VAN SHUNG CHONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

The Board of Directors of Van Shung Chong Holdings Limited ("VSC") hereby announces the audited consolidated results of VSC and its subsidiaries (the "VSC Group") for the year ended 31st March, 2002, together with comparative figures, as follows:

	Notes	**2002**	2001
		HK$'000	*HK$'000*
			(Restated – Note 1)
Turnover	2	**2,137,845**	2,376,451
Representing –			
Continuing operations		**2,125,112**	2,340,287
Discontinued operations		**12,733**	36,164
Cost of sales		**(1,984,075)**	(2,137,897)
Gross profit		**153,770**	238,554
Selling and distribution expenses		**(13,798)**	(19,917)
General and administrative expenses		**(129,431)**	(176,805)
Amortisation of goodwill		**(924)**	(24,877)
Profit from operations		**9,617**	16,955
Representing –			
Continuing operations		**13,459**	65,450
Discontinued operations		**(3,842)**	(48,495)
Gain on investments	3	**6,391**	323,850
Gain (Loss) on investment properties		**1,160**	(33,630)
Interest income		**2,720**	4,778
Interest expense		**(7,908)**	(11,732)
Share of (loss) profit of associates		**(88)**	89
Profit before taxation	4	**11,892**	300,310
Taxation	5	**(760)**	(15,533)
Profit after taxation but before minority interests		**11,132**	284,777
Minority interests		**(1,022)**	1,059
Profit attributable to shareholders		**10,110**	285,836
Retained profit, beginning of year			
– as previously stated		**125,088**	293,090
– prior year adjustment		**–**	24,877
– as restated		**125,088**	317,967
Dividends		**(9,230)**	(400,391)
Transfer to capital reserve		**–**	(58,355)
Transfer to capital redemption reserve		**(307)**	(19,969)
Retained profit, end of year		**125,661**	125,088
Earnings per share	6		
– Basic		**2.8 cents**	80.4 cents
– Diluted		**2.8 cents**	79.5 cents

Notes:

1. **BASIS OF PRESENTATION AND PREPARATION AND PRIOR YEAR ADJUSTMENTS**

The consolidated income statement has been prepared in accordance with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Effective from 1st April, 2001, the VSC Group has adopted, for the first time, the following SSAPs issued by the HKSA:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above new/revised SSAPs has no material effect on the VSC Group's financial statements, other than those described below:

SSAP 9 (revised) – Events after the balance sheet date

In accordance with SSAP 9 (revised), dividends proposed or declared after the balance sheet date in respect of the financial year ended on the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of shareholders' equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively as a prior year adjustment, resulting in an increase of approximately HK$81,716,000 in shareholders' equity as at 1st April, 2001, representing the proposed final dividend for the year ended 31st March, 2001.

SSAP 30 – Business combinations

Prior to 1st April, 2001, goodwill was eliminated against retained profit in the year in which it arose. With the introduction of SSAP 30, goodwill arising on or after 1st April, 2001 is capitalised in the balance sheet and is amortised to the income statement on a straight-line basis over its estimated economic life. This represents a change in accounting policy in accordance with SSAP 2 since the VSC Group had not previously followed the policy of capitalising goodwill on the balance sheet. The VSC Group has applied the new accounting policy retrospectively and reinstated goodwill of approximately HK$60,056,000. The amortisation of the reinstated goodwill for the years ended 31st March, 2001 and 2002 amounted to approximately HK$24,877,000 and nil, respectively, while the remaining balance was amortised prior to 31st March, 2000. As a result, the VSC Group's profit attributable to shareholders for the year ended 31st March, 2001 was decreased by approximately HK$24,877,000 and the retained profit as at 1st April, 2000 was increased by the same amount.

2. **SEGMENT INFORMATION**

The primary segment is defined by major product and operational unit, while the secondary segment is defined by destination of shipment of merchandise.

a. **Primary segment**

The VSC Group is organised into three major product and operational units – (i) trading and stockholding of construction materials including steel products, sanitary wares, kitchen cabinets, and installation work of kitchen cabinets, (ii) manufacturing and trading of industrial products including rolled steel flat products, enclosure systems, engineering plastic resins and injection moulding machines, and (iii) investment holding including rental income from property investment and interest income from finance business. Analysis by business segment is as follows:

	Trading and stockholding of construction materials		**Manufacturing and trading of industrial products**		**Investment holding**		**Total**	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
Sales to external customers								
– continuing operations	**1,735,081**	1,821,010	**383,496**	513,292	**6,535**	5,985	**2,125,112**	2,340,287
– discontinued operations	**12,733**	36,164	**–**	–	**–**	–	**12,733**	36,164
	1,747,814	1,857,174	**383,496**	513,292	**6,535**	5,985	**2,137,845**	2,376,451
Operating results								
Segment results								
– continuing operations	**32,732**	83,975	**37,316**	44,208	**(13,479)**	(15,256)	**56,569**	112,927
– discontinued operations	**(3,842)**	(48,495)	**–**	–	**–**	–	**(3,842)**	(48,495)
	28,890	35,480	**37,316**	44,208	**(13,479)**	(15,256)	**52,727**	64,432
Unallocated corporate expenses							**(43,110)**	(47,477)
Profit from operations							**9,617**	16,955
Gain on investments							**6,391**	323,850
Gain (Loss) on investments properties							**1,160**	(33,630)
Interest income							**2,720**	4,778
Interest expense							**(7,908)**	(11,732)
Share of (loss) profit of associates							**(88)**	89
Taxation							**(760)**	(15,533)
Profit after taxation but before minority interests							**11,132**	284,777

b. Secondary segment

The VSC Group's activities are conducted predominantly in Hong Kong and Mainland China. Analysis by geographical segment is as follows:

	Hong Kong		Mainland China		Total	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover						
– continuing operations	**1,086,908**	1,351,097	**1,038,204**	989,190	**2,125,112**	2,340,287
– discontinued operations	**12,733**	36,164	**–**	–	**12,733**	36,164
	1,099,641	1,387,261	**1,038,204**	989,190	**2,137,845**	2,376,451
Operating results						
– continuing operations	**16,999**	67,306	**39,570**	45,621	**56,569**	112,927
– discontinued operations	**(3,842)**	(48,495)	**–**	–	**(3,842)**	(48,495)
	13,157	18,811	**39,570**	45,621	**52,727**	64,432
Unallocated corporate expenses					**(43,110)**	(47,477)
Profit from operations					**9,617**	16,955

Turnover by geographical location is determined on the basis of the destination of shipment of merchandise.

3. GAIN ON INVESTMENTS

Gain on investments, net, was analysed as follows:

	2002	2001
	HK$'000	*HK$'000*
Gain on investments	**6,488**	361,395
Impairment loss on investments	**(97)**	(37,545)
	6,391	323,850

4. PROFIT BEFORE TAXATION

Profit before taxation was determined after charging (crediting) the following items:

	2002	2001
	HK$'000	*HK$'000*
Interest expense on short-term bank borrowings wholly repayable within five years	**7,908**	11,732
Depreciation of property, plant and equipment	**11,715**	13,842
Amortisation of goodwill	**924**	24,877
(Gain) Loss on disposals of property, plant and equipment	**(389)**	125

5. TAXATION

Taxation consisted of:

	2002	2001
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**2,348**	14,938
– Mainland China enterprise income tax	**232**	22
(Write-back of) Provision for deferred taxation	**(1,820)**	573
	760	15,533

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31st March, 2002 is based on the consolidated profit attributable to shareholders of approximately HK$10,110,000 (2001 – HK$285,836,000) and the weighted average number of approximately 355,130,000 shares (2001 – 355,417,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March, 2002 is based on the consolidated profit attributable to shareholders of approximately HK$10,110,000 (2001 – HK$285,836,000) and the diluted weighted average number of approximately 356,091,000 shares (2001 – 359,625,000 shares) in issue after adjusting for the effect of all dilutive potential shares.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	2002	2001
	'000	*'000*
Weighted average number of shares used in calculating basic earnings per share	**355,130**	355,417
Adjustment for potential dilutive effect in respect of outstanding employee share options	**961**	4,208
Weighted average number of shares used in calculating diluted earnings per share	**356,091**	359,625

7. **RESERVES AND PROPOSED DIVIDENDS**

a. **Movements of reserves were:**

	2002							2001
	Share premium	**Capital redemption reserve**	**Capital reserve**	**Asset revaluation reserve**	**Other reserves**	**Cumulative translation adjustments**	**Total**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of year	281,570	22,811	58,355	53,701	301	(2,313)	414,425	245,611
Premium arising from issue of shares upon								
– exercise of warrants	1	–	–	–	–	–	1	45,478
– exercise of employee share options	–	–	–	–	–	–	–	310
Repurchase of shares	(276)	307	–	–	–	–	31	983
Surplus on revaluation of shares in iSteelAsia.com Limited upon its listing	–	–	–	–	–	–	–	556,537
Realisation of surplus upon distribution in specie of shares in iSteelAsia.com Limited	–	–	–	–	–	–	–	(281,826)
Deficit on revaluation of long-term investments	–	–	–	(54,773)	–	–	(54,773)	(221,010)
Realisation of deficit as impairment loss	–	–	–	–	–	–	–	10,109
Transfer from retained profit to capital reserve	–	–	–	–	–	–	–	58,355
Translation adjustments	–	–	–	–	–	(373)	(373)	(122)
End of year	281,295	23,118	58,355	(1,072)	301	(2,686)	359,311	414,425

b. **Movements of proposed dividends were:**

	2002	2001
	HK$'000	*HK$'000*
Beginning of year		
– as previously reported	**–**	–
– prior year adjustment *(see Note 1)*	**81,716**	21,317
– as restated	**81,716**	21,317
Proposed dividends		
– interim dividend	**6,390**	10,659
– distribution in specie of shares in iSteelAsia.com Limited	**–**	308,016
– final dividend	**2,840**	81,716
Dividends paid/settled	**(88,106)**	(339,992)
End of year	**2,840**	81,716

RESULTS

Financial year 2001/02 was undoubtedly the most challenging fiscal year the VSC Group had ever experienced since its listing in 1994. A majority of our business units recorded drops in terms of both turnover and profitability. Externally, the general economic slowdown in both the domestic and global markets had exerted enormous pressure in lowering steel prices. The depressed local real estate market causing a shrinkage in demand resulting in fierce competition for market share among steel suppliers. Delay in construction projects and termination of distributorship with several major suppliers for our building products and plastics businesses during the year had further lowered revenue and hampered business growth. Internally, the management had decided to take the opportunity to implement process improvement strategy for the VSC Group. As such, rigorous efforts were spent to streamline and consolidate operations for improved long-term sustainable profitability at the expense of incurring heavy investment costs in IT and process control, resulting in high staff turnover and retrenchment costs. In addition, our various investments in new business areas such as enclosure systems manufacturing, plastics distribution channel in Mainland China and retail outlet of building products also led to high initial start-up costs for current fiscal year while their expected contribution could only be realised in the coming years. As a result, the consolidated profit of the VSC Group had dropped to a historically low level of approximately HK$10 million since its listing.

Turnover for the year ended 31st March, 2002 was HK$2,138 million, a decrease of 10% compared with the previous year. Gross profit and gross margin were reduced by 36% and 28%, respectively. Profit from continuing operations decreased 79% from HK$65 million in the previous year to HK$13 million in the current year. Profit attributable to shareholders was HK$10 million, a decrease of 96%. Excluding gain on investment and gain (loss) on investment properties (together referred as "Exceptional Gains (Losses)"), profit attributable to shareholders amounted to HK$2.6 million as compared to an adjusted loss of HK$4.4 million in the previous year.

Basic earnings per share, excluding Exceptional Gains (Losses), amounted to 0.7 cents (2001 – loss per share 1.2 cents). A final cash dividend of 0.8 cents per share was declared, which together with the interim cash dividend of 1.8 cents per share, gives a total cash dividend of 2.6 cents per share for the year and represents a cash dividend payout (excluding Exceptional Gains (Losses)) of 361%. A bonus issue of warrants was also made in November 2001 to the shareholders in the proportion of one warrant for every ten shares then held.

FINANCIAL ANALYSIS

Despite the poor results for the year 2001/02, the VSC Group continued to maintain a healthy liquidity and financial position. As compared to 31st March, 2001, both current ratio and quick ratio decreased but were still kept at a healthy level of 1.73 and 1.25. Due to the VSC Group's expansion of business and its initial capital investment in enclosure systems business, level of bank borrowings increased significantly and gearing ratio (bank borrowings divided by shareholders' equity) increased to 0.50 from 0.16. The VSC Group's trade financing remained primarily supported by trade line facilities from banks. As in prior years, these lines were secured by the VSC Group's inventories held under short term trust receipts loan arrangement and corporate guarantees by VSC. Interest cost of the import bank loans are levied on US dollar LIBOR/SIBOR basis with very competitive margin. The VSC Group is also finalising with several banks in obtaining Renminbi ("RMB") bank loans for its increasing operations in Mainland China.

CHARGES ON ASSETS

Certain of the VSC Group's inventories were held under short term trust receipts bank loans and bank deposits of approximately HK$3 million were pledged for the deposit system required by the Mainland China customs office for the Dongguan coil centre.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The VSC Group's businesses were primarily transacted in Hong Kong dollar, US dollar, RMB and several European currencies. As in prior years, the current peg system in Hong Kong had minimised the VSC Group's exposure in US dollar. The VSC Group's investments and properties in Mainland China amounted to approximately HK$53 million as at 31st March, 2002. As stated above, the VSC Group is aiming to obtain RMB financing to further mitigate its currency exposure on its domestic operation. Transaction values involving European currencies were relatively not significant and hedging by forward contracts had been used as the main tool to reduce such foreign exchange exposure.

CONTINGENT LIABILITIES

As at 31st March, 2002, the VSC Group had contingent liabilities in the form of guarantees of approximately HK$18 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Construction Materials

1. Steel Department

   Given the adverse construction market in 2001/02, the reinforcement steel bars ("rebars") market in Hong Kong shrunk by 33% from 1.2 million tonnes in previous year to 0.8 million tonnes in current year. Fierce competition in this reduced market had further driven down the price of rebars to an undesirably low level. Our **steel department** had strategically decided not to engage in this "cut-throat" price war during the year so as to maintain the profit margin. Such strategy had cost the VSC Group its market share but had helped the VSC Group to avoid committing to huge amount of low-price unprofitable sales contracts which would have detrimental effect to the coming few years' profitability of the VSC Group. Currently, the department's contracts-on-hand amounted to about HK$634 million.

   Other than rebars, the steel department also made progress in marketing its piling products like H-piles, sheet piles and construction beams. The department had successfully developed reliable and cost effective sources of supply from nearby countries to enhance its competitiveness and thus market share.

   Operationally, the process improvement programme started since the late 2000 had continued to benefit the supply chain management and sales fulfillment processes. Our global suppliers of steel mills were systematically rated and selected according to their offer prices, on-time delivery, supply lead time and products quality with a view to minimising the total costs of ownership. A collaborative approach was adopted to develop relationship with suppliers to derive and share benefits from streamlining the supply chain process. Substantial efforts were also made to improve the forecast accuracy of customer demand. Inventory level was hence minimised without affecting the service level and prompt delivery. As a result, the management is encouraged that a further reduction on the rebars stock level of over 30% was achieved.

   Meanwhile, the VSC Group continued to establish its role of total solution provider to the construction materials customers by developing the coupler and soil nail businesses. Turnover had been more than double by strategic focusing on target customers and projects. The management aims to further improve the profit contribution from this line of business with the objective to develop it as another source of stable revenue.

2. Building Products Department

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

The department currently had contracts-on-hand worth around HK$142 million. Ongoing projects included the supply and installation of kitchen cabinets and bathroom sanitary wares for Sorrento, Kowloon Station Package II, Coastal Skyline, Tung Chung Station Package II, Bellagio, Sham Tseng and Oscar By The Sea, Tseung Kwan O. These projects in aggregate represented more than 5,900 kitchens and 3,000 bathrooms. Under the current estimation, it is expected that these awarded projects would be completed within the coming 2 years and hence render considerable revenue to the department.

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

(B) Industrial Products

1. Coil Centre

The **Dongguan coil centre** capitalising on its well established operations reported a profit before unallocated overhead of approximately HK$33 million. When compared with last year, turnover in dollar remained nearly the same but sales in tonnage increased by around 30%, which was highly encouraging especially under a price declining steel market. Started since June 1995, the Dongguan coil centre is a testimony to the VSC Group's strong belief in the potential of processing industrial flat steel products for the light industry manufacturers in Mainland China.

The VSC Group is very optimistic on the prospect of coil centre operation. Given the growing production base in China as prospered by its domestic economic development and accession to the World Trade Organisation ("WTO"), the VSC Group firmly believes that the increase in demand for its processed industrial steel will continue. The VSC Group had thus planned to expand the scale of operation in terms of volume and geographical location by either acquisition of existing coil centre and/or establishment of new coil centre in southern and northern China. Strategically, the VSC Group remains committed to its vision of developing a chain of coil centres throughout Mainland China serving its customers with consistent qualities.

2. Enclosure Systems Manufacturing

The fast growing telecommunication industry in Mainland China is characterised with a forecasted annual growth rate of over 20% throughout 2005. Coupled with the China government's policy to recommend adoption of 100% domestic supply of certain products like switches, fiber optic cables, power supply equipment and enclosure systems, the VSC Group established its first enclosure systems manufacturing plant in 2001 to grasp such tremendous market potential. Located in Henggang of Shenzhen, the new factory of **VJY Telecommunication Equipment (Shenzhen) Co., Limited ("VJY")** had been in operation since November 2001. VJY manufactures a variety of customised enclosure systems including whole cabinets, metal boxes and other accessories. These enclosure systems have widespread applications in telecommunication system, network system, exchange system and other related fields, and are not a single brand specific.

The new plant has fixed assets investment of about HK$25 million and is equipped with advanced punching machines, blending machines and an automatic powder and paint spray line imported from Germany and Japan. Assisted by professional consultants from the US, the assembly line is designed to provide a world-class production process and inventory management. This high quality standard had been verified by the ISO 9001 certification granted to VJY in January 2002, 2 months shortly after its opening. This production is also expected to attain strong synergies with Dongguan coil centre as processed steel sheet is one of the major raw materials for enclosure systems.

Targeting on the key domestic telecommunication equipment suppliers, VJY had successfully obtained the qualified supplier status for 2 major domestic customers, Hua Wei and Zhong Xing. VJY aims to become their core supplier of enclosure systems and gradually to achieve a complete outsourcing from them for other assembly operations like power supply and printed circuit board. A sales office in city area, Futian of Shenzhen was set up in April 2002 to provide better customer coordination and support services. With a modern management and state-of-arts production facilities, VJY is well positioned to capture other international vendors' business upon the impending opening up of China's telecommunication industry for foreign participation under a strong local content policy.

3. Plastics and Machinery Department

The **engineering plastic resins division** finished an extremely difficult year with turnover reduced over one half and only a marginal net profit was recorded. Due to the weakening demand in consumer products in the US since early 2001, many of our customers had slowed down their production for export, which brought about a substantial drop in both volume and price of plastic resins. The division was further hit by the termination of formal distributorship of GE Plastics ("GE") by mid 2001, following an internal change of GE's sales strategy. Most of the division's major customers are now served directly by GE, which had thus seriously compromised the division's turnover.

Notwithstanding the loss of GE distributorship, the division had aggressively developed other reputable brands of engineering plastic resins such as Mitsubishi and UMG of Japan plus Samsung of Korea. Using both key account and supply chain management, the team worked very hard to develop new customer base on targeted products like 3G mobile phone and accessories, personal document assistant (PDA) and notebook computer. To service the domestic Mainland China electrical appliance market, a sales outlet was opened in Shunde by January 2002 with cooperation of local partners. The result was very satisfactory with immediate profit contribution recorded from the joint venture company.

The **machinery division** recorded satisfactory improvement in both revenue and profit contribution. With our expanded presences in Dongguan, Shunde and Shenzhen, the division aims to utilise the synergies from other business units to develop Taiwanese and local Chinese customers. It will also continue to search for other suitable brands of injection moulding machines for widening its range of products offered.

(C) Other Investments and Associated Companies

Over the past year, **iSteelAsia.com Limited ("iSteelAsia") and its subsidiaries (together the "iSteelAsia Group")** continues its path to profitably and operates itself as full value-added service provider (as a steel trader and e-enabler) for the participants mainly for the China steel industry. Despite a globally volatile steel market, iSteelAsia has achieved an encouraging growth in the past year with turnover increased over 133% to approximately HK$428 million by comparing the turnover attained for the year ended 31st March, 2001. With strong and long-term "quality service" commitments, iSteelAsia has become a reputable "Value-added Service Provider" of the steel end-users and suppliers in Asia. iSteelAsia's strategy is to be focused both geographically, and in terms of product offerings (i.e. the type of steel products and other value-added services), iSteelAsia currently operates four regional sales offices in Mainland China along the coastal cities: Shanghai, Tianjin, Beijing and Guangzhou. This coverage has provided a highly effective sales distribution network, which the iSteelAsia Group is able to reach a majority of population in Mainland China.

Looking ahead, iSteelAsia will continue to capitalise on the e-commerce capabilities and brandname established over the past two years. iSteelAsia will focus as an e-aggregator and e-distributor for the growing markets in Asia, particularly Mainland China. The VSC Group will, as previously arranged, continue to source and supply steel to the iSteelAsia Group to facilitate its expansion of steel trading operations. As at 31st March, 2002, the balance due from the iSteelAsia Group amounted to approximately HK$137.7 million, arising from the purchase of steel. The balance is unsecured, repayable with normal credit term and bears interest at commercial lending rates for overdue balances. The VSC Group will continue to monitor this investment in a proactive manner and will capitalise on furthering the synergies between the VSC Group and the iSteelAsia Group had built over time.

The **Baosteel Jingchang joint venture** in Nansha continued to achieve encouraging performance with sales increasing to over RMB200 million. Sales in tonnage were almost doubled although sales value and profitability were adversely affected by decline in flat product price during the year. As such, only a slight net profit of approximately RMB2 million was made for the year under review. In its second full year of operation, the joint venture had successfully built its brand name in the Pearl River Delta as specialised in silicon steel, electro-galvanised steel and cold-rolled steel. Operational improvements were continuously made and ISO9001 accreditation was obtained during the year. To cope with the growing demand, the joint venture is evaluating to add additional production line for enlarged production volume and diversified product range.

The economic downturn in the US coupled with keen competition from other nearby piers had caused the **Dongguan pier operation** to suffer from decline in volume of imported goods and containers handled. Despite the effort to further reduce its fixed costs to enhance competitiveness, the operation was still unable to achieve breakeven and recorded a loss of approximately HK$1.3 million. As for the **GFTZ fuel company**, the VSC Group had after elaborate efforts successfully obtained several repayments of its outstanding guarantee return receivables from the GFTZ power plant with committed repayment schedules for the remaining balance. The VSC Group is still actively pursuing these receivables but has taken a more conservative approach in accounting treatment by a full write-off in prior year. In view of the poor performance of these two projects, the VSC Group intends to focus its business along its core competencies and would thus seek for opportunity to consolidate its investments and dispose of such non-core projects.

PROSPECTS

The Construction Materials Group

For the construction materials operations, the Hong Kong SAR government has already implemented multiple measures to boost the development of the economy so as to improve the business environment. In the public works sector, investment in infrastructure capital works will amount to HK$600 billion in the coming 15 years, including HK$200 billion on rail works and HK$400 billion on government public works. For instance, estimated expenditure on the capital works programme for fiscal year 2002/03 will reach HK$28.5 billion, a 10% increase from the average annual expenditure of HK$26 billion in the previous few years, giving a positive boost to the local construction market.

We believe that capitalising on the VSC Group's strong foundation in servicing the construction industry, in-depth relationship with customers and wide product offering complementing a total-solution provider approach have equipped us with an advantage to maximise business and profitability. The VSC Group will continue to explore the market opportunity of project business in nearby region such as Macau, Shenzhen and Guangzhou, which all have very flourishing construction activities underway.

The Industrial Products Group

Outlook for the industrial products operations is very encouraging. Robust growth in China with expected GDP growth of over 7% propelled by its ongoing economic reform has provided the VSC Group with abundant business opportunities to capture this fast growing higher margin section in the steel supply chain. China's accession into the WTO and the successful bid to host the Olympic Games by Beijing will add further momentum and translate into a growth engine with strong economic expansion and increased dominance in the region.

The VSC Group plans to acquire other coil centers and/or set up new operation in various strategic cities in China in the coming year. Tianjin is one of the target locations where anticipated demand for processed flat steel products consumed by household appliances industry for domestic and export uses far exceeds the volume and quality offered by existing coil centers in the area. These cost-conscious operators will need quality, efficient and reliable coil centers as vendors that are conveniently located in proximity to provide flexibility to their demanding production schedule. The VSC Group is proud that its Dongguan coil centre has always excelled in meeting short lead time demanded by its customers and has been able to utilise this competitive advantage in expanding market share. It is the VSC Group's firm belief that in developing a chain of well-managed coil centers throughout Mainland China using an enterprise building approach, it could generate healthy return of investment by staying focus on a niche part of the market.

Another area of high growth potential in the Industrial Products Group will come from its new enclosure systems manufacturing in Shenzhen, which is expected to benefit from the tremendous market development of the telecommunication industry in Mainland China. In a relatively short time frame of only 9 months, the VSC Group has achieved a large-scale high-quality production facility in Shenzhen with ISO certification and "Approved Vendor" qualification from Hua Wei and Zhong Xing. This enables our operation to secure orders from these 2 major domestic customers. The new plant is also well positioned to capture the emerging market demand from multi-national network solution providers, including both the domestic sales in China and export sales to overseas countries. The management is confident this strategy of servicing a high growth market while focusing on a niche service offering consistent quality and flexibility will enhance value to shareholders through growth from this new line of business in the years to come.

EMPLOYEE AND REMUNERATION POLICIES

In June 2002, the VSC Group employed 629 staff. 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$59 million. Up to the date of this announcement, no options have been offered and/or granted to any participants under the new share option scheme adopted since 12th November, 2001.

DIVIDENDS

During the year, an interim dividend of 1.8 cents per share was declared and paid by VSC on 23rd January, 2002. The Directors have resolved to recommend at the forthcoming Annual General Meeting the payment of a final dividend of 0.8 cents per share in respect of the year ended 31st March, 2002 payable to shareholders whose names appear on the Register of Members of VSC at the close of business on 16th August, 2002. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividends are expected to be despatched on or before 27th August, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of VSC will be closed from 13th August, 2002 to 16th August, 2002 (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 (formerly known as Central Registration Hong Kong Limited) by not later than 4:00 p.m. (Hong Kong SAR time) on 12th August, 2002.

CHANGE OF AUDITORS

Following the combining of the practice of Arthur Andersen & Co and PricewaterhouseCoopers, Arthur Andersen & Co will not seek re-appointment in the forthcoming annual general meeting and PricewaterhouseCoopers will be proposed to be appointed as auditors of VSC.

CODE OF BEST PRACTICE

In the opinion of VSC's Directors, VSC had complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting year under review, except that the non-executive directors of VSC are not appointed for specific terms. However, the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with VSC's Bye-laws.

PUBLICATION OF FURTHER INFORMATION

Information required by paragraphs 45(1) to 45 (3) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, 28th June, 2002

http://www.vschk.com

http://www.isteelasia.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Van Shung Chong Holdings Limited (the "Company") will be held at 52nd Floor, The Center, 99 Queen's Road Central, Hong Kong on 16th August, 2002 at 3:00 p.m. for the following purposes:

1 . To receive and adopt the audited consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31st March, 2002.

2. To consider and declare a final dividend of 0.8 cents per share for the year ended 31st March, 2002.

3. To re-elect Directors and authorise the Board of Directors to fix the Directors' remuneration and to appoint new Directors from time to time.

4. **THAT** PricewaterhouseCoopers be appointed auditors of the Company in place of the retiring auditors, to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and their remuneration be fixed by the Directors.

As special business, to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

5. **A. "THAT:**

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors of the Company during the Relevant Period (as defined below) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period (as defined below);

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) otherwise than pursuant to (i) a Rights Issue (as defined below) or (ii) the exercise of subscription or conversion rights under any warrants of the Company and under any securities which are convertible into shares in the capital of the Company, (iii) on the exercise of the subscription rights under share option schemes of the Company approved by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or (iv) any scrip dividend scheme or similar arrangement implemented in accordance with the Bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company's Bye-laws to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognised regulatory body or any stock exchange)."

B. "THAT:

(a) the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to purchase issued shares of HK$0.10 each in the capital of the Company ("Shares"), subject to and in accordance with paragraph (c) below and all applicable laws, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors on behalf of the Company during the Relevant Period (as defined below) to procure the Company to purchase its Shares at such prices as the Directors of the Company at their discretion may determine;

(c) the aggregate nominal amount of Shares which are authorised to be purchased by the Directors of the Company pursuant to the approval in paragraph (a) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company's Bye-laws to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting."

C. **"THAT** conditional upon the passing of Resolutions nos. 5A and 5B set out in the notice convening this meeting, the aggregate nominal amount of Shares which shall have been repurchased by the Company pursuant to and in accordance with Resolution no. 5B set out in the notice convening this meeting shall be added to the aggregate nominal amount of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to and in accordance with Resolution no. 5A set out in the notice convening this meeting, provided that such additional amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution."

By Order of the Board
Johnson Ho Sai Hou
Company Secretary

Hong Kong, 28th June, 2002

Registered Office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
52nd Floor, The Center
99 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. In order to be valid, a form of proxy must be deposited with the Company Secretary at the head office and principal place of business of the Company at 52nd Floor, The Center, 99 Queen's Road Central, Hong Kong, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

2. The register of members of the Company will be closed from Tuesday, 13th August, 2002 to Friday, 16th August, 2002 (both dates inclusive) during which period no transfer of Shares can be registered. In order to qualify for the final dividend which, if approved, will be payable on or before 27th August, 2002, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrars, Computershare Hong Kong Investor Services Limited (formerly known as Central Registration Hong Kong Limited) at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. (Hong Kong SAR time) on 12th August, 2002.

3. Under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the general mandate lapses unless it is renewed at each annual general meeting.

4. With respect to Resolutions nos. 5B and 5C, approval is being sought from shareholders for a general mandate to be given to the Directors to repurchase securities and to issue Shares as a result of such repurchase. In accordance with the Listing Rules and the Code on Share Repurchases, an explanatory statement in connection with the general mandate to repurchase Shares will be despatched to shareholders and warrantholders together with the annual report for the year ended 31st March, 2002.

Please also refer to the published version of this announcement in The Standard.