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BUILDING PRODUCTS

2. Building Products Department

Following an extensive overhaul of its sales force and project personnel, the **building products department** finished the year 2001/02 with turnover dropped by 19% and suffered from a loss before unallocated overhead of approximately HK\$7 million. Amid a list of sizeable projects obtained, the delay in construction schedule of a few major projects during the year had resulted in delayed revenue and thus the kitchen cabinets division was unable to cover its own allocated overhead. The suspension in Home Ownership Scheme sales coupled with switching of several brands the division previously represented also led to substantial decrease in turnover of sanitary ware.

The department currently had contracts-on-hand worth around HK\$142 million. Ongoing projects included the supply and installation of kitchen cabinets and bathroom sanitary ware for Sorrento, Kowloon Station, Coastal Skyline of Tung Chung Station, Bellagio in Sham Tseng and Oscar By The Sea in Tseung Kwan O. These projects in aggregate represented more than 5,900 kitchens and 3,000 bathrooms. Under the current estimation, it is expected that these awarded projects would be completed within the coming 2 years and hence render considerable revenue to the department. To minimise the risks and improve project management of these long-term contracts, the department had installed various automated measures and tools to closely trace and monitor the

progress of each individual project in respect of cost, quality and on-time delivery.

Despite the poor performance during the year, the department had undergone a series of material changes in both the personnel and products to enable itself to regain competitiveness and market share. The VSC Group now proudly represents a wide range of high-quality products, including the renowned Toto and Laufen sanitary ware products from Japan and Switzerland, high-end Hansgrohe sanitary fittings and accessories from Germany, deluxe fitted SieMatic kitchen cabinets from Germany, and leading Rover resin bonded marble from Italy. To further promote these products and enhance meeting the needs of the customers, the VSC Group opened its first retail outlet with showroom, **Leisure Plus**, in April 2002. This outlet, located in Wanchai with over 6,000 square feet, provides an elegant environment for the customers like architects, designers and project managers to have a real life experience of the characteristics of our products.

(B) INDUSTRIAL PRODUCTS

Market Overview

The VSC Group's industrial products operations in Mainland China embody firstly, the processed rolled steel products of its Dongguan coil centre; secondly, the VSC Group's newly set up Shenzhen factory for manufacturing of enclosure systems; and thirdly, the VSC Group's distribution of engineering plastic resins and injection moulding machines. The VSC Group's industrial products are widely consumed in the manufacturing of white goods, household electrical appliances, computers and