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VAN SHUNG CHONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2003

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 2003, together with comparative figures, as follows:

	Notes	**2003** *HK$'000*	2002 *HK$'000*
Turnover	2	**2,755,769**	2,137,845
Cost of sales		**(2,536,655)**	(1,984,075)
Gross profit		**219,114**	153,770
Other revenue		**11,690**	9,208
Selling and distribution expenses		**(17,107)**	(13,798)
General and administrative expenses		**(135,148)**	(130,452)
(Deficit)/Surplus on revaluation of investment properties		**(1,500)**	1,160
Operating profit		**77,049**	19,888
Finance cost		**(11,144)**	(7,908)
Share of loss of associates		**—**	(88)
Profit before taxation	3	**65,905**	11,892
Taxation	4	**(2,164)**	(760)
Profit after taxation but before minority interests		**63,741**	11,132
Minority interests		**(3,329)**	(1,022)
Profit attributable to shareholders		**60,412**	10,110
Dividends		**(18,111)**	(9,230)
Earnings per share	5		
— Basic		**17.4 cents**	2.8 cents
— Diluted		**17.3 cents**	2.8 cents

Notes:

1. BASIS OF PRESENTATION AND PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

Commencing from 1st April 2002, the VSC Group has adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 34	: Employee benefits

Except for certain presentational changes which have been made upon the adoption of SSAP 1 (revised) and SSAP 15 (revised), the adoption of the above new/revised SSAPs has no material effect on the accounts.

The 2002 comparative figures presented herein have incorporated the effect on the adoption of the new/revised SSAPs.

2. SEGMENT INFORMATION

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

a. Primary segment

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

2003

	China Advanced Materials Processing *HK$'000*	**Construction Materials Group** *HK$'000*	**Other operations** *HK$'000*	**Total** *HK$'000*
Turnover				
Sales to external customers	**472,351**	**2,279,602**	**3,816**	**2,755,769**
Segment result	**59,251**	**65,644**	**329**	**125,224**
Other revenue	**384**	**90**	**11,216**	**11,690**
Deficit on revaluation of investment properties	**—**	**—**	**(1,500)**	**(1,500)**
Unallocated corporate expenses				**(58,365)**
Operating profit				**77,049**
Finance cost				**(11,144)**
Taxation				**(2,164)**
Profit after taxation but before minority interests				**63,741**

2002

	China Advanced Materials Processing *HK$'000*	Construction Materials Group *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Turnover				
Sales to external customers	383,496	1,747,814	6,535	2,137,845
Segment result	37,316	28,890	(13,479)	52,727
Other revenue	350	195	8,663	9,208
Surplus on revaluation of investment properties	—	—	1,160	1,160
Unallocated corporate expenses				(43,207)
Operating profit				19,888
Finance cost				(7,908)
Share of loss of associates				(88)
Taxation				(760)
Profit after taxation but before minority interests				11,132

b. Secondary segment

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

	Hong Kong *HK$'000*	**2003 Mainland China** *HK$'000*	**Total** *HK$'000*
Turnover	**1,278,915**	**1,476,854**	**2,755,769**
Segment result	**52,270**	**72,954**	**125,224**
Other revenue	**4,610**	**7,080**	**11,690**
Deficit on revaluation of investment properties	**(1,500)**	**—**	**(1,500)**
Unallocated corporate expenses			**(58,365)**
Operating profit			**77,049**

	Hong Kong *HK$'000*	2002 Mainland China *HK$'000*	Total *HK$'000*
Turnover	1,099,641	1,038,204	2,137,845
Segment result	13,157	39,570	52,727
Other revenue	2,306	6,902	9,208
Surplus on revaluation of investment properties	1,000	160	1,160
Unallocated corporate expenses			(43,207)
Operating profit			19,888

3. PROFIT BEFORE TAXATION

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

	2003 *HK$'000*	2002 *HK$'000*
Interest expense on		
— bank loans wholly repayable within five years	**10,263**	7,908
— other short-term loans wholly repayable within five years	**881**	—
Depreciation of property, plant and equipment	**20,132**	11,715
Amortisation of goodwill	**1,850**	924
Net gain on disposal of property, plant and equipment	**(51)**	(389)
Dividend income from a long-term investment	**(188)**	—
Return from a joint venture	**(6,615)**	(6,488)

4. TAXATION

Taxation consisted of:

	2003 *HK$'000*	2002 *HK$'000*
VSC and subsidiaries -		
Current taxation		
Hong Kong profits tax		
— Current year	**4,080**	2,773
— Overprovision in prior years	**(5,097)**	(425)
Mainland China enterprise income tax	**3,181**	232
Write-back of deferred taxation	**—**	(1,820)
	2,164	760

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31st March 2003 is based on the consolidated profit attributable to shareholders of approximately HK$60,412,000 (2002: HK$10,110,000) and the weighted average number of approximately 347,859,000 shares (2002: 355,130,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 31st March 2003 is based on the consolidated profit attributable to shareholders of approximately HK$60,412,000 (2002: HK$10,110,000) and the diluted weighted average number of approximately 348,324,000 shares (2002: 356,091,000 shares) in issue after adjusting for the potential dilutive effect in respect of outstanding employee share options.

6. RELATED PARTY TRANSACTIONS

(a) Details of significant transactions with related parties were:

Name of related party/Nature of transaction	**2003** *HK$'000*	2002 *HK$'000*
Metal Logistics Company Limited (i)		
— Sales made by the VSC Group	**287,413**	231,402
— Administrative service fees earned by the VSC Group	**180**	180
— Interest earned by the VSC Group	**4,616**	1,336
— Commission for procurement services paid/payable by the VSC Group	**1,552**	1,406
iSteelAsia (Hong Kong) Limited (i)		
— Rental earned by the VSC Group	**600**	810
— Administrative service fees earned by the VSC Group	**180**	180
EC.com Limited (ii)		
— Rental earned by the VSC Group	**383**	1,011

Notes:

(i) Metal Logistics Company Limited and iSteelAsia (Hong Kong) Limited are wholly owned by iSteelAsia.com Limited, a company in which the VSC Group has a 19.2% equity interest as at 31st March 2003 (2002: 17.8%).

(ii) EC.com Limited is beneficially owned by Mr. Tsang Kwok Tai, Moses, a former non-executive director of VSC, who resigned on 17th August 2002, and the amounts of such related party transactions were disclosed up to that date.

(b) The amounts due from a related company arising from transactions described in Note 6.a were included in accounts receivable. Details of these balances were as follows:

Name of related party	**2003** *HK$'000*	2002 *HK$'000*
Metal Logistics Company Limited (i)	**210,202**	137,711

Note:

(i) The balance, arising mainly from purchases of steel, was unsecured, repayable within the VSC Group's normal credit term for trading transactions and bore interest at commercial lending rates for overdue balances.

RESULTS

Turnover for the year ended 31st March 2003 was approximately HK$2,756 million, an increase of 28.9% compared with the previous year. Gross profit and gross margin were increased by 42.5% and 10.5%, respectively. Operating profit increased 287.4% from approximately HK$19.9 million in the previous year to approximately HK$77.0 million in the current year. Profit attributable to shareholders was approximately HK$60.4 million, an increase of 497.5%. Basic earnings per share increased by 521.4% to about 17.4 cents. A final cash dividend of 5.8 cents per share was declared, representing a cash dividend payout of 30.0% (2002: 91.3%).

FINANCIAL ANALYSIS

The VSC Group continued to maintain a healthy liquidity and financial position. As compared to 31st March 2002, both current ratio and quick ratio decreased but were still kept at a healthy level of 1.39 and 0.95, respectively. Due to the increase of purchases as a result of the expansion of steel distribution and the several capital investments made such as Shenzhen enclosure systems, Tianjin coil centre and Beijing Shougang colour-coated steel plates (PPGI) joint venture (in which a term loan of HK$23.4 million was obtained from bank to finance the PPGI investment), level of bank borrowings increased significantly and gearing ratio (bank borrowings and bills payable divided by shareholders' equity) accordingly increased to 1.42 from 0.66. 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 bank loan arrangement and corporate guarantees by VSC. Interest costs of the import bank loans and bank term loan are levied on US/HK dollar LIBOR/SIBOR/HIBOR basis with very competitive margin. The VSC Group also during the year obtained short-term loans of about RMB25 million from banks in China to finance the working capital of its China operations with interest costs based on loans rates set by People's Bank of China plus competitive margin.

CHARGES ON ASSETS

The VSC Group had inventories held under short-term trust receipts bank loan arrangements, bank deposits of approximately HK$8 million and inventories of approximately HK$15 million pledged for certain of its RMB bank loans.

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 Euro. 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$64 million as at 31st March 2003. The additional bank loans and facilities in RMB also helped to further mitigate the currency exposure on domestic operation in China. Transaction values involving Euro were relatively insignificant and hedging by forward contracts had been employed as the main tool to reduce such foreign exchange exposure.

CONTINGENT LIABILITIES

As at 31st March 2003, the VSC Group had contingent liabilities in the form of guarantees of approximately HK$19 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In order to better consolidate its business and facilitate a clearer organisation and operational structure, the management of the VSC Group decided to rename its Industrial Products Group as CAMP. The new name better reflects the VSC Group's focus and efforts on targeting a niche part of the market, namely the provision of steel and related materials processing services to the industrial manufacturers in Mainland China. It is expected that the CAMP operations will gradually become a more prominent profit engine of the VSC Group and will be the focus of the VSC Group's business development. For 2002/03, approximately 17% and 43% of the total turnover and gross profit, respectively of the VSC Group were attributable to its CAMP operations.

1. Coil Centre Operations

The coil centre operations of the VSC Group include its two wholly-owned factories in Dongguan and Tianjin as well as its 14% investment in the joint venture company in Nansha. All three coil centres carry out or will be carrying out the processing of large steel coils such as slitting, cutting and leveling into smaller steel coils or flat sheets. These end products processed to the shape and quantity as specified by the customers are delivered just-in-time to the customers' production lines for their manufacturing of various industrial products. The coil centre operations enjoy a healthy profit margin by offering a suite of value propositions to its customers including lower inventory holding costs through just-in-time processing, better supply chain management through working more closely with the customers' operational people, lowering in production costs through reduction in raw material scrap and materials handling costs, ensured quality, flexible and reliable supply.

The **Dongguan coil centre,** started in 1995, is the VSC Group's first venture into steel processing business. Despite the cyclical price movement of steel price, the Dongguan coil centre continues to perform strongly with an increase in turnover of about 25% over the past 3 years. For the year under review, both turnover and profit before allocation of corporate

overhead soared to a record high of approximately HK$277 million and HK$57 million, respectively, representing a 18% and 70% increase over the previous year. Apart from the healthy growth and sustainable profitability achieved by the Dongguan coil centre, it stood out as the most profitable operation within the VSC Group. Such sustainable growth of profit marks a combination of excellence in customer development, supply chain management and operational process improvement. In view of the past performances and return to the VSC Group, the VSC Group has further invested an additional automated slitting machine by early 2003 to increase the production capacity of Dongguan coil centre.

The coil centre operation in China has proven to be a sound and profitable business model for the VSC Group. To further develop its competitive edge and differentiate itself over other standalone coil centre operators, the VSC Group has after an extensive market research commenced to set up a new coil centre operation in Tianjin towards the end of this financial year. The **Tianjin coil centre** is located at the Tianjin Economic - Technological Development Area ("TEDA"), and will be occupying a factory area of about 13,000 square metre. With its proximity to Tianjin New Harbour (2 kilometres via road) and supported through a network of national highway, the Tianjin coil centre is well positioned to attain high efficiency in the inwards and outwards logistics arrangement. The Tianjin coil centre is also in close vicinity to the new plant of a world-class car manufacturer. Targeting on the industrial manufacturers in northern China, the Tianjin coil centre aims at serving customers within 800 kilometres around Bohai, covering customers in Tianjin, Beijing, Shandong, Liaoning and Hebei. The VSC Group is very optimistic with the investment as its internal market research indicates that there is strong demand of steel processing services from industries of household appliances, electronics equipments, transformer, lift and automobile in these regions with limited competition from a few existing domestic coil centres. Leveraging on the well established operational set up of its Dongguan coil centre, the VSC Group anticipates that it can greatly reduce the initial set up cost and production ramp up time in the Tianjin coil centre by transferring the knowhow of Dongguan to this new facility. The production is expected to commence by the financial year 2003/04 with an initial estimated monthly output of about one-third of the Dongguan coil centre. The VSC Group will carry out further market studies to explore other coil centre opportunities in different strategic manufacturing regions in China, for example areas like Shanghai or Guangzhou where both have strong demand in the steel processing services.

The VSC Group's 14% investment in **Baosteel Jingchang joint venture** in Nansha also recorded similar satisfactory results in its fourth year of operation. Annual sales of the joint venture continued to rise to over RMB250 million and exceeded 60,000 metric tones in tonnage for the year 2002. Profitability was also improved by more efficient productivity, customer services and quality control. Net profit for the financial year under review thus reached approximately RMB4 million and dividend received/declared based on distributable profit amounted to about RMB0.2 million.

2. *Enclosure Systems Manufacturing*

The **VJY enclosure systems manufacturing** is expected to be another high-growth unit of the VSC Group's CAMP operations. Unlike the Dongguan and Tianjin coil centres, VJY moves further downstream to provide precision and comprehensive (some assembly operation included) steel and metal processing services. Equipped with advanced Germany "Trumpf" punching and bending machines as well as assembly lines with automatic powder and paint spray, VJY focuses in serving well-known telecommunication customers including Huawei, Zhongxing and Emerson Electric of the U.S. with customised enclosure systems to house their own-branded telecommunication and information technology equipments.

In the first full year of production by its new plant at Henggang of Shenzhen, VJY has made satisfactory progress and improvement in smoothing production processes to raise capacity and efficiency. Turnover for 2002/03 increased by six-fold and amounted to approximately HK$40 million, deriving mainly from sales of customerised enclosure systems such as cabinets, racks, metal boxes and accessories to the two domestic telecommunication giants, Huawei and Zhongxing. To qualify as the approved vendor of these customers, VJY has to excel in manufacturing quality and efficiency, passing the stringent audit requirements of these customers in respect of quality, responsiveness and technical design but subsequent competition is still challenging as VJY has to compete with other existing suppliers through open bidding process that consists of price, quality and other terms. VJY manages its inventory through monitoring the People's Republic of China ("PRC") and global telecommunication market trend very closely to give it a more accurate idea in demand volumes and trends. VJY has also invested heavily in moulds for making of prototypes to shorten products development and approval cycle time. Such one-off investments contributed significantly to high fixed costs for the year 2002/03 to be absorbed by the turnover and a loss before allocation of corporate overhead of approximately HK$6 million was resulted.

VJY will continue to streamline its production processes and vigorously implement cost reduction measures to lower materials costs and manufacturing expenses. Using key account management and introduction of a new sales commission programme, VJY targets to increase the sales to surpass the RMB100 million mark in the coming few years with net profit contribution to the VSC Group. Sales growth opportunities would be generated from the existing customerised enclosure systems as well as development of standard cabinets for general industrial use through appointment of distributor channels. Capitalising on its ability to do precision toolings, VJY also branches out to target on the high-growth automobile industry. VJY has secured order from Isuzu to supply over 1,000 different parts for its passenger bus. The VSC Group intends to leverage off these experiences to build its core competence and team of expertise for provision of advanced steel and metal processing services in automobile parts manufacturing.

3. *Plastics and Machinery Distribution*

The VSC Group's third business unit under its CAMP operations is the distribution of a full range of engineering plastic resins and injection moulding machinery. Serving mainly the industrial manufacturers in southern China, this business unit has enjoyed cross-selling synergy with another CAMP operation, Dongguan coil centre, in sharing similar customer portfolio.

For the year under review, the **plastics division** recorded a slight 9.4% increase in turnover to approximately HK$149 million and achieved profit before allocation of corporate overhead of approximately HK$7 million. The division has expanded the customer base by providing logistics and technical support solution to satisfy the customers' sourcing needs. The VSC Group also works closely with its new suppliers such as Samsung and Mitsubishi in promoting their resins by feeding back market trend and customers' requirements.

The **machinery division** recorded a 11.7% drop in revenue where profit contribution was down by 36.6%. Sentiment for new capital investment on machinery, especially for the costly high-end Japanese injection moulding machinery of the division, is still weak under the current tough economic environment. The division thus received less commission and parts sales revenue but more robot sales of relatively lower profit margin. To combat the reduced profitability, the division will diversify its income stream such as offering annual maintenance programme to its customers.

(B) Construction Materials Group ("CMG")

After a year of internal reflection, and in light of the current economic outlook in Hong Kong, the VSC Group restructures the scope and focus of its construction materials businesses to expand its CMG coverage to Mainland China to tap the booming market potential there, in particular major cities like Shenzhen, Shanghai and Beijing as well as Macau where a lot of construction works are expected to be carried out. The accession into WTO by China, hosting of 2008 Olympic Games in Beijing and 2010 World Expo by Shanghai and new casinos and hotels development in Macau are all potential markets for demand of the VSC Group's construction materials. For 2002/03, approximately 83% and 56% of the total turnover and gross profit, respectively of the VSC Group were attributable to its CMG operations.

1. *Steel Distribution*

The major business unit of the VSC Group's CMG operations is steel distribution, which embodies stockholding business of rebars, H-piles, sheet piles and related products in Hong Kong, distribution of mainly domestic steel products in eastern China by its 66.7% owned joint venture, Shanghai Bao Shun Chang ("BSC"), steel distribution in Mainland China together with its 19.2% investment in the iSteelAsia Group and distribution of colour-coated steel plates in Beijing for its 7.5% owned joint venture with the Beijing Shougang Group.

Amid the challenging construction market situation in the year under review as a result of the marcoeconomic environment and the previous price war among rebars suppliers in Hong Kong, the **Hong Kong steel stockholding department** finished the year 2002/03 with a 10.7% increase in turnover and a 14.5% increase in gross profit. Performance of the rebars stockholding business is satisfactory given the adverse market. Sales in both tonnage and dollar value remained at similar level as in prior year while gross profit decreased by 11.3%. Currently, the department's contracts-on-hand totalled to about HK$600 million. With the recovery of rebars price driven up by the Iraqi war and the supply and demand of the world, the department aims to maintain a sustainable profit contribution to the VSC Group.

Encouraging progress has been made in developing the piling and structured steel businesses. Both turnover and gross profit increased significantly as the department diversifies its piling products to H-piles, sheet piles, construction beams plus other construction steel and extends its market to Macau. This business development is facilitated by building necessary engineering expertise together with selected alliance with competitive piling suppliers. Demand of these products in foundation and superstructure works in Hong Kong, Macau and Shanghai could offer room for higher profit margin sales growth to compensate shrinkage in rebars business. The VSC Group is actively exploring to introduce new technology into Shanghai by a more environmental friendly piling method, which would have huge potential application on the old town redevelopment and the local soil condition.

The VSC Group continued to develop total solution package to the construction materials customers by its coupler and soil nail businesses. Turnover was increased steadily with positive profit contribution made for the year. With continuous improvement in the production in terms of quality and on time delivery, the VSC Group gradually builds reputation to enlarge its market share and secure a few key customers. Sizeable jobs are awarded, leading to improved efficiency in purchasing and production planning. Oracle ERP system is also applied to automate the order processing and inventory flow.

The VSC Group's 66.7% joint venture with the Shanghai Baosteel Group, **BSC**, achieves a year with very fruitful results. Turnover rose 20.1% to approximately HK$497 million and net profit contribution before minority interests amounted to about HK$10 million for the year 2002/03. Thanks to the booming economy in Mainland China and substantial increase of steel price during the year and the high demand for Baosteel products, BSC benefits much in expanding its distribution business of domestically produced colour-coated steel plates and other flat products, thus becoming a contributor to the CMG operations. Both joint venture partners are encouraged by BSC's performance and will continue to explore various ways to support the business growth of BSC and from time to time provide the necessary funding through direct financing and bank guarantees arrangement.

China's steel market is characterised by the consistent outpace of demand over supply in the past decade. Despite being the largest steel producer of the world, China remains to be a net importer of steel with a globally leading projection of apparent consumption of finished steel of 192 million metric tones in 2003. While the Hong Kong steel market for rebars, piles and beams is a bit over 2 million metric tones per annum, the move of the VSC Group to expand its steel distribution to Mainland China will in no doubt enhance its pace of growth tremendously. Leveraging on the steel distribution network and connection of the iSteelAsia Group with coverage in major cities, the VSC Group has cautiously developed steel distribution business by targeting reputable end users and distributors. Turnover arising from such distribution for 2002/03 amounted to approximately HK$217 million and marginal profit was recorded. Coupled with the ongoing purchasing arrangement with the iSteelAsia Group in which steel products of approximately HK$287 million were sold to the iSteelAsia Group, the VSC Group achieved over half a billion dollar annual sales for imported steel distribution business in China, which helps the VSC Group to build a business of sizeable volume with economy of scale on sourcing and customer development.

Last but not least within the year under review, the VSC Group invested in 7.5% of a new Beijing joint venture company of the Beijing Shougang Group for manufacturing of colour-coated steel plates. The factory is expected to commence production by late 2003. The VSC Group has secured at least 50% distribution rights of the finished products and can also participate in supplying the basic raw materials to the joint venture. The VSC Group is thus well positioned to capture the booming demand as instituted by construction of infrastructures, stadiums, exhibition centres and hotels for the upcoming events of Olympic Games and World Expo in Beijing and Shanghai.

2. *Building Products*

As compared to prior year, the **building products department** improved its performance by a 152% increase in turnover to approximately HK$141 million and a 70% reduction of loss from operation, down to approximately HK$2 million. Although the turnover was largely increased, mainly from the progress completion of several large kitchen cabinets installation contracts concluded in previous year, the general weak property market in Hong Kong has suppressed the demand in both price and quantity of sanitary wares for project sales and retail. As such, the department as a whole has still not secured enough revenue in the year under review to absorb its fixed overhead for a profitable situation. To address this problem, the department has taken further initiatives to strive for returning to profitability. On revenue side, new sales outlets and distribution channels in Hong Kong and Macau are set up to expand sales coverage of the Toto and Laufen sanitary wares. The marketing team also launches extensive advertising programmes and campaigns subsidised by the suppliers to raise awareness and market penetration of the brands. Sales team is revamped and offered with higher focus on sales commission rates for incentive. The VSC Group also obtains the distribution rights of Toto sanitary wares on wholesale basis in the Greater Shanghai area as well as priority treatment in China for project customers. A wholly-owned trading company has been formed in Shanghai to handle this domestic distribution business. On cost side, various efforts are spent to reduce operational expenses such as streamlining manpower, centralising storage facilities, lowering inventory level and combining offices of headquarter and showroom. The department currently had contracts-on-hand worth around HK$63 million. Major outstanding projects include the supply and installation of kitchen cabinets and bathroom sanitary wares for 16 Wylie Road, King's Park, Kowloon Station Package 2 Phase II, and LL8955, Sai Wan Ho. The first retail outlet with showroom opened in April 2002, **Leisure Plus**, received encouraging feedback. To attract more shoppers, the showroom is extended to ground floor of the same building at Wanchai by early 2003. The enlarged retail outlet would well serve the objectives of arousing market awareness, enhancing company image and offering elegant environment for targeted customers to experience the characteristics of our products.

(C) Other Investment

On May 2002, the VSC Group increased its equity interest in **iSteelAsia.com Limited ("iSteelAsia")** from 17.8% to 19.2% through share swapping and disposal of shareholding in iMerchants Limited. The VSC Group is delighted to observe that **iSteelAsia and its subsidiaries (together the "iSteelAsia Group")** continue to improve in financial performance since its listing on the GEM Board of the Hong Kong Stock Exchange. For the nine-month period ended 31st December 2002, the iSteelAsia Group recorded a turnover and profit attributable to shareholders of approximately HK$518 million and HK$7.8 million, respectively. Increase in turnover was over 71% as compared to the corresponding period last year and profitability was restored from loss-making position.

The VSC Group will, as previously agreed, continue to source and supply steel to the iSteelAsia Group to facilitate its expansion of steel trading operations and obtain bulk purchase benefit by aggregating demand of the two groups. The VSC Group will continue to explore for opportunities to monitor this investment proactively for better business synergy to both the VSC Group and the iSteelAsia Group to utilise resources and enhance business efficiency.

PROSPECTS

After decades of hard work and with the help of various professionals and advisors, VSC has established a strong foothold in the steel industry and built a worldwide business network. Going forward, we will capitalise on our core competences of value-added processing, global network and supply chain management expertise to further develop our business in the burgeoning China market and consolidate our market position.

With the accession of China into the WTO and the dynamic changes in the global economy, the VSC Group must make the step to embrace the opportunities arising through globalisation. For the last two years, the VSC Group had undergone many self-evaluation, restructuring and repositioning of its resources towards this end. The following are several key parameters that the VSC Group will focus in its diversification efforts in order to optimise usage of resources.

Tap the Strongest Growing Economy

China has been and will be our focus. Turnover generated from the China market amounted to HK$1,477 million in fiscal 2002/03, representing 54% of the total turnover as compared to 49% in fiscal 2001/02. The increase in weighting leads to a clear reflection that VSC is aiming at one of the world's fastest growing and emerging market, China, which is growing rapidly. We believe the China operation, CAMP and the distribution business will become the VSC Group's growth engines in the coming years.

China is now the world's largest steel producer, consumer and importer. At times nicknamed as "the factory of the world", China's finished steel apparent consumption amounted to 186 million metric tones in 2002 and is projected to increase to 211 million metric tones in 2007.

According to statistics in developed countries such as the U.S., approximately 85% of steel is processed and provided by service centres while the ratio in China is currently only around 15%. This comparatively low penetration ratio provides VSC with business potentials and room for expansion. Moreover, steel is an essential and basic material for many industries. As our rule of thumb, through years of trading in the steel industry, 1% of GDP growth will lead to 1% growth in demand for steel. With robust economic growth expected to be approximately 7% per annum, China's demand for steel is expected to thrive.

Target the Strongest Growing Sectors

Our strategy is to target at the four fast growing steel-oriented industries in the PRC, namely the information technology and telecommunications, home appliances, construction and automobile industry in China. All of them enjoyed high growth along with GDP growth and are expected to grow continuously in line with the rising consumer spending as a result of better living standard. As our service centres are strategically located in industrial hubs such as south and northeastern China for manufacturing centres of information technology and telecommunications products, automobile and home appliances, we are well positioned to capture the rising demand.

Offer High Value-Added Processing Service

In order to enable the VSC Group to penetrate its intended target markets, we intend to set up a chain of professionally managed steel service centres located in various strategic locations in China, providing high quality value-added processing service and international standard products.

Expand Market Coverage - The Beijing joint venture with the Beijing Shougang Group is principally engaged in the production of PPGI, which is widely used in construction. It is expected to commence production in late 2003. The joint venture is well-timed to capture the growth of the flourishing property market of China and construction bloom triggered by the 2008 Olympic Games and 2010 World Expo. Further, the Tianjin plant will also commence operation in June 2003 serving the northeastern market.

Enrich Product Offering - In order to differentiate ourselves from the market, we will emphasise in providing high quality products of international standard which domestic production standard is not sufficient to meet the increasing expectation and requirement. Under the current steel import quota system, demand for premium quality domestic products of import quality is highly desirable. With greater processing capability and international standard products, VSC will be able to cater needs of its target customers.

Enhance Distribution Network

Distribution and logistics management are our strength. We will continue to develop and refine our distribution network in China and sourcing network globally. Having established a worldwide business network and coupled with our knowledge in logistics management, VSC was able to establish and manage an efficient global supply chain, sourcing and delivering high quality materials to customers in a timely manner. Currently, we, in conjunction with the iSteelAsia Group, operate nine offices spanning across China and we intend to set up more offices to further enhance the distribution network.

Leveraging on purchasing advantage, global supply chain management expertise, variety of steel and multiple processing capabilities, the VSC Group will be able to cater needs of different industries. For better planning and service to customers, a regional headquarter will be set up in Shanghai in June this year to oversee operations in China.

People is Our Resources

To strengthen operation, a value enhancement team, comprising management from each business unit, was set up to review the VSC Group's performance on a regular basis. The VSC Group also adopts the Total Cycle Time ("TCT") Methodology that helps further improve our performance in resources management and operation efficiency. Furthermore, the Oracle ERP system is applied as the backbone of the VSC Group's information technology structure to allow more accurate real time information flow, resulting in better resources management and lower reporting cost. These measures will be continued to better strengthen and equip VSC to meet its future challenges.

Our team of professionals is built upon core values highlighting teamwork and people, customer first and continuous improvement. These values are deeply rooted in our culture aiming to create values for customers whilst delivering returns to shareholders.

VSC strives to be the best total solution provider for materials in China market through global supply chain management and value-added processing.

CORPORATE INFORMATION

A conditional voluntary cash offer (the "Offer") was made by Celestial Capital Limited on behalf of VSC to repurchase up to 53,222,263 Shares of HK$0.10 each in the capital of VSC (the "Shares") at an offer price of HK$0.98 per Share on 5th November 2002. The Offer was approved by the shareholders of VSC at the special general meeting on 18th December 2002. As such the Offer became unconditional on 18th December 2002. On 8th January 2003, VSC repurchased and cancelled 53,222,263 Shares at the consideration of HK$0.98 per Share.

EMPLOYEE AND REMUNERATION POLICIES

In June 2003, the VSC Group employed 879 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$66 million. During the year under review, 10,500,000 options have been offered and granted to its employees under the new share option scheme adopted since 12th November 2001.

DIVIDENDS

No interim dividend was declared during the year. The Directors have resolved to recommend at the forthcoming Annual General Meeting the payment of a final dividend of 5.8 cents per share in respect of the year ended 31st March 2003 payable to shareholders whose names appear on the Register of Members of VSC at the close of business on 16th July 2003. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividends warrants are expected to be despatched on or before 7th August 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of VSC will be closed from 11th July 2003 to 16th July 2003 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with VSC's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited by not later than 4:00p.m. (Hong Kong SAR time) on 10th July 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, VSC had purchased a total of 53,222,263 Shares at an aggregate consideration of HK$52,157,817.74 by way of a general offer and all of these Shares were cancelled, details of which were as follows:—

Method of Purchase	Month of Purchase	Number of Shares Purchased	Price Paid per Share *(HK$)*	Aggregate Consideration *(HK$)*
By general offer	January 2003	53,222,263	0.98	52,157,817.74
Total		53,222,263		52,157,817.74

The Directors considered that the aforesaid Shares were purchased at a discount to the net asset value per Share and resulted in an increase in the net asset value per Share then in issue. Save as disclosed herein, neither VSC nor any of its subsidiaries have purchased, sold or redeemed any of VSC's listed securities during the year.

CHANGE OF AUDITORS

Following the combining of the practice of Arthur Andersen & Co and PricewaterhouseCoopers, Arthur Andersen & Co has not sought re-appointment in the previous annual general meeting dated 16th August 2002 and PricewaterhouseCoopers has been 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, 10th June 2003
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 Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on 16th July, 2003 at 10:00 a.m. for the following purposes:

1. To receive and adopt the accounts and the Reports of the Directors and Auditors for the year ended 31st March, 2003.
2. To consider and declare a final dividend of 5.8 cents per share for the year ended 31st March, 2003.
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. To re-appoint PricewaterhouseCoopers as the Company's Auditors and authorise the Board of Directors to fix their remuneration.

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, 10th June, 2003

Registered Office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
Rooms 4902-8, Hopewell Centre
183 Queen's Road East
Wanchai, 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 Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 Friday, 11th July, 2003 to Wednesday, 16th July, 2003 (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 7th August, 2003, 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 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 10th July, 2003.
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, 2003.