VSC万顺昌

VAN SHUNG CHONG HOLDINGS LIMITED

Website: http://www.vschk.com
(Incorporated in Bermuda with limited liability)
(Stock Code: 1001)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2010

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited (the "Company" or "VSC") hereby announces the audited consolidated results of the Company and its subsidiaries (the "VSC Group") for the year ended 31st March 2010, together with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenue	2	**3,251,836**	4,659,507
Cost of sales	4	**(2,953,474)**	(4,501,984)
Gross profit		**298,362**	157,523
Other gains/(losses) – net	3	**5,239**	(90,363)
Selling and distribution expenses	4	**(20,857)**	(35,604)
General and administrative expenses	4	**(146,418)**	(214,091)
Operating profit/(loss)		**136,326**	(182,535)
Finance income	5	**1,314**	4,281
Finance costs	5	**(19,982)**	(51,978)
Share of losses of associates – net		**(12,896)**	(26,508)
Profit/(loss) before income tax		**104,762**	(256,740)
Income tax (expense)/credit	6	**(22,279)**	6,546
Profit/(loss) for the year		**82,483**	(250,194)

	Note	2010 HK$'000	2009 HK$'000
Attributable to:			
Equity holders of the Company		**75,221**	(278,252)
Minority interest		**7,262**	28,058
		82,483	(250,194)
Earning/(loss) per ordinary share for profit/(loss) attributable to the equity holders of the Company during the year			
– Basic	*8*	**HK18.71 cents**	HK(73.01) cents
– Diluted	*8*	**HK18.62 cents**	HK(73.01) cents
Dividends	*7*	**22,361**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2010

	2010 HK$'000	2009 HK$'000
Profit/(loss) for the year	**82,483**	(250,194)
Other comprehensive income		
Currency translation differences	**1,611**	7,004
Net revaluation deficit on available-for-sale financial assets	**–**	(172)
Total comprehensive income/(loss) for the year	**84,094**	(243,362)
Total comprehensive income/(loss) attributable to:		
– Equity holders of the Company	**76,832**	(275,292)
– Minority interest	**7,262**	31,930
	84,094	(243,362)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**21,441**	22,017
Investment properties		**15,000**	28,000
Leasehold land and land use rights		**10,930**	11,132
Investments in associates		**241,304**	253,515
Deferred income tax assets		**25,267**	42,733
Available-for-sale financial assets		**–**	580
Total non-current assets		**313,942**	357,977
Current assets			
Inventories		**245,720**	259,697
Due from customers on installation contract work		**–**	700
Trade and bill receivables	*9*	**409,826**	257,189
Loan receivables		**24,500**	21,000
Prepayments, deposits and other receivables		**178,756**	163,989
Derivative financial instruments		**990**	130
Amounts due from associates		**52,344**	62,065
Pledged bank deposits		**57,182**	35,893
Cash and cash equivalents		**160,935**	100,679
Total current assets		**1,130,253**	901,342
Current liabilities			
Trade and bill payables	*10*	**247,473**	81,687
Receipts in advance		**24,888**	59,975
Accrued liabilities and other payables		**99,399**	43,790
Amount due to an associate		**–**	1,568
Current income tax liabilities		**7,105**	5,783
Derivative financial instruments		**–**	739
Borrowings		**410,281**	489,417
Total current liabilities		**789,146**	682,959
Net current assets		**341,107**	218,383
Total assets less current liabilities		**655,049**	576,360
Non-current liabilities			
Derivative financial instruments		**133**	3,172
Deferred income tax liabilities		**5**	5
Borrowings		**3,925**	11,647
Total non-current liabilities		**4,063**	14,824
Net assets		**650,986**	561,536

	Note	2010 HK$'000	2009 HK$'000
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**41,413**	38,143
Reserves			
– Proposed final dividend		**9,939**	–
– Others		**569,805**	500,184
		621,157	538,327
Minority interest		**29,829**	23,209
Total equity		**650,986**	561,536

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

(a) The VSC Group has adopted the following new/revised standards and amendments to existing standards that are mandatory for the VSC Group's financial year beginning on 1st April 2009 and relevant to the VSC Group's operation:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing costs
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating segments

(b) The following amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1st April 2009, but not currently relevant to the VSC Group:

HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, the Jointly Controlled Entity or Associate
HK(IFRIC) – Int 13	Customer Loyalty Programme
HK(IFRIC) – Int 15	Arrangement for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

(c) The following new/revised standards, amendments and interpretation to existing standards relevant to the VSC Group have been issued, but are not effective for the financial year beginning on 1st April 2009 and the VSC Group has not early adopted them:

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions (effective for annual period beginning on or after 1st January 2010)
HKFRS 3 (Revised)	Business Combinations (effective for annual period beginning on or after 1st July 2009)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1st January 2013)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual period beginning on or after 1st July 2009)
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners (effective for annual period beginning on or after 1st July 2009)

In addition, the Hong Kong Institute of Certified Public Accountants has published a number of amendments to existing standards under its annual improvements project. These amendments are expected to have no material impact to the consolidated financial statements of the VSC Group.

2. REVENUE AND SEGMENT INFORMATION

The VSC Group's revenue consists of the following:

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**3,244,042**	4,654,506
Revenue from installation contracts	**3,401**	–
Service income	**3,282**	2,978
Rental income	**1,111**	2,023
Total revenue	**3,251,836**	4,659,507

The VSC Group's businesses are managed according to the nature of their operations and the products and services they provide.

Management has determined the operating segments based on the reports reviewed by the VSC Group's chief operating decision-maker ("CODM"), who has been identified as the executive directors, that are used to make strategic decisions. The CODM considers the VSC Group operates predominantly in four operating segments:

(i) Steel distribution;

(ii) Building products;

(iii) Plastics; and

(iv) Coil centres.

The VSC Group disposed of its 40% interests in coil centres on 31st October 2009 and 31st December 2009 by 20% on each date. Other operations mainly comprise the provision of rental services in Hong Kong and other investments which do not constitute separately reportable segments.

The VSC Group's CODM assesses the performance of operating segments based on a measure of profit before tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as legal expenses and impairments, when the impairment is the result of an isolated, non-recurring event.

The revenue from external parties reported to CODM is measured in a manner consistent with that in the consolidated financial statements.

Analysis of the VSC Group's results by business segment for the year ended 31st March 2010 is as follows:

	Steel distribution *HK$'000*	Building products *HK$'000*	Plastics *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	**2,621,004**	**366,161**	**261,730**	**2,941**	**–**	**3,251,836**
Operating profit/(loss)	**130,968**	**17,311**	**10,522**	**4,954**	**(27,429)**	**136,326**
Finance income	**172**	**–**	**6**	**24**	**1,112**	**1,314**
Finance costs	**(16,970)**	**(798)**	**(722)**	**(446)**	**(1,046)**	**(19,982)**
Share of losses of associates – net	**–**	**–**	**–**	**(12,896)**	**–**	**(12,896)**
Profit/(loss) before tax	**114,170**	**16,513**	**9,806**	**(8,364)**	**(27,363)**	**104,762**
Other gains/(losses) – net	**(29,276)**	**5**	**(109)**	**11,333**	**23,286**	**5,239**
Depreciation and amortisation	**(1,143)**	**(1,774)**	**(40)**	**–**	**(3,965)**	**(6,922)**
Income tax (expense)/credit	**(18,709)**	**(2,964)**	**(177)**	**(825)**	**396**	**(22,279)**

Analysis of the VSC Group's results by business segment for the year ended 31st March 2009 is as follows:

	Steel distribution *HK$'000*	Building products *HK$'000*	Plastics *HK$'000*	Coil centres *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
External revenue	2,977,696	318,627	313,653	1,007,544	41,987	–	–	4,659,507
Inter-segment revenue	65,573	–	–	–	–	–	(65,573)	–
	3,043,269	318,627	313,653	1,007,544	41,987	–	(65,573)	4,659,507
Operating (loss)/profit	(90,651)	8,569	11,036	19,739	(49,559)	(81,669)	–	(182,535)
							–	
Finance income	1,322	5	1	1,895	–	1,058	–	4,281
Finance costs	(31,247)	(1,608)	(871)	(8,213)	(1,611)	(8,428)	–	(51,978)
Share of losses of associates – net	–	–	–	–	(26,508)	–	–	(26,508)
(Loss)/profit before tax	(120,576)	6,966	10,166	13,421	(77,678)	(89,039)	–	(256,740)
Other (losses)/gains – net	3,471	4,579	(177)	(67,108)	(14,875)	(16,253)	–	(90,363)
Depreciation and amortisation	(3,174)	(1,437)	(38)	(5,936)	–	(3,751)	–	(14,336)
Income tax credit/(expense)	15,952	(256)	(1,280)	(13,306)	2,452	2,984	–	6,546

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, deferred income tax assets, inventories, due from customers on installation contract work, trade and bill receivables, loan receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. They exclude items such as investment properties, investments in associates, available-for-sale financial assets, amounts due from associates and derivative financial instruments. These are managed on a central basis and are part of the reconciliation to total balance sheet assets.

Segment liabilities comprise operating liabilities and exclude borrowings, derivative financial instruments and amount due to an associate.

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

The segment assets and liabilities as at 31st March 2010 and capital expenditure for the year ended 31st March 2010 are as follows:

	Steel distribution *HK$'000*	**Building products** *HK$'000*	**Plastics** *HK$'000*	**Other operations** *HK$'000*	**Total** *HK$'000*
Segment assets	**826,861**	**117,817**	**86,390**	**103,489**	**1,134,557**
Segment liabilities	**(329,798)**	**(17,978)**	**(20,197)**	**(10,897)**	**(378,870)**
Capital expenditure	**4,536**	**1,091**	**65**	**2,003**	**7,695**

The segment assets and liabilities as at 31st March 2009 and capital expenditure for the year ended 31st March 2009 are as follows:

	Steel distribution *HK$'000*	Building products *HK$'000*	Plastics *HK$'000*	Coil centres *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Segment assets	704,200	110,878	35,482	–	64,469	915,029
Segment liabilities	(167,832)	(12,565)	(7,694)	–	(3,149)	(191,240)
Capital expenditure	384	3,200	13	8,545	2,732	14,874

A reconciliation of segment assets and liabilities to total assets and liabilities are provided as follows:

	2010 *HK$'000*	2009 *HK$'000*
Segment assets	**1,134,557**	915,029
Investment properties	**15,000**	28,000
Investments in associates	**241,304**	253,515
Available-for-sale financial assets	**–**	580
Amounts due from associates	**52,344**	62,065
Derivative financial instruments	**990**	130
Total assets	**1,444,195**	1,259,319

	2010	2009
	HK$'000	*HK$'000*
Segment liabilities	**378,870**	191,240
Borrowings	**414,206**	501,064
Derivative financial instruments	**133**	3,911
Amount due to an associate	**–**	1,568
Total liabilities	**793,209**	697,783

Analysis of the VSC Group's revenue by geographical market is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Mainland China	**1,927,090**	3,390,185
Hong Kong	**1,324,746**	1,269,322
Total revenue	**3,251,836**	4,659,507

For the year ended 31st March 2010, revenue of approximately HK$365,117,000 (2009: HK$242,598,000) was derived from a single external customer.

Analysis of the VSC Group's non-current assets by geographical market is as follows:

	2010	2009
	HK$'000	*HK$'000*
Non-current assets		
Mainland China	**274,930**	251,952
Hong Kong	**39,012**	106,025
Total non-current assets	**313,942**	357,977

Non-current assets comprise property, plant and equipment, investment properties, leasehold land and land use rights, investments in associates, deferred income tax assets and available-for-sale financial assets.

3. OTHER GAINS/(LOSSES) – NET

	2010 *HK$'000*	2009 *HK$'000*
Provision for onerous contracts	**(32,429)**	–
Loss on disposal of certain interest in a subsidiary		
– disposal of a subsidiary	**–**	(63,551)
– realisation of reserves	**–**	15,624
Loss on disposal of certain interest in an associate	**–**	(9,771)
Gain on disposal of an investment property	**10,448**	–
Fair value loss on an investment property	**–**	(16,800)
Fair value loss arising from a call option granted by a third party to acquire a company	**–**	(10,190)
Impairment of goodwill	**–**	(9,810)
Net fair value losses on call/put options granted to/by a third party to dispose certain interests in a subsidiary	**–**	(2,132)
Fair value gains/(losses) on interest rate instruments	**3,778**	(2,528)
Net fair value losses on currency swap instruments	**–**	(4,000)
Net fair value (losses)/gains on forward foreign exchange contracts held for trading	**(120)**	2,727
Net fair value gains on steel future contracts	**980**	–
Impairment loss on an available-for-sale financial asset	**–**	(200)
Gain on disposal of available-for-sale financial assets upon disposal of a subsidiary	**1,631**	–
Dividend income from unlisted available-for-sale financial assets	**–**	227
Net exchange gain	**509**	9,847
Amount recovered from an available-for-sale financial asset fully impaired previously	**386**	194
Consulting services income	**19,634**	–
Sundry income	**422**	–
	5,239	(90,363)

4. EXPENSES BY NATURE

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

	2010 *HK$'000*	2009 *HK$'000*
Raw material consumed and finished goods sold	**3,018,978**	4,391,183
(Write-back)/write-down of inventories	**(65,504)**	75,817
Depreciation of property, plant and equipment	**6,720**	13,913
Loss on disposals of property, plant and equipment	**1,372**	8,448
Amortisation of leasehold land and land use rights	**202**	423
Employee benefit expenses	**76,645**	115,503
Operating lease rental in respect of		
– land and buildings	**14,709**	16,622
– plant and machinery	**–**	2,531
Impairment of trade receivables	**8,267**	16,547
Impairment of other receivables	**–**	3,272
Impairment of loan receivables	**–**	1,472
Impairment of amount due from customers on installation contract work	**–**	2,000
Auditor's remuneration	**1,500**	2,180
Others	**57,860**	101,768
Total cost of sales, selling and distribution expenses and general and administrative expenses	**3,120,749**	4,751,679

5. FINANCE INCOME AND COSTS

	2010	2009
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**341**	3,516
– from an associate	**973**	765
	1,314	4,281
Finance costs		
Interest expenses:		
– bank borrowings wholly repayable within five years	**(10,612)**	(37,372)
– to a related party	**–**	(2,163)
Bank charges	**(9,370)**	(12,443)
	(19,982)	(51,978)
Net finance costs	**(18,668)**	(47,697)

6. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") on 16th March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6th December 2007. According to the CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1st January 2008. However, for enterprises which are established before the publication of the CIT Law and are entitled to preferential treatments of reduced income tax rate granted by relevant tax authorities, the income tax rate is gradually increased to 25% within 5 years after the effective date of the CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term continue to enjoy such treatment until the fixed term expires. During the year, subsidiaries established in Mainland China are subject to China corporate income tax at rates ranging from 20% to 25% (2009: 9% to 25%).

The amount of income tax (expense)/credit recorded in the consolidated income statement represents:

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**(1,822)**	(7,957)
– China corporate income tax	**(2,558)**	(11,149)
– Macau profits tax	**–**	(15)
Deferred income tax	**(17,493)**	24,602
(Under)/over-provision in prior years	**(406)**	1,065
	(22,279)	6,546

7. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim dividend of HK3 cents per ordinary share (2009: nil)	**12,422**	–
Proposed final dividend of HK2.4 cents per ordinary share (2009: nil)	**9,939**	–
	22,361	–

A final dividend for the year ended 31st March 2010 of HK2.4 cents per ordinary share, totalling HK$9,939,000 (2009: nil), has been recommended by the Directors for approval at the forthcoming Annual General Meeting of the Company. The proposed dividend has not been dealt with as dividend payable as at 31st March 2010.

8. EARNING/(LOSS) PER ORDINARY SHARE

(a) Basic

Basic earning/(loss) per ordinary share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**75,221**	(278,252)
Weighted average number of ordinary shares in issue *('000)*	**401,955**	381,094
Basic earning/(loss) per ordinary share *(HK cents)*	**18.71**	(73.01)

(b) Diluted

Diluted earning/(loss) per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares is arising from share options, for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010	2009
Profit/(loss) attributable to equity holders of the Company and used to determine diluted earning/(loss) per ordinary share *(HK$'000)*	**75,221**	(278,252)
Weighted average number of ordinary shares in issue *('000)*	**401,955**	381,094
Adjustment for share options *('000)*	**1,978**	–
Weighted average number of ordinary shares for diluted earning/(loss) per ordinary share *('000)*	**403,933**	381,094
Diluted earning/(loss) per ordinary share *(HK cents)*	**18.62**	(73.01)

9. TRADE AND BILL RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade and bill receivables		
– from third parties	**410,967**	254,178
– from an associate	**13,881**	19,696
Less: provision for impairment of trade receivables	**(15,022)**	(16,685)
Trade and bill receivables, net	**409,826**	257,189

Sales are either covered by (i) letters of credit with bill payable at sight or (ii) open account with credit terms of 15 to 60 days.

Ageing analysis of trade and bill receivables by invoice date is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**371,468**	206,853
61 to 120 days	**32,479**	31,258
121 to 180 days	**4,729**	10,497
181 to 365 days	**1,121**	9,685
Over 365 days	**15,051**	15,581
	424,848	273,874
Less: Provision for impairment of trade receivables	**(15,022)**	(16,685)
	409,826	257,189

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2010.

10. TRADE AND BILL PAYABLES

Payment terms with suppliers are either on letters of credit or open account. Certain suppliers grant credit period of around 30 days.

Ageing analysis of trade and bill payables by invoice date is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**242,003**	80,601
61 to 120 days	**4,050**	579
121 to 180 days	**83**	45
181 to 365 days	**438**	245
Over 365 days	**899**	217
	247,473	81,687

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2010.

11. COMMITMENTS

(a) Capital commitments

Capital commitments in respect of property, plant and equipment are as follows:

	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for	**–**	167

(b) Commitments under operating leases

Total commitments payable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Not later than one year	**10,083**	7,682
Later than one year and not later than five years	**5,305**	6,843
Later than five years	**758**	1,327
	16,146	15,852

(c) Commitments under derivative contracts

As at 31st March 2010, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$1,000,000 (2009: US$7,400,000) for approximately HK$7,760,000 (2009: HK$57,350,000), for the purpose of hedging against the VSC Group's commitments arising from its trading activities. The settlement date is 26th May 2011.

As at 31st March 2010, the VSC Group had outstanding steel future contracts to purchase 10,000 metric tonnes of rebar at approximately RMB47,600,000 (2009: nil), for the purpose of hedging against the VSC Group's commitments arising from its trading activities. The settlement date is 15th October 2010.

As at 31st March 2010, the VSC Group had an outstanding interest rate instrument with notional principal amount of approximately HK$11,689,000 (2009: HK$19,397,000). The settlement date is 8th September 2011.

12. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 3rd June 2010, CAMP (B.V.I.) Holdings Limited ("CAMP BVI"), a wholly owned subsidiary of the VSC Group, entered into a share repurchase agreement with Ryerson Pan-Pacific LLC ("Ryerson") to dispose the remaining 20% interest in Ryerson China Limited ("Ryerson China"), which was formerly known as VSC-Ryerson China Limited that was classified as investments in associates as at 31st March 2010. The agreed consideration is HK$136,500,000. The completion of the transaction shall take place on the fifth business day after the fulfillment or waiver (as the case may be) of the conditions precedent (or such other date as the Company, CAMP BVI, Ryerson and Ryerson China may agree).

It is estimated that upon the completion, the VSC Group will record a gain of approximately HK$36,552,000 as a result of the disposal, the earnings of the VSC Group is expected to increase by HK$36,552,000 for the year ending 31st March 2011, the VSC Group's total assets will increase by approximately HK$36,552,000, its total liabilities will remain unchanged and its net assets will increase by approximately HK$36,552,000.

(b) On 7th June 2010, Van Shung Chong Hong Limited, a wholly owned subsidiary of the VSC Group, entered into a sales and purchase agreement with a connected person to dispose of the investment properties as at 31st March 2010. The agreed consideration is HK$15,000,000. The completion of the transaction is scheduled to take place on 9th August 2010.

It is estimated that upon the completion, the VSC Group will record a loss of approximately HK$100,000 as a result of the disposal, the earnings of the VSC Group is expected to decrease by HK$100,000 for the year ending 31st March 2011, the VSC Group's total assets will decrease by approximately HK$100,000, its total liabilities will remain unchanged and its net assets will decrease by approximately HK$100,000.

RESULTS

Revenue for the financial year ended 31st March 2010 ("FY2010") reached approximately HK$3,252 million, a 30% decrease as compared with approximately HK$4,660 million for the financial year ended 31st March 2009 ("FY2009"). Gross profit margin increased 5.8 percentage points to 9.2% as compared with 3.4% for FY2009. Selling and distribution expenses reduced by 42% from approximately HK$36 million to approximately HK$21 million. General and administrative expenses reduced by 32% from approximately HK$214 million to approximately HK$146 million.

Profit attributable to the equity holders of the Company was approximately HK$75 million (FY2009: loss of approximately HK$278 million). Basic earning per ordinary share was HK18.71 cents (FY2009: loss of HK73.01 cents). The Board recommends to declare a final dividend of HK2.4 cents per ordinary share for FY2010 (FY2009 final: Nil).

CHARGES ON ASSETS

As at 31st March 2010, the VSC Group had certain charges on assets which included (i) inventories of approximately HK$31 million pledged for certain of the VSC Group's short-term bank loans, (ii) certain inventories which were held under trust receipts bank loan arrangements, and (iii) bank deposits of approximately HK$57 million which were pledged as collateral for the VSC Group's banking facilities, performance bonds and steel future contracts.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The VSC Group's businesses are primarily transacted in HK dollar, US dollar and Chinese Renminbi ("RMB"). As exchange rate between HK dollar and the US dollar is pegged, the VSC Group believes its exposure to exchange rate risk arising from US dollar is not material. Facing the appreciation of RMB, the VSC Group will continue to match RMB payments with RMB receipts to minimise the exchange exposure.

As at 31st March 2010, about 65.5% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, about 2.8% in US dollar and about 31.7% in RMB. Forward foreign exchange contracts and currency swap contracts would be entered into when suitable opportunities arise and when the management of the VSC Group consider appropriate, to hedge against major non-HK dollar currency exposures. As at 31st March 2010, the VSC Group had forward foreign exchange contracts to hedge principal repayment of future US dollar debts under letters of credit in the amount of approximately HK$8 million.

All of the VSC Group's borrowings as at 31st March 2010 were on floating rate basis. The use of derivative financial instruments is strictly controlled and mainly used to hedge against the foreign currency exchange rate exposures in connection with the borrowings. It is the VSC Group's policy not to enter into derivative transactions for speculative purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

FY2010 is a good year for the VSC Group. After the global financial crisis in 2008-2009, the VSC Group focused on its internal operational efficiencies as well as growing its top line in a profitable and sustainable fashion. This "back to basics" approach has produced solid results for the VSC Group. Going forward, the leadership team is cautiously optimistic about the growth in Asia market (emphasizing in Greater China market) in general, while continuing to increase our market share as well as increasing our profitability by increasing our value-added services to our customers in a win-win strategy.

The profit attributable to equity holders amounted to HK$75 million as compared with a loss attributable to equity holders of approximately HK$278 million in the previous year. The revenue was HK$3.25 billion compared with HK$4.66 billion a year ago. This decrease of 30% is driven mainly by the divestiture of the interests in Ryerson China Limited and its subsidiaries. This strategic move and new focus on profitability by VSC has greatly strengthened our financial position and enables us to prepare for the future direction of the VSC Group. The overall gross profit margin of the VSC Group has increased from 3.4% in FY2009 to this year's much more respectable 9.2%. This year over year improvement reflected improvements across all business units. Going forward to the financial year ending 31st March 2011 ("FY2011"), the recovery and growth trends in the Asia market looks set to continue.

With strong emphasis on the working capital management discipline, the leadership team has produced strong cash flows from operations in FY2010. Over HK$146 million was generated from operating activities, increasing our year-end cash balance to HK$161 million. This represents a 60% increase in our cash position over the same date in 2009. On operation efficiency of assets, the Days Sales Outstanding (average trade and bill receivables divided by revenue X 365 days) improved from about 41 days to about 37 days. Days of Supplies (average inventories divided by cost of sales X 365 days) decreased from about 44 days to about 31 days. Over the last two years, we have also re-structured our financial position and reduced our interest bearing borrowings by approximately HK$769 million. This has also contributed significantly to the reduction of our interest expenses. The VSC Group's gearing ratio (net debt, which is total borrowings minus pledged bank deposits and cash and cash equivalents, divided by capital and reserves attributable to equity holders plus net debt) decreased from the last year's 40% to 24% at book close.

We are making risk management as our top priority in the new year ahead. This includes instilling a pervasive risk management mindset and culture across all business units leaders in the VSC Group, renewed focus and emphasis on internal controls within the VSC Group, as well as leveraging best practices from risks management consultants and auditors to minimize our risk exposure.

Focus on business unit's operational efficiencies as well as increased financial discipline have started to pay off for shareholders and increased our profitability.

Steel Distribution

Steel distribution operations comprise stockholding business of rebars, structural steel and engineering products in Hong Kong and steel distribution in the PRC. The VSC Group has a 66.7% owned joint venture – Shanghai Bao Shun Chang, which engages in the distribution of domestic steel products in Eastern China.

Hong Kong Steel Distribution ("HK Steel Department")

Sales quantity of the HK Steel Department increased by 7% year over year. With all the new infrastructure projects in Hong Kong and Greater China and the strong growth signals in the Hong Kong construction market, the demand of rebars and structural steel continued to increase progressively during the year under review. During the year, some private projects and the government projects were launched with the rebound of the economy of Hong Kong, for instance the property development at Tai Wai Maintenance Centre, STTL No 529, Tai Wai and the Central-Wanchai Bypass Works. The HK Steel Department seized the chance to enhance the market share by grabbing different kind of projects. The total sales contracts on hand as at 31st March 2010 increased by 24% to 216,000 metric tonnes as compared with 174,000 metric tonnes as at 30th September 2009. Looking forward to FY2011, the team of HK Steel Department is confident of a much stronger volume growth path ahead.

With the launch of some of the 10 major infrastructure projects by the Hong Kong Government, say, The South Island Line, West Kowloon Cultural District Phase 1, West Island Line, The Shatin to Central Link Phase 1, The Guangzhou-Shenzhen-Hong Kong Express Rail Link, Kai Tak Development Plan and Hong Kong-Zhuhai-Macao Bridge, the construction market has been activated. It is expected that the demand of steel will further boost up this year with these infrastructure projects.

The local property construction market looks strong as well. This provides a good opportunity for the VSC Group and we also expect to perform well in this market. Our overall market share has also increased due to our HK Steel Department winning more projects across all segments of the market. Recently, the VSC Group secured orders from the Kai Tak Development Plan and Guangzhou-Shenzhen-Hong Kong Express Rail Link projects. The VSC Group also received orders from clients that have been awarded government housing and private residential development projects.

The steel market remains very dynamic and prices also volatile, thus we have adopted dual approach to these market conditions: a set of rigorous and disciplined risk management strategies plus a prudent, realistic reporting of the industry's dynamics to increase transparency.

Mainland China Steel Distribution ("PRC Steel Department")

After the financial crisis last year, the China market is recovering and steel prices has stabilized. Overall the market prospects looks stable at this stage. With a lower growth trajectory, we have shifted our strategy to a "direct" model and we are approaching the end users of the steel infrastructure project in China. This cuts out the layers in-between and increases our margins. Our second strategy is to move from the existing domestic projects to international, overseas projects. This leverages our international networks and expertise. These two strategies increase not only the profitability of the business but also enhance the working capital turnover significantly.

Examples of the successes in the above strategies include our enhanced and increased business with reputable customers such as Bechtel, winning international projects in the Middle East as well as winning bids for international standard projects in Shandong and Sanmen nuclear power plants.

As these two strategies look to be working well, we will continue to pursue them in the year ahead and increase our market share while minimize our working capital to generate a much higher return on working capital.

Building Products Distribution

The business unit of Building Products Distribution mainly engages in distributing sanitary wares in Greater China, namely Shanghai, Shenzhen, Hong Kong and Macau.

China Leisure Plus (Shanghai and Shenzhen)

In FY2010, China Leisure Plus recorded a growth of over 15% in revenue of approximately HK$268 million. By leveraging on its strong sales team, extensive and increasing retail networks, the team has managed to increase its profitability as well.

Looking forward to FY2011, the China Leisure Plus leadership team looks towards a number of growth strategies, which include adding more flag-ship retail stores, stronger alliance with TOTO, on-line presence which would allow online sales and third party logistics provider to deliver the products to end-users (a "direct" model), as well as multiple "mini stores" concept to provide multiple touch points with customers.

The Shenzhen flag-ship store will be opened in FY2011 and this should provide a renewed boost to our Shenzhen sales team. We are optimistic on the future of building products in China as the leadership team has a strong track record in prior years.

Hong Kong Building Products Department

Hong Kong Building Products Department operates a retail showroom "Leisure Plus", in Wanchai, which aims at becoming an one-stop solution provider for customers who seek "Living in Green and Stylish Relaxation". Entering into the 8th Anniversary, Leisure Plus is dedicated to introducing the best quality brands, TOTO sanitary wares and fittings from Japan, Santarossa kitchen cabinets and furniture, which can assist customers to experience the real comfort of living.

In FY2010, the team of Hong Kong Building Products Department increased its revenue by over 14% as against FY2009 and has also managed to maintain a very respectable gross profit margin. With the Hong Kong market becoming extremely price competitive, we expect the gross profit margin in FY2011 to decrease. However, the team will explore and implement a number of sales and pricing strategies to mitigate the price erosion impact.

These include market positioning of Leisure Plus as the premium brand, working closely with TOTO, Santarossa, etc. to project a "Green and Stylish Relaxation" image.

Major outstanding projects currently secured by the department on supplying sanitary wares include Tamar Development Project, Tseung Kwan O Area 56 Development, 2 Heung Yip Road Project, 6 Shiu Fai Terrace residential project, refurbishment of The Excelsior hotel, refurbishment of Ocean Park and etc.

Plastic Resins Distribution ("Plastics Department")

Plastics Department distributes general and engineering plastic resins, and services various industries including home appliances and toy manufacturers through innovative materials management programs. Growing in the midst of changing market conditions, the Plastics Department has expanded its existing presence and is now actively selling in a number of cities in China, eg. Guangzhou, Shenzhen and Shanghai.

Due to the global financial crisis in 2008-2009, the export-oriented Southern China manufacturers have been severely impacted as their customers were mainly from North America and Europe. As the plastics business previously sold mainly to the manufacturers in Southern China, the revenue has decreased from HK$314 million in FY2009 to HK$262 million in FY2010. Despite this adverse market conditions, our team has managed to keep the gross profit margin stable with minimal price erosion.

Learning from our lessons in FY2010, we are increasing our presence in China into Eastern China region (eg. Hangzhou) as well as inland parts of China (eg. Wuhan) since many Chinese manufacturers have also moved inland due to expensive labor costs in the coastal China cities. In addition to our existing sales offices, we expect to open offices in Wuhan and Hangzhou before the end of this calendar year. In FY2010, we have also successfully won a number of new customers, and as a result, our sales quantity has increased by around 3,500 metric tonnes.

The sales team of Plastics Department also has an aggressive plan to improve their performance. To drive volume growth, a dual strategy – emphasizing on both the higher end products of engineered plastics as well as increasing market share of the commodity plastics – has been implemented. The geographical focus on key customers as well as the "move to inland" strategy highly supported by the Central Government should serve us well going into 2011.

Other Investments

The VSC Group has invested in hotel and property businesses mainly operating in the PRC. In addition to monitoring the expansion of these two businesses, the VSC Group will also continue to search for other potential investment opportunities to enhance the development of business.

Recently, the market conditions have made the re-cycling in the steel value chain within China an attractive opportunity for VSC to explore. While entering into the recycling industry and generating renewable resources to support a cleaner, more sustainable environment, this strategic move would also enhance our rebars steel position creating a natural hedging synergy between the two businesses. From overall VSC standpoint, we could also extend our participation in the steel value chain and create better synergies. Thus this possibility is an attractive strategic direction for us.

Hotel business

The VSC Group owns 44% interest in a business of budgeted hotel chain operating in the PRC, namely a8 Hotel ("a8"), which currently operates 3 hotels in Shanghai and 2 hotels in Guangzhou, with one more hotel in Shanghai joined a8 as a franchisee. Looking forward to the year ahead, with the help of the World Expo 2010 in Shanghai, we are very optimistic on the performance of our hotel chain in FY2011. Our leadership team in a8 has strong experience in the hotel industry.

Property

The VSC Group invested in property business by holding a 33.33% stake in an 11-storey office building in Jiang An District, Shanghai, where the VSC Group's PRC headquarter is located. Currently, the property has an occupancy rate of over 98%. The tenants consist of various international companies which provide a stable income for the property business. Our property management team will also explore the opportunities in providing property management and agent services to other projects. We are also looking at multiple potential property projects in FY2011 and cautiously optimistic on the outlook of these potential investments in the year ahead.

EMPLOYEE AND REMUNERATION POLICIES

In March 2010, the VSC Group employed about 311 staff members. 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 FY2010 amounted to approximately HK$76,645,000. During the year under review, options to subscribe for 23,100,000 ordinary shares have been offered and granted to its employees and consultants and 1,100,000 share options have been exercised under the share option scheme adopted since 12th November 2001.

FINAL DIVIDEND

During the year, an interim cash dividend of HK3 cents per ordinary share was declared and paid up by 23rd December 2009. The Directors have resolved to recommend at the forthcoming 2010 annual general meeting of the Company (the "2010 AGM") the payment of a final dividend of HK2.4 cents per ordinary share in respect of the year ended 31st March 2010 payable to shareholders whose names appear on the register of members of the Company at the close of business on 2nd September 2010, subject to the approval of shareholders at the 2010 AGM.

Final dividend warrants are expected to be despatched to shareholders on or before 4th October 2010.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 31st August 2010 to 2nd September 2010 (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 the Company's registrars in Hong Kong, Computershare Hong Kong Investor Services Limited by not later than 4:00 p.m. (Hong Kong SAR time) on 30th August 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of shares of the Company during the year ended 31st March 2010.

AUDIT COMMITTEE

The Audit Committee has discussed auditing, internal controls, and financial reporting matters including review of the results for the year ended 31st March 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31st March 2010, except for the deviations herein below mentioned:

1. The CG Code provision A.2.1 stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Andrew Cho Fai Yao currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the VSC Group with strong and consistent leadership, efficiency usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the VSC Group to sustain the development of the VSC Group's business efficiently.

2. The CG Code provisions A.4.1 stipulates that the non-executive directors should be appointed for a specific term, subject to re-election. The Company's non-executive Directors (except for Mr. Harold Richard Kahler) are not appointed for a specific term. They are (including all other Directors) however, subject to retirement by rotation and re-election every three years according to the Company's Bye-Laws.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Company (www.vschk.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The annual report for FY2010 of the Company containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

On behalf of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 9th July 2010

As at the date of this announcement, the Board comprised Andrew Cho Fai Yao (Chairman), Fernando Sai Ming Dong and Kern Lim (being the executive Directors), Harold Richard Kahler, Kenny King Ching Tam, Xu Lin Bao (being the independent non-executive Directors).