

Chairman's Statement

A high achiever

With its unmatched supply chain management complimented by excellent value-added services, the VSC Group is set to continue maintaining its leading position.



“ We successfully executed our strategies on CAMP and enjoyed an impressive performance and a strong growth in our Mainland operation. ”

Financial year 2004/05 was a year mixed with achievements and challenges. We successfully executed our strategies on CAMP and enjoyed an impressive performance and a strong growth in our Mainland operation. However, the unpredictable volatility of the steel price last year has presented our industry with a difficult challenge. As a result, our traditional steel stockholding business in Hong Kong has suffered a loss for the first time in history which impeded the overall performance of VSC. In summary, despite we grew 17% in consolidated turnover to HK\$4.1 billion, our profit after tax dropped by 49% to HK\$41 million.

The achievements and challenges this year have given our management a valuable lesson. We will continue to execute our growth strategies, along with investment in our structure and people, to serve our customers and to meet the increasing demand for steel generated by the rapid growth of the China economy and we expect our CAMP operation will continue to be our growth driver.

Let me also take the opportunity to provide an update on each business units:

CAMP

CAMP occupies a downstream place in the supply chain. It provides value-added, quality and efficient steel processing service targeting high growth industries, such as home appliances, IT and telecommunications and automobile parts, etc.

The burgeoning China market continues to generate a strong demand for steel, creating a vast opportunity for VSC. In light of this, CAMP enjoyed an impressive growth and profits despite of the turbulent steel market and the tightened macro-economic policy by the PRC government in 2004. CAMP's contribution to the Group has become increasingly significant.

In addition to Dongguan and Guangzhou coil centres, I am very pleased to report that Tianjin coil centre was accredited ISO 9001:2000 certification by BSI for the shearing of steel sheets in September 2004. This marks another milestone in upholding the quality of our products and services to an internationally recognized standard and to increase our customer satisfaction.

CMG

CMG takes an upstream position in the supply chain. As a bridge between suppliers and customers, VSC sources materials for its customers from different steel mills all over the world.

As reported earlier, our Hong Kong operation faced the unpredicted pricing volatility and resulted in a loss for the first time, mainly due to the commitment of long-term contracts in the previous years, under which steel was sold at a price much lower than the historical high market price in 2004. To overcome the unpredictable volatility of steel prices, we have already adjusted our strategies to have both the suppliers and customers sharing in the pricing risk, and used our best effort not to enter long term fixed price sales contract exceeding two years with price adjustment for delivery beyond one year.

Premium will also be charged for special size delivery. We are confident that our new strategies will help CMG to mitigate the pricing risk. We will continue to expand our distribution network in China. Geographical coverage extends to six major cities including Shanghai, Beijing, Chongqing, Wuxi, Guangzhou and Shenzhen.

THE VERTICALLY INTEGRATED MODEL

As stated in last year's annual report, one of our major tasks was to maximize the synergistic effects brought by the VSC Group's two complementary business divisions (CAMP and CMG) to provide integrated service along the value chain and supply chain from steel mills to end users. Our global supply chain management is based on the solid foundation laid by CAMP and CMG which includes the global sourcing network, value-added processing, extensive distribution network, loyal customer base and economies of scale. To further strengthen our supply chain, VSC has entered into a strategic alliance with a newly set up venture, MetalChina, offering procurement services to overseas buyers to source China metal products for export. The fully integrated model could improve VSC's competitiveness and anchors its significant role and position in the China market, bringing customer satisfaction.

PROSPECTS

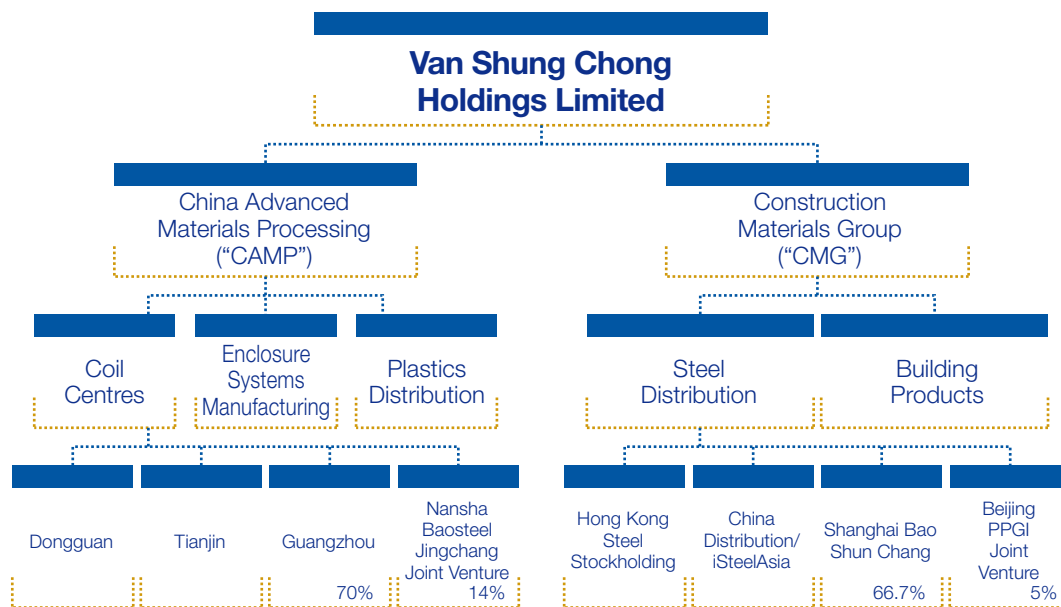
We are confident that the provision of Global Supply Chain Management Service ("GSCMS") could help to differentiate VSC from other steel service providers in the PRC and secure our position as the preferred total solution provider. Our strategy is to invest and build a world-class GSCMS. A supply chain management team has already been in place to fully support the development of GSCMS.

VSC will continue to expand its service centre network by expanding coil centre at strategic locations to meet the ever increasing market demand. Our strategies would include direct investment, merger and acquisition, etc. In the coming year, one of our strategies is to further expand the capacity of our Guangzhou coil centre. Furthermore, we are in the process of conducting a feasibility study to add another line for non-ferrous metal such as aluminum and/or stainless steel. In order to secure steel supply and enlarge overseas customer base, we will increase our focus on strategic alliance with overseas steel mills or traders. During the year, VSC has entered into an agreement with Marubeni-Itochu Steel Inc. ("MISI"), a major Japanese steel trading company, for strategic investment in our Tianjin operation. MetalChina will add value to our GSCMS and one step closer to building a world class GSCMS.

We will continue to monitor the market and customer expectation and will explore other promising business opportunities to add value to shareholders.

GOING FORWARD – EXPAND TOWARDS CHINA

We uphold our belief of "Expand towards China with a foothold in Hong Kong". As China has become the world factory and continue to grow, this will drive a strong demand for steel. To further tap opportunities in China, VSC will continue to grow and invest in strengthening our operations and services in China.



PEOPLE

People are our key asset. We have spent tremendous resources in training. This year, we organized a training course, "Organization Development Program" with Cheung Kong Graduate School of Business to identify employees with high potential to become senior management and thus establish a talent pool for company business expansion. Our encouragement and investment in training will organically grow and better equip our staff with skills and knowledge to meet the challenges ahead.

I was appointed as an Ambassador of the Young Industrialist Awards of Hongkong 2005. I will endeavour to promote manufacturing industries from Hong Kong with a goal to demonstrate our passion, integrity, commitment and achievements as the ultimate goal. This honour is an encouragement not only to me but also to VSC as it implies the right strategies and direction as the helm of the company.

APPRECIATION

I would like to take this opportunity to express my sincere appreciation to all employees, Board of Directors, shareholders, customers, business partners and suppliers for their continuous support and commitment. I look forward to bringing you a fruitful year.

Andrew Cho Fai Yao

Chairman & Chief Executive Officer

15th July 2005