VAN SHUNG CHONG HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1001)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited ("VSC" or the "Company") hereby announces the unaudited condensed consolidated interim financial information of VSC and its subsidiaries (the "VSC Group") as at and for the six months ended 30th September 2006, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2006

	Notes	For the six months ended 30th September 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Sales	3	**2,342,272**	2,313,673
Cost of goods sold		**(2,159,663)**	(2,191,446)
Gross profit		**182,609**	122,227
Other gains - net		**10,631**	9,694
Selling and distribution expenses		**(18,284)**	(14,325)
General and administrative expenses		**(96,788)**	(66,393)
Operating profit		**78,168**	51,203
Finance costs	5	**(18,082)**	(20,968)
Profit before income tax		**60,086**	30,235
Income tax expense	6	**(14,821)**	(4,254)
Profit for the period		**45,265**	25,981
Attributable to:			
Equity holders of the Company		**41,694**	21,976
Minority interests		**3,571**	4,005
		45,265	25,981
Dividends	7	**8,109**	—
Earnings per share for profit attributable to the equity holders of the Company during the period	8		
-Basic		**HK11.3 cents**	HK6.0 cents
-Diluted		**HK11.3 cents**	HK6.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2006

	Notes	As at 30th September 2006 HK$'000 (Unaudited)	As at 31st March 2006 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**104,157**	103,198
Investment properties		**48,000**	48,000
Leasehold land and land use rights		**25,173**	22,741
Goodwill		**6,775**	6,775
Interest in an associate		**5,832**	5,832
Deferred income tax assets		**18,013**	17,193
Available-for-sale financial assets		**12,210**	13,372
Total non-current assets		**220,160**	217,111
Current assets			
Inventories		**498,684**	514,304
Due from customers on installation contract work		**7,153**	8,325
Trade and bills receivables	9	**791,198**	729,615
Prepayments, deposits and other receivables		**251,021**	173,202
Derivative financial instruments		**848**	—
Pledged bank deposits		**20,394**	6,090
Cash and cash equivalents		**119,920**	198,556
Total current assets		**1,689,218**	1,630,092
Current liabilities			
Trade and bills payables	10	**189,623**	186,596
Due to customers on installation contract work		**99**	102
Amount due to an associate		**—**	9,396
Receipts in advance		**101,589**	56,695
Accrued liabilities and other payables		**59,333**	49,116
Current income tax liabilities		**22,370**	11,486
Derivative financial instruments		**—**	216
Borrowings		**695,801**	770,219
Total current liabilities		**1,068,815**	1,083,826
Net current assets		**620,403**	546,266
Total assets less current liabilities		**840,563**	763,377
Non-current liabilities			
Derivative financial instruments		**1,409**	736
Borrowings		**31,200**	—
Deferred income tax liabilities		**2,200**	2,382
Total non-current liabilities		**34,809**	3,118
Net assets		**805,754**	760,259
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**36,861**	36,861
Reserves		**720,909**	678,594
		757,770	715,455
Minority interests		**47,984**	44,804
Total equity		**805,754**	760,259

NOTES:

1 **Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2006 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

The accounting policies are consistent with those as described in the annual financial statements for the year ended 31st March 2006, except that the VSC Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Report Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are effective from accounting periods beginning on or after 1st January 2006 and relevant to its operations. The changes to the VSC Group's accounting policies and the effect of adopting the new policies are set out in Note 2 below.

2 **Impact of adopting new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards**

In 2006, the VSC Group adopted the following HKFRS and HKAS and the impact on the VSC Group's accounting policies are set out below.

HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts": these 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 (a) the unamortised balance of the related fees received and deferred, and (b) 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 effect of adoption is not significant to the Company's financial information and is eliminated on consolidation.

The following HK(IFRIC)-Interpretations, HKFRS and amendment to HKAS have been issued by the HKICPA but are not yet effective for 2006 and have not been early adopted:

- HK(IFRIC)-Interpretation 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1st May 2006. Management does not expect the interpretation to be relevant for the VSC Group.
- HK(IFRIC)-Interpretation 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1st June 2006. Management does not expect the interpretation to be relevant for the VSC Group.
- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1st January 2007. HKSA 1 (Amendment), 'Capital disclosures', effective for annual 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 disclosures required by HKAS 1 (Amendment). The VSC Group will apply HKFRS 7 and HKAS 1 (Amendment) from annual period beginning 1st April 2007.

3 **Segment information**

Primary reporting format — business segments

At 30th September 2006, the VSC Group operates predominately in Hong Kong and Mainland China in two business segments:

(1) China Advanced Materials Processing ("CAMP")

(2) Construction Materials Group ("CMG")

The segment results for the six months ended 30th September 2006 are as follows:

	CAMP HK$'000	CMG HK$'000	Other operations HK$'000	Eliminations HK$'000	Total HK$'000
External sales	825,688	1,514,655	1,929	—	2,342,272
Inter-segment sales	—	52,128	—	(52,128)	—
	825,688	1,566,783	1,929	(52,128)	2,342,272
Segment results	38,237	62,014	(2,460)		97,791
Other gains - net	4,318	2,505	3,808		10,631
Unallocated corporate expenses					(30,254)
Operating profit					78,168
Finance costs					(18,082)
Profit before income tax					60,086
Income tax expense					(14,821)
Profit for the period					45,265

The segment results for the six months ended 30th September 2005 are as follows:

	CAMP HK$'000	CMG HK$'000	Other operations HK$'000	Eliminations HK$'000	Total HK$'000
External sales	753,765	1,558,751	1,157	—	2,313,673
Inter-segment sales	—	51,732	—	(51,732)	—
	753,765	1,610,483	1,157	(51,732)	2,313,673
Segment results	31,164	33,214	534		64,912
Other gains - net	3,129	1,397	5,168		9,694
Unallocated corporate expenses					(23,403)
Operating profit					51,203
Finance costs					(20,968)
Profit before income tax					30,235
Income tax expense					(4,254)
Profit for the period					25,981

Other segment items included in the income statements are as follows:

	Six months ended 30th September 2006				Six months ended 30th September 2005			
	CAMP HK$'000	CMG HK$'000	Other operations HK$'000	Total HK$'000	CAMP HK$'000	CMG HK$'000	Other operations HK$'000	Total HK$'000
Depreciation of property, plant and equipment	6,394	3,149	738	10,281	6,833	1,016	2,279	10,128
Amortisation of leasehold land and land use rights	130	—	101	231	125	—	201	326
Impairment of goodwill	—	—	—	—	1,437	—	—	1,437
Impairment of trade receivables	1,064	4,564	—	5,628	1,272	—	15	1,287
Write-down of inventories	2,329	4,675	—	7,004	318	—	—	318

The segment assets and liabilities at 30th September 2006 and capital expenditure for the six months ended 30th September 2006 are as follows:

	CAMP HK$'000	CMG HK$'000	Other operations HK$'000	Unallocated HK$'000	Total HK$'000
Total assets	916,368	881,786	51,225	59,999	1,909,378
Total liabilities	461,755	598,415	3,035	40,419	1,103,624
Capital expenditure	15,605	1,989	2,194	—	19,788

The segment assets and liabilities at 31st March 2006 and capital expenditure for the six months ended 30th September 2005 are as follows:

	CAMP HK$'000	CMG HK$'000	Other operations HK$'000	Unallocated HK$'000	Total HK$'000
Total assets	869,860	871,854	65,988	39,501	1,847,203
Total liabilities	369,611	716,158	1,044	131	1,086,944
Capital expenditure	3,868	3,401	1,177	—	8,446

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, interest in an associate, deferred income tax assets, inventories, receivables, operating assets (including derivative financial instruments) and operating cash. They exclude investment properties and available-for-sale financial assets.

Segment liabilities comprise operating liabilities (including derivatives financial instruments). They exclude corporate borrowings.

Capital expenditures comprise additions to property, plant and equipment, investment properties, leasehold land and land use rights and available-for-sale financial assets, including additions resulting from acquisitions through business combination.

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

Secondary reporting format - geographical segments

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

Analysis of the VSC Group's sales, total assets and capital expenditures by geographical location are as follows:

	Sales For the six months ended 30th September 2006 HK$'000	2005 HK$'000	Total assets As at 30th September 2006 HK$'000	31st March 2006 HK$'000	Capital expenditures For the six months ended 30th September 2006 HK$'000	2005 HK$'000
Hong Kong	541,486	600,173	528,997	558,511	1,107	4,123
Mainland China	1,800,786	1,713,500	1,380,381	1,288,692	18,681	4,323
	2,342,272	2,313,673	1,909,378	1,847,203	19,788	8,446

Sales is allocated based on the places in which customers are located. Total assets and capital expenditures are allocated based on where the assets are located.

4 **Operating profit**

The following items have been credited/charged to the operating profit during the period:

	For the six months ended 30th September 2006 HK$'000	2005 HK$'000
Crediting:		
Exchange gain — net	**11,607**	3,866
Interest income	**1,065**	2,635
Surplus on revaluation of investment properties	**—**	6,388
Charging:		
Depreciation of property, plant and equipment	**10,281**	10,128
Amortisation of leasehold land and land use rights	**231**	326
Loss on disposals of property, plant and equipment	**49**	—
Loss on disposal of a subsidiary	**3,515**	—
Impairment of goodwill	**—**	1,437
Impairment of trade receivables	**5,628**	1,287
Write-down of inventories	**7,004**	318

5 **Finance costs**

Finance costs for the six months ended 30th September 2005 and 2006 represent the interest expenses on borrowings.

6 **Income tax expense**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the VSC Group operates.

	For the six months ended 30th September 2006 HK$'000	2005 HK$'000
Current income tax		
- Hong Kong profits tax	**9,986**	1,833
- Mainland China enterprise income tax	**5,836**	2,386
Deferred income tax	**(1,001)**	35
Income tax expense	**14,821**	4,254

7 **Dividends**

A 2006 final dividend of HK1.1 cents (2005 final: HK2.2 cents) per ordinary share; totaling approximately HK$4,055,000 (2005 final: HK$8,109,000) was paid on 29th September 2006.

A 2007 interim dividend of HK2.2 cents (2006 interim: Nil) per ordinary share; totaling approximately HK$8,109,000 (2006 interim: Nil) has been recommended by the directors.

8 **Earnings per share**

Basic

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company for the six months ended 30th September 2006 by the weighted-average number of ordinary shares in issue during the period.

	For the six months ended 30th September 2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**41,694**	21,976
Weighted average number of ordinary shares in issue ('000)	**368,605**	368,605
Basic earnings per share (HK cents)	**11.3**	6.0

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 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.

	For the six months ended 30th September 2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**41,694**	21,976
Weighted average number of ordinary shares in issue ('000)	**368,605**	368,605
Adjustments for share options ('000)	**—**	—
Weighted average number of ordinary shares for diluted earnings per share ('000)	**368,605**	368,605
Diluted earnings per share (HK cents)	**11.3**	6.0

The share options are anti-dilutive to the earnings per share for the six months ended 30th September 2005 and 2006.

9 **Trade and bills receivables**

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

Ageing analysis of trade and bills receivables was as follows:

	As at 30th September 2006	As at 31st March 2006
	HK$'000	*HK$'000*
0 - 60 days	**549,556**	472,646
61 - 120 days	**157,317**	175,263
121 - 180 days	**37,126**	42,741
181 - 365 days	**43,493**	19,631
Over 365 days	**21,365**	34,439
	808,857	744,720
Less: provision for impairment of trade receivables	**(17,659)**	(15,105)
	791,198	729,615

10 **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 the trade and bills payables was as follows:

	As at 30th September 2006	As at 31st March 2006
	HK$'000	*HK$'000*
0 - 60 days	**141,171**	130,822
61 - 120 days	**32,964**	33,298
121 - 180 days	**7,877**	19,063
181 - 365 days	**4,593**	438
Over 365 days	**3,018**	2,975
	189,623	186,596

11 **Guarantees**

As at 30th September 2006, the VSC Group has given performance bonds in the ordinary course of business amounting to approximately HK$2,334,000 (31st March 2006: HK$1,612,000) to third parties.

12 **Commitments**

(a) **Commitments under operating leases**

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

	As at 30th September 2006	As at 31st March 2006
	HK$'000	*HK$'000*
Not later than one year	**6,222**	2,373
Later than one year and not later than five years	**5,929**	515
	12,151	2,888

(b) **Capital commitments**

Capital commitments in relation to purchase of property, plant and equipment was as follows:

	As at 30th September 2006	As at 31st March 2006
	HK$'000	*HK$'000*
Contracted but not provided for	**12,066**	9,742

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

As at 30th September 2006, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$74,800,000 (31st March 2006: US$97,400,000) for approximately HK$577,722,000 (31st March 2006: HK$752,602,000), to cover the VSC Group's commitments arising from its trading activities.

13 **Events after balance sheet date**

(a) **Deemed disposal of 40% equity interest in a subsidiary**

In October 2006, Ryerson Pan-Pacific LLC ("Ryerson LLC"), a third-party company incorporated in the United States of America, subscribed for 600 new shares of VSC-Ryerson China Limited ("VSC-Ryerson China"), a subsidiary of the VSC Group, representing 40% of the enlarged share capital of VSC-Ryerson China for approximately HK$222,300,000.

(b) **Acquisition of 4.9% equity interest in a subsidiary**

In October 2006, the VSC Group completed the acquisition of 4.9% equity interest of CAMP (B.V.I.) Holdings Limited, a subsidiary of the VSC Group, from the minority shareholders at a consideration of approximately HK$30,576,000 and recognised a goodwill of approximately HK$19,018,000.

RESULTS

Our continued strategies in creating value for our customers, together with our highly motivated professional team with proven expertise and experience in value-added processing, supply chain management and total solution services contributed to our favorable performance. Our results for the first six months ended 30th September 2006 demonstrated significant improvement when compared with that of the same period of last year. Our sales for the six months ended 30th September 2006 reached HK$2,342 million, a 1.2% increase as compared with HK$2,314 million for the same period of last year. Our gross margin increased 2.5 percentage points to 7.8% as compared with 5.3% for the same period of last year. Despite upsurge in our selling and distribution and general and administrative expenses, our operating profit reached HK$78 million, a remarkable increase of HK$27 million (an increase of 52.7%) as compared with HK$51 million for the same period of last year. General and administrative expenses increased from the same period of last year due mainly to higher salaries and incentive necessary for motivating initiativeness and good performance. The increase in general and administrative expenses also include legal and professional fees incurred in the first six months for the transaction with Ryerson Inc. ("Ryerson") Despite relatively high interest rates during the first six months ended 30th September 2006, coupled with an increase in the VSC Group's trading volume, we still managed to reduce our financing cost through better cash and asset management. Financing costs for the first six months reduced to HK$18 million, a 14% decrease from HK$21 million of the same period of last year.

Profit attributed to the equity holders of the Company was HK$42 million, which almost doubled the amount of HK$22 million for the same period of last year.

Basic earnings per share increase by 88% to HK11.3 cents as compared with HK6.0 cents of the same period of last year. An interim dividend of HK2.2 cents per share was declared for the period (2005: Nil).

In terms of assets performance, the VSC Group's average overall inventory turns improved from 5.1 times to 8.5 times as compared with the same period of last year. The VSC Group's average overall Days Sales Outstanding ("DSO") for the first six months ended 30th September 2006 was 59 days which showed a modest improvement from that of the same period last year. The VSC Group strives to further improve its average DSO.

FINANCIAL POSITIONS

Compared with last fiscal year ended 31st March 2006, the VSC Group's total assets increased HK$62 million to HK$1,909 million, the VSC Group's trade receivables increased HK$62 million whereas the VSC Group's inventories reduced by HK$16 million. During the six months period, the VSC Group began its investment in a new "greenfield" plant facility in Kunshan.

Compared with the financial position at book close of previous fiscal year ended 31st March 2006, the VSC Group's cash and cash equivalents, including pledged bank deposit, reduced HK$64 million whereas the VSC Group's borrowing reduced HK$43 million. Current ratios improved from 1.5 to 1.6, gearing ratios (borrowings net of cash and cash equivalents divided by capital and reserves attributable to equity holders of the Company) maintained at 0.8.

VSC Group's trade financing remained primarily supported by its HK$1.3 billions bank trading facilities. About 69% of the VSC Group's total borrowings were denominated in Hong Kong Dollars, 10% in U.S. Dollars and 21% in RMB. These facilities are either secured by VSC Group's inventory held under short-term trust receipts bank loan arrangements and/or with corporate guaranteed provided by VSC.

As at 30th September 2006, net assets value of the VSC Group increased from HK$760 million to HK$806 million, equivalent to HK$2.2 per share.

CHARGES ON ASSETS

As at 30th September 2006, the VSC Group had certain charges on assets which included (i) buildings of approximately HK$13 million, leasehold land and land use rights of approximately HK$13 million and inventories of approximately HK$20 million pledged for certain of the VSC Group's short-term bank loans; (ii) certain inventories were held under short-term trust receipts bank loan arrangements, and (iii) bank deposits of approximately HK$15 million were pledged as collateral for the VSC Group's banking facilities and (iv) approximately HK$5 million bank deposits in China was restricted as Customs deposits in Mainland China.

REVIEW OF OPERATIONS

(1) China Advanced Materials Processing ("CAMP")

The VSC Group's CAMP operation comprises of three business units engaging in processing of rolled steel in coil (coil centres), manufacture of enclosure systems (VJY) and distribution of engineering plastic resins. For the six months ended 30th September 2006, sales of CAMP increased by 10% to HK$826 million and segment results increased by 23% to HK$38 million.

Coil Centre Operations

For the period under review, the volatility of the steel price continues to impact adversely on the market which saw the lower average selling price against that of the same period of last year. Sales of the coil centre operations decreased by 3% from that of the same period of last year. To sustain continual growth and create shareholder's value, the coil centres have implemented the strategy of creating higher profit margin through more selective measures on choosing the best mix of customers and more focus on delivering value to those key accounts. As a result, the average gross margin reached 8.3%, an increase of 1.4 percentage point when compared with 6.9% for the same period of last year.

In order to deliver our value proposition to our customers as a reliable supplier, our strategy was to focus on key customers and to build strategic relationship. For our mature coil centres in Dongguan and Guangzhou, tonnage sales volume for the first six months ended 30th September 2006 slightly decreased by 6%, due to tighter credit control measure and key account management approach, which also led to 18% reduction in combined trade receivable of the two coil centres, compare with that of 2005 interim period. And, with our ramping up of capacity in Tianjin and the starting up of business in our Kunshan Coil Centre, total tonnage sold for all the coil centres was 87,194 metric tons, a 10% increase from the same period of last year.

Selling and distribution and general and administrative expenses increased by HK$3.5 million as compared with the same period of last year of HK$14.7 million. The increases were due to the start-up of Kunshan Coil Centre operation as well as increase in importation & transportation expenses commensurate with our growth in tonnage sales volume. To implement our business strategies for key account focus, improvement on inventory turns and operating profitability, we continue to invest in our human resources including aggressive incentive plan, training and development programs. We are confident that with the support from this team of highly dedicated employees, we are in the best position to offer value proposition to our customers and give them the best solution in the market.

For the six months ended 30th September 2006, Tianjin Coil Centre continued to ramp up their plant utilisation and capacity with more tonnage output than the same period last year. Tianjin Coil Centre sold 24,832 metric tons during the first six months, a 58% surge from last year. The market environment in Northern China is, to certain extent, different from the South. Average production scale of customers over there is larger than their Southern counterpart. Aimed at a quicker market entry, Tianjin Coil Centre adopted a more competitive strategy, this coupled with continued market price volatility, gross margin dropped by 0.4 percentage point amid a stiff price competition with a drop in average selling price of 19%. The Tianjin Coil Centre will need to work towards an optimal balance between sales and profit margins, while maintaining the customer focus and the quality of service.

The Guangzhou Coil Centre which is 70% owned by the VSC Group and was acquired in late March 2004 achieved a total sales tonnage of 23,707 metric tons which is 8% less than the same period of last year. Sales decreased from HK$185 million to HK$161 million as a result of focusing on major key accounts, hence forgoing orders from certain minor customers. Despite a softened steel price during the six months period and drop in sales revenue, Guangzhou coil centre maintained a stable gross margin.

Dongguan Coil Centre, mainly serving OEM manufacturers of electrical appliances in Pearl River Delta Region. For the first six months of the year, customers adopted a prudent approach in placing new orders, due to a hike in prices of raw materials & energy. To address this challenge, Dongguan Coil Centre focused more on higher-end customers who were more stable with their demands and less price sensitive hence offered higher margin. Dongguan Coil Centre sold 35,798 metric tons of products in the first six months, a 5% decrease from that of last year. Sales decreased from HK$266 million to HK$230 million. Compared with that of the same period of last year, in general, we experienced a drop of 7% in price on electro galvanized steel sheets and a drop of 11% on cold rolled steel sheets. Despite the drop in sales as a result of the lower steel prices, Dongguan Coil Centre's gross margin was higher than that of the same period of last year, mainly due to better product mix and operational efficiency.

In April 2006, the VSC Group incorporated a new wholly owned subsidiary in Kunshan, located in Jiangsu Province of China. It is strategically located in the booming Yangtze River Delta region with close proximity to many multinational companies. It is a "greenfield" project and construction works have been progressed according to schedule with trial run to be commenced by end of calendar year 2006 with an annual capacity of 60,000 metric tons for the first phase. In order to build up market presence and its customer base, the Kunshan team had already started toll processing business shortly after their compliance with business and tax registration requirements.

Enclosure Systems Manufacturing (Van Jia Yuen "VJY")

VJY enclosure systems manufacturing (VJY) set up four years ago is a contract manufacturer for leading high-tech equipment providers/manufacturers such as Huawei, Zhongxing and Emerson. It adds value to customers by providing comprehensive steel processing services and solution to customer including punching, bending, stamping, coating, assembly, technical design and quality control. For the first six months, its sales was HK$ 99 million, as compared with HK$57 million for the same period of last year. The segment results contributed to the VSC Group was better than that of the same period of last year, partly due to its effort in streamlining the operation process and better control of the operating expenses. VJY offers a higher degree of intensified processing offering a higher add value to its customers. Such processing requires a higher degree of technical skill on production process and quality assurance. We will continue to invest in new technology for broadening our customer base.

Plastics

With the soaring crude oil price, the average selling price of plastic resins is still at a high level. For the first six months, sales volume of Plastics Department increases by 35% and segment results contributed to the VSC Group is HK$8 million, a 19% increase over that of the same period of last year. The department sells a wide range of engineering plastic resins from reputable suppliers such as Samsung Total, Samsung Cheil, GE Plastics, Mitsubishi and UMG. The department had successfully penetrated into the local markets around the Pearl River Delta. A representative office in Shanghai was set up to tap into the surging demand in the booming Eastern China Region. The Plastic Department's main target markets include home appliance, electronics and electrical, health care and medical products market.

(2) Construction Materials Group ("CMG")

The businesses of CMG operations of the VSC Group include distribution of steel and building products in both Hong Kong and Mainland China, primarily to developers and contractors for construction works. Despite a decline in sales of CMG for the period by 3% to HK$1,567 million, the department reported a segment results of HK$62 million, which represented a 87% increase over last year's HK$33 million.

Steel Distribution

The major business unit of the VSC Group's CMG operations is steel distribution, which comprises stockholding and distribution business of rebars, structural steel and engineering products in Hong Kong, distribution of imported steel products in Mainland China and distribution of domestic steel products through Shanghai Bao Shun Chang ("BSC"), a joint venture with Bao Steel, in which VSC holds 66.7% equity interest.

Hong Kong Steel Distribution

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 the first six months ended 30th September 2006. Despite a 10% decrease in sales to approximately HK$504 million for the first six months of the year, the department achieved a segment profit of HK$53 million as compared to HK$32 million in the same period of last year. The Hong Kong Steel Department implemented a series of risk management measures that include the leveling of the risk of price fluctuation with customers and suppliers, exercising its best effort to avoid entering fixed price sales contracts with a term exceeding two years, along with price adjustment with a delivery period of over one year. In addition to these measures, we also implemented measures to reduce our operating cost as well as to improve our operating efficiency. Our inventory level of rebars was kept at optimised level. Costs of warehousing operation and handling costs, as well as inventory carrying costs had also been reduced.

The department also diversified its product range and successfully entered into sales contracts with main contractors and consultants to provide products such as wide range flange beams and steel plate.

PRC Steel Distribution

After a year of drastic plunge, the steel price started to stablise since the beginning of 2006. 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. During the first six months, we closed our Shanghai flat product distributions operation and opened up Guangzhou facility, focusing on high market demand products. Sales remained at the same level as that of last year but there was substantial improvement in the gross profit. For the first six months, the segment result turnaround from a loss of HK$4 million to a profit of HK$6 million.

Building Products

Sales of the Building Products Department increased by 18% to HK$103 million as compared to the same period of last year. The distribution business in Shenzhen has become matured. For the period under review, sales of distribution in Shenzhen tripled as compared to last year's result and amounted to about HK$25 million. Our strategy is to continue to expand into the booming cities like Macau, Shanghai, Shenzhen and Guangzhou as these cities are experiencing unprecedent growth leading to an increase of consumer spendings. The VSC Group will continue its distribution of TOTO sanitary wares in Shanghai, Shenzhen and Guangzhou through wholesale, channel sales and project sales. The department has formed VANYEE, a joint venture in Macau to capture the business opportunity in the prospering casino business in the coming years. VANYEE has outstanding contracts on hand amounting to over HK$20 million. Based on the committed sales contracts on hand, we expect the department to contribute operating profit to the VSC Group in the second half of the fiscal year.

PROSPECTS

Due to recent price softening in the international market and the growing overcapacity situation in China, we expect domestic steel prices to decline in the 1st quarter of 2007. We also anticipate steel export to be more challenging, partly because of the trade surplus of China increasing trade barriers to be imposed by importing countries.

For CAMP, we have just announced our co-operations with Ryerson in September of which Ryerson LLC, a wholly-owned subsidiary of Ryerson, subscribed for 600 new shares of VSC-Ryerson China. The transaction was completed at the end of October 2006, VSC holds a 60% equity interest in VSC-Ryerson China, with the remaining 40% equity held by Ryerson LLC. The synergy offered by this transaction would allow VSC-Ryerson China to capitalize on the expertise, customer base and technology of its two shareholders to achieve the leadership position in the vast PRC market. The proceeds from the subscription of shares by Ryerson LLC will be used for the repayment of trade related debts incurred by the coil centres, and future expansions and investment opportunities of VSC-Ryerson China in China. After we went through some usual "teething" issues for any new business, the VSC Group will look for opportunities that will better enhance the synergies between VSC Group's other CAMP operations (e.g. VJY, plastics) and VSC-Ryerson China with the intention to provide better returns to the VSC Group's shareholders with a more streamlined and better market coverage operation.

For CMG, we will continue to execute our successful strategy for Hong Kong Steel Department. We will continue 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, we will continue to operate direct pier-to-site delivery, control the lead time on goods ordering and improve the accuracy of demand forecast and inventory position. Based on the committed sales contracts on hand, we expect the department to continue to be successful in the second half of the year. For China steel distribution, we expect the PRC Government to continue her macro-economic management policies to limit excessive investment in real estate and automobile sector. To face these challenges, we will continue to do resource realignment and will focus our resource on products with high market demand hence better margins. In addition, the VSC Group will also continue to fuel its supply chain management service offerings and to enhance its technical capability on steel quality control in order to meet the rapid demand of local sourcing and export of products through MetalChina, an investment of VSC Group. Our Building Product Department will continue to collaborate with TOTO to focus on growing its market in Great China in particular Macau, a growing region with strong demand.

To maintain a more diversified income source, the VSC Group is looking for other investment opportunities in China particularly in those industries with strong market demand, steady income and cash flow. Currently, we are exploring opportunities for interest in which include a small hotel chain, and office building space to house the VSC Group's expanded operations, and staff in China, as well as to generate a steady rental income and cash flow.

The VSC Group will continue to partner with its global and local customers to create competitive advantage for them by providing value-added processing, supply chain management and total solution services. We will continue to invest in our human resources to enhance our expertise and experience to fulfill our mission.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2.2 Hong Kong cents per ordinary share for the six months ended 30th September 2006 payable to shareholders whose names appear on the Register of Members of VSC at the close of business on 9th February 2007. Dividend warrants are expected to be despatched on or before 15th February 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of VSC will be closed from 7th February 2007 to 9th February 2007 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim 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 6th February 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither VSC nor any of its subsidiaries has purchased, sold or redeemed any of shares of VSC during the six months ended 30th September 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 unaudited condensed consolidated interim financial information for the six months ended 30th September 2006 now reported on have been reviewed by the Audit Committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 six months ended 30th September 2006, except for the deviations herein below mentioned:

1. 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.

2. 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 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 the 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.

On behalf of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 8th December 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).

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