

(Amounts expressed in Hong Kong dollars unless otherwise stated)

The Directors are pleased to present their annual report together with the audited financial statements of Van Shung Chong Holdings Limited ("VSC" or the "Company") and its subsidiaries (together the "VSC Group") for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

VSC is an investment holding company. Its subsidiaries are principally engaged in (i) trading and stockholding of construction materials including steel products, sanitary ware, kitchen cabinets, and the installation work of kitchen cabinets, (ii) manufacturing and trading of industrial products including rolled steel flat products, enclosure systems, engineering plastic resins and injection moulding machines, and (iii) investment holding including property investment and finance business.

Details of the VSC Group's turnover and profit from operations by business segment and geographical segment are set out in Note 34 to the accompanying financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2002, the five largest customers of the VSC Group accounted for less than 30% of the VSC Group's total turnover, while 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, 2002 are set out in the consolidated income statement on page 62 of this annual report.

An interim cash dividend of \$0.018 per share was declared and paid during the year and the Directors recommend the payment of a final cash dividend of \$0.008 per share. Total cash dividend paid and payable for the year ended 31st March, 2002 will amount to \$0.026 per share or approximately \$9,230,000 (2001 – \$92,375,000).

SHARE CAPITAL, WARRANTS AND EMPLOYEE SHARE OPTIONS

Details of share capital, warrants and employee share options of VSC are set out in Notes 29, 30 and 31, respectively, to the accompanying financial statements.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

RESERVES AND RETAINED PROFIT

Movements in reserves of the VSC Group and VSC during the year are set out in Note 32 to the accompanying financial statements. Movements in retained profit of the VSC Group during the year are set out in the consolidated income statement on page 62 of this annual report.

As at 31st March, 2002, approximately \$53,986,000 (2001 – \$53,986,000) of VSC's reserves and approximately \$7,102,000 (2001 – \$7,496,000) of VSC's retained profit were available for distribution to its shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES AND WARRANTS

During the year, VSC repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in Note 29 to the accompanying financial statements.

The repurchases set out in Note 29 were made for the enhancement of the net assets and earnings per share of VSC.

Details of movements during the year in the share capital of VSC are set out in Note 29 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements of property, plant and equipment and investment properties during the year are set out in Notes 15 and 16, respectively, to the accompanying financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of VSC's subsidiaries and associates are set out in Notes 17 and 18, respectively, to the accompanying financial statements.

BANK LOANS

Particulars of bank loans as at 31st March, 2002 are set out in Note 26 to the accompanying financial statements.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

PENSION SCHEMES

Details of the pension schemes are set out in Note 36 to the accompanying financial statements.

CHARITABLE DONATIONS

During the year, the VSC Group made charitable donations of approximately \$69,000 (2001 – \$20,000).

CONNECTED TRANSACTIONS

A sub-tenancy agreement dated 5th July, 2000 (the “Sub-Tenancy Agreement”) was entered into between CFY Enterprises Limited (“CFY”), a wholly-owned subsidiary of the Company, and EC.com Limited (“EC”), a company indirectly controlled by Mr. Tsang Kwok Tai, Moses, a non-executive director of the Company (the “Transaction”), in which CFY agreed to sub-lease to EC an office premise being a portion of 52nd Floor, The Center, 99 Queen’s Road Central, Hong Kong.

Pursuant to the waiver dated 14th July, 2000 granted by the Stock Exchange (the “Waiver”), the Transaction has been reviewed by the independent non-executive directors of the Company. The independent non-executive directors of the Company have confirmed that (i) the Transaction has been conducted on normal commercial terms; (ii) the terms are fair and reasonable and in the best interests of the Company; (iii) the rental payable by EC under the Sub-Tenancy Agreement was agreed after arm’s length negotiation in light of the then current market conditions with reference to the advice obtained from an independent valuer; and (iv) the aggregate amount of the Transaction for the financial year ended 31st March, 2002 of the Company did not exceed the higher of \$10 million or 3 per cent. of the book value of the net tangible assets of the VSC Group in this financial year.

The auditors of the Company have also confirmed that (i) the Transaction had received the approval of the Company’s board of directors including independent non-executive directors; (ii) the Transaction was entered into in accordance with terms of the Sub-Tenancy Agreement governing the Transaction; and (iii) the aggregate amount of the Transaction for the financial year ended 31st March, 2002 of the Company did not exceed the higher of \$10 million or 3 per cent. of the book value of the net tangible assets of the VSC Group in this financial year.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Yao Shu Sheng, *Honorary Chairman*

Mr. Yao Cho Fai, Andrew, *Chairman*

Ms. Yao Che Li, Miriam

Mr. Dong Yuen Jih

Mr. Ho Sai Hou, Johnson

Mr. Ma Kwok Ming, Dominic

(Resigned on 5th November, 2001)

Non-executive directors

Dr. Chow Yei Ching

Dr. Shao You Bao

Mr. Ting Woo Shou, Kenneth

Mr. Tsang Kwok Tai, Moses

In accordance with VSC's Bye-laws, Mr. Dong Yuen Jih and Dr. Shao You Bao will retire. Mr. Dong Yuen Jih will not offer himself for re-election, whereas Dr. Shao You Bao being eligible, will offer himself for re-election, at the forthcoming annual general meeting.

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.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND EMPLOYEE SHARE OPTIONS

As at 31st March, 2002, the interests of directors and their respective associates in the shares of \$0.10 each in the capital of VSC ("Shares") as recorded in the register maintained by VSC under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to VSC and the Stock Exchange, were as follows:

Name	Number of Shares	Number of Warrants (Note a)	Number of employee share options
Mr. Yao Shu Sheng (Note b)	—	—	6,000,000
Mr. Yao Cho Fai, Andrew (Notes c and d)	204,624,000	—	6,900,000
Ms. Yao Che Li, Miriam (Notes c and f)	204,624,000	—	2,000,000
Mr. Dong Yuen Jih (Note e)	4,874,400	487,440	—
Mr. Ho Sai Hou, Johnson (Note g)	466,400	46,640	900,000
Dr. Shao You Bao (Notes h and i)	600,000	120,000	—
Mr. Ting Woo Shou, Kenneth (Note j)	2,402,000	240,200	—

Notes:

- The warrants ("Warrants") of VSC's conferred rights to subscribe in cash for Shares, on the basis of a subscription price of \$1.18 per Share (subject to adjustment) during the period from 19th November, 2001 to 18th November, 2004 (both dates inclusive).
- Mr. Yao Shu Sheng was interested in options under an employee share option scheme adopted on 22nd January, 1994 (the "Old Share Option Scheme") to subscribe for an aggregate of 6,000,000 Shares in VSC at \$0.9360 per Share exercisable during the period from 1st April, 1996 to 31st March, 2003. These interests were personal interests in VSC as described in Practice Note 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
- As at 31st March, 2002, Huge Top Industrial Ltd. ("Huge Top") held 204,624,000 Shares of VSC. The board of directors of Huge Top only comprises Mr. Yao Cho Fai, Andrew and Ms. Yao Che Li, Miriam, who are also VSC's Directors. Mr. Yao Cho Fai, Andrew directly and indirectly through Perfect Capital International Corp., owned more than one-third 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. The interests of the aforesaid Directors in the issued Shares of VSC were corporate interests in VSC as described in Practice Note 5 of the Listing Rules.
- Mr. Yao Cho Fai, Andrew was also interested in options under the Old Share Option Scheme to subscribe for an aggregate of 2,000,000 Shares, 2,000,000 Shares and 2,900,000 Shares in VSC at \$1.1344, \$1.2528 and \$1.3840, respectively, per Share exercisable during the periods from 15th January, 1997 to 15th January, 2004 (in the case of the options which are exercisable at \$1.1344 and \$1.2528 per Share) and from 1st May, 1998 to 22nd January, 2004 (in the case of the options which are exercisable at \$1.3840 per Share). These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND EMPLOYEE SHARE OPTIONS (Cont'd)

- e. Mr. Dong Yuen Jih held 4,874,400 Shares and 487,440 Warrants of VSC. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.
- f. Ms. Yao Che Li, Miriam was also interested in options under the Old Share Option Scheme to subscribe for an aggregate of 2,000,000 Shares in VSC at \$1.1344 per Share exercisable during the period from 15th January, 1997 to 15th January, 2004. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.
- g. Mr. Ho Sai Hou, Johnson held 466,400 Shares and 46,640 Warrants of VSC. He was also interested in options under the Old Share Option Scheme to subscribe for an aggregate of 500,000 Shares and 400,000 Shares in VSC at \$1.1344 and \$1.3840, respectively, per Share exercisable during the periods from 15th January, 1997 to 15th January, 2004 (in the case of the options which are exercisable at \$1.1344 per Share) and from 1st May, 1998 to 22nd January, 2004 (in the case of the options which are exercisable at \$1.3840 per Share). These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.
- h. Dr. Shao You Bao held 600,000 Shares and 60,000 Warrants of VSC. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.
- i. Ms. Hsu Chi Kung, wife of Dr. Shao You Bao, held 60,000 Warrants of VSC. The interests of Dr. Shao You Bao in these Warrants were family interests in VSC as described in Practice Note 5 of the Listing Rules.
- j. Mr. Ting Woo Shou, Kenneth held 2,402,000 Shares and 240,200 Warrants of VSC. These interests were personal interests in VSC as described in Practice Note 5 of the Listing Rules.

Other than disclosed herein, as at 31st March, 2002, neither the Directors nor their associates had any interests in any Shares of VSC (within the meaning of the SDI Ordinance) which were required to be notified to VSC pursuant to Section 28 of the SDI Ordinance or which were required to be recorded under Section 29 of the SDI Ordinance.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

VSC has an Old Share Option Scheme adopted on 22nd January, 1994, under which it may grant options to employees (including executive directors) of the VSC Group to subscribe for Shares in VSC. The employee share options granted to and held by VSC's Director during the year pursuant to the Old Share Option Scheme were as follows:

Name	Date of grant	Subscription price per share	Number of employee share options		
			Beginning of year	Exercised during the year	End of year
Mr. Yao Shu Sheng	3rd March, 1994	\$0.9360	6,000,000	–	6,000,000
Mr. Yao Cho Fai, Andrew	17th December, 1994	\$1.1344	2,000,000	–	2,000,000
	18th January, 1996	\$1.2528	2,000,000	–	2,000,000
	18th March, 1996	\$1.3840	2,900,000	–	2,900,000
Ms. Yao Che Li, Miriam	17th December, 1994	\$1.1344	2,000,000	–	2,000,000
Mr. Ho Sai Hou, Johnson	17th December, 1994	\$1.1344	500,000	–	500,000
	18th March, 1996	\$1.3840	400,000	–	400,000
			<u>15,800,000</u>	<u>–</u>	<u>15,800,000</u>

The options with subscription price of \$0.9360 are exercisable at any time during the period from 1st April, 1996 to 31st March, 2003, those with subscription price of \$1.1344 and \$1.2528 are exercisable at any time during the period from 15th January, 1997 to 15th January, 2004, and those with subscription price of \$1.3840 are exercisable at any time during the period from 1st May, 1998 to 22nd January, 2004.

No options were granted, exercised, lapsed or cancelled during the year.

Save as disclosed above, at no time during the year was VSC or any of its subsidiaries, a party to any arrangements to enable VSC's Directors or members of its management to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of, VSC or any other body corporate.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

DIRECTOR'S INTEREST IN CONTRACTS

Save as disclosed in Note 3 to the accompanying financial statements, 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.

SUBSTANTIAL SHAREHOLDER

As at 31st March, 2002, according to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, VSC had been notified of the following interest (other than those interests of Directors disclosed above), being 10% or more of the issued share capital of VSC:

Name	Number of issued Shares	Shareholding percentage	Number of Warrants
Huge Top Industrial Ltd.	204,624,000	57.64%	—

Save as disclosed above, VSC had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 31st March, 2002.

INFORMATION ON SHARE OPTION SCHEME

Summary of the Old Share Option Scheme adopted on 22nd January, 1994 and the New Share Option Scheme (as defined below) adopted on 12th November, 2001 disclosed in accordance with the Listing Rules was as follows:

	Old Share Option Scheme	New Share Option Scheme
1. Purpose of the Old and New Share Option Schemes	As an incentive to employees.	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.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

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| 2. | Participants of the Old and New Share Option Schemes | Directors and/or executives and/or employees of the Company or its subsidiaries. | 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 New Share Option Scheme. |
| 3. | Total number of Shares available for issue under the Old and New Share Option Schemes and percentage of issued share capital as at the date of the annual report | <p>20,900,000 Shares (approximately 6% of issued share capital), being the outstanding options unexercised.</p> <p>The maximum number of Shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Old Share Option Scheme and any other scheme involving the issue or grant of options over Shares or other securities of the Company may not exceed such number of Shares as shall represent 10% of the issued shares capital of the Company from time to time, excluding for this purpose Shares issued upon the exercise of options granted pursuant to the Old Share Option Scheme.</p> | <p>The Company may initially grant options representing 35,497,818 Shares under the New Share Option Scheme (i.e. approximately 10% of the issued share capital of the Company as at the date of the annual report).</p> <p>The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company and/or its subsidiary (including the Old Share Option Scheme) must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or its subsidiary if this would result in the 30% limit being exceeded.</p> |

(Amounts expressed in Hong Kong dollars unless otherwise stated)

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

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| 4. Maximum entitlement of each participant under the Old and New Share Option Schemes | 25% of the aggregate number of Shares for the time being issued and issuable under the Old 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 New Share Option Scheme and any other share option scheme(s) of the Company and/or any subsidiary 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 | At any time during a period to be determined and notified by the Directors, which period may commence on the date of grant of an option but shall end in any event not later than ten years from the date of adoption of the Old Share Option Scheme. | 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 under the Old Share Option Scheme but the Directors can grant options at terms and conditions as they may think fit to offer. | No such minimum period specified and an option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board of Directors 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 | \$10 is to be paid as consideration for the grant of option and the option shall be accepted within 28 days from the date of grant or such longer or shorter periods as the Directors may determine. | 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 \$10 from the grantee to the Company. |

(Amounts expressed in Hong Kong dollars unless otherwise stated)

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

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|---|--|---|
| 8. The basis of determining the exercise price | <p>The exercise price is determined by the Directors and being not less than the higher of:</p> <ul style="list-style-type: none"> a. 80% of the average closing price of the Shares quoted on the Stock Exchange on the five trading days immediately preceding the date of grant of an option, and b. the nominal value of the Shares. | <p>The exercise price of an option will be the highest of:</p> <ul style="list-style-type: none"> a. the closing price of the Shares as stated 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 Old and New Share Option Schemes | <p>The Old Share Option Scheme was adopted on 22nd January, 1994 and was originally effective until 22nd January, 2004. On 12th November, 2001, the Old Share Option Scheme was resolved by the shareholders of the Company to have been terminated thereon.</p> | <p>The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date i.e. 12th November, 2001.</p> |

(Amounts expressed in Hong Kong dollars unless otherwise stated)

INFORMATION ON SHARE OPTION SCHEME (Cont'd)

Movements of employee share options pursuant to the Old Share Option Scheme during the year ended 31st March, 2002 were as follows:

Date of grant	Exercise period	Subscription price per Share	Number of share options			
			Beginning of year '000	Granted during the year '000	Lapsed during the year '000	End of year '000
<i>Directors</i>						
3rd March, 1994	1st April, 1996 to 31st March, 2003	\$0.9360	6,000	–	–	6,000
17th December, 1994	15th January, 1997 to 15th January, 2004	\$1.1344	4,500	–	–	4,500
18th January, 1996	15th January, 1997 to 15th January, 2004	\$1.2528	2,000	–	–	2,000
18th March, 1996	1st May, 1998 to 22nd January, 2004	\$1.3840	3,300	–	–	3,300
<i>Employees</i>						
17th December, 1994	15th January, 1997 to 15th January, 2004	\$1.1344	2,000	–	–	2,000
18th January, 1996	15th January, 1997 to 15th January, 2004	\$1.2528	2,000	–	–	2,000
10th January, 2000	1st February, 2002 to 22nd January, 2004	\$1.6880	1,400	–	(300)	1,100
			21,200	–	(300)	20,900

The Old Share Option Scheme was terminated on 12th November, 2001. Upon termination of the Old Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

During the year under review, the Stock Exchange had revised the statutory requirements under the Listing Rules in relation to share option scheme of a listed issuer. Accordingly, a new share option scheme has been adopted by the Company since 12th November, 2001 (the "New Share Option Scheme") to replace the Old Share Option Scheme to comply with the current statutory requirements. Up to the date of the annual report, no options have been granted pursuant to the New Share Option Scheme.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

CODE OF BEST PRACTICE

In the opinion of VSC's Directors, VSC had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by the annual report, except that the non-executive directors of VSC are not appointed for specific terms. However, the non-executive directors are subject to retirement by rotation and re-election at annual general meeting in accordance with VSC's Bye-laws.

AUDIT COMMITTEE

In compliance with the requirements set by The Stock Exchange of Hong Kong Limited, the VSC Group set up its Audit Committee in December 1998. The Committee consists of three non-executive directors, Mr. Ting Woo Shou, Kenneth as Chairman and Dr. Chow Yei Ching and Dr. Shao You Bao as members. 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. These audited consolidated financial statements for the year ended 31st March, 2002 of VSC now reported on have been reviewed by the Audit Committee.

AUDITORS

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co, which do not seek re-appointment upon their retirement at the forthcoming annual general meeting. A resolution for the appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors,
Yao Cho Fai, Andrew
Chairman

Hong Kong, 28th June, 2002.