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KEY ELEMENTS OF GROWTH

1) Human capital

The VSC Group considers its staff as the most valuable asset. Our total solution services can only be delivered by qualified and passionate employees who can meet challenges and accomplish goals. Our transformation from a trading business to multi-located factory operations in China also requires our people to adjust to cultural and mental challenges in a changing environment. 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 sustaining the long term growth of the Company's business is to build up capable management teams in all the business units and the headquarters. Most of the senior executives are local professionals with western education and/or work experience at multinational corporations. They understand Mainland China's best practices and also have a modern management mindset. At the end of financial year 2005/06, the VSC Group employed 1,419 staff, a 21% increase over last year. The increase in number of employees is mainly due to the business expansion in Eastern China region and a full capacity loading of VJY.

Department	Headcount March 2006	Headcount March 2005
CAMP		
CAMP Management	7	5
Coil Center	332	315
Enclosure Systems	838	660
Plastics Distribution	17	24
CMG		
CMG Management	3	3
Steel Distribution	87	63
Building Products	49	34
Corporate Support		
HK Office	56	56
Shanghai Office	25	10
Shenzhen Office	5	0
Total	1,419	1,170

The VSC Group recognises the importance of aligning individual staff interest to the corporate goal. 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 functions. By increasing staff, the aligning of the mindset towards a single goal is becoming an essential job of HR. The HR Department has put tremendous effort in assisting the VSC Group in implementation of the mission statement which leads staff towards a single direction and goal, our emphasis in corporate culture in eCSC (Employee, Customer, Supplier & Co-opetitor) as well as our core values in Teamwork, Professionalism, Continuous Improvement and Integrity, all with the aim of providing a more transparent environment to our staff to assist them to quickly merged with the VSC family. We have established a systematic New Staff Orientation Program to help new

members to accommodate to the VSC culture and working environment. The VSC Group also stresses the need to foster good and timely communication with staff. The annual mission day is held to communicate the corporate mission and goals with all staff. Periodic staff forums are organised to collect staff opinion and feedback on company policy. eNewsletter and Human Resources Intranet and staff forum are being built to provide a common platform for staff to stay current with what is happening in the VSC Group. Total staff costs including contribution to retirement benefit schemes incurred during 2005/06 amounted to approximately HK\$84 million. During the year under review, no options have been offered and/or granted to participants under the new share option scheme adopted since 12th November 2001.

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 the financial year 2005/06, the VSC Group's total equity increased to HK\$760 million from HK\$723 million last year. Interest-bearing debt reduced significantly to HK\$770 million as compared to HK\$1,078 million at the end of last year. To support the continuous growth of turnover, the VSC Group requires significant short-term banking lines to finance its working capital need on inventory and trade receivable. With continuous positive result 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\$1,500 million as at the end of the financial year 2005/06. 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 financial year 2005/06, the VSC Group has outstanding RMB loans in the amount of RMB157 million. During the reporting year, VSC Group focused on improving the working capital efficiency, minimising the stock and debt level, and rearranging internal resources to enable the early retirement of the HK\$167 million syndicated bank loan by the end of this year which is not in line with VSC's increasing need of short term multi-currency financings. This will minimise the amount of interest in the coming year and is beneficial to the VSC Group as a whole given the increasing interest rate trend.