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VAN SHUNG CHONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2006

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited ("VSC" or the "Company") hereby announces the audited consolidated financial statements of VSC and its subsidiaries (the "VSC Group") as at and for the year ended 31st March 2006, together with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

	Notes	**2006** *HK$'000*	2005 *HK$'000* (Restated)
Turnover	*3*	4,574,939	4,138,621
Cost of sold goods sold		(4,336,273)	(3,935,673)
Gross profit		238,666	202,948
Other gains - net	*4*	18,713	37,940
Selling and distribution expenses		(30,261)	(26,939)
General and administrative expenses		(154,562)	(148,225)
Operating profit		72,556	65,724
Finance costs	*6*	(45,959)	(17,927)
Profit before income tax		26,597	47,797
Income tax (expense)/credit	*7*	(68)	29
Profit for the year		26,529	47,826
Attributable to:			
Equity holders of the Company		22,867	36,189
Minority interests		3,662	11,637
		26,529	47,826
Dividends	*8*	4,055	8,114
Earnings per share for profit attributable to equity holders of the Company	*9*		
- Basic		HK 6.20 cents	HK 9.83 cents
- Diluted		HK 6.20 cents	HK 9.77 cents

CONSOLIDATED BALANCE SHEET

As at 31st March 2006

	Notes	**2006** *HK$'000*	2005 *HK$'000* (Restated)
Non-current assets			
Property, plant and equipment		103,198	103,012
Investment properties		48,000	71,100
Leasehold land and land use rights		22,741	23,091
Goodwill		6,775	8,026
Interest in an associate		5,832	2
Deferred income tax assets		17,193	13,797
Available-for-sale financial assets/Non-trading securities		13,372	34,101
Total non-current assets		217,111	253,129
Current assets			
Inventories		514,304	895,846
Due from customers on installation contract work		8,325	14,616
Trade and bills receivables	*10*	729,615	736,758
Prepayments, deposits and other receivables		173,202	161,820
Loans receivable		—	6,491
Pledged bank deposits		6,090	12,186
Cash and cash equivalents		198,556	191,986
Total current assets		1,630,092	2,019,703
Current liabilities			
Trade and bills payables	*11*	186,596	364,938
Due to customers on installation contract work		102	942
Amount due to an associate		9,396	—
Receipts in advance		56,695	31,940
Accrued liabilities and other payables		49,116	55,394
Current income tax liabilities		11,486	12,637
Derivative financial instruments		216	—
Borrowings		770,219	910,903
Total current liabilities		1,083,826	1,376,754
Net current assets		546,266	642,949
Total assets less current liabilities		763,377	896,078
Non-current liabilities			
Borrowings		—	166,667
Derivative financial instruments		736	—
Deferred income tax liabilities		2,382	6,200
Total non-current liabilities		3,118	172,867
Net assets		760,259	723,211
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		36,861	36,861
Reserves	*12*	678,594	650,973
		715,455	687,834
Minority interests		44,804	35,377
Total equity		760,259	723,211

NOTES:

1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of computation used in the preparation of this consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31st March 2005, except that the VSC Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

The changes to the VSC Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2 CHANGES IN ACCOUNTING POLICIES

The adoption of new/revised HKFRS

During the year ended 31st March 2006, the VSC Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases - Incentives
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The effect on adoption of the accounting policies described above on the consolidated income statement is as follows:

	For the year ended 31st March 2006						For the year ended 31st March 2005			
	HKAS 17	**HKASs 32 and 39**	**HKAS 40**	**HKFRS 2**	**HKAS-Int 21**	**Total**	HKAS 17	HKFRS 2	HKAS-Int 21	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Increase in other gains - net	—	—	11,188	—	—	11,188	—	—	—	—
Decrease/(Increase) in general and administrative expenses	224	(4,476)	—	(57)	—	(4,309)	15	(612)	—	(597)
Increase in income tax expense	—	—	—	—	(1,101)	(1,101)	—	—	(4,291)	(4,291)
Increase/(Decrease) in profit attributable to equity holders of the Company	224	(4,476)	11,188	(57)	(1,101)	5,778	15	(612)	(4,291)	(4,888)
Increase/(Decrease) in basic earnings per share (HK cents per share)	0.06	(1.21)	3.04	(0.02)	(0.30)	1.57	—	(0.17)	(1.17)	(1.34)
Increase/(Decrease) in diluted earnings per share (HK cents per share)	0.06	(1.21)	3.04	(0.02)	(0.30)	1.57	—	(0.17)	(1.16)	(1.33)

The effect on adoption of accounting policies described above on the consolidated balance sheet is as follows:

	As at 31st March 2006					As at 31st March 2005			
	HKAS 17	**HKASs 32 and 39**	**HKFRS 2**	**HKAS-Int 21**	**Total**	HKAS 17	HKFRS 2	HKAS-Int 21	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in property, plant and equipment	(22,429)	—	—	—	(22,429)	(23,003)	—	—	(23,003)
Increase in leasehold land and land use rights	22,741	—	—	—	22,741	23,091	—	—	23,091
Increase in available-for-sale financial assets	—	13,372	—	—	13,372	—	—	—	—
Decrease in non-trading securities	—	(13,372)	—	—	(13,372)	—	—	—	—
Increase in derivative financial instruments	—	(952)	—	—	(952)	—	—	—	—
Increase in deferred income tax liabilities	—	—	—	(6,932)	(6,932)	—	—	(5,831)	(5,831)
Increase/(Decrease) in net assets	312	(952)	—	(6,932)	(7,572)	88	—	(5,831)	(5,743)
Increase in share premium	—	—	1,071	—	1,071	—	1,014	—	1,014
Increase/(Decrease) in retained earnings	312	(952)	(1,071)	(6,932)	(8,643)	88	(1,014)	(5,831)	(6,757)
Increase/(Decrease) in equity	312	(952)	—	(6,932)	(7,572)	88	—	(5,831)	(5,743)

3 TURNOVER AND SEGMENT INFORMATION

(a) **Turnover by nature**

	2006 *HK$'000*	2005 *HK$'000*
Manufacturing of industrial products		
- Processing of rolled flat steel products	1,102,078	905,482
- Enclosure systems	141,564	135,811
Trading of industrial products		
- Engineering plastic resins and injection moulding machines	258,551	248,188
Stockholding and trading of construction materials		
- Steel products - steel rebars, structural steel and flat steel products	2,916,604	2,690,626
- Sanitary ware and kitchen cabinets	154,333	151,943
- Revenue from installation work of kitchen cabinets	—	4,557
Rental income from investment properties	1,809	2,014
	4,574,939	4,138,621

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

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

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

2006

	China Advanced Materials Processing *HK$'000*	**Construction Materials Group** *HK$'000*	**Other Operations** *HK$'000*	**Elimination** *HK$'000*	**Group** *HK$'000*
External sales	1,502,193	3,070,937	1,809	—	4,574,939
Inter-segment sales	—	85,981	—	(85,981)	—
	1,502,193	3,156,918	1,809	(85,981)	4,574,939
Segment results	31,708	73,836	(5,650)	—	99,894
Other gains - net	11,750	6,544	419	—	18,713
Unallocated corporate expenses					(46,051)
Operating profit					72,556
Finance costs					(45,959)
Income tax expense					(68)
Profit for the year					26,529
Assets	869,860	868,687	108,656	—	1,847,203
Liabilities	369,611	712,991	4,342	—	1,086,944
Capital expenditure	8,994	10,243	8,742	—	27,979
Depreciation and amortisation	12,812	6,702	1,052	—	20,566
Impairment of trade receivables	2,057	1,840	15	—	3,912
Write-down of inventories	6,491	5,228	—	—	11,719
Impairment loss of an available for-sale financial asset	—	—	14,424	—	14,424
Impairment of goodwill	1,437	—	—	—	1,437

2005

	China Advanced Materials Processing *HK$'000*	Construction Materials Group *HK$'000*	Other Operations *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
External sales	1,289,481	2,847,126	2,014	—	4,138,621
Segment results	103,100	(22,453)	1,086	—	81,733
Other gains-net	3,477	1,888	32,575	—	37,940
Unallocated corporate expenses					(53,949)
Operating profit					65,724
Finance costs					(17,927)
Income tax credit					29
Profit for the year					47,826
Assets	868,590	1,262,868	141,374	—	2,272,832
Liabilities	465,317	855,573	228,731	—	1,549,621
Capital expenditure	8,128	5,834	20,565	—	34,527
Depreciation and amortisation	16,897	7,181	1,647	—	25,725
Impairment of trade receivables	207	1,206	400	—	1,813
Write-down/(Write-back) of inventories	2,191	(346)	—	—	1,845
Impairment loss of a non-trading security	—	—	10,000	—	10,000

(c) **Secondary reporting format-Geographic segments**

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

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

	2006		
	Hong Kong	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
External sales	1,306,327	3,268,612	4,574,939
Assets	558,511	1,288,692	1,847,203
Capital expenditure	6,694	21,285	27,979

	2005		
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
External sales	1,150,722	2,987,899	4,138,621
Assets	878,213	1,394,619	2,272,832
Capital expenditure	21,453	13,074	34,527

4 **OTHER GAINS - NET**

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Interest income	4,490	5,059
Dividend income from availiable-for-sales financial assets/non-trading securities	1,603	2,296
Service income	1,087	2,033
Gains on disposals of investment properties	—	55
Gain on disposal of a building included in property, plant and equipment	—	10,474
Gain on disposal of a subsidiary	4,740	—
Loss on disposal of certain interest in a subsidiary	(198)	—
Gain on disposal of certain interest in a subsidiary	607	—
Fair value gains on investment properties	11,188	25,654
Exchange gain - net	7,867	2,369
Impairment loss of an available-for-sale financial asset/a non-trading security	(14,424)	(10,000)
Impairment of goodwill	(1,437)	—
Loss on disposal of an available-for-sale financial asset	(1,560)	—
Others	4,750	—
	18,713	37,940

5 **EXPENSE BY NATURE**

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Amortisation of leasehold land and land use rights	660	246
Amortisation of goodwill	—	3,969
Depreciation of property, plant and equipment	19,906	21,510
Loss/(Gain) on disposals of property, plant and equipment other than a building	32	(107)
Employment costs	84,101	80,346
Operating lease rental in respect of		
- land and buildings	10,038	8,197
- plant and machinery and motor vehicles	3,684	4,459
Impairment of trade receivables	3,912	1,813
Write-down of inventories	11,719	1,845
Auditors' remuneration	1,225	1,038

6 **FINANCE COSTS**

	2006	2005
	HK$'000	*HK$'000*
Interest expense on:		
- bank loans wholly repayable within five years	45,363	17,740
- other loans wholly repayable within five years	596	187
	45,959	17,927

7 **INCOME TAX EXPENSE/(CREDIT)**

The amount of taxation charged (credited) to the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Current income taxation		
— Hong Kong profits tax	848	1,897
— Mainland China enterprise income tax	1,694	6,868
Deferred income tax	(2,474)	(8,794)
	68	(29)

8 **DIVIDENDS**

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of HK1.1 cents (2005: HK2.2 cents) per ordinary share	4,055	8,109
Adjustment to final dividend for 2004	—	5
	4,055	8,114

The proposed final dividends had to be approved by shareholders at Annual General Meeting subsequent to year end. The financial statements as at 31st March 2006 have not reflected such dividend payable.

9 **EARNINGS PER SHARE**

Basic

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.

	2006	2005
		(Restated)
Profit attributable to equity holders of the Company *(HK$'000)*	22,867	36,189
Weighted average number of ordinary shares in issue *('000)*	368,605	368,190
Basic earnings per share *(HK cents per share)*	6.20	9.83

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 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.

	2006	2005
		(Restated)
Profit attributable to equity holders of the Company and used to determine diluted earnings per share *(HK$'000)*	22,867	36,189
Weighted average number of ordinary shares in issue *('000)*	368,605	368,190
Adjustments for share options *('000)*	—	2,197
Weighted average number of ordinary shares for diluted earnings per share *('000)*	368,605	370,387
Diluted earnings per share *(HK cents per share)*	6.20	9.77

10 **TRADE AND BILLS RECEIVABLES**

Sales are either covered by letters of credit with bills payable at sight or on open account with credit terms of about 15 to 90 days.

Ageing analysis of trade and bills receivables was as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	472,646	448,247
61 to 120 days	175,263	170,993
121 to 180 days	42,741	83,219
181 to 365 days	19,631	20,124
Over 365 days	34,439	27,670
	744,720	750,253
Less: Provision for impairment of receivables	(15,105)	(13,495)
	729,615	736,758

11 **TRADE AND BILLS PAYABLES**

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

Ageing analysis of trade and bills payables was as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	130,822	306,357
61 to 120 days	33,298	33,015
121 to 180 days	19,063	20,524
181 to 365 days	438	3,671
Over 365 days	2,975	1,371
	186,596	364,938

12 **RESERVES**

	Share premium	**Capital redemption reserve**	**Statutory reserves**	**Capital reserve**	**Investment revaluation reserve**	**Investment properties revaluation reserve**	**Cumulative foreign currency translation adjustments**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005, as previously reported	313,596	77,203	8,259	58,355	(6,993)	2,069	(2,647)	206,874	656,716
Effect on adoption of HKAS 17	—	—	—	—	—	—	—	88	88
Effect on adoption of HKFRS 2	1,014	—	—	—	—	—	—	(1,014)	—
Effect on adoption of HKAS-Int 21	—	—	—	—	—	—	—	(5,831)	(5,831)
At 1 April 2005, as restated	314,610	77,203	8,259	58,355	(6,993)	2,069	(2,647)	200,117	650,973
Opening adjustment on adoption of HKASs 32 and 39	—	—	—	—	—	—	—	3,524	3,524
Opening adjustment on adoption of HKAS 40	—	—	—	—	—	(2,069)	—	2,069	—
At 1 April 2005, after opening adjustment	314,610	77,203	8,259	58,355	(6,993)	—	(2,647)	205,710	654,497
Profit for the year attributable to equity holders of the Company	—	—	—	—	—	—	—	22,867	22,867
Transfer from retained earnings	—	—	2,867	—	—	—	—	(2,867)	—
Share option scheme — value of services	57	—	—	—	—	—	—	—	57
Change in fair value of available-for-sale financial assets	—	—	—	—	(7,181)	—	—	—	(7,181)
Investment revaluation reserve transferred to income statement upon recognition of impairment loss of an available-for-sale financial asset	—	—	—	—	14,424	—	—	—	14,424
Dividends paid to equity holders of the Company	—	—	—	—	—	—	—	(8,109)	(8,109)
Currency translation differences	—	—	—	—	—	—	2,039	—	2,039
At 31 March 2006	314,667	77,203	11,126	58,355	250	—	(608)	217,601	678,594

	Share premium	**Capital redemption reserve**	**Statutory reserves**	**Capital reserve**	**Investment revaluation reserve**	**Investment properties revaluation reserve**	**Cumulative foreign currency translation adjustments**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004, as previously reported	312,712	77,203	5,532	58,355	(6,097)	—	(2,752)	178,827	623,780
Effect on adoption of HKAS 17	—	—	—	—	—	—	—	73	73
Effect on adoption of HKFRS 2	402	—	—	—	—	—	—	(402)	—
Effect on adoption of HKAS-Int 21	—	—	—	—	—	—	—	(1,540)	(1,540)
At 1 April 2005, as restated	313,114	77,203	5,532	58,355	(6,097)	—	(2,752)	176,958	622,313
Profit for the year attributable to equity holders of the Company	—	—	—	—	—	—	—	36,189	36,189
Transfer from retained earnings	—	—	2,727	—	—	—	—	(2,727)	—
Issuance of shares upon exercise of warrants	884	—	—	—	—	—	—	—	884
Share option scheme — value of services	612	—	—	—	—	—	—	—	612
Fair value gains of investment properties	—	—	—	—	—	2,069	—	—	2,069
Change in fair value of a non-trading security	—	—	—	—	(10,896)	—	—	—	(10,896)
Investment revaluation reserve transferred to income statement upon recognition of impairment loss of a non-trading security	—	—	—	—	10,000	—	—	—	10,000
Dividends paid to equity holders of the Company	—	—	—	—	—	—	—	(10,303)	(10,303)
Currency translation differencs	—	—	—	—	—	—	105	—	105
At 31 March 2005	314,610	77,203	8,259	58,355	(6,993)	2,069	(2,647)	200,117	650,973

13 **CONTINGENT LIABILITY**

	2006	2005
	HK$'000	*HK$'000*
Performance bonds	1,612	6,293

14 **COMMITMENTS**

(a) **Capital commitments**

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2006	2005
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	9,742	—

(b) **Commitments under operating leases**

Total commitments payables under various non-cancellable operating lease agreements in respect of rented premises was analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Not later than one year	2,373	3,194
Later than one year and not later than five years	515	—
	2,888	3,194

(c) **Commitments under forward foreign currency contracts**

As at 31st March 2006, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$97,400,000 (2005: US$70,731,000) for approximately HK$752,602,000 (2005: HK$530,254,000), for the purpose of hedging against the VSC Group's commitments arising from its trading activities.

Results

Turnover increased by 11% over last year. Both CAMP and CMG operations recorded an encouraging growth of 16% and 8% respectively. Overall gross profit increased by 18% and gross margin increased by 0.3 percentage point. The improvement is mainly from the Hong Kong steel rebars stockholding business of CMG which recovered from last year's trough and recorded a handsome profit in FY2006. However, the continued decline in steel price since April 2005 has adversely affected our ability to deliver our expected margin of our business in Mainland China.

Selling and distribution expenses ("S&D expenses") increased by 12% or approximately HK$3 million. The increase was in line with the growth in turnover. General and administrative expenses ("G&A expenses") also increased by 4% or approximately HK$6 million. To support our fast growing operations in PRC, we have strengthened our support team in Shanghai. Our Shenzhen office was set up in late FY2005 and a new team had been set up to support the operations in Southern China. As a result, both rental and employment costs increased.

Basic earnings per share decreased by 37% to HK6.2 cents mainly due to decrease in profit attributable to equity holders. Diluted earnings per share decreased by 37% to HK6.2 cents. A final dividend per ordinary share for FY2006 was HK1.1 cents (2005: HK2.2 cents) per share was recommended for the year representing dividend payout (total dividends divided by profit attributable to equity holders X 100%) of around 18%. With its stated strategy for further expansion, especially in CAMP, the management will through reinvestments of capital maximising the VSC Group's equity holders' value in the medium to longer term.

CHARGES ON ASSETS

As at 31st March 2006, the VSC Group had certain charges on assets which included (i) buildings of approximately HK$25,307,000, leasehold land and land use rights of approximately HK$12,730,000 and inventories of approximately HK$32,975,000 were pledged as collaterals for certain of the VSC Group's short-term bank loans; (ii) certain inventories were held under trust receipts bank loan arrangements; and (iii) bank deposits of approximately HK$5,896,000 were pledged as collateral for the VSC Group's banking facilities and of approximately HK$194,000 was restricted as custom deposits in Mainland China.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The VSC Group's businesses were primarily transacted in Hong Kong dollar, US dollar and RMB. As exchange rate between HK dollars and the US dollars is fixed, together with the minimal fluctuation in exchange rate between HK dollars and RMB, the VSC Group believes its exposure to exchange rate risk is not material. The VSC Group will continue to match RMB payments with RMB receipts to minimize exchange exposure.

As at 31st March 2006, about 73.3% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, 19.7% in RMB, and 7% 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 2006, the VSC Group had total outstanding currency swaps, to hedge principal repayment of future US dollars debts under letter of credit, and payable in the amount of approximately HK$753 million.

All of the VSC Group's borrowings were based on floating interest rates. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial year 2005/06 was a year with remarkable improvement in operating profit but the profit attributable to our equity holders was not improved because of the surge in interest expenses during the year. In 2005/06, the VSC Group turnover grew 10.5% to a new record high of HK$4,575 million, with improvement on our gross margin to 5.2% as compared with 4.9% last year. While overall profit from operations improved by 10.4% to HK$73 million, interest expenses surged to HK$46 million, an increase of HK$28 million over last year as a result of continuous interest rate hike during the year. The significant surges of interest expenses, combined with other factors as discussed below have drained our profit attributable to equity holders. In 2005/06 our profit attributable to our equity holders was down to HK$23 million as compared to HK$36 million from last year. During financial year 2005/06, we persistently executed our turnaround strategies for our traditional steel stockholding business in Hong Kong and we successfully returned the Hong Kong steel distribution business back to profitability. To tackle the continuous increase in interest rates, we focused on improving the efficiency of our operating assets and reducing our interest bearing liabilities. In financial year 2005/06, our Days Sales Outstanding improved 11 days and our inventory turnover improved 15 days as compared with last year. The improvement in our asset turns enabled us to generate more funds to reduce our debt. In financial year 2005/06, our gearing ratio improved to 0.80 compared with last year of 1.29 and our interest bearing loan was reduced by HK$307 million from last year. Moving forward, we will continue to execute our successful business strategies, continue to focus on customer satisfaction and supplier relationship, along with investment in our structure and people. We will continue to fuel our CAMP operation to meet the increasing demand resulting from the rapid growth of the China economy and we will continue to execute our strategies to maintain profitable growth of our steel distribution in Hong Kong and to recover from our business in Mainland China. The VSC Group's core corporate strategies are summarized as follows:

1) **Continue to strengthen our Coil Center business in China**

China has kept their fast pace of becoming the world's factory and our Company will continue to adhere on the fast track. We will re-align our resource and focus on developing and growing our coil center business in China. In the year under review, we have realigned part of our resources on China Steel Distribution to our Coil Center Operation. As a result of our realignment of part of the CMG resources, both operations recorded growth; CMG revenue in financial year 2005/06 increased by 8% and our CAMP revenue increased to a greater extent to 16%. To speed up our growth and tap into the high growth area, we are in the process of building a new coil center plant in Kunshan to serve our customers in Eastern China. In addition to that, we will also explore the possibilities of strategic alliance with world class leaders in steel processing to create synergy to expand our customer base and increase customer satisfaction through world class expertise and global standard in management.

2) **Penetrate high growth and profitable sectors through resource realignment and key account management**

We will continue to monitor the demand of steel products from our targeted high growth industries. During the year under review, the information technology, telecommunications and home appliances industries generated strong demand for flat-rolled steel and a variety of steel finished products. To tap into the higher margin business, resources on the distribution of construction steel in Shanghai and Wuxi have been realigned to support the growth in Coil Centers. In addition to resource realignment, substantial efforts are devoted on improving customer satisfaction and key account management, members of our senior management team are leading the effort to systematically visit major customers, to keep up with latest market trends and seek customer feedback to improve our level of services in order to achieve our goal of continuous customer satisfaction.

3) **Create value to our domestic and global customers through our expertise and China experience in value-added processing, supply chain management and total solution service.**

With the strategic alliance and the synergy effect, we will continuously enhance our ability to serve our domestic and global customers. Our experience and relationship with steel mills in China and Asia combined with the strategic alliances with local and world class leaders in steel processing will enhance our ability to provide a full range of services including distribution, value-added processing, supply chain management and total solution to our domestic as well as global customers. Our core products portfolio will continue to include Hot Rolled Coils, Cold Rolled

Coils, Galvinized Steel, Pre-painted Color Steel Sheets, Aluminium & Zinc Coated Steel, Aluminium Coated Steel, Stainless Steel, Silicon Steel, Reinforcing Bars, Steel H-Piles and Steel Sheet Pilings, etc.

4) **Enhance distribution network and supply chain**

We will continue to execute our strategies to expand the scope of our business and services including enhancement of our distribution network, realignment of our resources and organisation structure. We have consolidated our flat product steel distribution in Shanghai, Wuxi and Guangzhou from our CMG Division into CAMP Division to strengthen our source of supply and quality of inventory to support our CAMP operation, and to increase processing content of materials previously distributed by CMG on simple trading basis. We will continue our long product steel distribution in Hong Kong, Shanghai and Shenzhen with continued focus on our key accounts. We also have plans and resources to develop into areas of metal products sourcing, fabrication, logistics arrangement and downstream toll rolling. We will continue to develop our strategic alliances with reputable steel supplier and maintain mutually beneficial relationship with strategic joint venture of Guangzhou and Tianjin Coil Centres. Those alliances will enable us to secure stable and timely supplies of quality steel to cater to the growing distribution networks.

5) **Maintain professional team with spirit of continuous improvement**

Our success is based on the recognised quality of our products and services, as well as our ability to anticipate the market moves and understand our customers' needs. The improvement of our operating efficiency would not be achieved without a team of professional working in VSC. During the year, we have strategically invested in our human capital; we have recruited, maintained and trained our people to execute our business strategies to support our growth and operating profitability. Moving forward, we will continue to pursue excellence in operation, foster VSC culture and drive for excellence.

(A) **China Advanced Materials Processing ("CAMP")**

The VSC Group's CAMP operations comprise of three business units, 1) coil centre operations which provide 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 China.

In financial year 2005/06, overall CAMP's turnover increased by 16% to HK$1,502 million. However, due to the continuous decline in steel price particularly in the second half of the year, the coil centers in China experienced a decline in margin, and the segment result has deteriorated from last year.

1. **Coil Centre Operations**

The Group's coil centre operations consist of three main subsidiary factories in Dongguan, Tianjin and Guangzhou and 14% investment in a joint venture company in Nansha. The coil centres act as an essential intermediary in the steel consumption value chain bridging between steel mills and finished products/OEM manufacturers. The value propositions of our coil centres include our ability to deliver to customers through just-in-time (JIT) delivery, under short order lead time, reliable supply chain management, reduction in scrap and materials handling costs, savings in investment of machinery and factory space, quality assurance with flexible supply of product range. To enable our value proposition to our customers, the coil centers have to maintain a certain level of inventory. While the revenue grew from last year, the unexpected and lengthened drop in steel price, particularly in the second half of the year; have deteriorated the performance of our Coil Center for the year.

The **Dongguan coil centre (DGCC)**, running in its 11th year, remains the Group's leading coil centre. Turnover dropped by 2% to approximately HK$492 million, with volume decreased by 5% to about 73,000 metric tons. Located in Dongguan, Humen, DGCC is in strategic proximity to many Hong Kong and Taiwan based OEM manufacturers of electrical appliances (DVD, LCD panel) and computers (notebook, printer) in Dongguan and nearby to the Pearl River Delta. DGCC focuses on serving a group of large volume users by capitalizing on excellence in operations, customer service and latest machinery technology. During the year, the price of high-end rolled flat steel products continue to decline, at an unexpected rate. The continue decline in steel price caused concern to industrial customers who took the strategy of reducing their inventory. Under such market conditions, DGCC succeed in keeping its top line and sales quantity was comparable with last year, but suffered a decline in its gross margin. Compare with that of last year, DGCC gross margin reduced from 14% to slightly over 4%. Segment profit for financial year 2005/06 is HK$7.7 million, a 86% drop from last year. Following a year of erratic price fluctuation and adjustments, the management expects that the market ahead would stabilise and our Dongguan operation will back in good shape in coming year.

The **Tianjin coil centre (TJCC)** entered its second full year of operations in 2005/06 and have learnt some valuable lessons. Turnover for financial year 2005/06 amounted to approximately HK$247 million, up 58% from that of last year. Despite revenue increased from last year, TJCC suffered a segment loss of approximately HK$7 million, due to a market climate with declining steel price. The actual margin was not as satisfactory as previous year. As the steel price is getting more stable at the end of the year, the management believes that moving forward the Tianjin operation will provide a more positive contribution to the VSC Group with a recovering bottom line.

VSC Group continue holding 70% equity shares of **Guangzhou coil centre (GZCC)** since we acquired it in late March 2004. Situated in Guangzhou, Huangpu, GZCC is the third coil centre managed by CAMP. Turnover for the financial year 2005/06 amounted to approximately HK$363 million, a 46% increase from last year. Despite volatile market conditions, GZCC managed to achieve growth in revenue and segment profit reached HK$12 million for the year, represent a 33% drop from last year. As the customer base of the operation has been relatively stable and the demand is expected to remain strong, the management expects the performance will be improved once the steel price is getting stabilised.

VSC Group's partner, Shinsho Corporation, the core trading arm of Kobe Steel Group, provides 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. GZCC focuses on serving the re-export OEM home appliance manufacturers in Guangzhou and domestic customers in the Pearl River Delta. VSC Group plans to further enhance operations and machinery at GZCC, and with Shinsho Corporation, jointly study the viability of expanding the current production capacity to meet anticipated demand surge.

The VSC Group's 14% investment in the **Baosteel Jingchang joint venture** in Nansha recorded a net profit of approximately RMB14 million. Dividends during the year totaled approximately RMB1.7million. The Nansha JV has a reputable industry position by offering highly competitive prices and quality service. Continuous operational improvements were driven by the widespread use of balance scorecard to set specific measurable targets in working capital efficiency, customer satisfaction index and passing of ISO9001:2000 audit.

As mentioned above, on 6th April 2006, VSC Group incorporated a wholly owned subsidiary in Kunshan, located in Jiangsu Province of China. This coil center aims to serve the surging demand from our customers in the Yangtze River Delta region, the newly constructed factory is expected to be ready for production by December 2006 with an annual capacity of 60,000 metric tons.

2. **Enclosure Systems Manufacturing**

The **VJY enclosure systems manufacturing (VJY)** in Shenzhen entered into its fourth year of operations, it provides comprehensive steel processing services and solution to customer including punching, bending, stamping, coating, assembly, technical design and quality control. VJY is focused on the high growth telecommunications industry in Southern China, which is dominated by a few leading domestic telecommunication equipment providers/manufacturers. VJY has continued to invest in engineering and operations to ensure their products and services are high quality with competitive costs to our customers. The quality of VJY products and services has successfully helped our customers to increase their competitive advantage and we become the vendor of choices with top customers like Huawei and Zhongxing. Turnover for 2005/06 grew by 4% to about HK$142 million, as compared to last year's HK$136 million; segment profit improved to about HK$ 8.2 million. In the coming year, VJY will continue to apply key account management in servicing core customers, improve its technical manufacturing capability and sales forecast to lower inventory costs.

3. **Plastics Distribution**

For the year under review, the soaring crude oil price continued to drive up the price of plastics. In financial year 2005/06, the plastics department recorded a 4% increase in turnover to HK$259 million as compared with last year of HK$248 million, however, the actual tonnage sold slipped to 16,284 tons as compared with last year of 18,523 tons. The soaring in plastic price and interest rates have driven down the market demand. Despite the revenue increased, segment profit reduced by 24% to approximately HK$11.2 million. The division continues to promote the engineering plastic resins of a wide range of suppliers including Samsung Total, Samsung Cheil, GE Plastics and UMG. The team offers technical assistance to customers' new products development and coordination with suppliers. Local sales teams in Shenzhen and Guangzhou have penetrated into the local market around the Pearl River Delta, targeting the huge demand for high quality imported resins, particularly in the home appliance, health care and electrical and electronic markets.

(B) **Construction Materials Group ("CMG")**

It is VSC's overall strategy to build a steel distribution network to provide products as well as high value-added solutions to target customers across China. 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 and other major cities in Mainland China, including Shenzhen, Guangzhou, Shanghai, Wuxi, Tianjin, Chongqing and Beijing. Turnover of CMG for the year increased by 8% to approximately HK$3,071 million and the overall segment profit for the year was HK$74 million as compared to a loss of HK$22 million last year. The good result was mainly from the superb performance of the Hong Kong Steel Distribution. In financial year 2005/06, CMG accounted for approximately 67% of the Group's total turnover as compared with last year of 69%.

1. **Steel Distribution**

The CMG operations in steel distribution comprise of stockholding business of rebars, structural steel and engineering products in Hong Kong; steel distribution in Mainland China as well as investment in the **North Asia Strategic Holdings Limited ("NAS")**, formerly iSteelAsia Holdings Limited. VSC also owned 66.7% joint venture, Shanghai Bao Shun Chang ("BSC") to cover the distribution of the domestic steel products in Eastern China.

Hong Kong Steel Distribution

The shortfall last year gave the Hong Kong Steel Distribution Department a valuable lesson. To capitalize from the lesson, the Department had implemented a series of corrective strategies and actions to avoid entering into fixed price sales contracts exceeding two years and to manage customers for sharing the pricing risks. To reduce operating cost and improve efficiency, the Department had implemented direct pier-to-site delivery, controlled the lead time on goods ordering and improved accuracy of demand forecast. The corrective strategies and cost measures were very successful and the Department achieved an encouraging operating result in financial year 2005/06. Despite overall tonnage delivered by the Department in financial year 2005/06 remained around 326,000 metric tons, approximately the same as last year, revenue increased 17% to approximately HK$1,232 million. Sales revenue from distribution of steel in Hong Kong contributed 40% of the total CMG steel distribution revenue for the year. In the year under review, the Department made an segment profit of HK$95 million as compared to a loss of HK$ 66 million last year. Rebars inventory were reduced by over 50%, logistics costs comprised of godown operation costs and inventory handling costs, as well as inventory carrying costs had also been reduced. The good news is that all the low price sales contracts that caused the loss in the previous year had been fulfilled and expired in this financial year.

After the Chinese New Year, steel price is becoming more stable, although construction activities in Hong Kong remains stagnant without much apparent improvement from the recovering property market, the Department continues to capture good profit margin as a result of implementing our corrective business and operational strategies. Currently the department's contracts-on-hand total about HK$600 million extending to year 2007. Major projects worth highlighting are KCRC Kowloon Southern Links, Residential Development of Kwun Lung Lau Phase 1, Cyberport Residential Development at Telegraph Bay for Phase RV, Upper Ngau Tau Kok Estate Phase 2 & 3, Shatin New Town Stage II Road Works, Foundation Works at Hoi Ting Road, Kwai Chung Flatted Factory, Redevelopment of Un Chau Street Estate Phases 2 & 4, Fanling Area 36 Phase 2, Victoria Shanghai, Academy at Shum Wan Road and Route 8 Lai Chi Kok Viaduct. The good and stable operating performance of this Department is expected to continue in the coming year.

China Steel Distribution

In the year under review, CMG China distribution business continued to operate in a difficult environment. On one hand, the PRC central government continues her macro-entrenchment policies to limit excessive investments in several overheated industries including steel and automobile as well as the real estate sector. On the other hand, the over supply of steel had driven down the steel price significantly and continuously. Turnover for the year achieved HK$1,685 million, increased by 3% from last year, however, the value of inventory carried by the Department had deteriorated significantly, as a result the Department suffered a segment loss of HK$22 million, compared with a profit of HK$35 million last year. In financial year 2005/06, the VSC Group made steel products sales of approximately HK$220 million under the purchase arrangement with NAS. The 66.7% joint venture company, BSC, also suffered from the market and pricing deterioration. In financial year 2005/06, despite turnover increasing by 13.7% to approximately HK$964 million, net profit contribution before minority interests only reached about HK$6.7 million as compared with HK$24 million last year. During the year, our strategic venture alliance MetalChina continued to build their structure and team and provide a virtual chain market linking procurement services to overseas buyers to source China-made metal products for export. The strategic intent of such specialised services is to develop the VSC Group's domestic sourcing capability and to lower its capital requirements and risks associated with inventory. It further renders cross-selling opportunity of processing activities for the CAMP operations. In financial year 2005/06, CMG China management had put substantial efforts in resources re-alignment and they had also imposed strict control over spending, resulting in elimination of some unnecessary administrative expenses and selling expenses.

2. **Building Products**

In financial year 2005/06, the turnover of Building Products Department slightly dropped by 1% to about HK$154 million as compared with HK$156 million last year. Segment profit decreased to about HK$0.9 million as compared to HK$8.9 million last year mainly because of the write off of some dead stock and receivable in a kitchen cabinet installation project which was completed in year 2004. The biggest contributor of Building Products is the project sales division which distributes mainly sanitary wares of TOTO, Laufen and Hansgrohe, and Rover tiles. The Department continued to maintain steady sales growth in commercial office, shopping arcade, hotel and service apartments in Hong Kong and casino and resort sectors in Macau. The strategy of the Department is to continue diversifying and developing distribution network in Macau, Shanghai, Shenzhen and Guangzhou through project sales, channel sales and wholesales. The Department currently has contracts-on-hand worth around HK$5 million. Major outstanding projects include the supply bathroom sanitary wares and tiles for Skyplaza Building at Hong Kong International Airport, Alternative works at Ocean Centre, Chi Lin Care & Attention Home, Mandarin Oriental Hong Kong, Ting Kau Hotel, East Point City at Tseung Kwan O, Renovation works at Hopewell Centre, Renovation works at Hong Kong Convention and Exhibition Centre, Grand Waterfront, 15 Ho Man Tin Hill Road and hotel projects in Macau. **Leisure Plus**, the retail outlet and showroom, with an area of over 7,000 square feet in Wanchai has successfully built up a superior high-end image for quality sanitary products. The performance of Leisure Plus was encouraging and it contributed sales revenue of HK$37 million in financial year 2005/06. A new business model, Vendor Managed Inventory (VMI) has been used to operate this network to better coordinate the pricing, inventory, display quality and services level among all dealers. Our wholly owned trading company **Leisure Plus Shanghai** also had good result for the year and they achieved a turnover of approximately HK$64 million, a 7% growth over last year. The VSC Group has also obtained distribution rights of TOTO in Guangzhou and Shenzhen areas. The management of Building Product anticipates good progress of distributing TOTO products in its wholesale and project sales divisions in Shenzhen and Guangzhou area in the coming year.

(C) **Other Investment**

The VSC Group maintained an investment with direct holding of equity shares in NAS, a company listed in the Growth Enterprise Market of the Stock Exchange since April 2000. In July 2005, NAS made an open offer to all its shareholders on the basis of one new share for holder of one share which VSC, through its wholly owned subsidiary, fully subscribed for the shares to which it is entitled under that offer. NAS alloted and issued additional shares to new investors of approximate two times of its issued share capital, and as a result, our shareholding was diluted from 18.9% last year to 6.61% this year. In financial year 2005/06, NAS and its subsidiaries (together the "NAS Group") continued to operate in a difficult environment, turnover and margin decreased due to the lasting effect of the PRC central government's continuous macro-entrenchment policies to limit excessive investments in several overheated industries. Turnover of NAS in financial year 2005/06 decreased 58% to approximately HK$355 million, and a loss attributable to equity holders of approximately HK$12 million was recorded. The VSC Group has recognised an impairment loss of HK$14 million by transferring the deficit in investment revaluation reserve to the income statement for the year ended 31st March 2006.

GOING FORWARD

In light of the price volatitlity and challenging operating environment the VSC Group has experienced in the past few years, the management has been seeking investment opportunities to diversify from the VSC Group's current steel related business with the goal to enhance profitability and equity holders' value in the long run.

Mindful of the PRC's vast size and its tremendous opportunities, VSC has taken a more prudent approach to focusing its efforts in geographic regions it understands such as the Greater Shanghai area where the VSC Group already has an established presence through its operational headquarters. To be successful in maximizing such potential, a key criterion is to have a competent operating team. As such, the VSC Group will be embarking on a recruitment effort to match the opportunities with people competence.

EMPLOYEE AND REMUNERATION POLICIES

In March 2006, the VSC Group employed about 1,419 staff members. Salaries and annual bonuses are determined according to positions and performance of the employees. The VSC Group provides on-the-job training and training subsidy to its employees in addition to retirement benefit schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred during the year under review amounted to approximately HK$84 million. During the year under review, no options were granted to its employees under the new share option scheme adopted since 12th November 2001.

DIVIDENDS

VSC has not declared any interim dividend during the year. The Directors have resolved to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK1.1 cents per share in respect of the year ended 31st March 2006 payable to equity holders whose names appear on the Register of Members of VSC at the close of business on 31st August 2006. Subject to the approval of equity holders at the forthcoming Annual General Meeting, the final dividends warrants are expected to be despatched on or before 29th September 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of VSC will be closed from 29th August 2006 to 31st August 2006 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with VSC's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited by not later than 4:00 p.m. (Hong Kong SAR time) on 28th August 2006.

PURCHASE, SALE OF REDEMPTION OF SHARES

Neither VSC nor any of its subsidiaries has purchased, sold or redeemed any of shares of VSC during the year ended 31st March 2006.

AUDIT COMMITTEE

The Audit Committee has been set up since December 1998 and now consists of four independent non-executive Directors. The VSC Group's financial statements for the year ended 31st March 2006 now reported on have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. 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 2006, save for the deviations discussed below and has taken the following actions in order to achieve compliance with the CG Code:

1. In the Board of Directors' meeting held on 20th December 2005, the Board adopted new terms of reference of the audit committee (include such duties as stated in code provision C.3.3) and the terms of reference of the remuneration committee. These terms of references were posted to VSC's website at http://www.vschk.com on the same date.

2. VSC has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 on 31st March 2004. On 9th March 2006, the Board has approved that the Model Code also applies to those specified relevant employees of the VSC Group in respect of their dealings in the securities of VSC.

3. 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 does not have a separate chairman and chief executive officer and Mr. Andrew Cho Fai Yao currently holds both positions. 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.

4. 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 appointed to fill casual vacancies should be subject to election by equity holders at the first general meeting after their appointment and every director, 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 are not appointed for a specific term and one-third of the Directors are subject to retirement by rotation at each annual general meeting. The chairman and the managing director of VSC are not subject to retirement by rotation. According to the Bye-laws of VSC, all Directors appointed shall hold office only until the next following annual general meeting of VSC and shall then be eligible for re-election at the meeting. The Board has proposed amendments (details will be stated in the Notice of Annual General Meeting in the general mandate) to the Bye-Laws of VSC at the Annual General Meeting to be held on 31st August 2006 to provide for retirement of every Director (including those holding office as chairman and managing director) at least once every three years at annual general meetings of VSC which is to be approved by equity holders at the coming Annual General Meeting.

On behalf of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 14th July 2006

As at the date of this announcement, the Board comprised Andrew Cho Fai Yao (Chairman), Fernando Sai Ming Dong (being the executive Directors), Chow Yei Ching, Harold Richard Kahler, Kenny King Ching Tam, Xu Lin Bao (being the independent non-executive Directors).

http://www.vschk.com