VAN SHUNG CHONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

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 2007, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2007

	Note	For the six months ended 30th September 2007 *HK$'000* (Unaudited)	2006 *HK$'000* (Unaudited)
Revenue	3	**2,788,767**	2,342,272
Cost of sales	4	**(2,621,412)**	(2,151,292)
Gross profit		**167,355**	190,980
Other gains — net		**6,910**	1,195
Selling and distribution expenses	4	**(22,008)**	(18,284)
General and administrative expenses	4	**(103,141)**	(96,788)
Operating profit		**49,116**	77,103
Finance income	5	**4,940**	1,065
Finance costs	5	**(19,225)**	(18,082)
Share of loss of associates		**(2,551)**	—
Profit before income tax		**32,280**	60,086
Income tax expense	6	**(6,058)**	(14,821)
Profit for the period		**26,222**	45,265
Attributable to:			
Equity holders of the Company		**21,342**	41,694
Minority interest		**4,880**	3,571
		26,222	45,265
Dividends	7	**4,155**	8,109
Earnings per share for profit attributable to equity holders of the Company during the period			
— Basic	8	**HK5.7 cents**	HK11.3 cents
— Diluted	8	**HK5.6 cents**	HK11.3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2007

	Note	As at 30th September 2007 HK$'000 (Unaudited)	As at 31st March 2007 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**129,249**	126,315
Investment properties		**50,800**	50,000
Leasehold land and land use rights		**26,593**	26,527
Goodwill		**31,202**	31,202
Interest in associates		**36,129**	5,832
Deferred income tax assets		**26,353**	23,329
Available-for-sale financial assets		**7,166**	12,992
Derivative financial instruments		**52,545**	57,270
Total non-current assets		**360,037**	333,467
Current assets			
Inventories		**633,097**	587,872
Due from customers on installation contract work		**3,080**	3,935
Trade and bill receivables	9	**794,910**	769,352
Prepayments, deposits and other receivables		**315,316**	217,428
Derivative financial instruments		**1,001**	1,704
Amount due from an associate		**14,438**	510
Pledged bank deposits		**70,511**	29,850
Cash and cash equivalents		**265,843**	304,574
Total current assets		**2,098,196**	1,915,225
Current liabilities			
Trade and bill payables	10	**265,386**	301,031
Receipts in advance		**94,272**	106,185
Accrued liabilities and other payables		**41,783**	40,587
Current income tax liabilities		**15,874**	16,579
Borrowings		**871,655**	683,687
Total current liabilities		**1,288,970**	1,148,069
Net current assets		**809,226**	767,156
Total assets less current liabilities		**1,169,263**	1,100,623
Non-current liabilities			
Derivative financial instruments		**60,244**	63,619
Deferred income tax liabilities		**3,308**	2,301
Borrowings		**71,289**	27,300
Total non-current liabilities		**134,841**	93,220
Net assets		**1,034,422**	1,007,403
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**37,775**	36,861
Reserves		**768,023**	745,734
		805,798	782,595
Minority interest		**228,624**	224,808
Total equity		**1,034,422**	1,007,403

NOTES:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2007 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 consolidated financial statements for the year ended 31st March 2007.

The accounting policies are consistent with those as described in the annual consolidated financial statements for the year ended 31st March 2007, except that the VSC Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Report Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which are effective for accounting periods beginning on or after 1st April 2007 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

On 1st April 2007, the VSC Group adopted the following HK(IFRIC)-Interpretation, HKFRS and amendment to HKAS and the impacts on the VSC Group's accounting policies are set out below:

HK(IFRIC)-Interpretation 10	Interim Financial Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures

HK(IFRIC)-Interpretation 10 prohibits the impairment loss recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of HK(IFRIC)-Interpretation 10 does not have any impact on the unaudited condensed consolidated interim financial information and the annual consolidated financial statements.

HKFRS 7 and HKAS 1 (Amendment) introduce new disclosures relating to financial instruments and capital in the VSC Group's annual consolidated financial statements. The adoption does not have any impact on the unaudited condensed consolidated interim financial information and full disclosures as required by HKFRS 7 and HKAS 1 (Amendment) will be made in the annual consolidated financial statements for the year ending 31st March 2008.

The following HK(IFRIC)-Interpretations, HKFRS and HKAS have been issued by HKICPA but are not yet effective for the accounting periods beginning on 1st January 2007 and thus they have not been adopted by the VSC Group on 1st April 2007:

HK(IFRIC)-Interpretation 12	Service Concession Arrangements
HK(IFRIC)-Interpretation 13	Customer Loyalty Programmes
HK(IFRIC)-Interpretation 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKFRS 8	Operating Segments
HKAS 23 (revised)	Borrowing Costs

3 SEGMENT INFORMATION

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")

(ii) Construction Materials Group ("CMG")

During the year, the VSC Group has changed its business strategy. As such, relevant revenue, results and assets of the indent rolled flat steel distribution business reported under CMG have been combined with the service centres division under CAMP. The management are of the opinion that this change in the reportable segment information provides a more appropriate presentation of the VSC Group's business operations. Certain comparative figures have been restated to conform with the revised presentation.

Analysis of the VSC Group's results by business segment for the six months ended 30th September 2007 is as follows:

	CAMP	CMG	Other Operations	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	**1,207,174**	**1,568,808**	**12,785**	**—**	**2,788,767**
Inter-segment revenue	**—**	**108,807**	**—**	**(108,807)**	**—**
	1,207,174	**1,677,615**	**12,785**	**(108,807)**	**2,788,767**
Segment results	**34,641**	**34,162**	**12,490**		**81,293**
Other gains/(losses) — net	**(194)**	**(1,252)**	**8,356**		**6,910**
Unallocated corporate expenses					**(39,087)**
Operating profit					**49,116**
Finance income					**4,940**
Finance costs					**(19,225)**
Share of loss of associates					**(2,551)**
Income tax expense					**(6,058)**
Profit for the period					**26,222**

Analysis of the VSC Group's results by business segment for the six months ended 30th September 2006 is as follows:

	CAMP (Restated) *HK$'000*	CMG (Restated) *HK$'000*	Other Operations *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
External revenue	1,073,824	1,266,519	1,929	—	2,342,272
Inter-segment revenue	—	52,128	—	(52,128)	—
	1,073,824	1,318,647	1,929	(52,128)	2,342,272
Segment results	49,639	58,983	(2,460)		106,162
Other gains /(losses) — net	2,575	(867)	(513)		1,195
Unallocated corporate expenses					(30,254)
Operating profit					77,103
Finance income					1,065
Finance costs					(18,082)
Income tax expense					(14,821)
Profit for the period					45,265

The segment assets and liabilities as at 30th September 2007 and capital expenditure, depreciation and amortization, impairment of trade receivables and write-down/(write-back) of inventories for the six months ended 30th September 2007 are as follows:

	CAMP ***HK$'000***	**CMG** ***HK$'000***	**Other Operations** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Assets	**1,207,177**	**1,106,073**	**77,800**	**67,183**	**2,458,233**
Liabilities	**261,598**	**209,436**	**2,528**	**950,249**	**1,423,811**
Capital expenditure	**9,541**	**1,235**	**—**	**—**	**10,776**
Depreciation and amortization	**8,296**	**2,178**	**—**	**220**	**10,694**
Impairment of trade receivables	**636**	**1,467**	**—**	**—**	**2,103**
Write-down/(write back) of inventories	**4,476**	**(1,276)**	**—**	**—**	**3,200**

The segment assets and liabilities as at 31st March 2007 and capital expenditure, depreciation and amortization, impairment of trade receivables and write-down of inventories for the six months ended 30th September 2006 are as follows:

	CAMP (Restated) *HK$'000*	CMG (Restated) *HK$'000*	Other Operations *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	1,253,140	898,058	50,066	47,428	2,248,692
Liabilities	248,365	270,013	2,576	720,335	1,241,289
Capital expenditure	15,605	1,989	2,194	—	19,788
Depreciation and amortization	6,540	3,133	839	—	10,512
Impairment of trade receivables	1,064	4,564	—	—	5,628
Write-down of inventories	2,329	4,675	—	—	7,004

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, inventories, due from customers on installation contract work, trade and bill receivables, prepayments, deposits and other receivables and cash. They exclude items such as investment properties, available-for-sale financial assets, interest in associates, amount due from an associate and certain derivative financial instruments.

Segment liabilities comprise operating liabilities and exclude corporate borrowings and certain derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, investment properties, and leasehold land and land use rights, including additions resulting from acquisitions through business combinations, if any.

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

Secondary reporting format — geographical segments

Analysis of the VSC Group's revenue, total assets and capital expenditure by geographical segment are as follows:

	Revenue For the six months ended 30th September		**Assets**		**Capital expenditures** For the six months ended 30th September	
			As at 30th September	As at 31st March		
	2007	2006	**2007**	2007	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**624,871**	541,486	**814,645**	615,028	**989**	1,107
Mainland China	**2,163,896**	1,800,786	**1,643,588**	1,633,664	**9,787**	18,681
	2,788,767	2,342,272	**2,458,233**	2,248,692	**10,776**	19,788

Revenue are allocated based on the places in which customers are located. Assets and capital expenditures are allocated based on where the assets are located.

4 EXPENSES BY NATURE

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

	For the six months ended 30th September	
	2007	2006
	HK$'000	*HK$'000*
Raw materials consumed and finished goods sold	**2,581,447**	2,118,650
Amortisation of leasehold land and land use rights	**273**	231
Depreciation of property, plant and equipment	**10,421**	10,281
Loss on disposals of property, plant and equipment	**12**	49
Employment costs	**65,296**	55,335
Operating lease rental in respect of		
— land and buildings	**5,407**	5,045
— plant and machinery and motor vehicles	**1,647**	1,619
Impairment of trade receivables	**2,103**	5,628
Write-down of inventories	**3,200**	7,004
Others	**76,755**	62,522
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,746,561**	2,266,364

5 FINANCE INCOME AND COSTS

	For the six months ended 30th September	
	2007	2006
	HK$'000	*HK$'000*
Finance income		
Interest income on short-term bank deposits	**4,940**	1,065
Finance costs		
Interest expenses on:		
Borrowings wholly repayable within five years	**(19,225)**	(17,741)
Other loans wholly repayable within five years	**—**	(341)
	(19,225)	(18,082)
Net finance costs	**(14,285)**	(17,017)

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

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 VSC Group operates.

	For the six months ended 30th September	
	2007	2006
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**5,103**	9,986
— Mainland China enterprise income tax	**2,972**	5,836
Deferred income tax	**(2,017)**	(1,001)
Income tax expense	**6,058**	14,821

7 DIVIDENDS

A 2007 final dividend of HK2.6 cents (2006 final: HK$1.1 cents) per ordinary share; totaling approximately HK$9,798,000 (2006 final: HK$4,055,000) was paid on 28th September 2007.

A 2008 interim dividend of HK1.1 cents (2007 interim: HK2.2 cents) per ordinary share; totaling approximately HK$4,155,000 (2007 interim: HK$8,109,000) has been recommended by the directors.

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the six months ended 30th September 2007 by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30th September	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**21,342**	41,694
Weighted average number of ordinary shares in issue ('000)	**374,914**	368,605
Basic earnings per share (HK cents)	**5.7**	11.3

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive ordinary shares are 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	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**21,342**	41,694
Weighted average number of ordinary shares in issue ('000)	**374,914**	368,605
Adjustments for share options ('000)	**4,454**	—
Weighted average number of ordinary shares for diluted earnings per share ('000)	**379,368**	368,605
Diluted earnings per share (HK cents)	**5.6**	11.3

9 TRADE AND BILL RECEIVABLES

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

Ageing analysis of trade and bill receivables are as follows:

	As at 30th September 2007	As at 31st March 2007
	HK$'000	*HK$'000*
0 – 60 days	**592,185**	558,971
61 – 120 days	**166,003**	161,031
121 – 180 days	**18,621**	13,837
181 – 365 days	**6,653**	23,649
Over 365 days	**28,261**	31,606
	811,723	789,094
Less: Provision for impairment of receivables	**(16,813)**	(19,742)
	794,910	769,352

The carrying amounts of trade and bill receivables approximate their fair values.

10 TRADE AND BILL PAYABLES

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

Ageing analysis of the trade and bill payables are as follows:

	As at 30th September 2007 *HK$'000*	As at 31st March 2007 *HK$'000*
0 – 60 days	**200,130**	228,077
61 – 120 days	**50,457**	42,860
121 – 180 days	**9,318**	21,412
181 – 365 days	**2,439**	3,350
Over 365 days	**3,042**	5,332
	265,386	301,031

The carrying amounts of trade and bill payables approximate their fair values.

11 GUARANTEES

As at 30th September 2007, the VSC Group has given performance bonds in the ordinary course of business amounting to approximately HK$855,000 (31st March 2007: HK$1,652,000) to third parties.

RESULTS

Our revenue for the six months ended 30th September 2007 reached HK$2,789 million, a 19% increase as compared with HK$2,342 million for the same period of last year. Our gross margin decreased 2.2 percentage points to 6.0% as compared with 8.2% for the same period of last year. Selling and distribution expenses increased by 20% from HK$18 million to HK$22 million which is in line with the increase in revenue. General and administrative expenses increased by 7% from HK$97 million to HK$103 million. The increase was mainly due to higher salaries and increase in management resources resulting from the upgrading efforts in the CAMP division coupled with the respective incentive necessary for motivating and retaining good performing staff.

Profit attributable to the equity holders of the Company was HK$21 million, a 49% dropped from HK$42 million for the same period of last year.

Basic earnings per share decrease by 50% to HK5.7 cents as compared with HK11.3 cents of the same period of last year. An interim dividend of HK1.1 cents per share was declared for the period (2006: HK2.2 cents per share).

FINANCIAL POSITIONS

Compared with last fiscal year ended 31st March 2007, as at 30th September 2007, the VSC Group's total assets increased HK$210 million to HK$2,458 million. The VSC Group's trade and bill receivables, advance to suppliers and inventories increased HK$26 million, HK$92 million and HK$45 million respectively. Average overall inventory turns was 8.6 times which showed a modest improvement from last fiscal year end. Average overall Day Sales Outstanding improved from 56 days to 51 days.

As at 30th September 2007, net assets value of the VSC Group increased from HK$1,007 million to HK$1,034 million, equivalent to HK$2.7 per share.

Compared with the financial position at 31st March 2007, the VSC Group's cash and cash equivalents, including pledged bank deposits, stayed at the level of HK$336 million whereas the VSC Group's borrowings increased HK$232 million. Current ratios is maintained at 1.6, while gearing ratios (net interest bearing borrowings to capital and reserves attributable to equity holders) increased from 52% to 84% as a result of increased inventory position by the Hong Kong Steel Department and also the VSC Group had obtained a three-years long term bank loan of HK$60 million in the reporting period to finance the VSC Group's longer term capital expenditure including its head office building in Shanghai.

The VSC Group's businesses were primarily transacted in Hong Kong dollars, US dollars, Renminbi ("RMB") and Euro dollars. As exchange rate between HK dollars and the US dollars is pegged, the VSC Group believes its exposure to exchange rate risk arising from US dollars is not material. Facing the appreciation of RMB, the VSC Group will continue to match RMB payments with RMB receipts to minimize exchange exposure. Transaction values involving Euro dollar were relatively insignificant.

The VSC Group's trade financing remained primarily supported by its HK$1.9 billion bank trading and term loan facilities. About 68% of the VSC Group's total borrowings were denominated in Hong Kong dollars, 20% in RMB and 12% in US dollars. These facilities are mainly secured by either the VSC Group's inventory held under short-term trust receipts bank loan arrangement and/or inventories held under collateral management and/or bank deposits and/or with corporate guarantee provided by VSC.

CHARGES ON ASSETS

As at 30th September 2007, the VSC Group had certain charges on assets which included (i) buildings of approximately HK$26 million, leasehold land and land use rights of approximately HK$17 million and inventories of approximately HK$117 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$69 million were pledged as collateral for the VSC Group's banking facilities and approximately HK$1 million 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 (service centres), manufacture of enclosure systems and distribution of engineering plastic resins. For the six months ended 30th September 2007, revenue of CAMP increased 12% from HK$1,074 million to HK$1,207 million. However, as a result of margin erosion caused by increased external competitions and an ongoing upgrading of our internal management system to prepare for the support of future business growth, segment results decreased 30% to HK$35 million.

Service Centre Operations

The service centre operations grouped under VSC-Ryerson China Limited is a substantial investment of the VSC Group, which owns a 60% shareholding interest. US-based Ryerson Inc. ("Ryerson") owns the other 40%.

For the period under review, total processed ton sold increased 17% from 87,193 metric tons to 102,423 metric tons as a result of the **Kunshan service centre (KSSC)** started trial run in last year and began ramping up at the beginning of this year. If this factor is excluded, total processed ton sold for the **Dongguan service centre (DGSC)**, **Guangzhou service centre (GZSC)** and **Tianjin service centre (TJSC)** altogether dropped 7% from 84,337 metric tons to 78,732 metric tons. This was due to increased competition especially in the Southern China market, and continuous increase in raw material prices in general. Steel price began to pick up at the beginning of this year and increases in material cost price overwhelm increases in selling price. As a result, although revenue of the service centre operations increased by 24% from the same period of last year, gross profit decreased 18% in total (or 2.8 percentage point).

To sustain continual growth and create shareholder's value, the service centres have implemented the strategy of leaner inventory management and finer customer segmentation (divide existing and potential customers by loyalty codes be served by restructured sales teams which now have been divided into inside and outside sales and key account teams). Our key account team would focus on serving major customers to ensure continuous business growth through utmost customers satisfaction; our outside sales team would focus on direct collaboration with our existing and potential customers to understand and fulfill their needs with our quality products and services whereas our inside sales team would focus on dealing with loyal, repetitive customers. By doing so, resources of sales force could be used in a more logical and efficient way. We also implemented tighter sales management such as exceptional margin control and shorter trade receivables cycle by quality and services on top of our competitive pricing.

Selling and distribution expenses and general and administrative expenses (together "SG&A expenses") increased by HK$3 million as compared with the same period of last year of HK$18 million. The increases were due to the full functioning of KSSC which attained 94% capacity utilization in September 2007. For the rest of the service centres, SG&A expenses remain at similar level of last year. To implement our business strategies to differentiate ourselves from the field in areas like key account focus, improvement on inventory turns and operating profitability, we continue to invest in our human resources and recruited into the operations highly skilled seasoned managers who are responsible for commercial activities, procurement and national operation. We also increased our investment in upgrading our human resources including overseas training at Ryerson and other in house training courses. To ensure timely and quality information for decision making, we also invested to upgrade our network infrastructure and management information system to ensure continuous supply of timely and quality key performance indicators to all levels of management.

On 7th April 2006, the VSC Group incorporated a new 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. KSSC sold 23,691 metric tons for the six months ended 30th September 2007 (2,856 metric tons for the same period of last year). Total revenue for the six months is HK$147 million. In average, capacity utilization attained 77% throughout the period in consideration. Gross profit margin is comparable to the rest of the service centres and it achieved positive interim segment result. To further enhance the capability of Kunshan operations, management have started investment in sheet metal fabrication facilities; workshop construction work and machine commissioning was completed in August and November 2007 respectively. This will compliment existing customers and allows KSSC to enlarge customer base.

For the six months ended 30th September 2007, TJSC maintained comparable output level (22,742 metric tons sold) compare with that of last year (24,832 metric tons), and successfully increased gross profit margin by 1.6 percentage point. Total revenue increased 5% from HK$143 million to HK$150 million. SG&A expenses remain at similar level compare with last year.

GZSC is 70% owned by the VSC-Ryerson China Limited. Japanese Shinsho Corporation owns the remaining 30%. Despite stagnancy of market condition in the Southern China region, during the six months in consideration, it sold 25,631 metric tons, which was 8% more than the same period of last year. Revenue increased from HK$161 million to HK$178 million as a result of increased output. Yet because of keen competition, gross profit margin dropped 3.7 percentage points. Guangzhou operation is one of the major targets of our sales management and customer segmentation initiatives.

DGSC was also affected by stagnancy of the Southern China market. It sold 30,359 metric tons for the six months in consideration, decreased 15% from 35,798 metric tons of last year. First quarter performance was not encouraging. Sales performance began to ramp up in second quarter and average capacity utilization went up to 82% from 70% of first quarter. Revenue decreased from HK$230 million to HK$207 million. SG&A expenses reduced 7% compare with the same period of last year. The VSC Group is exploiting ways to leverage on the geographical proximity of Guangzhou and Dongguan operations, to complement sales activities and to reduce operating costs.

Enclosure Systems Manufacturing (Van Jia Yuen "VJY")

VJY, located in Henggang Shenzhen, 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. In this period, it also began to work with VSC-Ryerson China Limited to serve international accounts of Ryerson who are looking for metal fabrication services in Mainland China. For the first six months, its revenue was HK$88 million, as compared with HK$99 million for the same period of last year. Given the determination to rationalize product mix, gross profit margin increased 1.2 percentage points and gross profit remain at similar level of the same period of last year. This is also the result of improved internal processes, reengineered plant & facility layout, and greater focus on and investment in 5S. More investment in advanced equipment and plant automation will be commissioned in the second half of the year.

Plastics Distribution

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** decreased slightly by 2% to 10,884 metric tons but sales revenue increased by 6% to HK$188 million. Cost of sales experienced similar increases. This left gross profit margin remain similar as 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. Began working with VSC-Ryerson China Limited, the VSC Group saw an opportunity of Plastics Department serving as national supplier of Ryerson international accounts in Mainland China, and a chance to cross-selling materials to customer of service centre operations.

(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. Revenue of CMG for the period increased by 24% to HK$1,569 million and segment results was HK$34 million, which represented a 42% decrease over the last year's HK$59 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

During the past two years, significant portion of our rebars were purchased and imported from PRC because of relatively short lead time in transportation, export custom rebate and competitive pricing. For the period under review, the PRC Government had changed their policy. They cancelled the export custom rebate in April 2007 and impose export custom duty in June 2007. The change of this custom duty policy in PRC had an adverse impact on the gross profit margin and the profitability of the **Hong Kong Steel Department**. The net effect of the change of export custom duty policy on the unit cost was about 23% (13% on the cancellation of rebate and 10% on the imposition of export duty). In addition, the increase in the prices for crude oil and iron ore, and the local "cut and bent" construction labor actions that lasted a couple of months which resulted in major delays as it forces suppliers to suspend deliveries, all these factors had further eroded the margin of the Hong Kong Steel Department. As a result, gross profit margin dropped from 12.7% to 6.4% in this reporting period. Despite a 3% increase in sales volume together with a 14% increase in sales turnover to HK$574 million for the first six months of the year, the segment profit of the department dropped to HK$25 million which was about a 54% decrease compared with the same period of last year. To meet the challenges, the Hong Kong Steel Department had taken various efforts such as increasing our inventory level prior to the imposition of the tariffs, factoring the increase in pricing in new delivery contract, and expand our sourcing to other international suppliers. To capitalize our experiences and contacts in international sourcing, we have re-activated the purchases of rebars from oversea mills (e.g. Turkey etc.) other than mills in the PRC as we find out that the prices from overseas mills are starting to be as competitive after the change in custom duty policy in Mainland China. The coming six months would continue be a challenge to the Hong Kong Steel Department as it will take a bit of time for the department to deliver those backlog contracts signed under the prior selling pricing scheme with margin being thinned off gradually because of the recent price hike from the mills. However, we expect such adverse impact to be short term as the VSC Group has implemented a policy of not entering into long term fixed price contract (which used to be fixed price two-years contracts), on the other hand, margin of new contracts have already been taking into account the continuous price hike from the mills. Given the booming real-estate market in Hong Kong, Macau, and the announced Pearl River Delta infrastructure projects, the Hong Kong Steel Department remains optimistic with its future business and profitability.

PRC Steel Distribution

Our **PRC Steel Distribution Department** continued to execute our strategies of rearrangement of our product offering, focus on end users instead of distributor, and resource realignment to minimize costs. Those strategies worked very well for the intended result, during the first six months, revenue increased by 31% from HK$659 million to HK$867 million. Gross profit increased from HK$23 million to HK$26 million and segment profit improved HK$2 million to HK$5 million, an 84% increase from the same period of last year. The interim results include BSC, our 66.7% joint venture company. For the six months ended 30th September 2007, BSC's revenue increased 45% from HK$473 million to HK$688 million, gross profit increased from HK$14 million to HK$17 million. However, the increase of SG&A expenses, mainly from the increase in salary and bonus had eroded the segment result, the profit of BSC for the six months ended 30th September 2007 was HK$6 million as compared with profit of HK$7 millions the same period of last year. PRC Steel Distribution Department will continue to execute the strategies for continuous improvement of our result.

Building Products

Revenue and segment profit of the Building Products Department increased by 24% to HK$128 million and 45% to HK$4.6 million respectively as compared to the same period of last year. During the reporting period, **Hong Kong Building Products** continued to contribute steady revenue of HK$38 million and segment profit of HK$1.5 million. The business in Shanghai had been growing and the revenue generated by **Shanghai Leisure Plus** had been increased by 53% as compared to last year's result and amount to about HK$62 million. The segment profit generated in Shanghai tripled as compared to last year's result and amounted to about HK$3.2 million. Our strategy to establish branches in the booming cities like Macau, Shanghai and Shenzhen is proved to be correct and found to be successful. The 82% owned joint venture, **Vanyee Macau**, formed in Jun 2006 had been able to capture the business opportunity in Macau and made revenue of HK$10 million in these six months. Benefit from the prospering property market in Hong Kong, Shanghai, Shenzhen and Macau, we expect the department to contribute stable operating profit to the VSC Group in future.

PROSPECTS

The global commodity market has been extremely volatile in the past 6 months: we have experienced a very volatile market with steel prices taking individual directions — e.g. cost of goods for long products like rebars has increased by over 20% due to a shift in the PRC government's policy; whereas for some flat steel products like stainless, the prices have dropped over 10% as a result in the fluctuation in nickel prices. As a distributor of steel products, the VSC Group is susceptible to these swings in prices. Given the vast amount of variety of steel products there is currently no reliable nor efficient hedging products in the market for VSC Group to utilize. As a result, the VSC Group rely on its experience and vast network built up over the years to diversify in its supplier base and also very tight inventory position management to minimize the adverse effects of these external factors.

For CAMP, subsequent to formalization of our co-operations with Ryerson in November 2006, capitalizing on Ryerson's experience, the division had invested various areas of self enhancements especially in the areas of management resources (e.g. trainings etc.), customer service, sales and market and also purchasing. Although "painful" in the short run, we have already started to witness improvements in the area of inventory/purchasing which is instrumental in enabling CAMP to minimize the adverse effects of the wild price swings of the raw material. Moving forward, CAMP will continue to tighten these operational competences to enhance its operational margin while at the same time will also work on areas like rationalization of customers in conjunction with our value propositions. On the customer rationalization front, we will look to develop deeper, tighter and more loyal relationships with a few key customers to smooth out our demand side volume while at the same time we will also look to invest in both hardware and software to broaden and deepen our range of services (from thin gauge long form to plates, from slitting/cutting to welding) to our customers. In light of the results of the efforts made so far, the management is confident that the CAMP division has the tenacity and depth of competence that it will be able to differentiate itself from its competitors and be a leading player in the PRC market.

For CMG, we will continue to build on our experience and vast supplier network of the Hong Kong Steel Department which the department has enjoyed a significant local market share. 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 from a diversified supplier base in our effort to minimize the effect of wild price swings while at the same time maintaining our service commitments to our customers. For the PRC Steel Distribution Department, 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 resources on products with high market demand hence better margins. Our Building Product Department will continue to collaborate with TOTO to focus on growing its market in the Greater China in particular Macau, a growing region with strong demand.

To maintain a more diversified income source, the VSC Group is actively looking for other investment opportunities in the PRC particularly in those industries with strong market demand, steady 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 HK1.1 cents per ordinary share for the six months ended 30th September 2007 payable to shareholders whose names appear on the Register of Members of VSC at the close of business on 13th March 2008. Dividend warrants are expected to be despatched on or before 19th March 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of VSC will be closed from 11th March 2008 to 13th March 2008 (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 10th March 2008.

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 2007.

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 2007 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 2007, 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 stipulates that the non-executive directors should be appointed for a specific term, subject to re-election. VSC's non-executive directors (except for Mr. Harold Richard Kahler) are not appointed for a specific term.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of VSC (www.vschk.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The interim report for the six months ended 30th September 2007 of VSC containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

On behalf of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 14th December 2007

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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