CEO'S STATEMENT

Over the last couple of years, Van Shung Chong Holdings Limited ("VSC") and its subsidiaries (together the "VSC Group") have embarked on a corporate strategy to ***become more important*** to our existing customers...and to expand our business scope to ***become increasingly important*** to a new breed of customers.

Key elements of this strategy include adding value to clients throughout the entire supply chain cycle, as well as expanding our product portfolio to begin tapping into more high growth segments.

In this statement, it gives me great pleasure to report that we have made significant progress toward achieving these goals, despite challenges presented by economic conditions around the world - particularly in our core business of steel stockholding.

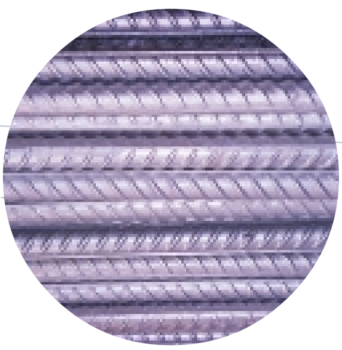
Today, however, the VSC Group is emerging from its traditional construction steel stockholding mold, and developing core competencies in such growth areas as kitchen and bathroom fittings for hotel and high-end residential properties, plastics, industrial steel processing and engineered machinery products for electronics manufacturing, and steel enclosure systems for the expanding telecommunications industry. We are also building our presence in Mainland China, a move designed to take advantage of business opportunities within this vast market, but also a move to break out of our traditional Hong Kong-based/Hong Kong-focused operation.

The drive to diversify will result in VSC becoming more of a "total solution provider" - a company that offers more choices, higher quality, and premium services to our customers and relationships.

In this year under review, a majority of our business units were unfavourably affected by depressed steel prices, lower demand for steel products, and increased competition, all of which combined to squeeze margins and reduce turnover.

Faced with this gripping reality, the important focus for the company then has been to utilise this difficult period to reassess our business processes across the board and seek positive change. This exercise is leading to a stronger, more focused organisation that is more highly tuned to the needs of our customers.

We have also utilised this period to improve our people skills and resources, resulting in an employee family that is more aware of quality processes and benchmarked improvement in carrying out their functions with the company. We believe that this also will contribute to the well being of the organisation over the longer term, and will lead to a more coherent organisation with improved profitability.



STEEL

The Steel Department continued to enjoy market leadership in Hong Kong in the steel rebars segment, with more than 50% market share. During the year under review, the VSC Group continued to be a major supplier of rebars and piling to the key railway projects in Hong Kong (the KCRC West Rail, East Rail and the MTRC Tseung Kwan O Extensions), and today has contracts-on-hand worth more than HK$1 billion. Overall turnover increased by 32%, however, due to the continuing depression in the local real estate market, and slow down in construction industry coupled with "cut throat" competitions, the profit margin was adversely affected and was not able to enjoy the same growth rate as the turnover. Nevertheless, the management remains optimistic about the future prospect of this operation as interest rates are expected to continue the decreasing trend and several large scale projects such as the Cyberport and the ongoing KCRC and MTRC projects will come online in the near future.

The shrinking property market, however, is expected to continue pressuring the rebars market over the next 12 months, with a 23% drop in demand forecasted from 1.3 million to 1 million tonnes.

To address market softness, we will further diversify our range of piling products, and seek to develop new business pillars with new products, such as construction beams and sheet piles. We will also develop more cost efficient resources, and will focus on creating a more efficient operating process to reduce costs. In fact, efforts underway to increase operating efficiencies have already resulted in a 60% reduction in rebars stock levels.

Facing a very difficult year for construction industry, our Engineering Products reported discouraging results caused by keen price competition, high manufacturing costs, and the slow customer adoption of this business. The VSC Group had thus carefully evaluated the market environment and operational performance of the various engineering products and had chosen to terminate its efforts towards the development of rebars processing operations.

In particular, despite the progress we made in gaining industry acceptance for the offsite cut and bend services of rebars, we have decided to wind down the Cut and Bend operation in 2001. This decision has been made due to ongoing constraints and challenges created by the Hong Kong government in allowing the offsite processing of rebars for construction projects. Our final assessment is that the business model is not feasible without government change and acceptance. We have also discontinued the epoxy coated rebars processing because of the restricted market of this product. After the restructuring, we will focus on developing the couplers and soil nails businesses.

BUILDING PRODUCTS

The reporting year under review proved to be a remarkable one for the Building Products Department. The department recorded a 35% increase in turnover and gross profit contribution increased by 13.6%. The department also has contracts-on-hand worth approximately HK$130 million.

The sanitary ware products enjoyed the most robust growth, with an increase in turnover to approximately HK$41 million and gross profit increase of 106%. Overall, the department continues to expand market share by supplying high-quality sanitary and kitchenware products to residential and commercial property sectors in Hong Kong and Mainland China.

In the past 12 months, we have been awarded numerous prestigious kitchen cabinet projects, including Sorrento of Kowloon Station Package II, Coastal Skyline of Tung Chung Station Package II, and

Bellagio of 390 Sham Tseng. Combined, these contracts represent more than 4,600 kitchens.

We believe the segment for these products will continue to show improvement, particularly in the high-end private residential market, as a shortage of these units has been created by a decrease in construction over the last couple of years.

We also have unique advantages over our competitors in this space. Namely, strong financial backing; long term relationships with developers, architects, and contractors; a wide range of high-quality products, including deluxe fitted SieMatic kitchen cabinets, high-end Laufen sanitary ware products, middle to high-end Twyford sanitary ware products, and middle-class Eagle Brand ceramic tiles; and finally, an excellent understanding of the market, our customers, and the role we need to play as a total solution provider.

We believe that our company will demonstrate continued improvement in serving this market over the next 12 months. Our objective is to increase market share by diversifying product lines and expanding our customer base. We will also introduce new lines of prestigious European/Japanese sanitary ware and ceramic products within the next year, and will seek to arrange exclusive distributor and agency rights to these lines.

We will also begin to explore opportunities for growth in the Mainland China market.

COIL CENTRE

The Dongguan Coil Centre enjoyed another impressive year of growth, with sales increasing from approximately HK$159 million to HK$222 million and gross profit increasing from approximately HK$32 million to HK$43 million. Strengthening relationships with key customers, in a strategy to become their major partner and supplier, further enhanced sales. Demand from home appliances and audio-visual products, such as CD-Rom, DVD-Rom and DVD products, fuelled orders for our products. Finally, we maintained reasonably high gross margin due to the high quality of our products and services together with the ability to satisfy delivery schedules with short lead time.

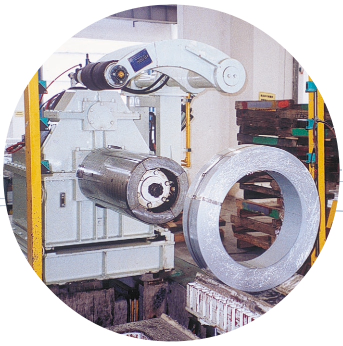
Despite the positive results this year, we believe the coming period will be more of a challenge as there has been a steady increase in stockpiles, which, combined with the downturn in the U.S. economy, will slow growth for this product line.

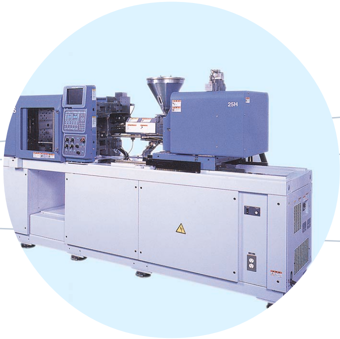
As such, we will continue to focus on improving our supply chain management processes and to building and improving our existing talent pool to maintain this profitable business.

With the help of the process improvement consultants, the Coil Centre will seek to improve its production efficiency, logistics management, and relationships with key suppliers. Production line layout had been redesigned with new machinery to boost production capacity by 50% from March 2001.

satisfy periodic shortage of supply in several industries, we managed to achieve a 4% increase in gross profit.

Moving forward, we will continue to incorporate efficiencies into our processes and throughout the supply chain management cycle. We will enhance our value propositions to customers by strengthening technical support, logistics management, credit backing and e-commerce availability, and will continue to market more leading plastic resin brands to further expand sales. We will also look to further secure our position in the Mainland China market, which has become a significant base of manufacturing for our customers' products.





PLASTICS AND MACHINERY

The Engineering Plastic Resins Division faced challenges created by the ongoing economic downturn in the major consumer markets around the world. Our customers, which manufacture such products as mobile phones, computers, and various electrical appliances for sale in these markets, faced decreasing orders and thus scaled back production significantly. As such, our sales volume decreased 31% over last year and turnover decreased 14%; however, through our successful management of inventory to

Like our plastic resins business, the Machinery Division faced lower capital expenditures by manufacturers as they decreased costs in light of lower demand. Our goals then, over the next year, will be to strengthen and expand our customer base, particularly on Mainland China, to include the home appliances and computer accessories markets. We will also continue to embrace change within our business by focusing on efficiency improvement of existing operations and management systems.

OTHER INVESTMENTS AND ASSOCIATED COMPANIES

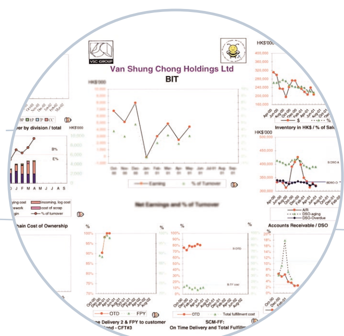
(a) iSteelAsia.com Limited ("iSA")

In line with the VSC Group's philosophy of providing meaningful value proposition to its customers, the VSC Group launched an e-commerce market place catered specifically to the steel industry. It is the VSC Group's view that technology, especially that of the internet and personal computers, has matured to a point that it is economically and safely feasible to transact steel trades over the internet. The fruit of this effort is iSteelAsia.com , a vortal launched in December 1999.

Seizing the favourable capital market conditions during the early part of this financial year, the VSC Group successfully spun off iSA and listed it on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited in April 2000. The listing has allowed iSA to operate and grow independently in a self-sufficient manner. The listing of iSA was also complemented by a fund raising exercise, thus relieving the VSC Group of strain on its resources. During the year, iSA has quickly developed into one of the major players in both the Asian steel industry and the global steel market. iSA, in its first full year of operation, achieved encouraging results in its online steel trading operations. The continued growth rate in transactions volume, deal postings, membership, and commission revenue combine to reinforce iSA's value proposition and business strategy. During the year under review, turnover of iSA increased to approximately HK$183 million amid the worsening of market conditions.

In December 2000, iSA made a strategic equity investment of approximately 3.5% in Stemcor Holdings Limited. This investment integrated a solid old-economy business with our new-economy model. iSA also received worldwide recognition by leading institutions on a number of occasions. Harvard Business School, for instance, selected iSA as a case study for e-commerce. iSA was also appended in studies by The University of Hong Kong and City University of Hong Kong for raising the efficiency of the Asian steel industry, while facilitating smooth flow of the product and information by providing value-added services. Global Finance also named iSA as the Asian B2B portal with the highest potential in its June 2000 issue.

Looking ahead, iSA will continue to strengthen its position in the Asian steel market by seeking more aggressive expansion in Mainland China and by broadening the scope of services it offers customers. It is the objective of the iSA's management that it will efficiently utilise and expand iSA's core competence as a steel trader/ distributor in Mainland China and pioneer as an e-commerce operator to achieve a harmonious convergence of the "new" and "old" economy.



Although iSA's financial result for the year 2000/ 2001 is not stellar, the VSC Group is encouraged by iSA's operational progress, as iSA continues to strengthen its traction by providing real value propositions to customers. Being the single largest shareholder of iSA, the VSC Group will continue to monitor this investment with a pro-active approach.

(b) Baosteel Jingchang

The Baosteel Jingchang joint venture in Nansha had achieved sales of over RMB100 million and recorded net profit in its first full year of operation. Built on strong support from Shanghai Baosteel, the joint venture successfully developed a diversified customer network in the Pearl River Delta, serving various industries such as computer, electrical appliances and metals processing.

Aggressive sales targets have been made for the coming year, but with support from extensive marketing efforts in developing the joint ventures' brand name and targeting specific industries, such as refrigerator manufacturing, these targets expect to be met. Plans are also in place to buy additional machines and to obtain ISO9002 accreditation to further enhance product range and improve production efficiency.

(c) Dongguan pier operation

The Dongguan pier in Shatin, operated by our associated company, reported satisfactory progress in its volume of goods and containers handled and achieved turnaround during the year in review. Turnover increased by 59% with net profit achieved of approximately HK$0.3 million.

(d) GFTZ fuel company

The GFTZ fuel company recorded encouraging increases in both sales and net profit. The steady economic development in Guangdong province has provided the demand for electricity generation from the power plant in GFTZ, and hence demand for the fuel product is also secured. However, due to the prevailing rising trend of worldwide oil price, the GFTZ fuel company was unable to achieve its planned guaranteed profit level and lacked the required cash flow to repay the outstanding guaranteed returns. Full provisions for this investment and outstanding guaranteed return receivables had been prudently made.

(e) Enclosure systems - introduction

The VSC Group executed an agreement in April 2001 to acquire an existing enclosure systems manufacturing facility in Shenzhen and was in the process to build a new plant with enlarged production capacity to meet the ever-increasing demand of the telecommunication industry in Mainland China. The new company, Van Jia Yuan, was formed in May 2001 with total estimated investments in fixed assets of approximately RMB33 million to be financed by internal resources. The new plant was expected to commence operation by the fourth quarter of 2001.

BEE PROGRAM

With the help of The Thomas Group, a renowned international management-consulting firm, we are implementing programs throughout the organisation that will result in the significant improvement in all of our business processes. The result will be a frictionless operating environment, where processes and people perform at their highest potential. By creating this environment, VSC will produce real competitive advantages and higher financial returns.

The program within VSC is code named "BEE", which stands for "**Baseline Enhancement to Entitlement**". This name reflects the objectives of our program, which are to establish baseline performance indicators, encourage teamwork, and strive for achievement.

When we have successfully implemented this program, our company will enjoy a more integrated strategy, dramatically reduced cycle times, improved customer service, and an overall cost structure that will enable us to be more competitive and take the leading position in the industries we operate.

Miriam Yao

Chief Executive Officer