 18th September 2013	HK\$1.418	300	—	—	300
	13th September 2006	13th September 2007 to 12th September 2016	HK\$0.90	—	200	—	200
Sub-total				300	1,700	—	2,000
Employees:							
In aggregate	2nd May 2003	2nd May 2003 to 1st May 2013	HK\$0.98	250	—	—	250
In aggregate	7th May 2003	7th May 2005 to 6th May 2013 (Note 2)	HK\$0.97	5,100	—	(495)	4,605
In aggregate	19th September 2003	19th September 2005 to 18th September 2013	HK\$1.418	1,000	—	—	1,000
In aggregate	13th September 2006	13th September 2007 to 12th September 2016	HK\$0.90	—	7,100	(100)	7,000
Sub-total				6,350	7,100	(595)	12,855
Others:							
In aggregate	2nd May 2003	2nd May 2003 to 1st May 2013	HK\$0.98	7,000	—	—	7,000
Sub-total				7,000	—	—	7,000
Total of Share Option Scheme				13,650	8,800	(595)	21,855

Notes:

1. For the Share Option Scheme, the vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. The options to subscribe for Shares at a price of HK\$0.97 per Share are to be exercisable in whole or in part in the following manner:
 - (i) During the period starting from 7th May 2005 to 6th May 2006, the option may be exercised up to 30% of such Shares.
 - (ii) During the period starting from 7th May 2006 to 6th May 2007, the option may (to the extent not exercised in accordance with (i) above) be exercised up to 70% of such Shares.
 - (iii) During the period starting from 7th May 2007 to 6th May 2013, the option may (to the extent not exercised in accordance with (i) and (ii) above) be exercised in full.

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled during the year.

CONNECTED TRANSACTIONS

Details of related party transactions are set out in Note 40 to the accompanying accounts.

During the year ended 31st March 2007, the VSC Group has the following continuing connected transactions (the "Transactions") in accordance with Chapter 14A of the Listing Rules. The Transactions had been approved by the shareholders of VSC on 1st November 2004 and the details of the Transactions had been disclosed in the circular of VSC dated 15th October 2004 (the "Circular"):

Pursuant to the supply agreement (the "Supply Agreement") dated 17th September 2004 entered into between Shinsho Corporation and VSC Shinsho Company Limited ("VSC Shinsho", a company which is an indirect subsidiary of VSC and Shinsho Corporation owns it by 30%) agreed that VSC Shinsho and other subsidiaries of VSC may purchase from Shinsho

Corporation and its associates (the "Shinsho Group"), from time to time, various steel products for a term commencing from 1st April 2004 up to 31st March 2007. Under the terms of the Supply Agreement, Shinsho Corporation may procure members of the Shinsho Group to carry into effect the transactions contemplated under the Supply Agreement while VSC Shinsho may procure other subsidiaries of VSC to carry into effect the transactions contemplated under the Supply Agreement.

The price for each transaction contemplated under the Supply Agreement will be agreed from time to time between the parties thereto based on the market price of the type of steel products concerned prevailing at the relevant time. The annual aggregate amount payable by VSC Shinsho and other subsidiaries of VSC for such purchases under the Supply Agreement has been capped at HK\$120,000,000, HK\$180,000,000 and HK\$210,000,000 for the three financial years ended 31st March 2005, 2006 and 2007 respectively according to the Circular.

The Directors, including the independent non-executive Directors, are of the view that the Transactions are essential for the efficient and continuous operation of the VSC Group. Given the Transactions will occur on a regular and continuing basis, the Directors consider that it would not be practicable to announce, or if necessary, obtain prior approval from the shareholders of VSC on each occasion they arise. Accordingly, VSC convened and held a special general meeting on 1st November 2004 and the ordinary resolution to approve the Transactions and the relevant caps for a 3-year period ended 31st March 2007 was approved by the independent shareholders of VSC.

The independent non-executive Directors have confirmed that the Transactions have been entered into (a) in the ordinary and usual course of business of the VSC Group; (b) on normal commercial terms or on terms no less favourable to the VSC Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement(s) governing them on terms that are fair and reasonable and in the interests of the shareholders of VSC as a whole.

PricewaterhouseCoopers, the auditors of VSC have also performed agreed-upon procedures and have issued a report to the Board stating the factual findings resulting from their work,

the Transactions:- (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the VSC Group if those transactions involve the provision of goods or services by the VSC Group; (c) have been entered into in accordance with the provisions of the relevant agreement(s) governing the Transactions; and (d) have not exceeded the annual monetary caps approved by the shareholders of VSC and agreed with the Stock Exchange.

A new supply agreement dated 15th February 2007 had been entered into between Shinsho Corporation and VSC Shinsho. VSC convened and held a special general meeting on 28th March 2007 and the ordinary resolution to approve the new continuing connected transactions and the relevant caps for a further 3-year period ending 31st March 2010 was approved by the independent shareholders of VSC.

COMPETING INTERESTS

Mr. Andrew Cho Fai Yao ("Mr. Yao") is the chairman of the Board of VSC, and also an executive director of North Asia Strategic Holdings Limited ("NAS", listed on the Growth Enterprise Market of the Stock Exchange).

NAS is an investment holding company. NAS and its subsidiaries ("NAS Group") is principally engaged in trading of surface mount technology assembly equipments, machinery and spare parts and provision of related installation, training, repair and maintenance services; processing and sale of fishmeal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to aquatic feeds; and trading of steel products and provision of procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services). There may be a possibility that the steel trading business of NAS Group may compete with that of the VSC Group. However, the Directors are also of the view that the invaluable experience of Mr. Yao in the steel industry will complement the development of the VSC Group's business.

The Directors are satisfied that the VSC Group functions independently of and on arm's lengths basis from NAS Group on the basis that the majority of the executive Directors and the

senior management are independent of the NAS Group and operations of the two groups are conducted by separate teams of staff. Other than the one common executive director, Mr. Yao, and a common independent non-executive director, Mr. Kenny King Ching Tam, there is no overlap of management personnel for the operations within the two groups.

As Mr. Yao is a director of both VSC and NAS, in case there is any potential conflict of interests, Mr. Yao will abstain from voting in the relevant board of directors' meeting.

Save as disclosed above, none of the Directors or the controlling shareholders of VSC or any of their respective associates has engaged in any business that competes or may compete directly or indirectly with the businesses of the VSC Group or has any other conflict of interests with the VSC Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to VSC and within the knowledge of the Directors as at the date of this annual report, VSC has maintained the prescribed public float under the Listing Rules.

AUDITORS

The accompanying accounts were audited by PricewaterhouseCoopers. A resolution for their re-appointment as VSC's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 19th July 2007

EXECUTIVE DIRECTORS (As at 31st March 2007)



MR. ANDREW CHO FAI YAO

aged 41, is the chairman and chief executive officer of the Company. Mr. Yao graduated from the University of California, Berkeley and Harvard Graduate School of Business. He is responsible for the VSC Group's overall corporate strategy and objectives. He serves as a member of Hong Kong Housing Society. He also sits on the Shanghai People's Political Consultative Conference, deputy chairman of Shanghai Youths Federation, chairman of the Hong Kong United Youth Association Limited, deputy chairman of China Young Entrepreneurs' Association, director of the Shanghai Fudan University and court member of the University of Hong Kong. Mr. Yao is also an executive director of North Asia Strategic Holdings Limited which is a company listed on GEM and an independent non-executive director of Grand Investment International Limited and Kader Holdings Company Limited which are companies listed on main board.

MR. FERNANDO SAI MING DONG

aged 45, is an executive director of the Company responsible for general administration. He has over nineteen years' experience in international trading. Mr. Dong is extensively involved in warehouse management, property investment and the China operations of the VSC Group. He has also been assisting the VSC Group to establish new manufacturing facilities in both Hong Kong and Mainland China. Mr. Dong joined the VSC Group in 1987.



INDEPENDENT NON-EXECUTIVE DIRECTORS (As at 31st March 2007)



DR. CHOW YEI CHING

aged 71, is the founder and chairman of Chevalier Group that comprises two public-listed companies in Hong Kong, namely Chevalier International Holdings Limited and Chevalier Pacific Holdings Limited. He is an independent non-executive director of Shaw Brothers (Hong Kong) Limited and Towngas China Company Limited and a non-executive director of Television Broadcasts Limited. Dr. Chow is the Honorary Consul of The Kingdom of Bahrain in Hong Kong and a standing committee member of the Chinese People's Political Consultative Conference, Shanghai. Dr. Chow holds an Honorary Degree of Doctor of Laws from The University of Hong Kong and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. He also serves in a number of positions in various educational, charitable and trade organisations.

MR. HAROLD RICHARD KAHLER

aged 59, is an experienced international business executive, specialised in advising companies that are expanding their presence in the Greater China region. Mr. Kahler graduated from George Washington University with a Master Degree in Economics and received his Juris Doctor from Georgetown University. Mr. Kahler has extensive Asia experience. From 1990 to mid-2002, he served Caterpillar Inc., in Asia — first as managing director of P.T. Natra Raya, a manufacturing and assembly operation in Indonesia; then as president of Caterpillar China, where he was responsible for establishing a new business subsidiary to manage Caterpillar's growing interests and investments in the region. Other assignments with Caterpillar and the US Government have provided Mr. Kahler experience with Japan, Vietnam and other Asian economies. In 2002, Mr. Kahler served as chairman of the American Chamber of Commerce in Hong Kong.



MR. KENNY KING CHING TAM

aged 57, he joined the VSC Group in September 2004. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Tam is serving as a member of the Ethics Committee, Practice Review Committee, Small and Medium Practitioners Committee and Insolvency Practitioners Committee in the Hong Kong Institute of Certified Public Accountants. He is also a Past President of The Society of Chinese Accountants and Auditors.

Mr. Tam also serves as an independent non-executive director of five other listed companies on the main board of The Stock Exchange of Hong Kong Limited, namely, CCT Telecom Holdings Limited, Kingmaker Footwear Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited and Swank International Manufacturing Company Limited, and a listed company on the GEM board of The Stock Exchange of Hong Kong Limited, namely, North Asia Strategic Holdings Limited.

MR. XU LIN BAO

aged 58, holds an EMBA degree from Fudan University, Shanghai. He is a senior qualified economist. Mr. Xu is an administrative director of China Real Estate Association from 1999 to May 2006, and currently chairman of directors of the Committee of Management of China Real Estate Association, vice chairman of Real Estate Research Center of Shanghai Academy of Social Sciences and chairman of directors of Yi-ju China Real Estate Research Center. Mr. Xu served as the vice chairman in Shanghai Real Estate Trade Association from 1999 to January 2006 and the chairman of directors in Shanghai Housing and Land Group from 1996 to September 2005.



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羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
VAN SHUNG CHONG HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

獨立核數師報告
致萬順昌集團有限公司股東
(於百慕達註冊成立之有限責任公司)

We have audited the consolidated financial statements of Van Shung Chong Holdings Limited (the "Company") and its subsidiaries (together, the "VSC Group") set out on pages 63 to 154, which comprise the consolidated and Company balance sheets as at 31st March 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

本核數師(以下簡稱「我們」)已審核列載於第63至154頁萬順昌集團有限公司(「貴公司」)及其子公司(以下合稱「貴集團」)的綜合財務報表,此綜合財務報表包括於二零零七年三月三十一日的綜合及公司資產負債表,截至該日止年度的綜合收益表、綜合權益變動表和綜合現金流量表,以及主要會計政策概要及其他附註解釋。

**DIRECTORS' RESPONSIBILITY FOR THE
FINANCIAL STATEMENTS**

董事就財務報表須承擔的責任

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及按照香港《公司條例》的披露規定編製及真實而公平地列報該等綜合財務報表。這責任包括設計、實施及維護與編製及真實而公平地列報財務報表相關的內部控制,以使財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述;選擇和應用適當的會計政策;及按情況下作出合理會計估計。

AUDITOR'S RESPONSIBILITY

核數師的責任

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

我們的責任是根據我們的審核對該等綜合財務報表作出意見,並按照百慕達一九八一年《公司法》第90條僅向整體股東報告,除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the VSC Group as at 31st March 2007 and of the VSC Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th July 2007

我們已根據香港會計師公會頒佈的香港審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定此等財務報表是否不存有任何重大錯誤陳述。

審核涉及執程序以獲取有關財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實而公平地列報財務報表相關的內部控制，以設計適當的審核程序，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當地為我們的審核意見提供基礎。

意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映 貴公司及 貴集團於二零零七年三月三十一日的事務狀況及 貴集團截至該日止年度的利潤及現金流量，並已按照香港《公司條例》的披露規定妥為編製。

羅兵咸永道會計師事務所
執業會計師

香港，二零零七年七月十九日

For the year ended 31st March 2007

截至二零零七年三月三十一日止年度

		Notes 附註	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Revenue	收入	5	4,867,657	4,574,939
Cost of sales	銷售成本	7	(4,549,893)	(4,336,273)
Gross profit	毛利		317,764	238,666
Other gains — net	其他收益 — 淨額	6	37,238	14,223
Selling and distribution expenses	銷售及分銷支出	7	(33,540)	(30,261)
General and administrative expenses	一般及行政支出	7	(191,608)	(154,562)
Operating profit	經營溢利		129,854	68,066
Finance income	財務收入	8	4,982	4,490
Finance costs	財務費用	8	(41,383)	(45,959)
Profit before income tax	除稅前溢利		93,453	26,597
Income tax expense	所得稅支出	9	(12,534)	(68)
Profit for the year	年度溢利		80,919	26,529
Attributable to:	應佔：			
Equity holders of the Company	本公司股權持有人	10	70,627	22,867
Minority interest	少數股東權益		10,292	3,662
			80,919	26,529
Dividends	股息	11	17,693	4,055
Earnings per share for profit attributable to the equity holders of the Company during the year	本公司本年度股權持有人應佔溢利計算之每股盈利			
— Basic	— 基本	12	HK 19.16 cents 港仙	HK 6.20 cents 港仙
— Diluted	— 攤薄	12	HK 19.16 cents 港仙	HK 6.20 cents 港仙

The notes are an integral part of these consolidated financial statements. 附註為綜合財務報表其中一部份。

As at 31st March 2007

於二零零七年三月三十一日

	Notes 附註	Consolidated 綜合		Company 本公司	
		2007	2006	2007	2006
		二零零七年 HK\$'000 千港元	二零零六年 HK\$'000 千港元	二零零七年 HK\$'000 千港元	二零零六年 HK\$'000 千港元
Non-current assets					
非流動資產					
Property, plant and equipment	15	126,315	103,198	—	—
Investment properties	16	50,000	48,000	—	—
Leasehold land and land use rights	17	26,527	22,741	—	—
Goodwill	18	31,202	6,775	—	—
Investments in subsidiaries	19	—	—	529,212	484,116
Interest in an associate	20	5,832	5,832	—	—
Deferred income tax assets	21	23,329	17,193	—	—
Available-for-sale financial assets	22	12,992	13,372	—	—
Derivative financial instruments	23	57,270	—	—	—
Total non-current assets		333,467	217,111	529,212	484,116
Current assets					
流動資產					
Inventories	24	587,872	514,304	—	—
Due from customers on installation contract work	25	3,935	8,325	—	—
Trade and bill receivables	26	769,352	729,615	—	—
Prepayments, deposits and other receivables	27	217,428	173,202	—	—
Derivative financial instruments	23	1,704	—	—	—
Amount due from an associate	20	510	—	—	—
Pledged bank deposits	28	29,850	6,090	11,388	—
Cash and cash equivalents	28	304,574	198,556	613	10,459
Total current assets		1,915,225	1,630,092	12,001	10,459
Current liabilities					
流動負債					
Trade and bill payables	29	301,031	189,796	—	—
Due to customers on installation contract work	25	—	102	—	—
Amount due to an associate	20	—	9,396	—	—
Receipts in advance		106,185	56,695	—	—
Accrued liabilities and other payables	30	40,587	45,916	144	17
Current income tax liabilities		16,579	11,486	—	—
Derivative financial instruments	23	—	216	—	—
Borrowings	31	683,687	770,219	7,800	—
Total current liabilities		1,148,069	1,083,826	7,944	17
Net current assets					
流動資產淨額					
		767,156	546,266	4,057	10,442
Total assets less current liabilities					
		1,100,623	763,377	533,269	494,558

		Notes 附註	Consolidated 綜合		Company 本公司	
			2007	2006	2007	2006
			二零零七年 HK\$'000 千港元	二零零六年 HK\$'000 千港元	二零零七年 HK\$'000 千港元	二零零六年 HK\$'000 千港元
Non-current liabilities	非流動負債					
Derivative financial instruments	衍生金融工具	23	63,619	736	7,592	—
Deferred income tax liabilities	遞延所得稅負債	21	2,301	2,382	—	—
Borrowings	借貸	31	27,300	—	27,300	—
Total non-current liabilities	非流動負債總額		93,220	3,118	34,892	—
Net assets	資產淨額		1,007,403	760,259	498,377	494,558
Equity	權益					
Capital and reserves attributable to equity holders of the Company	本公司股權持有人應佔股本及儲備					
Share capital	股本	32	36,861	36,861	36,861	36,861
Reserves	儲備	34	745,734	678,594	461,516	457,697
			782,595	715,455	498,377	494,558
Minority interest	少數股東權益		224,808	44,804	—	—
Total equity	權益總額		1,007,403	760,259	498,377	494,558

Yao Cho Fai, Andrew
姚祖輝
Chairman
主席

Dong Sai Ming, Fernando
唐世銘
Executive Director
執行董事

The notes are an integral part of these consolidated financial statements.

附註為綜合財務報表其中一部份。

For the year ended 31st March 2007

截至二零零七年三月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔				
		Share capital	Reserves	Total	Minority interest	Total equity
		股本	儲備	總額	少數股東 權益	權益總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
		(Note 32)	(Note 34)			
		(附註32)	(附註34)			
As at 1st April 2006	於二零零六年四月一日	36,861	678,594	715,455	44,804	760,259
Profit for the year	年度溢利	—	70,627	70,627	10,292	80,919
Change in fair value of available-for-sale financial assets	可供出售之財務資產之 公平價值變動	—	1,366	1,366	—	1,366
Share option scheme — value of services	購股權計劃 — 服務價值	—	976	976	—	976
Dividends paid to equity holders of the Company	已付本公司股權持有人 之股息	—	(12,164)	(12,164)	—	(12,164)
Dividend payable to a minority shareholder of a subsidiary	應付一間附屬公司之 一位少數股東之股息	—	—	—	(149)	(149)
Write back of dividend payable to a minority shareholder of a subsidiary	撤回應付一間附屬公司之 一位少數股東之股息	—	—	—	707	707
Acquisition of certain interests in a subsidiary (Note 36)	收購一間附屬公司之若干權 益(附註36)	—	—	—	(6,149)	(6,149)
Disposal of certain interests in a subsidiary (Note 37(a))	出售一間附屬公司之若干權 益(附註37(a))	—	—	—	780	780
Disposal of a subsidiary (Note 35 (d))	出售一間附屬公司 (附註35(d))	—	—	—	(391)	(391)
Deemed disposal of certain interests in a subsidiary (Note 37(b))	視作出售一間附屬公司之 若干權益(附註37(b))	—	—	—	174,914	174,914
Currency translation differences	貨幣滙兌差額	—	6,335	6,335	—	6,335
As at 31st March 2007	於二零零七年三月三十一日	36,861	745,734	782,595	224,808	1,007,403

		Attributable to equity holders of the Company 本公司股權持有人應佔				
		Share capital	Reserves	Total	Minority interest	Total equity
		股本	儲備	總額	少數股東 權益	權益總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
		(Note 32)	(Note 34)			
		(附註32)	(附註34)			
As at 1st April 2005	於二零零五年四月一日	36,861	654,497	691,358	35,377	726,735
Profit for the year	年度溢利	—	22,867	22,867	3,662	26,529
Change in fair value of available-for-sale financial assets	可供出售之財務資產之 公平價值變動	—	(7,181)	(7,181)	—	(7,181)
Investment revaluation reserve transferred to consolidated income statement upon recognition of impairment loss of an available-for- sale financial asset	一項可供出售之財務資產 之確認減值虧損 於投資重估儲備 轉撥至綜合收益表	—	14,424	14,424	—	14,424
Share option scheme — value of services	購股權計劃 — 服務價值	—	57	57	—	57
Dividends paid to equity holders of the Company	已付本公司股權持有人 之股息	—	(8,109)	(8,109)	—	(8,109)
Dividend payable to a minority shareholder of a subsidiary	應付一間附屬公司之 一位少數股東之股息	—	—	—	(611)	(611)
Capital contribution from minority shareholders of subsidiaries	附屬公司之少數股東之 資本投入	—	—	—	1,185	1,185
Disposal of certain interests in subsidiaries	出售若干附屬公司 權益	—	—	—	5,191	5,191
Currency translation differences	貨幣滙兌差額	—	2,039	2,039	—	2,039
As at 31st March 2006	於二零零六年三月三十一日	36,861	678,594	715,455	44,804	760,259

The notes are an integral part of these consolidated financial statements. 附註為綜合財務報表其中一部份。

For the year ended 31st March 2007

截至二零零七年三月三十一日止年度

	Notes 附註	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Operating activities	經營活動		
Net cash generated from operations	經營產生之現金淨額	35(a) 116,382	333,443
Interest received	已收利息	4,982	4,490
Interest paid	已付利息	(41,383)	(45,959)
Hong Kong profits tax paid	已付香港利得稅	(11,374)	(973)
Hong Kong profits tax refund	已退回香港利得稅	1,567	446
Mainland China enterprise income tax paid	已付中國內地企業所得稅	(4,826)	(3,128)
Net cash inflow from operating activities	經營活動之現金流入淨額	65,348	288,319
Investing activities	投資活動		
Acquisition of property, plant and equipment	添置物業、廠房及設備	(49,172)	(18,349)
Proceeds from disposals of property, plant and equipment	出售物業、廠房及設備所得款項	35(b) 905	54
Acquisition of leasehold land and land use rights	添置租賃土地及土地使用權	(3,793)	—
Acquisition of available-for-sale financial assets	收購可供出售之財務資產	(4)	(3,612)
Proceeds from disposal of an available-for-sale financial asset	出售一項可供出售之財務資產所得款項	613	15,600
Dividends received from an available-for-sale financial asset	一項可供出售之財務資產之股息收入	22	1,124
Acquisition of certain interests in a subsidiary	收購一間附屬公司之若干權益	36 (30,576)	(186)
Proceeds from disposal of a subsidiary	出售一間附屬公司所得款項	35(c) —	34,233
Decrease in cash and cash equivalents arising from disposal of a subsidiary	出售一間附屬公司所引致現金及現金等值之減少	35(d) (153)	—
Proceeds from disposal of certain interests in a subsidiary	出售一間附屬公司之若干權益所得款項	7,800	3,448
Net proceeds from deemed disposal of certain interests in a subsidiary	視作出售於一間附屬公司之若干權益所得淨款項	37(b) 206,906	—
Acquisition of interest in an associate	收購一間聯營公司權益	—	(5,832)
(Increase)/decrease in pledged bank deposits	已抵押銀行存款之(增加)/減少	(23,760)	6,096
Translation adjustments	滙兌調整	3,278	(50)
Net cash inflow from investing activities	投資活動之現金流入淨額	112,066	32,526

For the year ended 31st March 2007

截至二零零七年三月三十一日止年度

		Notes 附註	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Financing activities	融資活動			
New bank loans	新增銀行貸款		71,790	171,679
Repayment of bank loans	償還銀行貸款		(64,337)	(340,547)
Net decrease in trust receipt bank loans	信託收據銀行貸款之淨減少		(66,685)	(138,483)
Capital contribution from minority shareholders of subsidiaries	附屬公司之少數股東之資本投入		—	1,185
Dividends paid to equity holders of the Company	已付本公司股權持有人之股息		(12,164)	(8,109)
Net cash outflow from financing activities	融資活動之現金流出淨額		(71,396)	(314,275)
Increase in cash and cash equivalents	現金及現金等值之增加		106,018	6,570
Cash and cash equivalents, beginning of the year	年初之現金及現金等值		198,556	191,986
Cash and cash equivalents, end of the year	年終之現金及現金等值		304,574	198,556

The notes are an integral part of these consolidated financial statements. 附註為綜合財務報表其中一部份。

1 GENERAL INFORMATION

Van Shung Chong Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda on 12th January 1994 as an exempted company under the Companies Act 1981 of Bermuda. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited since 18th February 1994. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HH11, Bermuda.

The Company and its subsidiaries (together the “VSC Group”) are principally engaged in (i) China Advanced Materials Processing, including processing/manufacturing of industrial products such as rolled flat steel products and enclosure systems, and trading of engineering plastic resins, and (ii) Construction Materials Group, including stockholding and trading of construction materials such as steel products, sanitary wares and kitchen cabinets, and installation work of kitchen cabinets.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 19th July 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the VSC Group comprise the consolidated and Company balance sheets as at 31st March 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 一般資料

萬順昌集團有限公司(「本公司」)於一九九四年一月十二日於百慕達註冊成立為有限責任公司，並根據百慕達公司法1981，成為一間豁免公司。自一九九四年二月十八日起，本公司於香港聯合交易所有限公司上市。其註冊辦事處地址為Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司及其附屬公司(統稱「萬順昌集團」)主要從事(i)中國先進材料加工；包括加工／製造工業產品例如卷鋼產品及系統設備外殼與及買賣工程塑膠樹脂，及(ii)建築材料，包括存銷及買賣建築材料，例如鋼材產品、潔具及廚櫃與及安裝廚櫃。

除另有指明外，本綜合財務報表以港元(「港元」)列示。

本綜合財務報表已於二零零七年七月十九日經董事會核准刊發。

2 主要會計政策概要

萬順昌集團之綜合財務報表包括綜合及本公司於二零零七年三月三十一日之資產負債表，截至該日止年度之綜合收益表、綜合權益變動表及綜合現金流量表，重要會計政策概要及其他註釋。編製本綜合財務報表採用之主要會計政策載列如下。除另有說明外，該等政策於所呈列之所有年度一直貫徹應用。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the VSC Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The adoption of revised HKFRSs

During the year ended 31st March 2007, the VSC Group adopted HKAS 39 & HKFRS 4 (Amendments), Financial guarantee contracts, which are effective for accounting periods beginning on or after 1st January 2006 and relevant to its operations.

HKAS 39 and HKFRS 4 (Amendments) require issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. There is no financial guarantee contract issued at group level. For guarantees provided by the Company for banking facilities granted to subsidiaries, the Company regards such guarantees as insurance contracts and does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date and recognise any deficiency in the liabilities in the consolidated income statement.

2 主要會計政策概要(續)

2.1 編製基準

本綜合財務報表依照由香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」)編製。本綜合財務報表乃按歷史成本慣例編製，並已就可供出售之財務資產以公平價值透過損益記賬之財務資產及財務負債(包括衍生工具)及就投資物業以公平價值列賬。

編製符合香港財務準則之財務報表需要使用若干關鍵會計估算。這亦需要管理層在應用萬順昌集團之會計政策過程中行使其判斷。涉及高度之判斷或高度複雜性之範疇，或涉及對綜合財務報表屬重大假設和估算之範疇已在附註4中披露。

引用經修訂之香港財務報告準則

於二零零七年三月三十一日止年度，萬順昌集團採納與其營運有關並於二零零六年一月一日始或以後開始之會計期間生效之香港會計準則第39號及香港財務報告準則第4號(修訂)財務擔保合約。

香港會計準則第39號及香港財務報告準則第4號(修訂)規定，已發出之財務擔保(該等擔保以往宣稱為保險合約者除外)須於開始時按公平價值確認，其後則按(i)所收取及遞延相關費用的未攤銷結餘；及(ii)於結算日清償承擔所需開支兩者的較高者計量。萬順昌集團並無自集團層面開出的財務擔保合約。就本公司為授予附屬公司銀行信貸額度而提供之擔保而言，本公司視該等擔保為保險合約，並無於開始時確認財務擔保負債，但會於各財務報表日期進行負債充足率測試，並於綜合收益表確認任何不足之負債。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to published standards that are effective for accounting periods beginning on or after 1st April 2007

The following HK(IFRIC)-Interpretations, HKFRSs and amendment to HKAS have been published but are not yet effective for the accounting period beginning on 1st April 2006 and have not been early adopted:

- HK(IFRIC)-Interpretation 8, Scope of HKFRS 2 (effective for accounting periods beginning on or after 1st May 2006), HK(IFRIC)-Interpretation 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instrument issued — to establish whether or not they fall with the scope of HKFRS 2. The VSC Group will apply HK(IFRIC)-interpretation 8 from 1st April 2007, but it is not expected to have any impact on the VSC Group's consolidated financial statements.
- HK(IFRIC)-Interpretation 9, Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1st June 2006). The management of the VSC Group considers the interpretations is not relevant for the VSC Group's operations.
- HK(IFRIC)-Interpretation 10, Interim Financial reporting and impairment (effective for accounting periods beginning on or after 1st November 2006). HK(IFRIC)-Interpretation 10 prohibits the impairment loss recognised in an interim period on goodwill. Investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The VSC Group will apply HK(IFRIC)-Interpretation 10 from 1st April 2007, but it is not expected to have any impact on the VSC Group's consolidated financial statements.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

於二零零七年四月一日或之後開始之會計期間生效之準則、詮釋及已頒佈準則之修訂

下列香港(國際財務報告詮釋委員會)詮釋、香港財務報告準則及香港會計準則之修訂經已頒佈但並未於二零零六年四月一日起之會計期間生效，故此萬順昌集團並無提早採納：

- 香港(國際財務報告詮釋委員會)詮釋第8號 — 香港財務報告準則第2號之範圍，於二零零六年五月一日或之後開始之會計期間生效。香港(國際財務報告詮釋委員會)詮釋第8號規定凡涉及發行權益工具的交易而當中所收取的可識別代價低於所發行權益工具的公平價值，必須確定其是否屬於香港財務報告準則第2號的範圍內。萬順昌集團將由二零零七年四月一日起應用香港(國際財務報告詮釋委員會)詮釋第8號，但預期不會對萬順昌集團之綜合財務報表產生任何影響。
- 香港(國際財務報告詮釋委員會)詮釋第9號 — 重新評估嵌入式衍生工具，於二零零六年六月一日或之後開始之會計期間生效。萬順昌集團管理層認為有關詮釋與萬順昌集團營運並不相關。
- 香港(國際財務報告詮釋委員會)詮釋第10號 — 中期財務報告和減值，於二零零六年十一月一日或之後開始之會計期間生效。香港(國際財務報告詮釋委員會)詮釋第10號禁止在中期期間就商譽及按成本列賬的權益工具投資和財務資產投資所作的減值虧損，在之後的結算日撥回。萬順昌集團將由二零零七年四月一日起應用香港(國際財務報告詮釋委員會)詮釋第10號，但預期不會對萬順昌集團之綜合財務報表產生任何影響。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to published standards that are effective for accounting periods beginning on or after 1st April 2007 (Continued)

- HK(IFRIC)-Interpretation 11, HKFRS 2 — Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1st March 2007). The management of the VSC Group considers the interpretation is not relevant for the VSC Group's operations.
- HK(IFRIC)-Interpretation 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1st January 2008). The management of the VSC Group considers the interpretation is not relevant for the VSC Group's operations.
- HKFRS 7, Financial instruments: Disclosures, and the complementary amendment to HKAS 1 (Amendment), Presentation of Financial Statements — Capital Disclosures (effective for accounting periods beginning on or after 1st January 2007). The VSC Group assesses the impact of HKFRS 7 and HKAS 1 (Amendment) and concludes that the main additional disclosures will be the sensitivity analysis to market risk and capital discloses. The VSC Group will apply HKFRS 7 and HKAS 1 (Amendment) from 1st April 2007.
- HKFRS 8, Operating Segments (effective for accounting periods beginning on or after 1st January 2009). HKFRS 8 supersedes HKAS 14, Segment Reporting, which requires segments to be identified and reported on risk and return analysis for external reporting purposes. HKFRS 8 requires segments to be reported based on the VSC Group's internal reporting pattern as they represent components of the VSC Group regularly reviewed by the management of the VSC Group. The VSC Group will apply HKFRS 8 from 1st April 2009. The management of the VSC Group has made a preliminary assessment and considers that the adoption of HKFRS 8 may result in new and additional segment disclosures.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

於二零零七年四月一日或之後開始之會計期間生效之準則、詮釋及已頒佈準則之修訂 (續)

- 香港 (國際財務報告詮釋委員會) 詮釋第11號 — 香港財務報告準則第2號：集團及庫存股份交易 (於二零零七年三月一日或之後開始之會計期間生效)。萬順昌集團管理層認為有關詮釋與萬順昌集團營運並不相關。
- 香港 (國際財務報告詮釋委員會) 詮釋第12號 — 服務經營權安排 (於二零零八年一月一日或之後開始之會計期間生效)。萬順昌集團管理層認為該項詮釋與萬順昌集團之營運並不相關。
- 香港財務報告準則第7號 — 金融工具：披露及香港會計準則第1號 (修訂) — 財務報表之呈列：資本披露 (於二零零七年一月一日或之後開始之會計期間生效)。萬順昌集團已評估香港財務報告準則第7號及香港會計準則第1號 (修訂) 之影響，並認為主要增加之披露為對市場風險之敏感分析及資本披露。萬順昌集團將自二零零七年四月一日起採納香港財務報告準則第7號及香港會計準則第1號 (修訂)。
- 香港財務報告準則第8號 — 經營分部 (於二零零九年一月一日或之後開始之會計期間生效)。香港財務報告準則第8號取代了香港會計準則第14號 — 分部報告，當中規定分部資料須就對外報告用途而按風險及回報分析予以識別及報告。香港財務報告準則第8號規定分部資料須根據萬順昌集團之內部報告模式，即按相當於萬順昌集團管理層定期審閱萬順昌集團分部資料之方式作出報告。萬順昌集團將自二零零九年四月一日起採用香港財務報告準則第8號。萬順昌集團管理層已進行初步評估，並認為採納香港財務報告準則第8號可能導致萬順昌集團須披露額外及新分部資料。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the VSC Group's operations:

- HKAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 (Amendment), Net Investment in a Foreign Operation;
- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 (Amendment), The Fair Value Options;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Interpretation 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- HK(IFRIC)-Interpretation 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment and
- HK(IFRIC)-Interpretation 7, Applying the Restatement Approach under HKAS 39, Financial Reporting in Hyperinflationary Economics.

2 主要會計政策概要(續)

2.1 編製基準(續)

於二零零六年一月一日或之後開始之會計期間必須採納但與萬順昌集團營運無關之準則、修訂及詮釋如下：

- 香港會計準則第19號(修訂)，精算損益、集團計劃及披露；
- 香港會計準則第21號(修訂)，海外營業投資淨額；
- 香港會計準則第39號(修訂)，預期集團內部之現金對沖會計處理；
- 香港會計準則第39號(修訂)，公平價值選擇權；
- 香港財務報告準則第6號，勘探和評估礦產資源；
- 香港財務報告準則第1號(修訂)，首次採納香港財務報告準則；及香港財務報告準則第6號(修訂)，勘探和評估礦產資源；
- 香港財務報告準則-詮釋4，釐定一項安排是否包括租賃；
- 香港財務報告準則-詮釋5，解除、恢復及環境修復基金所產生的權利；
- 香港(國際財務報告詮釋委員會)-詮釋6，參與特定市場的責任 — 廢棄之電器及電子設備；
- 香港(國際財務報告詮釋委員會)-詮釋7，應用會計準則39號之重列方法，嚴重通脹經濟中的財務報告。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March 2007 and the VSC Group's attributable share of post acquisition results and reserves of its associates.

The gain or loss on the disposal of subsidiaries and associates are determined as the difference between the net disposal proceeds and the VSC Group's share of net assets at the date of disposal.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the VSC Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the VSC Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the VSC Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the VSC Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the VSC Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2 主要會計政策概要(續)

2.2 綜合財務報表

綜合財務報表包括本公司及其附屬公司截至二零零七年三月三十一日止之財務報表及萬順昌集團應佔聯營公司收購後業績及儲備。

出售附屬公司及聯營公司收益或虧損，乃釐定為出售所得款項淨額與萬順昌集團於出售日期應佔淨資產的差額。

(a) 附屬公司

附屬公司指萬順昌集團有權管控其財政及經營政策之所有實體(包括帶有特別目的之實體)，一般附帶超過半數投票權之股權。在評定萬順昌集團是否控制另一實體時，目前可行使或可兌換之潛在投票權之存在及影響均予考慮。

附屬公司在控制權轉移至萬順昌集團之日全面綜合入賬。附屬公司在控制權終止之日起停止綜合入賬。

萬順昌集團採用會計採購法將萬順昌集團收購附屬公司入賬。收購成本根據於交易日期所提供資產公平價值、已發行股本工具及所產生或承擔之負債加上收購直接應佔之成本計量。於業務合併中所收購可識別的資產與所承擔之負債及或然負債初步按於收購日期之公平價值計算，與任何少數股東權益無關。收購成本超出萬順昌集團應佔所收購可識別資產淨值之公平價值之數額列作商譽。倘收購成本低於所收購附屬公司資產淨值之公平價值，則差額直接於收益表中確認。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

Minority interest represent interests in the results and net assets of the subsidiaries comprising the VSC Group which are attributable to outside shareholders.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of an impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the VSC Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less accumulated impairment losses (Note 2.10), if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Associates

Associates are all entities over which the VSC Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The VSC Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the VSC Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the VSC Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 主要會計政策概要 (續)

2.2 綜合財務報表 (續)

(a) 附屬公司 (續)

少數股東權益指屬外界權益持有人佔有萬順昌集團屬下附屬公司之業績及資產淨值之權益。

集團內公司之間的交易、交易之結餘及未實現收益予以對銷。未實現虧損亦予以對銷，但作為已轉讓資產減值之減值指標。

附屬公司的會計政策已按需要作出改變，以確保與萬順昌集團採用的政策符合一致。

在本公司之資產負債表內，於附屬公司之投資按成本值扣除或有之累計減值虧損列賬(附註2.10)。本公司將附屬公司之業績按已收及應收股息基準入賬。

(b) 聯營公司

聯營公司是指凡萬順昌集團對其有重大影響力而無控制權的實體，通常附帶有20%至50%投票權的股權。聯營公司投資以權益會計法入賬，初始以成本確認。

萬順昌集團應佔收購後聯營公司的溢利或虧損於收益表內確認，而應佔收購後儲備之變動則於儲備賬內確認。投資賬面價值會根據累計之收購後儲備變動而作出調整。如萬順昌集團應佔一間聯營公司之虧損等於或超過其在該聯營公司之權益，包括任何其他無抵押應收款，萬順昌集團不會確認進一步虧損，除非萬順昌集團已代聯營公司承擔責任或作出付款。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.2 Consolidation (Continued)****(b) Associates (Continued)**

Unrealised gains on transactions between the VSC Group and its associates are eliminated to the extent of the VSC Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the VSC Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial statements of each of the VSC Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

2 主要會計政策概要 (續)**2.2 綜合財務報表 (續)****(b) 聯營公司 (續)**

萬順昌集團與其聯營公司之間交易的未實現收益按萬順昌集團於聯營公司權益之數額對銷。除非交易提供所轉讓資產減值之憑證，否則未實現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與萬順昌集團採用的政策符合一致。

2.3 分部報告

業務分部指從事提供產品或服務的一組資產和業務，而產品或服務之風險及回報與其他業務分部不同。地區分部指在某個特定經濟環境中從事提供產品或服務，其產品或服務之風險及回報與其他經濟環境中經營的分部不同。

2.4 外幣換算**(a) 功能和呈列貨幣**

萬順昌集團每個實體的財務報表所列項目均以該實體營運所在的主要經濟環境的貨幣計量（「功能貨幣」）。本財務報表以港元呈報，港元為本公司的功能及呈列貨幣。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2 主要會計政策概要 (續)

2.4 外幣換算 (續)

(b) 交易及結餘

外幣交易採用交易日的滙率換算為功能貨幣。結算此等交易產生的滙兌盈虧以及將外幣計值的貨幣資產和負債以年終滙率換算而產生的滙兌盈虧於收益表中確認。

以外幣為單位之可供出售之貨幣性證券之公平價值變動，按照證券之攤銷成本變動與該證券賬面值之其他變動所產生之滙兌差額進行分析。與攤銷成本變動有關之滙兌差額已在收益表中確認，賬面值之其他變動則於權益中確認。

非貨幣性財務資產及負債的換算差額之公平價值盈虧的一部份呈報。非貨幣性財務資產及負債(例如按公平價值持有透過損益記賬之權益工具)的換算差額在收益表中確認為公平價值盈虧的一部份。非貨幣性財務資產(例如分類為可供出售之權益)的換算差額包括在權益中可供出售儲備內。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the VSC Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity holders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 主要會計政策概要(續)

2.4 外幣換算(續)

(c) 集團公司

功能貨幣與呈列貨幣不同之所有萬順昌集團實體(當中沒有嚴重通脹貨幣)之業績及財務狀況均按以下方法換算為列賬貨幣:

- (i) 各資產負債表呈列之資產及負債均以該資產負債表結算日之收市匯率換算;
- (ii) 各收益表之收入及支出均按平均匯率換算(除非該平均價值並非於交易日通行匯率累計影響之合理近似值,在此情況下收入及支出乃按交易日之匯率換算);及
- (iii) 所有由此產生之滙兌差額確認為權益之獨立組成項目。

綜合財務報表時,換算境外實體之投資淨額及借貸及其他用以抵押其他貨幣工具如投資所產生之滙兌差額乃計入股權持有人之權益內。於出售境外業務時,計入股權持有人權益內之滙兌差額會於綜合收益表中確認為出售收益或虧損之部份。

收購境外實體時產生之商譽及公平價值調整乃作為該境外實體之資產及負債處理,並以期終匯率換算。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the VSC Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The principal depreciation rates are as follows:

— Buildings	2.5% to 5%
— Leasehold improvements	20% to 33%
	(lease terms)
— Furniture and equipment	15% to 33%
— Machinery	10% to 25%
— Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2 主要會計政策概要(續)

2.5 物業、廠房及設備

物業、廠房及設備按歷史成本減累計折舊及或有之累計減值虧損列賬。歷史成本包括收購該項目直接應佔之開支。

其後成本只有在與該項目有關的未來經濟利益有可能流入萬順昌集團之下，而該項目的成本能可靠計量時，才包括在資產的賬面價值或確認為獨立資產(按適用)。所有其他維修及保養在產生的財政期間內於收益表支銷。

物業、廠房及設備的折舊採用以下的估計可使用年期將成本或重估價值按直線法分攤至剩餘價值計算。其主要折舊率如下：

— 樓宇	2.5%至5%
— 租賃物業裝修	20%至33%
	(租約年期)
— 傢俬及設備	15%至33%
— 機器	10%至25%
— 汽車	20%

資產之剩餘價值及可使用年期在每個結算日進行檢討，及在適當時調整。

若資產的賬面價值高於其估計可收回價值，其賬面價值即時撇減至可收回金額。

出售之收益及虧損乃按所得款與其賬面價值之差額釐定，並列入收益表中。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Construction-in-progress

Construction-in-progress represents buildings under construction and is stated at cost. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5.

2.7 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease or the land use rights, or when there is impairment, the impairment is expensed in the income statement.

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the VSC Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

2 主要會計政策概要(續)

2.6 在建工程

在建工程指正在建設之樓宇，按成本入賬。成本包括在建樓宇成本，安裝或測試所引致之銀行借貸之利息開支。在建工程並不作出折舊撥備，直至有關資產投入使用後，成本將轉撥至其他物業、廠房及設備，並且根據上述附註2.5所載之政策折舊。

2.7 租賃土地及土地使用權

租賃土地及土地使用權之前期預付款項已作賬於營業租約列賬。租約期間內以直線法於收益表內支銷。當土地使用權出現減值時，其減值將於收益表支銷。

2.8 投資物業

為獲得長期租金收益或資本增值或兩者兼備而持有，且並非由萬順昌集團佔用的物業分類為投資物業。

投資物業包括以營業租約持有的土地及以融資租賃持有的樓宇。以營業租約持有的土地，如符合投資物業其餘定義，按投資物業分類及記賬。營業租約猶如其為融資租賃而記賬。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the VSC Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by independent external valuers, in accordance with the guidance issued by the International Valuation Standards Committee.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the VSC Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2 主要會計政策概要(續)

2.8 投資物業(續)

投資物業初步按其成本計量，包括相關的交易成本。在初步確認後，投資物業按公平價值列賬。公平價值根據活躍市場價格計算，如有需要就個別資產的性質、地點或狀況的任何差異作出調整。如沒有此項資料，萬順昌集團利用其他估值方法，例如較不活躍市場的近期價格或貼現現金流量預測法。此等估值每年由外部估值師檢討，根據國際估值準則委員會發出之指引執行。

投資物業的公平價值反映(包括其他)來自現有租賃之租金收入，及在現時市場情況下對未來租賃的租金收入假設。公平價值之變動已在收益表中確認。

其後開支只有在與該項目有關的未來經濟利益有可能流入萬順昌集團，而該項目的成本能可靠衡量時，才計入在資產的賬面價值中。所有其他維修及保養成本在產生的財政期間內於收益表支銷。

若投資物業變成業主自用，則重新分類為物業、廠房及設備，其物業之公平價值會於重新分類日期中轉為成本。

若物業、廠房及設備之一項項目因其用途改變而成為投資物業，根據香港會計準則第16號，該項目於轉讓當日之賬面價值與公平價值間之差異將於股本內確認為物業、廠房及設備重估。然而，倘公平價值收益導致過往之減值虧損出現轉回，有關收益將於收益表內確認。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the VSC Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in interests in associates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill arose.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation or amortisation, which are at least tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 主要會計政策概要 (續)

2.9 商譽

商譽指收購成本高於萬順昌集團於收購日期應佔所收購附屬公司／聯營公司之可確認資產淨值之公平價值之差額。收購附屬公司產生之商譽計入無形資產。收購聯營公司產生之商譽計入聯營公司權益。獨立確認之商譽每年或當有減值跡象時檢討有否減值及按成本減累計減值虧損列賬。商譽之減值虧損不予撥回。

出售一間實體之收益及虧損包括所有出售實體之商譽賬面金額。

為進行減值評估，商譽被劃分至現金產生單位。商譽歸入產生現金單位或預期可受惠於產生商譽之業務合併之產生現金以查核減值。

2.10 非財務資產之減值

無特定期限之資產毋須折舊或攤銷，但此等資產每年均接受至少一次減值評估。至於須攤銷之資產，如有任何跡象顯示出現耗蝕，該資產亦會被評估當時之減值情況。減值虧損為資產賬面金額超越其可收回價值之數額。可收回價值為資產公平價值減出售成本後之價值與其使用價值之間之較高者。為了評估資產減值，其現金流量（現金產生單位）之最低水平會被獨立地確認劃分資產類別。除商譽以外而出現減值的非金融資產可於各報告日期就可能撥回減值進行審閱。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

The VSC Group classifies its financial assets as available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other gains when the VSC Group's right to receive payments is established.

2 主要會計政策概要(續)

2.11 財務資產

萬順昌集團將其財務資產分類為可供出售，分類方法乃取決於投資項目之收購目的。管理層會於初次確認時釐定其財務資產之分類，並於每個報告日期重新評估該分類。

可供出售的財務資產指已在本類別內指定或未在任何其他類別內分類的非衍生工具。可供出售財務資產為非衍生工具。除非管理層擬於結算日12個月內將投資出售，否則其將包括在非流動資產內。財務資產其後以公平價值入賬。

以外幣為單位之可供出售的貨幣性證券之公平價值變動，按照證券的攤銷成本變動與該證券賬面值的其他變動所產生的滙兌差額進行分析。貨幣性證券的滙兌差額在收益表中確認，非貨幣性證券的滙兌差額則於權益中確認。被分類為可供出售的非貨幣性證券的公平價值變動，亦於權益中確認。

當分類為可供出售之證券出售或減值時，累計公平價值調整會作為投資證券收益或虧損計入收益表中。

使用實際利息計算之可供出售證券之利息將於收益表中確認為財務收入。可供出售股本工具之股息將於萬順昌集團收取款項之權利確立時於收益表中確認為其他收益。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the VSC Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The VSC Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Since the derivative instruments entered into by the VSC Group do not qualify for hedge accounting, changes in the fair value of any derivative instruments are recognised immediately in the income statement.

2 主要會計政策概要(續)

2.11 財務資產(續)

有報價投資之公平價值根據當時之買盤價計算。若某項財務資產之市場並不活躍(及就非上市證券而言)，萬順昌集團利用重估技術設定公平價值。這些技術包括利用近期公平原則交易、參考大致相同之其他工具、貼現現金流量分析和經改良之期權定價模式，以反映發行人的具體情況。

萬順昌集團於各結算日評估是否存在客觀證據證明某項財務資產或某組財務資產出現減值。對於分類為可供出售之股權證券，在釐定證券是否已經減值時，會考慮證券公平價值有否大幅或長期跌至低於其成本。若可供出售之財務資產存在此等證據，累計虧損—按收購成本與當時公平價值之差額，減該財務資產之前於收益表確認之任何減值虧損計算—自權益中剔除並在收益表記賬。在收益表確認之股權工具減值虧損不會透過收益表撥回。

2.12 衍生金融工具

衍生工具最初於訂立衍生工具合約之日按公平價值確認，其後按公平價值重新計量。由此產生之收益或虧損之確認方法，視乎該衍生工具是否被指定為對沖工具，若被指定為對沖工具，亦視乎受對沖項目之性質而定。由於萬順昌集團有關之衍生工具不適宜採用對沖會計法處理，故衍生工具公平價值之變動會即時於收益表中確認。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Installation contracts

When the outcome of an installation contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised when incurred.

When the outcome of an installation contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The VSC Group uses the percentage-of-completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on installation contract work under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on installation contract work under current liabilities.

2 主要會計政策概要(續)

2.13 存貨

存貨按成本及與可變現淨值兩者中之較低者入賬。成本以先入先出法計算。製成品及半製成品之成本，包括原材料、直接勞工工資，其他直接成本及有關之生產費用(根據正常經營能力)，但不包括借貸成本。可變現淨值根據其於正常業務運作下之銷售價格減去適當之可變銷售支出。

2.14 安裝合約

倘安裝合約之結果未能可靠地估計，則僅入賬確認大有可能收回之已產生合約成本為合約收入，合約成本於產生期間確認。

倘安裝合約之結果可以可靠地估計，則合約收入及合約成本會按其合約期間，分別入賬確認為收入及支出。萬順昌集團採用完成百分比計算法按適當收入及成本金額在指定期間確認入賬。倘合約成本總額大有可能超逾合約收入總額，則其預算虧損即時入賬確認為支出。

每份合約產生之成本與已確認之損益總額，與截至年終為止之進度款項作一比較。當已發生成本與已確認之溢利(減已確認之虧損)超過進度款項之款額，有關差額將列作流動資產下之應收客戶之安裝合約工程。當進度款項之款額超過已發生成本加已確認之溢利(減已確認之虧損)，差額將列作流動負債下之應付客戶之安裝合約工程。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables and other receivables is established when there is objective evidence that the VSC Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade and other receivables is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administration expenses in the income statement. The amount of the provision is recognised in the income statement.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term deposits within original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 主要會計政策概要(續)

2.15 應收及其他應收賬款

應收賬款最初按公平價值確認，而其後則採用實際利率法按已攤銷成本減值撥備計量。倘有客觀理據顯示萬順昌集團將不能按應收賬款之原有條款收回所有到期款項，則會對應收賬款作出減值撥備。債務人如有嚴重財務困難，或有可能面臨破產或財務重組及違約或拖延付款，將被視為應收及其他應收賬款及票據出現減值之指示。撥備之數額為資產賬面值與估計未來現金流量現值之間差額，並按實際利率貼現。資產的賬面值透過使用備付賬戶削減，而有關的虧損數額則在收益表內的一般及行政支出中確認。如一項應收款項無法收回，則會與應收賬款項內之備付賬戶撇銷。過往已撇銷款項如其後收回，將撥回收益表中之一般及行政支出內。而撥備之數額於收益表中確認。

2.16 現金及現金等值

現金及現金等值包括手頭現金、存於銀行之通知存款，於三個月內到期之其他短期存款及銀行透支。銀行透支於資產負債表中流動負債之借貸中顯示。

2.17 股本

普通股界定為權益。

發行新股或購股權直接應佔之增量成本於權益內列作所得款項(扣除稅項)中扣減。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the VSC Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisitions, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.20 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 主要會計政策概要 (續)

2.18 借貸

借貸最初按公平價值，扣除已產生之交易成本確認。交易成本為收購、發行或出售一項財務資產或財務負債直接應佔之增長成本，包括向代理、顧問、經紀及交易商所支付之費用及佣金、監管代理機構及證券交易所徵收之款項及過戶登記稅項及稅款。借貸其後按已攤銷成本列賬；所得款項（扣除交易成本）與贖回價值間之任何差額於借貸期使用實際利率法於收益表中確認。

除非萬順昌集團擁有無條件權利延遲償還負債直至結算日後最少12個月，否則借貸界定為流動負債。

2.19 借貸成本

需以長時間準備作計劃用途或出售之資產收購、建造或生產而產生之直接應計之借貸成本撥為該資產之部份成本。所有其他借貸成本乃於其產生之年度於收益表扣除。

2.20 遞延所得稅

遞延所得稅乃利用負債法就資產與負債之稅基與它們在賬目之賬面值兩者之短暫時差作全數撥備。然而，若遞延所得稅來自在交易（不包括企業合併）中對資產或負債的初步確認，而在交易時不影響會計損益或應課稅盈虧，則不作記賬。遞延所得稅採用在結算日前已頒佈或實質採用，並在有關之遞延所得稅資產實現或遞延所得稅負債結算時預期將會適用之稅率及法例而釐定。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Deferred income tax (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the VSC Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Employee benefits

(a) Retirement benefits

The VSC Group participates in several defined contribution retirement benefit schemes. A defined contribution plan is a retirement benefit scheme under which the VSC Group pays contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The schemes are generally funded through payments to insurance companies or state/trustee-administered funds. The VSC Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(b) Bonus plans

The VSC Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 主要會計政策概要 (續)

2.20 遞延所得稅 (續)

遞延所得稅資產乃就大有可能將未來應課稅溢利與可動用之短暫時差抵銷而確認。

遞延所得稅會就有關在附屬公司及聯營公司之投資所產生之短暫時差而撥備，但假若萬順昌集團可以控制短暫時差撥回之時間，並大有可能在可預見未來不會撥回該短暫時差則除外。

2.21 員工福利

(a) 退休福利

萬順昌集團參與數項界定供款退休福利計劃。萬順昌集團界定供款計劃為強制、合約或自願基準支付供款予一獨立實體之退休福利計劃。此等計劃一般透過向保險公司或受託管理基金付款而注資。萬順昌集團於作出供款後，即無進一步付款責任。倘基金不具備足夠資產，無法就本期及過往期間之僱員服務向所有僱員支付福利，則萬順昌集團並無法律或推定責任作進一步供款。

供款於應付時確認為僱員成本，並可由歸屬前離開計劃之僱員所放棄之全數供款撇減。

(b) 花紅計劃

萬順昌集團就花紅確認相應負債及費用。當於合約規定或由過往做法產生推定責任時，本集團則會確認撥備。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Share-based compensation

The VSC Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 主要會計政策概要 (續)

2.21 員工福利 (續)

(c) 僱員應享假期

僱員的應享年假乃於應計予僱員時確認。僱員因提供服務產生的應享年假乃按截至結算日之年假估計負債計算撥備。僱員應享病假及分娩假期僅於支取時才確認。

(d) 股份基礎補償

萬順昌集團設有股本交收、股份基礎補償計劃。就僱員所作出之服務而授出之購股權之公平價值，乃確認為支出。將於未獲准行使期內支付之款項總額乃經參考所授出購股權之公平價值所釐訂，且不包括任何非市況獲准行使條件（如盈利能力及銷售增長目標）之影響。非市況獲准行使條件乃於估計將可予行使之購股權數目時考慮。於各結算日，實體均會修訂其估計將可予行使之購股權數目。其將於收益表內確認修訂原本估計之影響（如有），並將於對股本作出相應調整。

於購股權獲行使時，所收取之所得款項淨額（扣除直接應佔之交易成本）乃計入股本（面值）及股份溢價中。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Provisions

Provisions are recognised when the VSC Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the VSC Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 主要會計政策概要 (續)

2.22 撥備

萬順昌集團因已發生的事件而產生現有的法律或推定責任，較可能需要有資源流出以償付責任，金額已經可靠估計。未來經營虧損概不作撥備。

如有多項類似責任，其需要在償付中流出資產的可能性，根據責任的類別整體考慮。即使在同一責任類別所包含的任何一個項目相關的資源流出的可能性極低，仍須確認撥備。

撥備採用稅前利率按照預期需償付有關責任之開支之現值計量，該利率反映當時市場對金錢時間值和有關責任固有風險的評估。隨著時間過去而增加之撥備確認為利息支出。

2.23 或然負債及或然資產

或然負債乃指因過往事件而可能產生之負債，或然負債存在與否僅由出現或並無出現一項或多項萬順昌集團未能全力控制之不明朗未來事件而決定。或然負債亦可以是由過往事件產生而未予確認之現有債務，但由於可能毋需流出經濟資源或責任金額未能可靠計算而未有確認。

或然負債不會被確認，但會在財務報表附註披露。當流出資源之可能性改變導致可能流出資源時，此等負債將確認為撥備。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Contingent liabilities and contingent assets (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the VSC Group. Contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, it will then be recognised as an asset.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the VSC Group's activities, net of value-added tax, rebates, returns and discounts and after elimination of sales within the VSC Group.

The VSC Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the VSC Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The VSC Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(a) *Sales of goods*

Sales of goods are recognised when a group entity sells a product to the customer, has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assumed.

2 主要會計政策概要 (續)

2.23 或然負債及或然資產 (續)

或然資產指因已發生之事件而可能產生之資產，此等資產需就某一宗或多宗事件會否發生才能確認，而萬順昌集團並不能完全控制其會否實現。或然資產不會被確認，但會於可能收到經濟效益時在綜合財務報表附註中披露。若實質確定有收到經濟效益時，此等效益才被確立為資產。

2.24 收入確認

收入包括萬順昌集團在日常運作下之已收或應收之貨品及服務銷售而產生之公平價值代價，並扣除增值稅回扣及折扣以及對銷了萬順昌集團內部銷售。

當收益數額能夠可靠計量、未來經濟利益有可能流入有關實體，而萬順昌集團每項活動均符合具體條件時(如下文所述)，萬順昌集團便會將收入確認。除非與收入有關之所有或然事項均已解決，否則收入數額不被視為能夠可靠計量。萬順昌集團會根據其往績並考慮客戶類別、交易種類和每項安排之特點作出估計。

收入確認如下：

(a) *銷售貨品*

銷售貨品於集團實體將產品銷售予客戶、已將產品交付予客戶及客戶接受該產品並且能夠合理確定收回相關應收款項之機會時確認入賬。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(b) *Revenue from installation contracts*

Revenue from each individual installation contract is recognised using the percentage-of-completion method by reference to the stage of completion of the contract activity, generally based on the proportion of contract costs incurred for work performed to date to estimated total contract costs (Note 2.14).

(c) *Service income*

Service income is recognised when the services are rendered.

(d) *Rental income*

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(f) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

Advance payments received from customers prior to delivery of merchandise are recorded as receipts in advance.

2 主要會計政策概要 (續)

2.24 收入確認 (續)

(b) *安裝合約之收入*

每份個別安裝合約之收入會參照合約活動之完成階段然後以完成百分比計算法予以確認。完成百分比普遍按照已執行工作之合約成本對比預期總合約成本之比例(附註2.14)。

(c) *服務收入*

服務收入會當服務產生時確認。

(d) *租金收入*

租金收入於有關租約期內以直線法予以確認。

(e) *股息收入*

股息收入乃於確定有權收取股息支付時予以確認。

(f) *利息收入*

利息收入按適用息率以時間比例作基準予以確認。

於付運貨品前預先向客戶收取之款項均列作預收款項入賬。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Operating leases

(a) As a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the leases.

(b) As a lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.26 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as an liability in the VSC Group's financial statements in the period in which the dividends are approved by the Company's equity holders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The VSC Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risk.

Management regularly monitors the financial risks of the VSC Group. Because of the simplicity of the financial structure and the current operations of the VSC Group, no major hedging activities are undertaken by management.

2 主要會計政策概要(續)

2.25 營業租約

(a) 作為承租人

如租約擁有權的重大部份風險和回報由出租人保留，分類為營業租約。根據營業租約支付的款項(扣除自出租人收取之任何獎勵金後)於租賃期內以直線法在收益表扣除。

(b) 作為出租人

當資產按營業租約出租時，該資產將按資產之類別在資產負債表中顯示。租金收入於租賃期內以直線法記賬。

2.26 股息分派

向本公司股權持有人分派之股息在股息獲本公司股權持有人批准之期間內於萬順昌集團之財務報表中列為負債。

3 財務風險管理

3.1 財務風險因素

萬順昌集團之經營活動面對多種財務風險：外匯風險、信貸風險、流動資金風險及現金流量及公平值利率風險。

管理層定期監察萬順昌集團之財務風險。基於萬順昌集團之財務架構及現行營運模式簡單，管理層沒有進行重大對沖活動。

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)***(a) Foreign exchange risk*

The VSC Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and Chinese Renminbi. The VSC Group may use forward contracts to manage its foreign exchange risk arising from future commercial transactions.

(b) Credit risk

The VSC Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. The VSC Group has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the VSC Group's management aims to maintain flexibility in funding by keeping committed credit lines available.

3 財務風險管理 (續)**3.1 財務風險因素 (續)***(a) 外匯風險*

萬順昌集團須面對來自多種貨幣，主要與美元和人民幣有關之外匯風險。萬順昌集團利用遠期合約管理其來自日後進行之商業交易之外匯風險。

(b) 信貸風險

萬順昌集團並無重大集中之信貸風險。萬順昌集團訂有政策以確保銷售予具有合適信貸紀錄之客戶。衍生交易方及現金交易僅限於信貸良好之財務機構。萬順昌集團訂有政策限制各財務機構之信貸風險金額。

(c) 流動資金風險

奉行審慎之流動資金風險管理指維持足夠現金及具市場價值之證券、透過充裕之已承諾信貸融資以維持足夠庫存現金及平倉能力。鑑於多元化之業務性質，萬順昌集團致力保持信貸融資及資金供應之靈活性。

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest-rate risk

As the VSC Group has no significant interest-bearing assets, the VSC Group's income and operating cash flows are substantially independent of changes in market interest rates.

The VSC Group's interest-rate risk arises from bank borrowings. Bank borrowings issued at variable rates expose the VSC Group to cash flow interest-rate risk. No floating-to-fixed interest rate swaps is entered by the VSC Group to manage the cash flow interest rate risk. The VSC Group regularly seeks out the most favorable interest rates available for its bank borrowings.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the VSC Group is the current bid price.

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques. The VSC Group uses a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade and bill receivables and trade and bill payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the VSC Group for similar financial instruments.

3 財務風險管理 (續)

3.1 財務風險因素 (續)

(d) 現金流量及公平價值利率風險

由於萬順昌集團並無任何重大之計息資產，萬順昌集團之收入及經營現金流量大致與市場利率變動無關。

萬順昌集團之利率風險來自銀行借貸。浮息貸款使萬順昌集團承受現金流量利率風險。萬順昌集團並無訂立任何浮息及定息掉期存款以管理現金流量利率風險。萬順昌集團定期尋求可給予其銀行貸款之最優惠利率。

3.2 公平價值估算

於市場買賣之金融工具，其公平價值為結算日所報之市價。萬順昌集團所持財務資產之所報市價為現時買價。

非於市場買賣之金融工具，其公平價值乃使用多種估值技術釐定。萬順昌集團使用多種方法，於各結算日存在之市況作出假設，以釐定餘下財務工具之公平價值。

應收及應付賬款及票據之面值減去估計信貸調整後假設與其公平價值相若。作為披露目的，財務負債公平價值之估計按未來合約之現金流量以萬順昌集團可取得之類似金融工具之現行市場利率貼現計算。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The VSC Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives, residual values and depreciation of property, plant and equipment

The VSC Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(b) Impairment of property, plant and equipment and leasehold land and land use rights

Property, plant and equipment and leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

4 重要會計推算及判斷

所採用之推算及判斷會被經常檢查，並以過往經驗及其他因素作為基礎，包括在現況下對未來事件之合理預期。

萬順昌集團就未來作出推算及假設。在定義上，由此而生之會計推算極少與相關之實際結果相同。具相當風險導致下個財政年度之資產與負債賬面值作重大調整之推算及假設將於下文論述。

(a) 物業、廠房及設備之可使用年期、剩餘值及折舊

萬順昌集團之管理層負責釐定其物業、廠房及設備之估計可使用年期、剩餘值及相關折舊開支。該估計乃根據性質及功能相近之物業、廠房及設備之過往實際使用年期而作出。倘可使用年期較之前之估計為短，則管理層會提高折舊開支，或將已報廢或出售之技術過時或非策略資產撇銷或撇減。實際經濟年期可能有別於估計可使用年期，實際剩餘值亦可能有別於估計剩餘值。定期檢討可能會令折舊年期及剩餘值出現變動，因而改變日後期間之折舊費用。

(b) 物業、廠房及設備及租賃土地及土地使用權之減值

於出現任何事件或情況變動顯示賬面金額可能不可收回時，萬順昌集團會評估物業、廠房及設備及租賃土地及土地使用權有否出現減值。可收回金額已根據使用價值計算方法或市場估值釐定。該等計算需要作出判斷及估計。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Impairment of property, plant and equipment and leasehold land and land use rights (Continued)

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the VSC Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Impairment of goodwill

The VSC Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five-year period. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

4 重要會計推算及判斷 (續)

(b) 物業、廠房及設備及租賃土地及土地使用權之減值 (續)

管理層需要運用判斷以釐定資產減值，特別於評估：(i)已發生事件是否顯示相關資產價值可能不可收回；(ii)按在業務中持續使用之資產而估計該項資產之可收回金額（為資產公平值減銷售成本與未來現金流量之淨現值兩者中之較高數額）能否支持該項資產之賬面值；以及(iii)在編製現金預計流量時使用之主要假設是否適當，包括該等現金流量是否按適當比率貼現。倘改變管理層用以確定減值程度之假設（包括現金流量預測中採用之貼現率或增長率假設），可能會對減值測試中使用之淨現值產生重大影響，因而會影響萬順昌集團之財政狀況及營運業績。倘該業務之預測表現與所實現之未來現金流預測出現重大逆轉，則可能有必要於收益表中作減值支出。

(c) 商譽減值

萬順昌集團每年測試商譽有否出現任何減值。就減值審閱而言，商譽之可收回金額乃按使用價值計算釐定。使用價值計算主要利用按管理層批核之五年財政預算及於五年期間結束時之估計終值為基準之現金流量預測。編製批核預算涵蓋期間之現金流量預測涉及多項假設及估計。主要假設包括預期收益增幅及毛利率、日後資本開支之時限、增長率及選定貼現率以反映涉及之風險。管理層編製財政預算，以反映實際及過往年度表現與市場發展預測。釐定現金流量預測採用之主要假設需要作出判斷，而主要假設改變可重大影響該等現金流量預測，從而影響減值審閱之結果。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimations at each balance sheet date.

(e) Trade and other receivables

The VSC Group's management determines the provision for impairment of trade and other receivable based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Management reassesses the provision at each balance sheet date.

(f) Income taxes and deferred income tax

The VSC Group is subject to income taxes in Hong Kong and Mainland China. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The VSC Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates have been changed.

4 重要會計推算及判斷(續)

(d) 存貨之可變現淨值

存貨之可變現淨值為日常業務過程中之估計售價減估計完成成本及可變銷售開支。該等估計乃按現時市況以及製造及銷售類似性質產品之過往經驗為基準。其可因客戶品味轉變及競爭對手為應付嚴峻行業週期採取行動而大幅改變。管理層於每個結算日重估該等估計。

(e) 貿易及其他應收款項

萬順昌集團之管理層按評估應收款項之可收回程度釐定貿易及其他應收款項之減值撥備。該評估乃按其客戶及其他債務人之信貸歷史以及現時市況為基準。管理層於每個結算日重估撥備。

(f) 所得稅及遞延所得稅項

萬順昌集團須繳納香港及中國內地所得稅。於日常業務過程中有頗多未能確定最終稅項之交易及計算。萬順昌集團估計日後會否須繳納額外稅項，從而確認對預期稅務審核事宜之責任。倘該等事宜之最終稅務結果與初步記錄之金額不符，有關差異將影響作出釐定之期間內之所得稅及遞延所得稅撥備。

倘管理層認為未來應課稅溢利可用作對銷暫時性差異或稅項虧損可予動用時，則會確認與若干暫時性差異及稅項虧損有關之遞延所得稅資產。倘預期結果與原先之估計不同，有關差異會對有關估計出現變動之期間內遞延所得稅資產及所得稅之確認將構成影響。

5 REVENUE AND SEGMENT INFORMATION

5 收入及分部資料

(a) Revenue by nature

(a) 收入按種類

		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
Processing/manufacturing of industrial products	加工／製造工業產品		
— Rolled flat steel products	— 卷鋼產品	1,510,318	1,102,078
— Enclosure systems	— 系統設備外殼	197,516	141,564
Trading of engineering plastic resins	買賣工程塑膠樹脂	344,518	258,551
Stockholding and trading of construction materials	存銷與買賣建築材料		
— Steel products — steel rebars, structural steel and flat steel products	— 鋼材產品 — 鋼筋、結構鋼及板材產品	2,604,869	2,916,604
— Sanitary wares and kitchen cabinets	— 潔具及廚櫃	208,036	154,333
Net rental income from investment properties	投資物業之淨租金收入	856	1,809
Others	其他	1,544	—
		4,867,657	4,574,939

(b) Primary reporting format — business segments

(b) 主要申報形式 — 業務分部

The VSC Group operates predominantly in Hong Kong and Mainland China and in two business segments — (i) China Advanced Materials Processing (“CAMP”), including processing/manufacturing of industrial products such as rolled flat steel products and enclosure systems, and trading of engineering plastic resins, and (ii) Construction Materials Group (“CMG”), including stockholding and trading of construction materials such as steel products, sanitary wares and kitchen cabinets, and installation work of kitchen cabinets.

萬順昌集團主要於香港和中國內地經營兩項業務— (i)中國先進材料加工(「CAMP」)，包括加工／製造工業產品例如卷鋼產品及系統設備外殼，與及買賣工程塑膠樹脂，及(ii)建築材料(「CMG」)，包括存銷與買賣建築材料，例如鋼材產品、潔具及廚櫃與及安裝廚櫃。

5 REVENUE AND SEGMENT INFORMATION
(Continued)

5 收入及分部資料 (續)

(b) Primary reporting format — business segments
(Continued)

(b) 主要申報形式 — 業務分部 (續)

Analysis of the VSC Group's results by business segment is as follows:

萬順昌集團之業績按業務分部分析如下：

		2007 二零零七年				
		CAMP	CMG	Other operations	Elimination	Group
		中國先進 材料加工 HK\$'000 千港元	建築材料 HK\$'000 千港元	其他業務 HK\$'000 千港元	抵銷 HK\$'000 千港元	集團 HK\$'000 千港元
External revenue	對外收入	2,052,352	2,812,905	2,400	—	4,867,657
Inter-segment revenue	分部間收入	—	193,877	—	(193,877)	—
		2,052,352	3,006,782	2,400	(193,877)	4,867,657
Segment results	分部業績	37,359	119,019	(5,564)		150,814
Other gains/(losses) — net	其他收益/ (虧損) — 淨額	36,250	1,702	(714)		37,238
Unallocated corporate expenses	未分配企業支出					(58,198)
Operating profit	經營溢利					129,854
Finance income	財務收入					4,982
Finance costs	財務費用					(41,383)
Income tax expense	所得稅支出					(12,534)
Profit for the year	年度溢利					80,919
		CAMP	CMG	Other operations	Unallocated	Group
		中國先進 材料加工 HK\$'000 千港元	建築材料 HK\$'000 千港元	其他業務 HK\$'000 千港元	未分配 HK\$'000 千港元	集團 HK\$'000 千港元
Assets	資產	1,252,863	898,335	50,066	47,428	2,248,692
Liabilities	負債	248,365	270,013	2,576	720,335	1,241,289
Capital expenditure	資本支出	46,636	4,134	2,195	—	52,965
Depreciation and amortisation	折舊及攤銷	13,906	5,748	—	1,017	20,671
Impairment of trade receivables	應收賬款減值	6,020	1,421	—	—	7,441
Write-down/(write-back) of inventories	存貨撇減/(撤回)	36,245	(3,094)	—	—	33,151

5 REVENUE AND SEGMENT INFORMATION
(Continued)

5 收入及分部資料 (續)

(b) Primary reporting format — business segments
(Continued)

(b) 主要申報形式 — 業務分部 (續)

		2006 二零零六年				
		CAMP	CMG	Other operations	Elimination	Group
		中國先進 材料加工 HK\$'000 千港元	建築材料 HK\$'000 千港元	其他業務 HK\$'000 千港元	抵銷 HK\$'000 千港元	集團 HK\$'000 千港元
External revenue	對外收入	1,502,193	3,070,937	1,809	—	4,574,939
Inter-segment revenue	分部間收入	—	85,981	—	(85,981)	—
		1,502,193	3,156,918	1,809	(85,981)	4,574,939
Segment results	分部業績	31,708	73,836	(5,650)		99,894
Other gains — net	其他收益 — 淨額	7,260	6,544	419		14,223
Unallocated corporate expenses	未分配企業支出					(46,051)
Operating profit	經營溢利					68,066
Finance income	財務收入					4,490
Finance costs	財務費用					(45,959)
Income tax expense	所得稅支出					(68)
Profit for the year	年度溢利					26,529
		CAMP	CMG	Other operations	Unallocated	Group
		中國先進 材料加工 HK\$'000 千港元	建築材料 HK\$'000 千港元	其他業務 HK\$'000 千港元	未分配 HK\$'000 千港元	集團 HK\$'000 千港元
Assets	資產	877,864	868,686	50,654	49,999	1,847,203
Liabilities	負債	246,606	65,777	2,282	772,279	1,086,944
Capital expenditure	資本支出	8,106	10,243	—	—	18,349
Depreciation and amortisation	折舊及攤銷	12,878	6,702	—	986	20,566
Impairment of trade receivables	應收賬款減值	2,057	1,840	15	—	3,912
Write-down of inventories	存貨撇減	6,491	5,228	—	—	11,719
Recognition of impairment loss previously debited to revaluation reserve of an available-for-sale financial asset	確認以前已於重估儲備中扣除之一項可供出售之財務資產之減值虧損	—	—	14,424	—	14,424
Impairment of goodwill	商譽減值	1,437	—	—	—	1,437

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Primary reporting format — business segments (Continued)

Unallocated cost represents corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, goodwill, inventories, due from customers on installation contract work, trade and bill receivables, prepayments, deposits and other receivables and cash. They exclude items such as investment properties, available-for-sale financial assets and derivative financial instruments.

Segment liabilities comprise operating liabilities and exclude corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 15), investment properties (Note 16), and leasehold land and land use rights (Note 17), including additions resulting from acquisitions through business combinations, if any.

Other operations mainly comprise the provision of rental services in Hong Kong and other investments which do not constitute separately reportable segments.

5 收入及分部資料 (續)

(b) 主要申報形式 — 業務分部 (續)

未分配成本為企業支出，分部間轉撥或交易按可供無關連之人士之正常商業條款進行。

分部資產主要包括物業、廠房及設備，租賃土地及土地使用權、商譽、存貨、應收客戶之安裝合約工程、應收賬款及票據、預付款項、按金及其他應收賬款及現金。當中並不包括投資物業及可供出售之財務資產及衍生金融工具等項目。

分部負債包括經營負債而並不包括企業借貸。

資本支出包括新增之物業、廠房及設備(附註15)、投資物業(附註16)及租賃土地及土地使用權(附註17)，亦包括透過業務合併收購之新增項目。

其他業務主要包括在香港提供之租務服務及其他投資。此兩者並沒有構成獨立之滙報分部。

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Secondary reporting format — geographic segments

The VSC Group's business activities operate predominately in Hong Kong and Mainland China.

Analysis of the VSC Group's results by geographical segment is as follows:

		2007 二零零七年		
		Hong Kong 香港 HK\$'000 千港元	Mainland China 中國內地 HK\$'000 千港元	Total 總額 HK\$'000 千港元
External revenue	對外收入	1,219,606	3,648,051	4,867,657
Assets	資產	615,028	1,633,664	2,248,692
Capital expenditure	資本支出	2,019	50,946	52,965

		2006 二零零六年		
		Hong Kong 香港 HK\$'000 千港元	Mainland China 中國內地 HK\$'000 千港元	Total 總額 HK\$'000 千港元
External revenue	對外收入	1,306,327	3,268,612	4,574,939
Assets	資產	558,511	1,288,692	1,847,203
Capital expenditure	資本支出	4,067	14,282	18,349

Revenue are allocated based on the places in which customers are located.

Assets and capital expenditure are allocated based on where the assets are located.

5 收入及分部資料 (續)

(c) 次要申報形式—地區分部

萬順昌集團之業務主要在香港及中國內地經營。

萬順昌集團之業績按地區分部分析如下：

收入按顧客之地區位置而分配。

資產及資本支出按該等資產之地區位置而分配。

6 OTHER GAINS — NET

6 其他收益 — 淨額

		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
(Loss)/gain on disposal of a subsidiary	出售一間附屬公司之 (虧損)/收益	(3,430)	4,740
Loss on disposal of certain interest in a subsidiary	出售一間附屬公司 若干權益之虧損	—	(198)
Gain on disposal of certain interest in a subsidiary	出售一間附屬公司 若干權益之收益	7,020	607
Gain on deemed disposal of certain interest in a subsidiary	視作出售一間附屬公司 若干權益之收益	26,024	—
Fair value gains on investment properties	投資物業按公平價值之收益	2,000	11,188
Net fair value gains/(losses) on forward foreign exchange contracts	遠期外匯合約按公平價值之 淨收益/(虧損)	2,656	(952)
Fair value loss on an interest rate instrument	一項利率工具按公平價值之 虧損	(7,592)	—
Net fair value gain on call/put options arising from deemed disposal	視作出售引致之認購權/ 認沽權按公平價值之淨收益	7,211	—
Impairment of goodwill	商譽減值	—	(1,437)
Impairment loss/recognition of impairment loss previously debited to revaluation reserve of an available-for-sale financial asset	減值虧損/確認以前已於重估 儲備中扣除之一項可供出售 之財務資產之減值虧損	(1,473)	(14,424)
Gain/(loss) on disposal of an available-for-sale financial asset	出售一項可供出售之 財務資產之收益/(虧損)	336	(1,560)
Dividend income from available-for-sale financial assets	可供出售之財務資產之 股息收入		
— listed	— 上市	22	14
— unlisted	— 非上市	1,923	1,589
Service income	服務收入	—	1,087
Exchange gain — net	兌換收益 — 淨額	2,541	7,867
Others	其他	—	5,702
		37,238	14,223

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

7 按性質劃分之支出

包括在銷售成本、銷售及分銷支出與一般及行政支出內之支出之分析如下：

		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
Raw materials consumed and finished goods sold	原材料耗用及製成品銷售	4,449,055	4,270,793
Amortisation of leasehold land and land use rights	租賃土地及土地使用權之攤銷	466	660
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	20,205	19,906
Loss on disposals of property, plant and equipment	出售物業、廠房及設備之虧損	1,044	32
Employment costs (Note 13)	僱員成本(附註13)	113,066	86,514
Operating lease rental in respect of	營業租約租金		
— land and buildings	— 土地及樓宇	11,181	10,038
— plant and machinery and motor vehicles	— 廠房及機器及汽車	3,423	3,684
Impairment of trade receivables	應收賬款減值	7,441	3,912
Impairment of other receivables	其他應收賬款減值	5,752	—
Write-down of inventories	存貨撇減	33,151	11,719
Auditor's remuneration	核數師酬金	1,700	1,225
Others	其他	128,557	112,613
Total cost of sales, selling and distribution expenses and general and administrative expenses	銷售成本、銷售及分銷支出與一般及行政支出總額	4,775,041	4,521,096

8 FINANCE INCOME AND COSTS

8 財務收入及費用

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Finance income	財務收入		
Interest income on short-term bank deposits	短期銀行存款之利息收入	4,982	4,490
Finance costs	財務費用		
Interest expenses on:	利息支出：		
borrowings wholly repayable within five years	須於五年內全數償還之 銀行借貸	(40,864)	(45,363)
other loans wholly repayable within five years	須於五年內全數償還之 其他貸款	(519)	(596)
		(41,383)	(45,959)
Net finance costs	淨財務費用	(36,401)	(41,469)

9 INCOME TAX EXPENSE

9 所得稅支出

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established in Mainland China are subject to Mainland China enterprise income tax at rates ranging from 10% to 33% (2006: 10% to 33%). However, subsidiaries engaging in manufacturing are exempted from Mainland China enterprise income tax for two years starting from the first year of profitable operations after offsetting prior years' tax losses, followed by a 50% reduction for the next three years.

萬順昌獲豁免繳納百慕達稅項直至二零一六年。

香港利得稅乃根據來自或賺取自香港之估計應課稅溢利按稅率17.5%(二零零六年：17.5%)作出撥備。

於中國內地成立之附屬公司按稅率10%至33%(二零零六年：10%至33%)繳付中國企業所得稅。此外，從事製造業之附屬公司自首個獲利年度(經抵銷過往年度虧損)起計兩年內可豁免繳付中國企業所得稅，隨後三年則獲50%減免。

9 INCOME TAX EXPENSE (Continued)

9 所得稅支出(續)

The amount of income tax charged to the consolidated income statement represents:

於綜合收益表中扣除之所得稅包括：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Current income taxation	當期所得稅項		
— Hong Kong profits tax	— 香港利得稅	15,298	586
— Mainland China enterprise income tax	— 中國企業所得稅	4,123	1,694
— Macau profits tax	— 澳門利得稅	105	—
Deferred income tax (Note 21)	遞延所得稅(附註21)	(6,217)	(2,474)
(Over)/under provision in prior years	過往年度之 (高估)/低估撥備	(775)	262
		12,534	68

The tax on the VSC Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective places as follows:

萬順昌集團之除稅前溢利與按照於萬順昌集團對個別地區適用之對內稅率計算之理論金額有所差異，詳情如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Profit before income tax	除稅前溢利	93,453	26,597
Tax calculated at domestic tax rates applicable to profits in the respective places	按個別地區適用之 對內稅率計算之稅項	13,773	3,139
Income not subject to tax	無須課稅之收入	(3,732)	(1,260)
Expenses not deductible for tax	不可扣稅之支出	2,863	672
Deferred income tax assets not recognised	未確認之遞延所得稅資產	2,527	2,356
Recognition of previous unrecognised deferred income tax assets	確認以前未確認之 遞延所得稅資產	(2,122)	(5,101)
(Over)/under provision in prior years	過往年度之 (高估)/低估撥備	(775)	262
Income tax expense	所得稅支出	12,534	68

For the year ended 31st March 2007, the weighted average applicable tax rate was 14.7% (2006: 11.8%). The increase is caused by a change in the distribution of the profitability of the VSC Group's subsidiaries in the respective places.

截至二零零七年三月三十一日止年度，加權平均適用稅率為14.7%(二零零六年：11.8%)。稅率之增加基於萬順昌集團之附屬公司在個別地區之盈利能力分佈之變動所致。

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders includes a profit of approximately HK\$15,007,000 (2006: loss of HK\$479,000) dealt with in the financial statements of the Company.

10 本公司股權持有人應佔溢利

股權持有人應佔綜合溢利中包括本公司本身之溢利約15,007,000港元(二零零六年:虧損約479,000港元)。

11 DIVIDENDS**11 股息**

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Interim dividend of HK2.2 cents (2006: Nil) per ordinary share	中期股息每股普通股2.2港仙 (二零零六年:無)	8,109	—
Proposed final dividend of HK2.6 cents (2006: HK1.1 cents) per ordinary share	建議末期股息每股 普通股2.6港仙 (二零零六年:1.1港仙)	9,584	4,055
		17,693	4,055

A final dividend for the year ended 31st March 2007 of HK\$2.6 cents per share, totalling HK\$9,584,000 (2006: HK\$1.1 cents per share, totalling HK\$4,055,000), is recommended by the Directors for approval at the forthcoming Annual General Meeting of the Company. This proposed dividend has not been dealt with as dividend payable as at 31st March 2007.

董事建議於即將舉行之本公司股東週年大會上批准派付截至二零零七年三月三十一日止年度末期股息每股普通股2.6港仙,合共9,584,000港元(二零零六年:1.1港仙,合共4,055,000港元)。該擬派股息並沒有於二零零七年三月三十一日之賬目中列為應付股息。

12 EARNINGS PER SHARE**12 每股盈利****(a) Basic****(a) 基本**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

每股基本盈利乃根據本公司股權持有人應佔溢利除以期內已發行普通股之加權平均數計算。

		2007 二零零七年	2006 二零零六年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人 應佔溢利(千港元)	70,627	22,867
Weighted average number of ordinary shares in issue ('000)	已發行普通股之 加權平均數(千股)	368,605	368,605
Basic earnings per share (HK cents)	每股基本盈利(港仙)	19.16	6.20

12 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares is arising from share options, for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

12 每股盈利(續)

(b) 攤薄

計算每股攤薄盈利乃按假設所有具攤薄性質之潛在普通股被全數折換而相應調整已發行普通股之加權平均數。本公司之具潛在普通股因購股權而產生，其計算乃根據尚未行使購股權所附之認購權之貨幣價值作出，用以釐訂原應以公平價值(釐訂為本公司股份之全年平均市場股價)收購之股份之數目。上文所計算之股份數目乃與假設購股權行使而已發行之股份數目作比較。

		2007 二零零七年	2006 二零零六年
Profit attributable to equity holders of the Company and used to determine diluted earnings per share (HK\$'000)	本公司股權持有人應佔溢利及用以釐訂每股攤薄盈利(千港元)	70,627	22,867
Weighted-average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	368,605	368,605
Adjustments for share options ('000)	調整購股權(千份)	58	—
Weighted-averaged number of ordinary shares for diluted earnings per share ('000)	計算每股攤薄盈利之普通股加權平均數(千股)	368,663	368,605
Diluted earnings per share (HK cents)	每股攤薄盈利(港仙)	19.16	6.20

13 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

13 僱員成本 (包含董事酬金)

		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
Wages, salaries and allowances	工資, 薪金及津貼	88,610	74,971
Bonus	花紅	8,701	2,084
Pension costs — defined contribution schemes	退休金成本 — 界定供款計劃	5,374	3,624
Share option scheme — value of services	購股權計劃 — 服務價值	976	57
Welfare and benefits	福利及利益	9,405	5,778
		113,066	86,514

The VSC Group maintains two defined contribution pension schemes for its employees in Hong Kong, the ORSO Scheme and the MPF Scheme. The assets of these schemes are held separately from those of the VSC Group under independently administered funds.

Under the ORSO Scheme, each of the VSC Group and its employees make monthly contribution to the scheme at 5% of the employees' salary. The unvested benefits of employees who have terminated employment could be utilised by the VSC Group to reduce its future contributions.

Under the MPF Scheme, each of the VSC Group and its employees make monthly contributions to the scheme at 5% of the employee's relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the VSC Group's and the employee's contributions are subject to a cap of HK\$1,000 per month. The contributions are fully and immediately vested for the employees.

As stipulated by rules and regulations in Mainland China, the VSC Group contributes to state-sponsored retirement plans for employees of its subsidiaries established in Mainland China. The employees contribute up to 8% of their basic salaries, while the VSC Group contributes approximately 14% to 20% of such salaries and has no further obligations for the actual payment of pensions or post-retirement benefits beyond these contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

萬順昌集團維持兩個界定退休金供款計劃予位於香港之員工, 公積金計劃及強積金計劃。此兩個計劃之資產均與萬順昌集團之資產分開持有, 並由獨立基金管理。

根據公積金計劃, 萬順昌集團及其員工須各自按該員工收入之5%向該計劃作每月供款。終止僱用之員工未授予之利益均由萬順昌集團用作減少未來之供款。

根據強積金計劃, 萬順昌集團及其員工各自須按香港強制性公積金條例所界定各自按該員工有關收入之5%向該計劃作每月供款。萬順昌集團及員工所作之每月供款上限各為1,000港元。供款全部及即時授予員工。

根據中國內地法規, 萬順昌集團須為其設立於中國內地之附屬公司之員工對國家資助退休計劃供款。員工供款最高達其基本薪金之8%, 萬順昌集團按該等薪金約14%至20%供款, 除每年供款外, 毋須支付任何實際退休金或退休後福利。該等國家資助退休計劃須負責向退休員工支付全部退休金。

13 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

During the year ended 31st March 2007, the aggregate amount of the VSC Group's contributions to the aforementioned pension schemes was approximately HK\$5,374,000 (2006: HK\$3,624,000), net of forfeited contributions of approximately HK\$18,000 (2006: HK\$64,000). As at 31st March 2007, there is no unutilised forfeited contribution which could be utilised to reduce future contributions of the VSC Group.

14 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st March 2007 was set out below:

		Salaries and		Discretionary	Contribution	Share	2007
		Fees	allowances		bonus [†]	to defined	
					retirement	scheme—	Total
					benefit	value of	
					schemes	services	
					對界定退休	購股權計劃	
					福利供款	—服務價值	
					計劃之供款		
		袍金	薪金及津貼	酌情花紅 [‡]	HK\$'000	HK\$'000	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Executive directors	執行董事						
Mr. Yao Cho Fai, Andrew	姚祖輝先生	—	1,156	800	12	230	2,198
Mr. Dong Sai Ming, Fernando	唐世銘先生	—	464	100	12	31	607
Independent non-executive directors	獨立非執行董事						
Dr. Chow Yei Ching	周亦卿博士	120	—	—	—	—	120
Mr. Harold Richard Kahler	Harold Richard Kahler 先生	351	—	—	—	—	351
Mr. Tam King Ching, Kenny	譚競正先生	120	—	—	—	—	120
Mr. Xu Lin Bao	徐林寶先生	120	—	—	—	—	120
		711	1,620	900	24	261	3,516

13 僱員成本(包含董事酬金)(續)

於截至二零零七年三月三十一日止年度期間，萬順昌集團對上述退休金計劃之供款總額約為5,374,000港元(二零零六年：3,624,000港元)，淨沒收供款約18,000港元(二零零六年：64,000港元)。於二零零七年三月三十一日，並無未被利用之被沒收供款額可用作減少萬順昌集團未來之供款。

14 董事及高級行政人員酬金

(a) 董事酬金

截至二零零七年三月三十一日止年度每位董事酬金如下：

14 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

14 董事及高級行政人員酬金(續)

(a) Directors' emoluments

(a) 董事酬金

The remuneration of every Director for the year ended 31st March 2006 was set out below:

截至二零零六年三月三十一日止年度每位董事酬金如下：

		Fees	Salaries and allowances	Contribution to defined contribution retirement benefit schemes	Share options scheme—value of services	2006 Total
		袍金 HK\$'000 千港元	薪金及津貼 HK\$'000 千港元	對界定退休福利供款計劃之供款 HK\$'000 千港元	購股權計劃—服務價值 HK\$'000 千港元	總額 HK\$'000 千港元
Executive directors	執行董事					
Mr. Yao Cho Fai, Andrew	姚祖輝先生	—	556	12	—	568
Mr. Dong Sai Ming, Fernando	唐世銘先生	—	464	12	37	513
Non-executive director	非執行董事					
Dr. Shao You Bao (passed away on 12th March 2006)	邵友保博士(於二零零六年三月十二日辭世)	80	—	—	—	80
Independent non-executive directors	獨立非執行董事					
Dr. Chow Yei Ching	周亦卿博士	80	—	—	—	80
Mr. Ting Woo Shou, Kenneth (resigned on 26th August 2005)	丁午壽先生 (於二零零五年八月二十六日辭任)	—	—	—	—	—
Mr. Harold Richard Kahler	Harold Richard Kahler先生	369	—	—	—	369
Mr. Tam King Ching, Kenny	譚競正先生	120	—	—	—	120
Mr. Xu Lin Bao (appointed on 21st April 2006)	徐林寶先生 (於二零零六年四月二十一日獲委任)	—	—	—	—	—
		649	1,020	24	37	1,730

The executive directors are entitled to discretionary bonus which are determined with reference to the financial performance of the VSC Group.

執行董事可享有酌情花紅，此乃參照萬順昌集團之財務表現而釐定。

14 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The share options scheme — value of services represent charges to the income statement of the fair value of the share options under the share option scheme measured at the respective grant dates, regardless of whether the share options would be subscribed or not.

No director waived any emolument during the year. No incentive payment as an inducement for joining the VSC Group or compensation for loss of office was paid/payable to any directors during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the VSC Group include one director (2006: Nil), whose emoluments are reflected in the analysis presented in Note 14(a) above. The emoluments paid/payable to the remaining four (2006: five) individuals were as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	6,354	6,650
Bonus	花紅	237	798
		6,591	7,448
		2007 二零零七年	2006 二零零六年
The emolument fell within the following band:	酬金按組別分析如下：		
— HK\$1,000,001 to HK\$1,500,000	— 1,000,001港元至1,500,000港元	1	2
— HK\$1,500,001 to HK\$2,000,000	— 1,500,001港元至2,000,000港元	3	3
		4	5

No emoluments were paid to the five highest paid individuals as an inducement to join the VSC Group or as compensation for loss of office during the year.

14 董事及高級行政人員酬金(續)

(a) 董事酬金(續)

購股權計劃 — 無論購股權是否將會被認購服務價值乃為購股權根據購股權計劃按不同授出日期以公平值於收益表中列作開支。

本年度期間，並沒有董事放棄任何酬金。本年度期間，並無已付／應付任何酬金予董事以作鼓勵加入萬順昌集團或離職補償。

(b) 五名最高薪人士

萬順昌集團中五位最高薪人士其中包括一位董事(二零零六年：無)，彼等之酬金分析已載於上文附註14(a)。其餘四位(二零零六年：五位)之人士已付／應付酬金為：

年內並無支付任何酬金予該五位最高薪人士以作鼓勵加入萬順昌集團或作離職補償。

15 PROPERTY, PLANT AND EQUIPMENT

15 物業、廠房及設備

		Consolidated 綜合					
		Buildings	Leasehold improvements, furniture and equipment 租賃物業 裝修、傢俬 及設備	Machinery 機器	Motor vehicles 汽車	Construction in progress 在建工程	Total 總額
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1st April 2005	於二零零五年四月一日						
Cost	成本	45,449	54,990	68,834	7,954	—	177,227
Accumulated depreciation	累計折舊	(9,240)	(32,630)	(29,022)	(3,323)	—	(74,215)
Net book amount	賬面淨值	36,209	22,360	39,812	4,631	—	103,012
Year ended 31st March 2006	截至二零零六年 三月三十一日止年度						
Opening net book amount	期初賬面淨值	36,209	22,360	39,812	4,631	—	103,012
Additions	添置	713	11,668	4,058	1,910	—	18,349
Disposals	出售	—	(39)	—	(47)	—	(86)
Depreciation	折舊	(2,424)	(8,819)	(7,211)	(1,452)	—	(19,906)
Exchange differences	滙兌差額	581	301	868	79	—	1,829
Closing net book amount	期終賬面淨值	35,079	25,471	37,527	5,121	—	103,198
At 31st March 2006	於二零零六年三月三十一日						
Cost	成本	46,879	62,205	74,950	9,532	—	193,566
Accumulated depreciation	累計折舊	(11,800)	(36,734)	(37,423)	(4,411)	—	(90,368)
Net book amount	賬面淨值	35,079	25,471	37,527	5,121	—	103,198
Year ended 31st March 2007	截至二零零七年 三月三十一日止年度						
Opening net book amount	期初賬面淨值	35,079	25,471	37,527	5,121	—	103,198
Additions	添置	57	9,242	25,629	1,904	12,340	49,172
Disposals	出售	(899)	(170)	(812)	(68)	—	(1,949)
Depreciation	折舊	(2,552)	(9,824)	(6,206)	(1,623)	—	(20,205)
Disposal of a subsidiary	出售一間附屬公司	—	(7,474)	—	—	—	(7,474)
Exchange differences	滙兌差額	1,328	556	1,560	129	—	3,573
Closing net book amount	期終賬面淨值	33,013	17,801	57,698	5,463	12,340	126,315
At 31st March 2007	於二零零七年三月三十一日						
Cost	成本	48,068	61,926	104,044	11,330	12,340	237,708
Accumulated depreciation	累計折舊	(15,055)	(44,125)	(46,346)	(5,867)	—	(111,393)
Net book amount	賬面淨值	33,013	17,801	57,698	5,463	12,340	126,315

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense recognised in the consolidated income statement was as follows:

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Cost of sales	銷售成本	11,576	10,770
General and administrative expenses	一般及行政支出	8,629	9,136
		20,205	19,906

As at 31st March 2007, buildings of approximately HK\$12,645,000 (2006: HK\$25,307,000) were pledged as collaterals for certain of the VSC Group's short-term bank loans (Note 31).

15 物業、廠房及設備(續)

於綜合收益表確認之折舊支出如下：

於二零零七年三月三十一日，約12,645,000港元(二零零六年：25,307,000港元)之樓宇已抵押作若干萬順昌集團之短期銀行貸款(附註31)。

16 INVESTMENT PROPERTIES

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
At 1st April	於四月一日	48,000	71,100
Disposals	出售	—	(34,288)
Fair value gains	公平價值收益	2,000	11,188
At 31st March	於三月三十一日	50,000	48,000

16 投資物業

16 INVESTMENT PROPERTIES (Continued)

16 投資物業(續)

Details of the geographical locations and tenure were:

地理位置及業權租賃期詳情為：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
In Hong Kong	於香港		
— medium-term leases of between 10 to 50 years	— 10至50年之中期租約	28,000	28,000
— long-term leases of over 50 years	— 超逾50年之長期租約	22,000	20,000
		50,000	48,000

As at 31st March 2007, investment properties of approximately HK\$50,000,000 (2006: HK\$48,000,000) were stated at open market value as at 31st March 2007 as determined by Jointgoal Surveyors Limited, independent qualified valuers.

於二零零七年三月三十一日，約50,000,000港元(二零零六年：48,000,000港元)之投資物業按獨立合資格估值師晉高測量師有限公司所釐定於二零零七年三月三十一日之公開市值列賬。

The VSC Group leases out certain investment properties under operating leases, for an initial period of two to three years, with an option to renew on renegotiated terms. None of the leases includes contingent rentals. During the year ended 31st March 2007, the gross rental income from investment properties amounted to approximately HK\$856,000 (2006: HK\$1,809,000). As at 31st March 2007, the VSC Group's future rental income under non-cancellable operating leases is as follows:

萬順昌集團訂立營業租約租出若干投資物業，初步訂立為2至3年，並有選擇權於再協商下續約。沒有租約為或然租約。截至二零零七年三月三十一日止年度期間，由投資物業帶來之租金收入總額約為856,000港元(二零零六年：1,809,000港元)。於二零零七年三月三十一日，萬順昌集團訂立不可撤回之營業租約之未來租金收入如下：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Not later than one year	未逾1年	107	322
Later than one year and not later than five years	逾1年及未逾5年	—	107
		107	429

17 LEASEHOLD LAND AND LAND USE RIGHTS

17 租賃土地及土地使用權

The VSC Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

萬順昌集團於租賃土地及土地使用權之權益為預付營業租約款項及其賬面淨值分析如下：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
At 1st April	於四月一日	22,741	23,091
Additions	添置	3,793	—
Amortisation	攤銷	(466)	(660)
Exchange differences	兌換差額	459	310
At 31st March	於三月三十一日	26,527	22,741

Details of the geographical locations and tenure are:

地理位置及業權租賃期詳情為：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
In Hong Kong	於香港		
— long-term leases of over 50 years	— 超逾50年之長期租約	1,018	1,006
In Mainland China	於中國內地		
— medium-term rights of 10 to 50 years	— 10至50年之中期權益	14,018	10,042
— long-term rights of over 50 years	— 超逾50年之長期權益	11,491	11,693
		26,527	22,741

Amortisation of leasehold land and land use rights has been included in general and administrative expenses in the consolidated income statement.

租賃土地及土地使用權之攤銷已包括在綜合收益表之一般及行政支出中。

As at 31st March 2007, leasehold land and land use rights of approximately HK\$12,554,000 (2006: HK\$12,730,000) were pledged as collaterals for certain of the VSC Group's short-term bank loans (Note 31).

於二零零七年三月三十一日，約12,554,000港元(二零零六年：12,730,000港元)之租賃土地及土地使用權已抵押作若干萬順昌集團之短期銀行貸款(附註31)。

18 GOODWILL

18 商譽

		Consolidated
		綜合
		HK\$'000
		千港元
At 1st April 2005	於二零零五年四月一日	
Cost	成本	77,184
Accumulated amortisation and impairment	累計攤銷及減值	(69,158)
Net book amount	賬面淨值	8,026
At 31st March 2006	於二零零六年三月三十一日	
Opening net book amount	期初賬面淨值	8,026
Adjustment to purchase consideration for a subsidiary acquired in prior year	調整以往年度收購 附屬公司之代價	186
Impairment	減值	(1,437)
Closing net book amount	期終賬面淨值	6,775
At 31st March 2006	於二零零六年三月三十一日	
Cost	成本	17,318
Accumulated impairment	累計減值	(10,543)
Net book amount	賬面淨值	6,775
At 31st March 2007	於二零零七年三月三十一日	
Opening net book amount	期初賬面淨值	6,775
Acquisition of certain interests in a subsidiary (Note 36)	收購一間附屬公司若干權益 (附註36)	24,427
Closing net book amount	期終賬面淨值	31,202
At 31st March 2007	於二零零七年三月三十一日	
Cost	成本	41,745
Accumulated impairment	累計減值	(10,543)
Net book amount	賬面淨值	31,202

Impairment loss of goodwill for the year ended 31st March 2006 is included in other gains — net in the consolidated income statement.

截至二零零六年三月三十一日止年度之商譽減值虧損已包括在綜合收益表之其他收益 — 淨額中。

18 GOODWILL (Continued)

Impairment tests for goodwill

Goodwill is allocated to the VSC Group's cash-generating units ("CGUs") identified according to place of operation and business segment.

The VSC Group's goodwill is allocated to the China Advanced Materials Processing segment in Mainland China. For the year ended 31st March 2006, impairment loss arose as a consequence of operating loss incurred by the CGU of enclosure systems in Mainland China.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the VSC Group's management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions under for value-in-use calculations are:

Gross margin	8% per annum
Growth rate	5% per annum
Discount rate	5% per annum

The VSC Group's management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

18 商譽 (續)

商譽之減值測試

商譽分配至根據地方之經營及業務分部確認之萬順昌集團現金產生單位。

萬順昌集團之商譽分配至位於中國內地之中國先進材料加工分部。截至二零零六年三月三十一日止年度，由於位於中國內地之系統設備外殼現金產生單位出現經營虧損，減值虧損因而上升。

現金產生單位之可收回金額乃根據使用價值計算。該計算方法使用根據由萬順昌集團管理層批准之財務預算得出涵蓋五年期間之現金流量預測進行。超過五年期間的現金流量乃使用以下之估計增長率推斷而來。增長率不會超過現金產生單位運作之商業之長期平均增長率。

使用價值計算之主要假設為：

毛利率	每年8%
增長率	每年5%
折現率	每年5%

萬順昌集團之管理層會根據過往表現及其對市場發展之預測釐訂預算毛利率。所採用的加權平均增長率與工業報告內之預測一致。所採用之折現率並未計及稅項，並反映相關分部之特定風險。

19 INVESTMENTS IN SUBSIDIARIES

19 於附屬公司之投資

		Company 本公司	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Unlisted shares, at cost	非上市股份，按成本值	71,746	71,746
Due from subsidiaries	應收附屬公司	457,466	412,370
		529,212	484,116

The amounts due from subsidiaries are unsecured, non-interest bearing and without predetermined repayment terms.

應收附屬公司之款項為無抵押，不計利息及並無預定之還款期。

Details of the principal subsidiaries as at 31st March 2007 were:

於二零零七年三月三十一日之主要附屬公司詳情為：

Name	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the VSC Group (i)	Principal activities
名稱	註冊成立及經營地點	已發行及繳足股本／註冊股本	萬順昌集團應佔之股本權益百分比(i)	主要業務
Dongguan Van Shung Chong Steel Products Co., Ltd. (iii) 東莞萬順昌鋼鐵制品有限公司(iii)	Mainland China 中國內地	HK\$36,190,000 36,190,000港元	60%	Processing of rolled flat steel products 卷鋼產品加工
Guangzhou Shenchang Metal Products Co., Ltd. (iii) 廣州神昌金屬制品有限公司(iii)	Mainland China 中國內地	RMB46,500,000 人民幣46,500,000元	42%	Processing of rolled flat steel products 卷鋼產品加工
Leisure Plus International Trading (Shanghai) Co., Ltd. (iii) 利尚派國際貿易(上海)有限公司(iii)	Mainland China 中國內地	US\$200,000 200,000美元	100%	Trading of sanitary wares 買賣潔具
Shanghai Bao Shun Chang International Trading Co., Ltd. (iii) 上海寶順昌國際貿易有限公司(iii)	Mainland China 中國內地	US\$3,000,000 3,000,000美元	66.7%	Stockholding and trading of steel 存銷及買賣鋼材
Tianjin Van Shung Chong Metal Products Co., Ltd (iii) 天津萬順昌金屬制品有限公司(iii)	Mainland China 中國內地	HK\$33,000,000 33,000,000港元	57%	Processing of rolled flat steel products 卷鋼產品加工
Tomahawk Capital Limited 東誠企業(香港)有限公司	Hong Kong 香港	HK\$10,000 10,000港元	100%	Finance business 財務業務

19 INVESTMENTS IN SUBSIDIARIES (Continued) 19 於附屬公司之投資(續)

Name	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the VSC Group (i)	Principal activities
名稱	註冊成立及經營地點	已發行及繳足股本/註冊股本	萬順昌集團應佔之股本權益百分比(i)	主要業務
Van Shung Chong (B.V.I.) Limited	British Virgin Islands 英屬處女群島	US\$6 6美元	100%	Investment holding 投資控股
Van Shung Chong Hong Limited 萬順昌行有限公司	Hong Kong 香港	HK\$2,000 ordinary HK\$10,000,000 non-voting deferred (ii) 2,000港元普通股 10,000,000港元無投票權遞延股(ii)	100%	Trading of steel, and provision of management services 買賣鋼材與及提供管理服務
Vantage Godown Company Limited 順發貨倉有限公司	Hong Kong 香港	HK\$200,000 200,000港元	100%	Provision of warehousing services 提供倉庫服務
Vanyee Building Products (Macau) Co., Ltd. 萬義建築材料(澳門)有限公司	Macau 澳門	MOP900,000 900,000澳門元	82%	Trading of sanitary wares 買賣潔具
VJY Telecommunication Equipment (Shenzhen) Company Limited (iii) 萬嘉源通訊設備(深圳)有限公司(iii)	Mainland China 中國內地	HK\$15,000,000 15,000,000港元	100%	Manufacture of enclosure systems 製造系統設備外殼
VSC Advanced Material (Kunshan) Co., Ltd (iii) 萬順昌高新材料(昆山)有限公司(iii)	Mainland China 中國內地	HK\$39,000,000 39,000,000港元	60%	Processing of rolled flat steel products 卷鋼產品加工
VSC Building Products Company Limited 萬順昌建築材料有限公司	Hong Kong 香港	HK\$2 2港元	100%	Trading of sanitary wares and kitchen cabinets and kitchen cabinet installation 買賣潔具及廚櫃與及安裝廚櫃
VSC Plastics Company Limited 萬順昌塑膠有限公司	Hong Kong 香港	HK\$2 2港元	100%	Trading of plastic resins 買賣塑膠
VSC-Ryerson China Limited 萬順昌一端爾盛中國有限公司	British Virgin Islands 英屬處女群島	US\$15,000 15,000美元	60%	Investment holding 投資控股
VSC Shinsho Company Limited 萬順昌神商有限公司	Hong Kong 香港	US\$9,646,200 9,646,200美元	42%	Trading of processed rolled flat steel products 買賣加工卷鋼產品

19 INVESTMENTS IN SUBSIDIARIES (Continued) 19 於附屬公司之投資(續)

Name	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the VSC Group (i)	Principal activities
名稱	註冊成立及經營地點	已發行及繳足股本/註冊股本	萬順昌集團應佔之股本權益百分比(i)	主要業務
VSC Steel Company Limited 萬順昌鋼鐵有限公司	Hong Kong 香港	HK\$38,000 ordinary HK\$20,000,000 non-voting deferred (ii) 38,000港元普通股 20,000,000港元無投票權遞延股(ii)	100%	Stockholding and trading of steel 存銷及買賣鋼材
VSC Steel (Shenzhen) Co., Ltd. (iii) 萬順昌鋼鐵(深圳)有限公司(iii)	Mainland China 中國內地	HK\$20,000,000 20,000,000港元	100%	Stockholding and trading of steel 存銷及買賣鋼材
VSC Steel Products Company Limited 萬順昌鋼鐵制品有限公司	Hong Kong 香港	HK\$2 2港元	60%	Trading of processed rolled flat steel products 買賣加工卷鋼產品
VSC Steel (Shanghai) Co., Ltd. (iii) 亞萬鋼國際貿易(上海)有限公司(iii)	Mainland China 中國內地	US\$5,280,000 5,280,000美元	100%	Stockholding and trading of steel 存銷及買賣鋼材
VSC Trading (Shezhen) Co. Ltd (iii) 金運貿易(深圳)有限公司(iii)	Mainland China 中國內地	HK\$2,400,000 2,400,000港元	100%	Trading of plastics and stockholding of sanitary wares 買賣塑膠及存銷潔具

Notes:

(i) The shares of Van Shung Chong (B.V.I.) Limited are held directly by the Company. The shares of other subsidiaries are held indirectly.

(ii) These non-voting deferred shares are owned by the VSC Group. The non-voting deferred shares have no voting rights, are not entitled to any distributions upon winding up unless a sum of HK\$2,000,000,000 per share has been distributed to the holders of ordinary shares for Van Shung Chong Hong Limited or a sum of HK\$10,000,000,000 has been distributed to the holders of ordinary shares for VSC Steel Company Limited.

附註:

(i) Van Shung Chong (B.V.I.) Limited之股份由本公司直接持有。其他附屬公司之股份則屬間接持有。

(ii) 此等無投票權遞延股份由萬順昌集團擁有。無投票權遞延股份並無投票權，亦無權於清盤時分享股息及除非萬順昌行有限公司普通股持有人已獲分派每股普通股2,000,000,000港元之款額或萬順昌鋼鐵有限公司之普通股持有人已獲分派10,000,000,000港元之款額外。

19 INVESTMENTS IN SUBSIDIARIES (Continued)

- (iii) Dongguan Van Shung Chong Steel Products Co., Ltd. is a contractual joint venture established in Mainland China with an operating period of 24 years to 2019. Guangzhou Shenchang Metal Products Co, Ltd is a co-operation joint venture established in Mainland China with an operating period of 50 years to 2043. Leisure Plus International Trading (Shanghai) Co., Ltd. and VSC Steel (Shanghai) Co., Ltd. are wholly foreign owned enterprises established in Mainland China with an operating period of 20 years to 2023. Shanghai Bao Shun Chang International Trading Co., Ltd. is an equity joint venture established in Mainland China with an operating period of 20 years to 2014. Tianjin Van Shung Chong Metal Products Co., Ltd. is a wholly foreign owned enterprise established in Mainland China with an operating period of 50 years to 2052. VJY Telecommunication Equipment (Shenzhen) Company Limited is a wholly foreign owned enterprise established in Mainland China with an operating period of 15 years to 2016. VSC Advanced Material (Kunshan) Co, Ltd. is a wholly foreign owned enterprise established in Mainland China with an operating period of 50 years to 2056. VSC Steel (Shenzhen) Co., Ltd is a wholly foreign owned enterprise established in Mainland China with an operating period of 30 years to 2035. VSC Trading (Shenzhen) Co., Ltd is a wholly foreign owned enterprise established in Mainland China with an operating period of 20 years to 2024.

The above lists the principal subsidiaries which principally affected the results or formed a substantial portion of the net assets of the VSC Group. To give details of other subsidiaries would, in the opinion of the Company's Directors and the VSC Group's management, result in particulars of excessive length.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March 2007.

20 INTEREST IN AN ASSOCIATE

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Investment cost	投資成本	5,832	5,832
Amount due from/(to) an associate	應收／(應付)一間聯營公司	510	(9,396)

The amount due from/(to) an associate is unsecured, non-interest bearing and without pre-determined repayment terms.

19 於附屬公司之投資(續)

- (iii) 東莞萬順昌鋼鐵制品有限公司乃一間於中國內地成立之中外合營企業，經營期為24年，至二零一九年止。廣州神昌金屬制品有限公司乃一間於中國內地成立之中外合作企業，經營期為50年，至二零四三年止。利尚派國際貿易(上海)有限公司及亞萬鋼國際貿易(上海)有限公司乃於中國內地成立之外資企業，經營期為20年，至二零二三年止。上海寶順昌國際貿易有限公司乃一間於中國內地成立之合資合營企業，經營期為20年，至二零一四年止。天津萬順昌金屬制品有限公司乃一間於中國內地成立之外資企業，經營期為50年，至二零五二年止。萬嘉源通訊設備(深圳)有限公司乃一間於中國內地成立之外資企業，經營期為15年，至二零一六年止。萬順昌高新材料(昆山)有限公司乃一間於中國內地成立之外資企業，經營期為50年，至二零五六年止。萬順昌鋼鐵(深圳)有限公司乃一間於中國內地成立之外資企業，經營期為30年，至二零三五年止。金運貿易(深圳)有限公司乃一間於中國內地成立之外資企業，經營期為20年，至二零二四年止。

上述已列出主要影響萬順昌集團之業績或組成萬順昌集團淨資產之大部份主要附屬公司。本公司之董事及萬順昌集團之管理層認為提供其他附屬公司之詳情將使篇幅過於冗長。

於截至二零零七年三月三十一日止年度之任何時間內，各附屬公司概無任何已發行貸款資本。

20 於一間聯營公司權益

應收／(應付)一間聯營公司之款項為無抵押，不計利息及並無預定之還款期。

20 INTEREST IN AN ASSOCIATE (Continued)

20 於一間聯營公司權益(續)

Details of the associate as at 31st March 2007 were:

於二零零七年三月三十一日聯營公司之詳情為：

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest held indirectly	Principal activity
名稱	註冊成立及經營地點	已發行及繳足股本	間接持有股本權益百分比	主要業務
Changshu Baoshunchang Electromechanical Manufacturing Co., Ltd. (i) 常熟寶順昌機電製造有限公司(i)	Mainland China 中國內地	US\$6,400,000 6,400,000美元	34.9%	Processing of rolled flat steel products 板材產品加工

Note:

附註：

(i) Changshu Baoshunchang Electromechanical Manufacturing Co., Ltd is a contractual joint venture established in Mainland China with an operating period of 30 years to 2035.

(i) 常熟寶順昌機電製造有限公司乃一間於中國內地成立之中外合營企業，經營期為30年，至二零三五年止。

21 DEFERRED INCOME TAX ASSETS/ LIABILITIES

21 遞延所得稅資產／負債

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the balance sheet are, after appropriate offsetting, as follows:

遞延所得稅資產及負債只可在現行所得稅資產及負債有合法權利互相抵銷及遞延所得稅為同一稅務機關下，方可互相抵銷。經適當抵銷後資產負債表之結餘如下：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Deferred income tax assets:	遞延所得稅資產：		
— Deferred income tax asset to be recovered after more than 12 months	— 將於十二個月後收回之遞延所得稅資產	7,131	10,589
— Deferred income tax asset to be recovered within 12 months	— 將於十二個月內收回之遞延所得稅資產	16,198	6,604
		23,329	17,193
Deferred income tax liabilities:	遞延所得稅負債：		
— Deferred income tax liabilities to be settled after more than 12 months	— 將於十二個月後清償之遞延所得稅項負債	(2,301)	(2,382)
Net deferred income tax assets	遞延所得稅資產淨額	21,028	14,811

21 DEFERRED INCOME TAX ASSETS/
LIABILITIES (Continued)

21 遞延所得稅資產／負債(續)

The gross movements in deferred income tax assets and liabilities are as follow:

遞延所得稅資產及負債總變動如下：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
At 1st April	於四月一日	14,811	7,597
Recognised in the consolidated income statement (Note 9)	於綜合收益表中確認(附註9)	6,217	2,474
Reversal of deferred tax liabilities arising from disposal of a subsidiary	撥回因出售一間附屬公司所產生之遞延所得稅負債	—	4,740
At 31st March	於三月三十一日	21,028	14,811

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

於本年度內遞延所得稅資產及負債之變動(並無考慮相同司法權區內之結餘抵銷)如下：

Deferred tax assets:

遞延所得稅資產：

		Consolidated 綜合				
		Fair value losses of investment properties 投資物業之公平價值虧損 HK\$'000 千港元	Provisions 撥備 HK\$'000 千港元	Cumulative tax losses 累計稅項虧損 HK\$'000 千港元	Decelerated depreciation 減慢折舊 HK\$'000 千港元	Total 總額 HK\$'000 千港元
At 1st April 2005	於二零零五年四月一日	—	881	13,924	—	14,805
Credited/(charged) to the consolidated income statement	於綜合收益表計入/(扣除)	—	6,101	(2,617)	—	3,484
At 31st March 2006/ 1st April 2006	於二零零六年三月三十一日/ 二零零六年四月一日	—	6,982	11,307	—	18,289
Credited/(charged) to the consolidated income statement	於綜合收益表計入/(扣除)	853	(2,843)	6,571	497	5,078
At 31st March 2007	於二零零七年三月三十一日	853	4,139	17,878	497	23,367

21 DEFERRED INCOME TAX ASSETS/
LIABILITIES (Continued)

21 遞延所得稅資產／負債（續）

Deferred tax liabilities:

遞延所得稅負債：

		Consolidated		
		綜合		
		Accelerated	Fair value gains	Total
		depreciation	of investment	
		properties	properties	
		投資物業之	公平價值收益	總額
		加速折舊	公平價值收益	總額
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
At 1st April 2005	於二零零五年四月一日	(1,377)	(5,831)	(7,208)
Reversal of deferred income tax liabilities arising from disposal of a subsidiary	撥回因出售一間附屬公司所引致之遞延所得稅負債	—	4,740	4,740
Credited/(charged) to the consolidated income statement	於綜合收益表計入／(扣除)	91	(1,101)	(1,010)
At 31st March 2006/1st April 2006	於二零零六年三月三十一日 ／二零零六年四月一日	(1,286)	(2,192)	(3,478)
Credited to the consolidated income statement	於綜合收益表計入	1,139	—	1,139
At 31st March 2007	於二零零七年三月三十一日	(147)	(2,192)	(2,339)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31st March 2007, the deferred income tax assets recognised for tax loss of approximately HK\$9,648,000 (2006: HK\$9,069,000) can be carried forward indefinitely.

遞延所得稅資產乃因應相關稅務利益透過未來應課稅溢利變現而就所結轉之稅項虧損作確認。於二零零七年三月三十一日，已確認遞延所得稅資產為稅項虧損約9,648,000港元（二零零六年：9,069,000港元），該金額可以無限期結轉。

The VSC Group did not recognise deferred income tax assets of HK\$4,233,000 (2006: HK\$3,828,000) in respect of losses amounting to HK\$23,696,000 (2006: HK\$23,278,000) that can be carried forward against future taxable income. As at 31st March 2007, the cumulative tax losses of approximately HK\$21,333,000 (2006: HK\$13,221,000) can be carried forward indefinitely while tax losses of approximately HK\$2,363,000 (2006: HK\$10,057,000) will expire in five years.

萬順昌集團並無就約23,696,000港元之虧損（二零零六年：23,278,000港元）確認遞延所得稅資產約4,233,000港元（二零零六年：3,828,000港元）。該金額可以結轉後期作未來應課稅收。於二零零七年三月三十一日，累計稅項虧損約21,333,000港元（二零零六年：13,221,000港元）可以無限期結轉後期而稅項虧損約2,363,000港元（二零零六年：10,057,000港元）將於五年內失效。

21 DEFERRED INCOME TAX ASSETS/ LIABILITIES (Continued)

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law changes the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% and 15% to 25%, respectively, with effect from 1st January 2008. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively. As at 31st March 2007, the VSC Group's management considers that the impact of the adoption of the new CIT law to the VSC Group's financial statements is not material.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

21 遞延所得稅資產／負債(續)

《中華人民共和國企業所得稅法》(企業所得稅法)已由中華人民共和國全國人民代表大會於二零零七年三月十六日通過。在新企業所得稅法下，內資企業及外資企業之企業所得稅率將分別由原先之33%調至25%及15%調至25%，並自二零零八年一月一日起施行。新所得稅法訂明，國務院將於適當時候頒佈有關計算應課稅溢利、稅務優惠及保障條文的其他詳細措施及規例。待國務院宣佈該等額外規例後，萬順昌集團將評估該等規例的影響(如有)，並在日後的賬目呈列有關會計估計之變動。於二零零七年三月三十一日，萬順昌集團管理層認為採納新企業所得稅法對萬順昌集團之財務報表並無重要影響。

22 可供出售之財務資產

可供出售之財務資產包括：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Listed securities — equity securities in Hong Kong	上市證券 — 香港股本證券	5,822	4,734
Unlisted securities	非上市證券	7,170	8,638
		12,992	13,372
Market value of listed securities	上市證券之市值	5,822	4,734

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued) 22 可供出售之財務資產(續)

Movements are:

變動為：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
At 1st April	於四月一日	13,372	34,101
Additions	添置	4	3,612
Disposals	出售	(277)	(15,600)
Impairment	減值	(1,473)	—
Write-off	撤銷	—	(1,560)
Net revaluation surplus/(deficit) recognised in reserve (Note 34)	已於儲備確認之淨重估盈餘／(虧損)(附註34)	1,366	(7,181)
At 31st March	於三月三十一日	12,992	13,372

As at 31st March 2007, investment in shares listed in Hong Kong mainly represents approximately 6.6% (2006: 6.6%) equity interests in North Asia Strategic Holdings Limited ("NAS"), a company incorporated in Bermuda amounting to approximately HK\$5,132,000 (2006: HK\$3,929,000). The shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

於二零零七年三月三十一日，於香港上市股份之投資主要包括北亞策略控股有限公司（「北策」）約6.6%（二零零六年：6.6%）之股本權益，投資額約為5,132,000港元（二零零六年：3,929,000港元）。北策為一間於百慕達註冊成立之公司，並於香港聯合交易所有限公司創業板上市。

23 DERIVATIVE FINANCIAL INSTRUMENTS

23 衍生金融工具

		Consolidated 綜合			
		2007 二零零七年		2006 二零零六年	
		Assets 資產 HK\$'000 千港元	Liabilities 負債 HK\$'000 千港元	Assets 資產 HK\$'000 千港元	Liabilities 負債 HK\$'000 千港元
Put/call options (Note 37(b))	認沽權／認購權 (附註37(b))	57,270	56,027	—	—
Interest rate instrument	利率工具	—	7,592	—	—
Forward foreign exchange contracts — held for trading	遠期外滙合約 — 持有 作買賣用途	1,704	—	—	952
Total	總額	58,974	63,619	—	952
Less non-current portion:	減去非當期部份：				
Put/call options (Note 37(b))	認沽權／認購權 (附註37(b))	(57,270)	(56,027)	—	—
Interest rate instrument	利率工具	—	(7,592)	—	—
Forward foreign exchange contracts — held for trading	遠期外滙合約 — 持有作買賣用途	—	—	—	(736)
Current portion	當期部份	1,704	—	—	216
		Company 本公司			
		2007 二零零七年			
		Liabilities 負債 HK\$'000 千港元			
		2006 二零零六年			
		Liabilities 負債 HK\$'000 千港元			
Interest rate instrument	利率工具	7,592			
Less: non-current portion	減去：非當期部份	(7,592)			
Current portion	當期部份	—			

**23 DERIVATIVE FINANCIAL INSTRUMENTS
(Continued)**

Trading derivatives are classified as a current asset or liability. The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the underlying item is more than 12 months, and as a current asset or liability if the maturity of the underlying item is less than 12 months.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

- (a) The interest rate instrument is embedded in the long-term bank borrowing which amounted to approximately HK\$35,100,000 (2006: Nil) as at 31st March 2007. Interest is charged on the bank borrowing if the 10-year United States dollars (“US\$”) interest swap rate is 0.05% less than the 2-year US\$ interest swap rate (the “charging criterion”) on the same date and it depends on the number of days in which the charging criterion is met. No interest is paid for the year ended 31st March 2007 (2006: Nil).

The fair value of the bank borrowing and the outstanding interest rate instrument at 31st March 2007 were HK\$42,692,000 (2006: Nil). The fair value loss on the interest rate instrument of approximately HK\$7,592,000 as of 31st March 2007 is recognised in the consolidated income statement.

- (b) The notional principal amounts of the outstanding forward foreign exchange contracts at 31st March 2007 are HK\$344,239,000 (2006: HK\$752,602,000). Gains and losses on forward foreign exchange contracts as of 31st March 2007 are recognised in the consolidated income statement. The maturity date of the forward foreign exchange contracts is generally within 12 months from the balance sheet date.

23 衍生金融工具 (續)

買賣性衍生工具分類為流動資產或負債。若被對沖項目的剩餘期間超過12個月，則對沖衍生工具的全數公平價值分類為非流動資產或負債，而若被對沖項目的剩餘期間少於12個月，則分類為流動資產或負債。

在報告日期，信貸風險的最高風險承擔為資產負債表內衍生資產的公平價值。

- (a) 於二零零七年三月三十一日，利率工具勘入在約35,100,000港元(二零零六年：無)之長期銀行借貸中。利息將支銷在長期借貸如於同一天內美元之十年掉期利率比美元之兩年掉期利率低0.05% (「支銷標準」)，而利息之支銷乃視乎符合支銷標準的日數。截至二零零七年三月三十一日止年度，並無支付利息。

於二零零七年三月三十一日，銀行借貸及未到期之利率工具之公平價值為42,692,000港元(二零零六年：無)。於二零零七年三月三十一日，利率工具之公平價值虧損約7,592,000港元已於綜合收益表中確認。

- (b) 於二零零七年三月三十一日，倘有之遠期外匯合約之設定本金額為344,239,000港元(二零零六年：752,602,000港元)。於二零零七年三月三十一日，相關遠期外匯之盈虧已於綜合收益表中確認。遠期外匯合約之到期日一般是在結算日後12個月內。

24 INVENTORIES

24 存貨

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Raw materials	原材料	208,872	189,918
Work in progress	半製成品	19,761	37,274
Finished goods	製成品	359,239	287,112
		587,872	514,304

The cost of inventories recognised as expenses and included in cost of sales in the consolidated income statement amounted to approximately HK\$4,449,055,000 (2006: HK\$4,270,793,000).

存貨成本已確認為支出及已包括於綜合收益表之銷售成本中約4,449,055,000港元(二零零六年：4,270,793,000港元)。

As at 31st March 2007, inventories of approximately HK\$62,724,000 (2006: HK\$32,975,000) were pledged as collaterals for certain of the VSC Group's short-term bank loans, and certain inventories were held under trust receipts bank loan arrangements (Note 31).

於二零零七年三月三十一日，約62,724,000港元(二零零六年：32,975,000港元)之存貨用以抵押萬順昌集團之短期銀行貸款及若干存貨用作以信託收據銀行貸款安排下持有(附註31)。

25 DUE FROM/TO CUSTOMERS ON INSTALLATION CONTRACT WORK

25 應收／應付客戶之安裝合約工程

Due from customers on installation contract work consisted of:

應收客戶之安裝合約工程包括：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Costs plus recognised profits less foreseeable losses	成本加已確認之溢利減可預見虧損	162,785	161,434
Less: Progress billings received and receivable	減：已收及應收之進度賬款	(158,850)	(153,109)
		3,935	8,325

**25 DUE FROM/TO CUSTOMERS ON
INSTALLATION CONTRACT WORK (Continued)****25 應收／應付客戶之安裝合約工程（續）**

Due to customers on installation contract work consisted of:

應付客戶之安裝合約工程包括：

		Consolidated	
		綜合	
		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
Costs plus recognised profits less foreseeable losses	成本加已確認之溢利 減可預見虧損	—	945
Less: Progress billings received and receivable	減：已收及應收之進度賬款	—	(1,047)
		—	(102)

26 TRADE AND BILL RECEIVABLES**26 應收賬款及票據**

Sales are either covered by (i) letters of credit with bill payable at sight or (ii) on open account with credit terms of 15 to 90 days.

銷售均以(i)見票即付之信用證；或(ii)記賬方式進行，信貸期一般介乎15至90日不等。

Ageing analysis of trade and bill receivables are as follows:

應收賬款及票據之賬齡分析如下：

		Consolidated	
		綜合	
		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
0 to 60 days	0-60日	558,971	472,646
61 to 120 days	61-120日	161,031	175,263
121 to 180 days	121-180日	13,837	42,741
181 to 365 days	181-365日	23,649	19,631
Over 365 days	超過365日	31,606	34,439
		789,094	744,720
Less: Provision for impairment of receivables	減：應收賬款減值撥備	(19,742)	(15,105)
		769,352	729,615

The carrying amounts of trade and bill receivables approximate their fair values.

應收賬款及票據之賬面金額與其公平價值相若。

26 TRADE AND BILL RECEIVABLES (Continued)

Included in trade and bill receivables as at 31st March 2007 were retentions from installation contract work of approximately HK\$1,654,000 (2006: HK\$2,393,000), which were not due for collection until satisfaction of the conditions specified in the underlying contracts.

There is no concentration of credit risk with respect to trade and bill receivables as there are a large number of widely dispersed customers.

During the year ended 31st March 2007, the VSC Group recognised a loss of HK\$7,441,000 (2006: HK\$3,912,000) for impairment of its trade receivables, which is included in general and administrative expenses in the consolidated income statement.

Trade and bill receivables are denominated in the following currencies:

26 應收賬款及票據 (續)

於二零零七年三月三十一日，包括在應收賬款及票據內約1,654,000港元(二零零六年：2,393,000港元)為安裝合約工程之保留金，該等款項將直至達成合約所指明之條款後才可收回。

由於擁有眾多分散之顧客，應收賬款及票據並無信貸集中風險。

截至二零零七年三月三十一日止年度期間，萬順昌集團已確認約7,441,000港元(二零零六年：3,912,000港元)之應收賬款之減值虧損，此等虧損已包括在綜合收益表中之一般及行政支出內。

應收賬款及票據包含下列貨幣：

		Consolidated	
		綜合	
		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
Hong Kong dollar	港元	271,320	262,800
Chinese Renminbi	人民幣	372,965	295,783
United States dollar	美元	141,728	183,426
Others	其他	3,081	2,711
		789,094	744,720

27 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**27 預付款項，按金及其他應收賬款**

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Prepayments for purchases	預付採購款項	138,340	115,406
Dividends receivable	應收股息	1,923	1,589
Value added tax receivables	應收增值稅	4,116	12,127
Consideration receivable arising from disposals of certain interest in a subsidiary	出售一間附屬公司若干權益而引致之應收代價	7,800	2,102
Other receivables and advances	其他應收及墊款	57,057	20,765
Other deposits and prepayments	其他按金及預付款項	8,192	21,213
		217,428	173,202

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

預付款項，按金及其他應收賬款之賬面金額與其公平價值相若。

28 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS**28 已抵押銀行存款／現金及現金等值**

Pledged bank deposits and cash and cash equivalents are denominated in the following currencies:

已抵押銀行存款及現金及現金等值包含下列貨幣：

		Consolidated 綜合		Company 本公司	
		2007 二零零七 HK\$'000 千港元	2006 二零零六 HK\$'000 千港元	2007 二零零七 HK\$'000 千港元	2006 二零零六 HK\$'000 千港元
Hong Kong dollar	港元	24,141	43,341	432	163
Chinese Renminbi	人民幣	119,430	96,226	—	—
United States dollar	美元	187,732	37,342	11,569	10,296
Pound sterling	英鎊	23	23,474	—	—
Others	其他	3,098	4,263	—	—
		334,424	204,646	12,001	10,459

As at 31st March 2007, bank deposits of approximately HK\$26,081,000 (2006: HK\$5,896,000) (Note 31) were pledged as collateral for the VSC Group's banking facilities and approximately HK\$3,769,000 (2006: HK\$194,000) was restricted as custom deposits in Mainland China.

於二零零七年三月三十一日，作為萬順昌集團銀行信貸抵押品之銀行存款約26,081,000港元（二零零六年：5,896,000港元）（附註31）及中國內地海關保證金之限制現金約3,769,000港元（二零零六年：194,000港元）。

28 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS (Continued)

As at 31st March 2007, cash and bank deposits totalling approximately HK\$119,430,000 (2006: HK\$96,226,000) were denominated in Chinese Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

The effective interest rate on bank deposits was 3.8% (2006: 4.0%). These deposits have an average maturity period of 30 days (2006: 30 days).

29 TRADE AND BILL PAYABLES

Payment terms with suppliers are either on letters of credit or an open account. Certain suppliers grant credit period ranging from 30 to 210 days.

Ageing analysis of trade and bill payables are as follows:

28 已抵押銀行存款／現金及現金等值(續)

於二零零七年三月三十一日，萬順昌集團之現金及銀行存款中約有119,430,000港元(二零零六年：96,226,000港元)為人民幣，該貨幣並不能在國際市場自由兌換及其匯率是由中國人民銀行釐定。

銀行存款之實際利率為3.8%(二零零六年：4.0%)。此等存款之平均到期日為30天(二零零六年：30天)。

29 應付賬款及票據

與供應商均以信用證或記賬方式進行，若干供應商之信貸期介乎30至210日不等。

應付賬款及票據之賬齡分析如下：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
0 to 60 days	0-60日	228,077	134,022
61 to 120 days	61-120日	42,860	33,298
121 to 180 days	121-180日	21,412	19,063
181 to 365 days	181-365日	3,350	438
Over 365 days	超過365日	5,332	2,975
		301,031	189,796

The carrying amounts of trade and bill payables approximate their fair values.

應付賬款及票據之賬面金額與其公平價值相若。

29 TRADE AND BILL PAYABLES (Continued)

Trade and bill payables are denominated in the following currencies:

		Consolidated	
		綜合	
		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
Hong Kong dollar	港元	23,634	28,126
Chinese Renminbi	人民幣	85,785	33,369
United States dollar	美元	191,612	128,301
		301,031	189,796

29 應付賬款及票據 (續)

應付賬款及票據包含下列貨幣：

30 ACCRUED LIABILITIES AND OTHER PAYABLES

		Consolidated	
		綜合	
		2007	2006
		二零零七年	二零零六年
		HK\$'000	HK\$'000
		千港元	千港元
Accrual for employment costs	應計僱員成本	4,944	5,972
Accrual for operating expenses	應計經營支出	25,813	25,328
Value added tax payables	應付增值稅	9,830	14,616
		40,587	45,916

30 應計負債及其他應付賬款

The carrying amounts of accrued liabilities and other payables approximate their fair values.

應計負債及其他應付賬款之賬面金額與其公平價值相若。

31 BORROWINGS

31 借貸

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Bank loans	銀行貸款		
— Trust receipts bank loans, secured	— 信託收據銀行貸款，抵押的	472,835	539,520
— Short-term bank loans, secured	— 短期銀行貸款，抵押的	203,052	218,999
— Long-term bank loan, unsecured, current portion	— 長期銀行貸款，無抵押的，當期部份	7,800	—
		683,687	758,519
Other loans	其他貸款		
— A minority shareholder of a subsidiary, unsecured	— 一間附屬公司之一位少數股東，無抵押的	—	11,700
		683,687	770,219
Long-term bank loan, unsecured, repayable	長期銀行貸款，無抵押的，還款期如下		
— within one year	— 一年內	7,800	—
— in the second year	— 第二年	7,800	—
— in the third to fifth year	— 第三至第五年	19,500	—
		35,100	—
Less: Amount due within one year included under current liabilities	減：一年內應付及已包括在流動負債中	(7,800)	—
		27,300	—

31 BORROWINGS (Continued)

31 借貸(續)

		Company 本公司	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Long-term bank loan, unsecured, repayable	長期銀行貸款·無抵押的·還款期如下		
— within one year	— 一年內	7,800	—
— in the second year	— 第二年	7,800	—
— in the third to fifth year	— 第三至第五年	19,500	—
		35,100	—
Less: Amount due within one year included under current liabilities	減：一年內應付及已包括在流動負債中	(7,800)	—
		27,300	—

The VSC Group's bank borrowings are secured by:

萬順昌集團之銀行借款由下列各項作抵押：

- | | |
|---|---|
| (i) pledge of buildings the VSC Group of approximately HK\$12,645,000 (2006: HK\$25,307,000) (Note 15); | (i) 萬順昌集團之抵押樓宇約12,645,000港元(二零零六年：25,307,000港元)(附註15)； |
| (ii) pledge of leasehold land and land use rights of the VSC Group approximately HK\$12,554,000 (2006: HK\$12,730,000) (Note 17); | (ii) 萬順昌集團之抵押租賃土地及土地使用權約12,554,000港元(二零零六年：12,730,000港元)(附註17)； |
| (iii) pledge of the VSC Group's inventories of approximately HK\$62,724,000 (2006: HK\$32,975,000) and certain of VSC Group's inventories held under trust receipts bank loan arrangements (Note 24); | (iii) 萬順昌集團之抵押存貨約62,724,000港元(二零零六年：32,975,000港元)及按信託收據銀行貸款安排持有之若干存貨(附註24)； |
| (iv) pledge of the VSC Group's bank deposits of approximately HK\$26,081,000 (2006: HK\$5,896,000) (Note 28) and; | (iv) 萬順昌集團之抵押銀行存款約26,081,000港元(二零零六年：5,896,000港元)(附註28)；及 |
| (v) guarantees provided by the Company. | (v) 本公司提供之擔保。 |

31 BORROWINGS (Continued)

Borrowings are denominated in the following currencies:

31 借貸(續)

借貸包括下列貨幣：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Hong Kong dollar	港元	453,203	564,118
Chinese Renminbi	人民幣	144,829	151,999
United States dollar	美元	112,955	54,102
		710,987	770,219

The effective interest rates at the balance sheet date are as follows:

於結算日，實際利率如下：

		2007 二零零七年			2006 二零零六年		
		HK\$ 港元	RMB 人民幣	US\$ 美元	HK\$ 港元	RMB 人民幣	US\$ 美元
Bank loans	銀行貸款	4.9%	5.7%	5.9%	4.9%	5.5%	5.3%
Other loan	其他貸款	—	—	—	—	—	4.5%

32 SHARE CAPITAL

32 股本

		Company 本公司			
		2007 二零零七年		2006 二零零六年	
		Number of shares 股份數目 '000 千股	Nominal value 面值 HK\$'000 千港元	Number of shares 股份數目 '000 千股	Nominal value 面值 HK\$'000 千港元
Authorised (Ordinary shares of HK\$0.10 each)	法定(每股面值0.10港元之普通股)	1,000,000	100,000	1,000,000	100,000
Issued and fully paid (Ordinary shares of HK\$0.10 each)	已發行及繳足(每股面值0.10港元之普通股)	368,605	36,861	368,605	36,861

33 SHARE OPTIONS

The VSC Group has a share option scheme under which it may grant options to any person being an employee, agent, consultant or representative (including executive directors and non-executive directors) of the VSC Group to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The exercise price will be determined by the Company's board of directors and shall be at least the highest of (i) the closing price of the Company's shares quoted on The Stock Exchange of Hong Kong Limited on the date of grant of the options, (ii) the average closing prices of the Company's shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares of HK\$0.10 each.

Movement of share options are:

Date of grant 授予日期	Exercise period 行使期			Subscription				End of year 年終
		Beginning of year 年初	Granted 授予	price per share 每股行使價	Lapsed 失效			
				HK\$ 港元	'000 千份	'000 千份	'000 千份	'000 千份
13th September 2006	13th September 2007 to 12th September 2016	二零零六年 九月十三日	二零零七年九月十三日至 二零一六年九月十二日	0.9	—	8,800	(100)	8,700
19th September 2003	19th September 2005 to 18th September 2013	二零零三年 九月十九日	二零零五年九月十九日至 二零一三年九月十八日	1.418	1,300	—	—	1,300
2nd May 2003	2nd May 2003 to 1st May 2013	二零零三年 五月二日	二零零三年五月二日至 二零一三年五月一日	0.98	7,250	—	—	7,250
7th May 2003	7th May 2005 to 6th May 2013	二零零三年 五月七日	二零零五年五月七日至 二零一三年五月六日	0.97	5,100	—	(495)	4,605
					13,650	8,800	(595)	21,855

33 購股權

根據萬順昌集團之購股權計劃，萬順昌集團可授予萬順昌集團之任何僱員、代理人、顧問或代表（包括執行董事及非執行董事）以認購本公司之股份，而不得超過不時已發行本公司股份之30%（行使購股權所發行股份除外）。行使價將由本公司董事會釐定及最少將按以下列中最高者為準：(i)本公司股份於提出授予購股權當日香港聯合交易所有限公司所列之收市價；(ii)本公司股份於緊接提出授予購股權日期前五個交易日在香港聯合交易所有限公司所列之平均收市價；及(iii)本公司股份面值每股0.10港元。

購股權變動如下：

34 RESERVES (Continued)

34 儲備 (續)

		Consolidated								
		綜合								
		Share premium	Share option reserve	Capital redemption reserve	Statutory reserves (i)	Capital reserve	Investment revaluation reserve	Cumulative foreign currency translation adjustments	Retained earnings	Total
		股份溢價	購股權儲備	資本贖回儲備	法定儲備(i)	資本儲備	投資重估儲備	累積外幣匯兌調整	保留盈利	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
At 1st April 2005	於二零零五年四月一日	313,596	1,014	77,203	8,259	58,355	(6,993)	(2,647)	205,710	654,497
Profit for the year	年度溢利	—	—	—	—	—	—	—	22,867	22,867
Transfer from retained earnings	轉撥自保留盈利	—	—	—	2,867	—	—	—	(2,867)	—
Share option scheme — value of services	購股權計劃 — 服務價值	—	57	—	—	—	—	—	—	57
Change in fair value of available-for-sale financial assets	可供出售之財務資產之公平價值之變動	—	—	—	—	—	(7,181)	—	—	(7,181)
Investment revaluation reserve transferred to consolidated income statement upon recognition of impairment loss of an available-for-sale financial asset	一項可供出售之財務資產之減值虧損確認於投資重估儲備轉撥至綜合收益表	—	—	—	—	—	14,424	—	—	14,424
Dividends paid to equity holders of the Company	已付本公司股權持有人之股息	—	—	—	—	—	—	—	(8,109)	(8,109)
Currency translation differences	貨幣匯兌差額	—	—	—	—	—	—	2,039	—	2,039
At 31st March 2006	於二零零六年三月三十一日	313,596	1,071	77,203	11,126	58,355	250	(608)	217,601	678,594
Representing:	包括:									
Proposed dividend	建議股息								4,055	
Others	其他								213,546	
									217,601	

34 RESERVES (Continued)

34 儲備(續)

		Company 本公司					
		Share premium	Share option reserve	Capital redemption reserve	Contributed surplus (ii)	Retained earnings	Total
		股份溢價	購股權 儲備	資本贖回 儲備	繳入盈餘(ii)	保留盈利	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
At 1st April 2006	於二零零六年 四月一日	313,596	1,071	77,203	53,986	11,841	457,697
Profit for the year	年度溢利	—	—	—	—	15,007	15,007
Share option scheme — value of services	購股權計劃 — 財務價值	—	976	—	—	—	976
Dividends paid	已付股息	—	—	—	—	(12,164)	(12,164)
At 31st March 2007	於二零零七年 三月三十一日	313,596	2,047	77,203	53,986	14,684	461,516
Representing:	包括：						
Proposed dividend	建議股息					9,584	
Others	其他					5,100	
						14,684	
At 1st April 2005	於二零零五年 四月一日	313,596	1,014	77,203	53,986	20,429	466,228
Loss for the year	年度虧損	—	—	—	—	(479)	(479)
Share option scheme — value of services	購股權計劃 — 服務價值	—	57	—	—	—	57
Dividends paid	已付股息	—	—	—	—	(8,109)	(8,109)
At 31st March 2006	於二零零六年 三月三十一日	313,596	1,071	77,203	53,986	11,841	457,697
Representing:	包括：						
Proposed dividend	建議股息					4,055	
Others	其他					7,786	
						11,841	

34 RESERVES (Continued)

Notes:

- (i) Statutory reserves represent enterprise expansion reserve fund and general reserve fund set up by certain subsidiaries in Mainland China. As stipulated by regulations in Mainland China, the subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior years losses) to the enterprise expansion reserve fund and general reserve fund, at rates determined by their respective boards of directors. The general reserve fund may be used for making up losses and increasing capital, while the enterprise expansion reserve fund may be used for increasing capital.
- (ii) Under the Companies Act 1981 of Bermuda, contributed surplus is distributable to equity holders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

34 儲備 (續)

附註：

- (i) 法定儲備乃按中國內地若干附屬公司之企業發展儲備基金及一般儲備基金所設立。按照中國內地法規訂明，於中國內地成立及經營之附屬公司須於其除稅後溢利（經抵銷過往年度虧損）中撥出部份至企業發展儲備基金及一般儲備基金，比率乃由各自董事會釐定。一般儲備基金可用作抵銷虧損及增加股本，而企業發展儲備基金可用作增加股本。
- (ii) 根據百慕達一九八一年公司法，繳入盈餘可分派予股權持有人，惟倘萬順昌在宣派或支付股息或從繳入盈餘作出分派後，(i) 萬順昌不能或在作出支付後將不能支付到期債項，或(ii) 其資產之可變現價值將會因而少於其債項及其已發行股本及股份溢價賬目的合計總額，則萬順昌不可作出上述的宣派、支付或分派。

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

35 綜合現金流量表附註

(a) Reconciliation of profit before income tax to net cash generated from operations is as follows:

(a) 除稅前溢利與經營產生之現金淨額對賬如下：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Profit before income tax	除稅前溢利	93,453	26,597
Interest income	利息收入	(4,982)	(4,490)
Interest expense	利息支出	41,383	45,959
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	20,205	19,906
Loss on disposal of property, plant and equipment	出售物業、廠房及設備之虧損	1,044	32
Loss/(gain) on disposal of a subsidiary	出售一間附屬公司之虧損／(收益)	3,430	(4,740)
Gain on deemed disposal of a subsidiary	視作出售一間附屬公司之收益	(26,024)	—
Loss on disposal of certain interest in a subsidiary	出售一間附屬公司若干權益之虧損	—	198
Gain on disposal of certain interest in a subsidiary	出售一間附屬公司若干權益之收益	(7,020)	(607)
Dividend income from an available-for-sale financial asset	一項可供出售之財務資產之股息收入	(1,945)	(1,603)
(Gain)/loss on disposal of an available-for-sale financial asset	出售一項可供出售之財務資產之(收益)／虧損	(336)	1,560
Fair value gains of investment properties	投資物業按公平價值之收益	(2,000)	(11,188)
Impairment loss of an available-for-sale financial asset	一項可供出售之財務資產之減值虧損	1,473	14,424
Amortisation of leasehold land and land use right	租賃土地及土地使用權之攤銷	466	660
Impairment of goodwill	商譽減值	—	1,437
Change in fair value of derivative financial instruments	衍生金融工具按公平價值之變動	(2,275)	4,476
Share option scheme — value of services	購股權計劃—服務價值	976	57
Operating profit before working capital changes	營運資金變動前之經營溢利	117,848	92,678
(Increase)/decrease in inventories	存貨(增加)／減少	(73,769)	381,542
Decrease in due from customers on installation contract work	應收客戶之安裝合約工程減少	4,390	6,291
Increase in prepayments, deposits and other receivables	預付款項、按金及其他應收賬款增加	(50,648)	(8,882)
(Increase)/decrease in trade and bill receivables	應收賬款及票據(增加)／減少	(39,849)	7,143
Increase in amount due from an associate	應收一間聯營公司增加	(510)	—
Decrease in loans receivable	應收貸款減少	—	6,491
Increase/(decrease) in trade and bill payables	應付賬款及票據增加／(減少)	111,364	(175,142)
Decrease in due to customers on installation contract work	應付客戶之安裝合約工程減少	(102)	(840)
(Decrease)/increase in amount due to an associate	應付一間聯營公司(減少)／增加	(9,396)	9,396
Increase in receipts in advance	預收款項增加	49,490	24,755
Increase/(decrease) in accrued liabilities and other payables	應計負債及其他應付款項增加／(減少)	7,006	(9,378)
Dividend payable to a minority shareholder of a subsidiary	應付一間附屬公司之一位少數股東之股息	(149)	(611)
Write back of dividend payable to a minority shareholder of a subsidiary	撤回應付一間附屬公司之一位少數股東之股息	707	—
Net cash generated from operations	經營產生之現金淨額	116,382	333,443

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

35 綜合現金流量表附註(續)

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

(b) 在綜合現金流量表中，出售物業、廠房及設備所得之款項為：

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Net book amount	賬面淨值	1,949	86
Loss on disposals of property, plant and equipment	出售物業、廠房及設備之虧損	(1,044)	(32)
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	905	54

(c) During the year ended 31st March 2006, the VSC Group disposed of its 100% equity interest in a subsidiary for a consideration of approximately HK\$34,593,000. Details of the net assets of the subsidiary as at the date of disposal were:

(c) 截至二零零六年三月三十一日止年度期間，萬順昌集團出售一間附屬公司之所有權益，代價約34,593,000港元。該附屬公司於出售日之淨資產詳情為：

		HK\$'000 千港元
Investment properties	投資物業	34,288
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	83
Cash and cash equivalents	現金及現金等值	360
Accrued liabilities and other payables	應計負債及其他應付賬款	(100)
Current income tax liabilities	當期所得稅負債	(38)
Deferred income tax liabilities	遞延所得稅負債	(4,740)
Net assets disposed of	所出售之淨資產	29,853

Analysis of net cash inflow in respect of disposal of the above subsidiary was as follows:

因應出售上述附屬公司之現金流入淨額分析如下：

		HK\$'000 千港元
Consideration for the disposal	出售之代價	34,593
Less: Cash and cash equivalents disposed of	減：所出售之現金及現金等值	(360)
Net cash inflow	現金流入淨額	34,233

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

- (d) During the year ended 31st March 2007, the VSC Group disposed of its 100% equity interest in a subsidiary for a consideration of approximately HK\$8. Details of the net assets of the subsidiary as at the date of disposal are:

		HK\$'000 千港元
Property, plant and equipment	物業、廠房及設備	7,474
Inventories	存貨	201
Trade receivables	應收賬款	112
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	8,345
Cash and cash equivalents	現金及現金等值	153
Trade payables	應付賬款	(129)
Accrued liabilities and other payables	應計負債及其他應付賬款	(12,335)
Minority interest	少數股東權益	(391)
Net assets disposed of	所出售之淨資產	3,430

Analysis of decrease in cash and cash equivalents in respect of disposal of the above subsidiary is as follows:

因應出售上述附屬公司之現金及現金等值之減少分析如下：

		HK\$'000 千港元
Consideration for the disposal	出售之代價	—
Less: Cash and other bank deposits disposed of	減：所出售之現金及其他銀行存款	(153)
Decrease in cash and cash equivalents	現金及現金等值之減少	(153)

36 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

During the year, the VSC Group acquired additional interest in CAMP (BVI) Company Limited ("CAMP (BVI)") at a consideration of approximately HK\$30,576,000, bringing the VSC Group's equity interest of 95% as at 31st March 2006 to 100% as at 31st March 2007.

35 綜合現金流量表附註(續)

- (d) 截至二零零七年三月三十一日止年度期間，萬順昌集團出售一間附屬公司之所有權益，代價約8港元。該附屬公司於出售日之淨資產詳情為：

所出售之淨資產

因應出售上述附屬公司之現金及現金等值之減少分析如下：

		HK\$'000 千港元
Consideration for the disposal	出售之代價	—
Less: Cash and other bank deposits disposed of	減：所出售之現金及其他銀行存款	(153)
Decrease in cash and cash equivalents	現金及現金等值之減少	(153)

36 增持一間附屬公司之權益

本年度期間，萬順昌集團以約30,576,000港元之代價增持CAMP (BVI) Company Limited (「CAMP (BVI)」)之權益，使萬順昌集團於CAMP(BVI)之股權由二零零六年三月三十一日之95%，增至二零零七年三月三十一日之100%。

36 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY (Continued)

Details of fair value of net assets relating to the additional equity interest in CAMP (BVI) acquired and the related goodwill are as follows:

		HK\$'000
		千港元
Cash consideration	現金代價	30,576
Less: fair value of net assets acquired	減：所購入淨資產之公平價值	(6,149)
Goodwill (Note 18)	商譽(附註18)	24,427

37 DISPOSAL/DEEMED DISPOSAL OF CERTAIN INTERESTS IN SUBSIDIARIES**(a) Disposal of certain interest in a subsidiary**

During the year, the VSC Group disposed of its 10% equity interest in VSC Hotel Investments Limited ("VSC Hotel Investments"), a wholly owned subsidiary before the disposal, to an independent third-party at a consideration of approximately HK\$7,800,000 (the "disposal"), reducing its equity interest in VSC Hotel Investments from 100% as at 31st March 2006 to 90% as at 31st March 2007.

In connection with the disposal, a minority interest of approximately HK\$780,000 is recognised in the consolidated balance sheet as at 31st March 2007 and a gain on disposal of approximately HK\$7,020,000 is recognised in the consolidated income statement for the year ended 31st March 2007.

(b) Deemed disposal of certain interests in a subsidiary

During the year, VSC-Ryerson China Limited ("VSC-Ryerson China") was incorporated and it issued shares to Ryerson Pan-Pacific LLC ("Ryerson") for HK\$220,651,000 and consequently the VSC Group's interest in VSC-Ryerson China was reduced from 100% to 60% as at 31st March 2007. (the "deemed disposal").

36 增持一間附屬公司之權益(續)

有關增持CAMP(BVI)額外權益之淨資產之公平價值，以及相關商譽詳請如下：

37 出售／視作出售附屬公司若干權益**(a) 出售一間附屬公司若干權益**

本年度期間，萬順昌集團以作價約7,800,000港元出售其一間全資擁有之附屬公司VSC Hotel Investments Limited (「VSC Hotel Investments」)之10%權益予獨立第三者(「出售」)。而萬順昌集團持有VSC Hotel Investments之權益則由二零零六年三月三十一日之100%減至二零零七年三月三十一日之90%。

關於這次出售，約780,000港元之少數股東權益已於二零零七年三月三十一日之綜合資產負債表內確認，及約7,020,000港元之出售收益已於二零零七年三月三十一日之綜合收益表內確認。

(b) 視作出售一間附屬公司若干權益

VSC-Ryerson China Limited (「VSC-Ryerson China」)於本年度成立並發行220,651,000港元之股份予Ryerson Pan-Pacific LLC (「Ryerson」)。因此萬順昌集團於VSC-Ryerson China之權益由100%減至二零零七年三月三十一日之60%(「視作出售」)。

37 DISPOSAL/DEEMED DISPOSAL OF CERTAIN INTERESTS IN SUBSIDIARIES (Continued)

(b) Deemed disposal of certain interests in a subsidiary (Continued)

In connection with the deemed disposal, a call option has been granted by CAMP (BVI) Holdings Company Limited ("CAMP (BVI)"), a subsidiary of the VSC Group, which allow Ryerson to acquire 20% equity interests of VSC-Ryerson China from CAMP (BVI) in 2009. The exercise price of the call option is based on 8 times of the net profit before income tax expenses, depreciation, amortisation and other adjustments as stated in the investors' right agreement ("EBITDA") of VSC-Ryerson China for the year ended 31st March 2007, which is estimated to be approximately HK\$62,400,000 based on the unaudited management account of VSC-Ryerson China for the year ended 31st March 2007. In addition, a put option has been granted to CAMP (BVI) by Ryerson which allow CAMP (BVI) to sell further 20% equity interests in VSC-Ryerson China to Ryerson in 2009. The exercise price of the put option is based on 8 times of the average EBITDA of VSC-Ryerson China for the year ended 31st March 2007 to 31st March 2009.

As at 31st October 2006, the completion date of the deemed disposal, the call option and the put option are recognised as derivative financial instruments, which amounted to approximately HK\$57,749,000 and HK\$51,781,000, respectively. The net loss of approximately HK\$5,968,000 arising from the recognition of the call option and the put option is included in the net gain arising from the deemed disposal in the consolidated income statement for the year ended 31st March 2007.

As at 31st March 2007, the valuation of the call option and the put option were approximately HK\$56,027,000 and HK\$57,270,000, respectively. The net gain of approximately HK\$7,211,000 arising from the valuation of the call option and the put option is included in the net fair value gain of call/put options in the consolidated income statement for the year ended 31st March 2007.

The valuations of the call option and the put option as at both 31st October 2006 and 31st March 2007 were determined by Vigers Appraisal & Consulting Limited, independent qualified valuers.

37 出售／視作出售附屬公司若干權益 (續)

(b) 視作出售一間附屬公司若干權益 (續)

在視作出售事項中，萬順昌集團附屬公司 CAMP (BVI) Holdings Company Limited (「CAMP (BVI)」) 授出認購權，允許 Ryerson 於二零零九年向 CAMP (BVI) 收購 VSC-Ryerson China 的 20% 股權。認購權的行使價根據 VSC-Ryerson China 截至二零零七年三月三十一日止年度除所得稅開支、折舊、攤銷及投資者權利協議所載其他調整前純利 (「EBITDA」) 的 8 倍而計算，而根據 VSC-Ryerson China 截至二零零七年三月三十一日止年度未經審核管理賬目，該認購權之行使價估計約為 62,400,000 港元。此外，Ryerson 亦向 CAMP (BVI) 授出認沽權，允許 CAMP (BVI) 於二零零九年向 Ryerson 進一步出售 VSC-Ryerson China 的 20% 股權。認沽權的行使價根據 VSC-Ryerson China 二零零七年三月三十一日至二零零九年三月三十一日止年度平均 EBITDA 的 8 倍而計算。

於二零零六年十月三十一日，即視作出售的完成日期，認購權及認沽權確認為衍生財物工具，分別約為 57,749,000 港元及 51,781,000 港元。因確認認購權及認沽權而產生的淨虧損約 5,968,000 港元已包括在截至二零零七年三月三十一日止年度綜合收益表之視作出售產生的淨收益中。

於二零零七年三月三十一日，認購權及認沽權的估值分別約為 56,027,000 港元及 57,270,000 港元。認購權及認沽期權估值產生的淨收益約 7,211,000 港元已包括在截至二零零七年三月三十一日止年度綜合收益表之認購／認沽權按公平價值的淨收益中。

認購權及認沽權於二零零六年十月三十一日及二零零七年三月三十一日的估值是由獨立合資格估值師威格斯評值及顧問有限公司釐定。

38 GUARANTEES

38 擔保

		Consolidated 綜合		Company 本公司	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Performance bonds	履約擔保書	1,652	1,612	—	—
Guarantees provided by the Company in respect of banking facilities of its subsidiaries	本公司就其附屬公司所獲銀行融資而提供之擔保	—	—	1,426,787	1,525,559
		1,652	1,612	1,426,787	1,525,559

39 COMMITMENTS

39 承擔

(a) Capital commitments

(a) 資本承擔

Capital commitments in respect of property, plant and equipment are as follows:

關於物業、廠房及設備之資本承擔如下：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Contracted but not provided for	已訂約但未確認	3,756	9,742

(b) Commitments under operating leases

(b) 營業租約承擔

Total commitments payable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

根據租用物業之若干不可撤銷營業租約應付之承擔總額分析如下：

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Not later than one year	未逾1年	6,775	2,373
Later than one year and not later than five years	逾1年及未逾5年	6,926	515
Later than five years	逾5年	2,186	—
		15,887	2,888

39 COMMITMENTS (Continued)**(c) Commitments under forward foreign currency contracts**

As at 31st March 2007, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US\$44,600,000 (2006: US\$97,400,000) for approximately HK\$344,239,000 (2006: HK\$752,602,000), for the purpose of hedging against the VSC Group's commitments arising from its trading activities.

40 RELATED PARTY TRANSACTIONS**(a) Transactions**

The following was a summary of significant related party transactions, which were carried out in the normal course of the VSC Group business:

39 承擔 (續)**(c) 遠期外匯貨幣合約承擔**

於二零零七年三月三十一日，萬順昌集團尚有約344,239,000港元(二零零六年：752,602,000港元)未行使之遠期外匯貨幣合約以用作購買約44,600,000美元(二零零六年：97,400,000美元)，目的為萬順昌集團於貿易活動有關之承諾作出對沖。

40 與關連人士之交易**(a) 交易**

與關連人士之重大交易詳情如下，此等交易是按照萬順昌集團日常業務之正常條款進行：

			2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Sales of goods and services:	貨品銷售及服務費：	(iii)		
Sales of goods to a related party (i)	向一間關連公司提供之貨品銷售(i)		—	220,257
Management services provided for a related party (i)	向一間關連公司收取之管理服務費(i)		—	30
Rental service provided for a related party (i)	向一間關連公司收取之租金服務費(i)		—	22
Purchases of goods and services:	貨品採購及服務費：	(iii)		
Purchase of goods from a related party (ii)	向一間關連公司採購之貨品(ii)		170,670	164,281
Interest received/(paid):	已收／(已付)利息	(iv)		
Interest received from a related party (i)	已收一間關連公司之利息(i)		—	1,154
Interest paid to a related party (ii)	已付一間關連公司之利息(ii)		(309)	(524)

40 RELATED PARTY TRANSACTIONS (Continued)

40 與關連人士之交易 (續)

(a) Transactions (Continued)

(a) 交易 (續)

Notes:

附註:

- (i) This company relates to North Asia Strategic Holdings Limited ("NAS"), which the VSC Group had 6.6% (2006: 6.6%) equity interests as at 31st March 2007. A director of the Company is also a director of NAS.
- (ii) This company relates to Shinsho Corporation, the minority shareholder of VSC Shinsho Company Limited, a subsidiary of which the VSC Group has 42% (2006: 70%) equity interest as at 31st March 2007.
- (iii) Goods and services are sold and purchased at prices mutually agreed by both parties.
- (iv) Interest expense is determined at commercial rate of approximately 5.9% (2006: 5%) per annum on overdue balances.

- (i) 該公司與北亞策略控股有限公司(「北策」)有關連。於二零零七年三月三十一日萬順昌集團擁有北策6.6%股權(二零零六年: 6.6%)。本公司的一位董事同為北策之董事。
- (ii) 該公司與神鋼商事株式會社有關連, 為萬順昌神商有限公司之一位少數股東, 於二零零七年三月三十一日為萬順昌集團擁有42%(二零零六年: 70%)股本權益之附屬公司。
- (iii) 貨品銷售或採購及服務費皆按雙方達成協議之價格進行。
- (iv) 利息支出乃按商業年利率約5.9%(二零零六年: 5%)計算過期結餘之利息。

For the year ended 31st March 2006, interest income was determined at commercial rate of approximately 2% per annum on overdue balances.

截至二零零六年三月三十一日, 利息收入乃按商業年利率約2%計算過期結餘之利息。

(b) Year-end balances (included in trade receivables and trade payables)

(b) 年終結餘 (包括在應收賬款及應付賬款)

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Receivable from a related party (i)	應收一間關連公司(i)	—	36,916
Payable to a related party (ii)	應付一間關連公司(ii)	68,757	65,288

Notes:

附註:

- (i) This company relates to North Asia Strategic Holdings Limited, ("NAS") which the VSC Group had 6.6% (2006: 6.6%) equity interests as at 31st March 2007. A director of the Company is also a director of NAS.
- (ii) This company relates to Shinsho Corporation, the minority shareholder of VSC Shinsho Company Limited, a subsidiary of which the VSC Group has 42% (2006: 70%) equity interest as at 31st March 2007.

- (i) 該公司與北亞策略控股有限公司(「北策」)有關連。於二零零七年三月三十一日萬順昌集團擁有北策6.6%股權(二零零六年: 6.6%)。本公司一位董事同為北策之董事。
- (ii) 該公司與神鋼商事株式會社有關連, 為萬順昌神商有限公司之一位少數股東, 於二零零七年三月三十一日為萬順昌集團擁有42%(二零零六年: 70%)股本權益之附屬公司。

40 RELATED PARTY TRANSACTIONS (Continued) 40 與關連人士之交易(續)

(c) Non-trade year-end balances

(c) 非貿易產生之年終結餘

		Consolidated 綜合	
		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Payable to a minority shareholder of a subsidiary (i)	應付一間附屬公司之一位少數股東(i)	—	(11,700)
Amount due from/(to) an associate (ii)	應收/(付)一間聯營公司(ii)	510	(9,396)

Notes:

(i) The balance is unsecured and bear interest at commercial interest rates and repayable on demand.

(ii) The balance is unsecured, non-interest bearing and repayable on demand.

附註：

(i) 該結餘並無抵押及按商業利率計算利息及隨時償還。

(ii) 該結餘並無抵押，不計利息及隨時償還。

(d) Key management compensation

(d) 主要管理層報酬

		2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	8,857	7,560
Bonus	花紅	1,137	798
Pension costs — defined contribution schemes	退休金成本—界定供款計劃	156	134
Share option scheme — value of services	購股權計劃—服務價值	555	51
		10,705	8,543

41 EVENTS AFTER THE BALANCE SHEET DATE 41 結算日後事項

On 27th June 2007, Fit Team Holdings Limited, a company of which 50% of its equity interest is held by the VSC Group, formed a joint venture, China Able Limited, in equal shares with Nanyang Industrial (China) Limited, an independent third-party company incorporated in Hong Kong, and Marvel Champ Investments Limited, an independent third-party company incorporated in the British Virgin Islands. China Able Limited will, through its wholly-owned subsidiary, acquire a property in Shanghai at a consideration of RMB420,000,000 and hold the property for investment purpose.

於二零零七年六月二十七日，萬順昌集團透過其擁有50%權益之公司Fit Team Holdings Limited與Nanyang Industrial (China) Limited(其為一間於香港註冊成立之獨立第三者)及Marvel Champ Investments Limited(其為一間於英屬處女群島註冊成立之獨立第三者)以相同股份一同成立一間合營公司—China Able Limited。China Able Limited將會通過一間全資擁有附屬公司以作價人民幣420,000,000收購一項位於上海之物業，並持有以作投資用途。

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