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 2011

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "VSC Group") for the year ended 31st March 2011, together with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2011

	Note	**2011** **HK$'000**	2010 *HK$'000*
Revenue	2	**4,207,768**	3,251,836
Cost of sales	4	**(4,018,827)**	(2,953,474)
Gross profit		**188,941**	298,362
Other gains – net	3	**44,426**	5,239
Selling and distribution expenses	4	**(27,657)**	(20,857)
General and administrative expenses	4	**(136,164)**	(146,418)
Operating profit		**69,546**	136,326
Finance income	5	**858**	1,314
Finance costs	5	**(24,126)**	(19,982)
Share of profits/(losses) of associates – net		**6,626**	(12,896)
Profit before income tax		**52,904**	104,762
Income tax expense	6	**(14,010)**	(22,279)
Profit for the year		**38,894**	82,483

	Note	2011 HK$'000	2010 HK$'000
Attributable to:			
Equity holders of the Company		**31,032**	75,221
Non-controlling interest		**7,862**	7,262
		38,894	82,483
Earnings per ordinary share for profit attributable to the equity holders of the Company during the year			
– Basic	8	**HK7.49 cents**	HK18.71 cents
– Diluted	8	**HK7.34 cents**	HK18.62 cents
Dividends	7	**7,869**	22,361

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**38,894**	82,483
Other comprehensive income		
Currency translation differences	**10,883**	1,611
Total comprehensive income for the year	**49,777**	84,094
Total comprehensive income attributable to:		
– Equity holders of the Company	**40,383**	76,832
– Non-controlling interest	**9,394**	7,262
	49,777	84,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**16,130**	21,441
Investment property		**20,000**	15,000
Intangible asset		**10,692**	–
Land use rights		**10,728**	10,930
Investments in associates		**156,184**	241,304
Deferred income tax assets		**22,951**	25,267
Derivative financial instruments		**2,294**	–
Total non-current assets		**238,979**	313,942
Current assets			
Inventories		**389,864**	245,720
Trade and bill receivables	9	**497,362**	409,826
Loan receivables		**19,000**	24,500
Prepayments, deposits and other receivables		**142,032**	178,756
Derivative financial instruments		**103**	990
Amounts due from associates		**23,103**	52,344
Pledged bank deposits		**41,624**	57,182
Cash and cash equivalents		**485,868**	160,935
Total current assets		**1,598,956**	1,130,253
Current liabilities			
Trade and bill payables	10	**313,935**	247,473
Receipts in advance		**145,621**	24,888
Accrued liabilities and other payables		**90,997**	99,399
Derivative financial instruments		**13**	–
Current income tax liabilities		**7,932**	7,105
Borrowings		**600,144**	410,281
Total current liabilities		**1,158,642**	789,146
Net current assets		**440,314**	341,107
Total assets less current liabilities		**679,293**	655,049
Non-current liabilities			
Derivative financial instruments		**128**	133
Deferred income tax liabilities		**1,373**	5
Borrowings		**–**	3,925
Total non-current liabilities		**1,501**	4,063
Net assets		**677,792**	650,986

	Note	**2011** *HK$'000*	2010 *HK$'000*
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**41,413**	41,413
Reserves			
– Proposed final dividend		**2,485**	9,939
– Others		**600,758**	569,805
		644,656	621,157
Non-controlling interest		**33,136**	29,829
Total equity		**677,792**	650,986

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 following new standards and amendments to standards, and interpretation are mandatory for the first time for the financial year beginning 1st April 2010 and adopted by the VSC Group:

HK – Int 5, "Presentation of financial statements – Classification by the borrower of a term loan that contains repayment on demand clause"

The effect of the adoption of this interpretation is as below:

	2011 *HK$'000*	2010 *HK$'000*
Increase in borrowings – current	**8,442**	–
Decrease in borrowings – non-current	**(8,442)**	–

HKFRS 3 (Revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'

HKAS 1 (Amendment), 'Presentation of financial statements'

HKFRS 2 (Amendment), 'Group cash-settled share-based payment transactions'

HKAS 36 (Amendment), 'Impairment of assets'

HKAS 17 (Amendment), 'Leases'

The adoption of these new standard and amendments to standards, except for HK – Int 5 as stated above, does not have any significant impact to the results and financial position of the VSC Group.

(b) The following new and amended standards, and interpretations are mandatory for the first time for the financial year beginning 1st April 2010, but are not currently relevant to the VSC Group:

HKAS 32 (Amendment), 'Classification of rights issues'
HKAS 39 (Amendment), 'Eligible Hedged Items'
HKFRS 1 (Revised), 'First-time Adoption of HKFRSs'
HKFRS 1 (Amendment), 'Additional Exemptions for First-time Adopters'
HKFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'
HK(IFRIC) – Int 9, 'Reassessment of embedded derivatives'
HK(IFRIC) – Int 16, 'Hedges of a Net Investment in a Foreign Operation'
HK(IFRIC) – Int 17, 'Distribution of Non-cash Asset of Owners'
HK(IFRIC) – Int 18, 'Transfers of Assets from Customers'

(c) The following new standards, amendments and interpretations have been issued and are mandatory for the VSC Group's accounting periods beginning on or after 1st April 2011 or later periods, but the VSC Group has not early adopted them:

HKFRS 9, 'Financial instruments'

HKAS 24 (Revised), 'Related party disclosures'

HK(IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments'

HKAS 12 (Revised), 'Income Taxes'

Amendments to HKFRS 7 (Revised), 'Financial Instruments: Disclosures'

'Improvements to HKFRSs 2010'

Amendments to HK(IFRIC) – Int 14 'Prepayments of a minimum funding requirement'

2. REVENUE AND SEGMENT INFORMATION

The VSC Group's revenue consists of the following:

	2011	2010
	HK$'000	*HK$'000*
Sales of goods	**4,204,052**	3,244,042
Revenue from installation contracts	**–**	3,401
Service income	**3,070**	3,282
Rental income	**646**	1,111
Total revenue	**4,207,768**	3,251,836

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 the CODM is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that 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) Property investment.

The VSC Group's CODM assesses the performance of operating segments based on a measure of profit before income 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 the CODM is measured in a manner consistent with that in the consolidated financial statements.

During the year, the CODM determined that the results of "Property investment" shall be separated reported as the VSC Group planned to increase the investment on this front. The result of "Property investment" was previously included in the segment of "Other operations" in prior years. Certain last year figures have been reclassified to conform with the current year's presentation.

Analysis of the VSC Group's results by business segment for the year ended 31st March 2011 is as follows:

	Steel distribution *HK$'000*	Building products *HK$'000*	Plastics *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	3,465,874	370,156	371,092	646	–	–	4,207,768
Operating profit/(loss)	34,955	24,533	12,531	(1,378)	39,667	(40,762)	69,546
Finance income	305	51	7	10	429	56	858
Finance costs	(21,273)	(2,009)	(577)	(50)	(7)	(210)	(24,126)
Share of profits/(losses) of associates – net	878	–	–	6,724	(976)	–	6,626
Profit/(loss) before income tax	14,865	22,575	11,961	5,306	39,113	(40,916)	52,904
Other gains/(losses) – net	(2,195)	450	364	(309)	43,113	3,003	44,426
Depreciation and amortisation	(1,520)	(1,791)	(38)	(1)	–	(3,803)	(7,153)
Income tax (expense)/credit	(13,915)	(3,933)	(2,027)	407	(65)	5,523	(14,010)

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

	Steel distribution *HK$'000* (Restated)	Building products *HK$'000* (Restated)	Plastics *HK$'000* (Restated)	Property investment *HK$'000* (Restated)	Other operations *HK$'000* (Restated)	Unallocated *HK$'000* (Restated)	Total *HK$'000*
External revenue	2,621,004	366,161	261,730	1,028	1,913	–	3,251,836
Operating profit/(loss)	130,968	17,311	10,522	10,079	(5,125)	(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)/gains of associates – net	1,018	–	–	10,182	(24,096)	–	(12,896)
Profit/(loss) before income tax	115,188	16,513	9,806	20,261	(29,643)	(27,363)	104,762
Other gains/(losses) – net	(29,276)	5	(109)	10,448	885	23,286	5,239
Depreciation and amortisation	(1,143)	(1,774)	(40)	–	–	(3,965)	(6,922)
Income tax (expense)/credit	(23,557)	(3,893)	(1,535)	(409)	(141)	7,256	(22,279)

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

	2011 ***HK$'000***	2010 *HK$'000*
Revenue		
Mainland China	**2,014,427**	1,927,090
Hong Kong	**2,193,341**	1,324,746
Total revenue	**4,207,768**	3,251,836

For the year ended 31st March 2011, revenue of approximately HK$353,325,000 (2010: HK$365,117,000) was derived from a single external customer.

3. OTHER GAINS – NET

	2011	2010
	HK$'000	*HK$'000*
Provision for onerous contracts	**(5,483)**	(32,429)
Gain on disposal of interest in an associate	**40,419**	–
Gain on disposal of an investment property	**–**	10,448
Fair value loss on an investment property	**(273)**	–
Fair value gains on interest rate instruments	**120**	3,778
Net fair value change on forward foreign exchange contracts held for trading	**2,257**	(120)
Net fair value change on steel future contracts	**(978)**	980
Realised loss on steel future contracts	**(4,935)**	–
Gain on disposal of a club debenture	**2,038**	–
Gain on disposal of the available-for-sale financial assets upon disposal of a subsidiary	**–**	1,631
Net exchange gain	**10,410**	509
Amount recovered from a fully impaired available-for-sale financial asset	**388**	386
Consulting services income	**–**	19,634
Sundry income	**463**	422
	44,426	5,239

4. EXPENSES BY NATURE

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

	2011	2010
	HK$'000	*HK$'000*
Raw material consumed and finished goods sold	**4,019,698**	3,018,978
Write-back of provision of impairment of inventories	**(871)**	(65,504)
Depreciation of property, plant and equipment	**6,951**	6,720
(Gain)/loss on disposals of property, plant and equipment	**(6)**	1,372
Amortisation of land use rights	**202**	202
Employee benefit expenses	**73,293**	76,645
Operating lease rental expense in respect of land and buildings	**14,586**	14,709
(Reversal of)/provision for impairment of trade receivables	**(4,944)**	8,267
Provision for impairment of other receivables	**1,195**	–
Auditor's remuneration	**1,700**	1,500
Others	**70,844**	57,860
Total cost of sales, selling and distribution expenses and general and administrative expenses	**4,182,648**	3,120,749

5. FINANCE INCOME AND COSTS

	2011	2010
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**702**	341
– from receivables	**156**	973
	858	1,314
Finance costs		
Interest expenses:		
– bank borrowings wholly repayable within five years	**(16,039)**	(10,612)
Bank charges	**(8,087)**	(9,370)
	(24,126)	(19,982)
Net finance costs	**(23,268)**	(18,668)

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 22% to 25% (2010: 20% to 25%).

The amount of income tax expense recorded in the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**(2,006)**	(1,822)
– China corporate income tax	**(8,098)**	(2,558)
Deferred income tax	**(3,906)**	(17,493)
Under provision in prior years	**–**	(406)
	(14,010)	(22,279)

7. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim dividend of HK1.3 cents per ordinary share (2010: HK3 cents)	**5,384**	12,422
Proposed final dividend of HK0.6 cents per ordinary share (2010: HK2.4 cents)	**2,485**	9,939
	7,869	22,361

A final dividend for the year ended 31st March 2011 of HK0.6 cents per ordinary share, totalling HK$2,485,000 (2010: HK$9,939,000), 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 2011.

8. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	2011	2010
Profit attributable to equity holders of the Company *(HK$'000)*	**31,032**	75,221
Weighted average number of ordinary shares in issue *('000)*	**414,128**	401,955
Basic earnings per ordinary share *(HK cents)*	**7.49**	18.71

(b) Diluted

Diluted earnings 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.

	2011	2010
Profit attributable to equity holders of the Company and used to determine diluted earnings per ordinary share *(HK$'000)*	**31,032**	75,221
Weighted average number of ordinary shares in issue *('000)*	**414,128**	401,955
Adjustment for share options *('000)*	**8,630**	1,978
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	**422,758**	403,933
Diluted earnings per ordinary share *(HK cents)*	**7.34**	18.62

9. TRADE AND BILL RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade and bill receivables		
– from third parties	**507,220**	410,967
– from an associate	**–**	13,881
Less: provision for impairment of trade receivables	**(9,858)**	(15,022)
Trade and bill receivables, net	**497,362**	409,826

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:

	2011	2010
	HK$'000	*HK$'000*
0 to 60 days	**430,632**	371,468
61 to 120 days	**46,856**	32,479
121 to 180 days	**15,574**	4,729
181 to 365 days	**5,276**	1,121
Over 365 days	**8,882**	15,051
	507,220	424,848
Less: Provision for impairment of trade receivables	**(9,858)**	(15,022)
	497,362	409,826

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2010 and 2011.

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:

	2011	2010
	HK$'000	*HK$'000*
0 to 60 days	**311,435**	242,003
61 to 120 days	**316**	4,050
121 to 180 days	**–**	83
181 to 365 days	**–**	438
Over 365 days	**2,184**	899
	313,935	247,473

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2010 and 2011.

11. COMMITMENTS

(a) Lessor

Total commitments receivable under the non-cancellable operating lease agreement in respect of rent-out premise is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Not later than one year	**120**	325

(b) Lessees

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

	2011	2010
	HK$'000	*HK$'000*
Not later than one year	**13,522**	10,083
Later than one year and not later than five years	**16,636**	5,305
Later than five years	**198**	758
	30,356	16,146

(c) Commitments under derivative contracts

As at 31st March 2011, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$18,000,000 (2010: US$14,000,000) for approximately HK$140,184,000 (2010: HK$108,696,000). The settlement dates are from 26th May 2011 to 31st July 2012.

As at 31st March 2011, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$79,000,000 (2010: nil) for approximately RMB517,889,000 (2010: nil). The settlement dates are from 27th June 2012 to 25th February 2013.

As at 31st March 2011, the VSC Group had outstanding steel future contracts to purchase 2,000 metric tonnes of rebar at approximately RMB9,590,000 (2010: RMB47,600,000). The settlement date is 17th October 2011.

As at 31st March 2011, the VSC Group had an outstanding interest rate instrument with a notional principal amount of approximately US$50,000,000 (2010: US$50,000,000). The committed payment under the interest rate instrument was approximately US$500,000 (2010: US$1,500,000) and the maturity date is 8th September 2011.

RESULTS

Revenue for the financial year ended 31st March 2011 ("FY2011") reached approximately HK$4,208 million, a 29% increase as compared with approximately HK$3,252 million for the financial year ended 31st March 2010 ("FY2010"). Gross profit margin decreased 4.7 percentage points to 4.5% as compared with 9.2% for FY2010. Selling and distribution expenses increased by 33% from approximately HK$21 million to approximately HK$28 million. General and administrative expenses reduced by 7% from approximately HK$146 million to approximately HK$136 million.

Profit attributable to the equity holders of the Company was approximately HK$31 million (FY2010: HK$75 million). Basic earnings per ordinary share was HK7.49 cents (FY2010: HK18.71 cents). The Board recommends to declare a final dividend of HK0.6 cents per ordinary share for FY2011 (FY2010 final: HK2.4 cents).

CHARGES ON ASSETS

As at 31st March 2011, the VSC Group had certain charges on assets which included (i) inventories of approximately HK$22 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, (iii) bank deposits of approximately HK$31 million which were pledged as collateral for the VSC Group's banking facilities and approximately HK$11 million were pledged for steel future contracts, and (iv) an investment property of approximately HK$20 million was pledged as collaterals for certain of the VSC Group's bank borrowings.

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 2011, about 74.0% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, about 0.6% in US dollar and about 25.4% in RMB. Forward foreign exchange 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 2011, 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$140 million and RMB518 million.

All of the VSC Group's borrowings as at 31st March 2011 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.

CONTINGENT LIABILITIES

As at 31st March 2011, there was no material contingent liability.

MANAGEMENT DISCUSSION AND ANALYSIS

FY2011 was a developmental and transitional year for the VSC Group. Revenues grew significantly and that growth highlighted the need to further grow the top line while at the same time focusing on internal operational efficiencies. The year also highlighted the importance of reducing the Company's exposure to steel price fluctuations, and that is a priority for the financial year ending 31st March 2012 ("FY2012").

The revenue has grown to HK$4.2 billion representing a growth of 29% over last year. This growth was mainly contributed by our Hong Kong Steel Business.

The overall gross profit margin of the VSC Group has decreased from 9.2% for FY2010 to this year's 4.5%. This decrease is mainly contributed by our Hong Kong Steel Business as the volatile steel prices fluctuation gets reflected in our Steel Business' performance. The profit attributable to equity holders amounted to HK$31 million.

With strong emphasis on the working capital management discipline in all business units and divestiture of the remaining part of our investment in Ryerson China Limited, the leadership team has produced strong cash flows in FY2011. About HK$15 million and HK$126 million was generated from operating activities and investing activities respectively, increasing our year-end cash balance to HK$486 million. This represents a 202% increase in our cash position over the same date in 2010. On operation efficiency of assets, the Days Sales Outstanding (average trade and bill receivables divided by revenue X 365 days) had slightly increased from about 37 days to about 39 days. Days of Supplies (average inventories divided by cost of sales X 365 days) ("DOS") improved from about 31 days to about 29 days.

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 24% to 10% at book close.

In FY2012, we will renew our focus and emphasis on internal controls within the VSC Group, as well as leverage the best practices to minimize our risk exposure.

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.

Over the last couple of years, the market conditions have made the recycling in the steel value chain within China an attractive opportunity for the VSC Group 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 core business rebars steel position by creating a natural hedging synergy between the two businesses. From overall the VSC Group standpoint, we could also extend our participation in the steel value chain and create better synergies. As this is an attractive strategic direction for us, we look forward to continuing toward this direction and grow in a major way in this industry in the near future.

Hong Kong Steel Distribution ("HK Steel Department")

Sales quantity of the HK Steel Department increased by 75% 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. With the rebound of economy in Hong Kong more and more large scale private and government projects have been launched, for instances The Next Generation Data Centre at Tseung Kwan O Industrial Estate and the Central-Wanchai Bypass Works. The HK Steel Department seized the chance to increase the market share by grabbing different kind of projects. The total sales contracts on hand as at 31st March 2011 was 203,000 metric tonnes. Looking forward to FY2012, the team of HK Steel Department is confident of a strong 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 of MTR Express Rail Link No. 810B West Kowloon Terminus Station South and No. 824 Ngau Tam Mei to Tai Kong Po Tunnels. 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 the 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")

With the steady economy recovery from financial crisis, the China market looks stable and strong in the recent 2 years. By successfully shifting to a "direct" business approach and developing the international market of fabrication projects, we have increased our profit margin and enhanced the working capital turnover significantly.

Examples of the successes in the above strategies include ongoing international projects in the Middle East as well as the international standard projects in Shandong and Sanmen nuclear power plants.

In the year ahead, we will continue to pursue business by following these strategies and increase our market share while minimising our working capital to gain a much higher return. We have also successful streamlined our processes and re-engineered the team's costs structure to produce more efficiency and generate substantial operating costs savings.

Metals Recycling Business

Following up on last year's strategic planning and direction of the VSC Group to move into the metals recycling business, we have made a number of advances into this area, maintaining a cautious and prudent approach to minimize risks and protect the shareholders' value in the VSC Group. After setting up a dedicated business development team for metals recycling, we now have a strong pipeline of potential opportunities that can provide us with good options to move into the metals recycling area. This includes ferrous and also non-ferrous opportunities in North America and Greater China region. The due diligence process demonstrates the Company's discipline in risks management and commitment to enhancing shareholders' value.

We are also happy to report that the VSC Group now has trading business in China in both the ferrous and non-ferrous operations too. After a year of learning and accumulating valuable experience and knowledge, the metals recycling team is much more well poised to move into bigger and more impactful mergers and acquisitions, strategic alliances in both Greater China and also North America regions. We look forward with optimism to strong results and performance from the metals recycling business in FY2012.

Building Products Distribution

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

China Leisure Plus (PRC – Shanghai, Shenzhen, Wuhan, etc.)

In FY2011, China Leisure Plus recorded a growth of over 30% in profits of approximately HK$4.55 million. On a revenue of HK$250 million, this gross profit margin of over 11.3% has improved significantly over last year's 8.6%. By leveraging on its strong sales team, extensive and increasing retail networks, the team has managed to increase its profitability as mentioned.

Looking back at FY2011, the China Leisure Plus leadership team has executed well on a number of its strategic growth initiatives. The Shenzhen flag-ship store was opened in the third quarter of FY2011 and all TOTO's China leadership team was present to support. This would provide a renewed boost to our Shenzhen sales growth.

We completed a strategic acquisition of another TOTO distributor in Wuhan and the entire Hubei Province. This business is strong in both its retail and project sales and thus offers significantly enhanced profit margins for China Leisure Plus. The strategic alliance with TOSTEM has also been enhanced and we look forward to the strong growth of our TOSTEM distribution channels across entire China.

Strong management discipline has also helped achieved a low working capital especially in the inventory area of 30 days of DOS is something the team can be proud of. We are optimistic on the future of building products operation 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, Stylish and Relaxation".

For the coming 10th anniversary, Leisure Plus is working closely with our supplier TOTO to open an additional major flag-ship outlet in Hong Kong as well as advertising landmark for the entire Greater China region's customers. Leisure Plus is dedicated to introducing the best quality brands-TOTO sanitary wares and fittings from Japan, Arkitepo sofa from Italy, Santarossa kitchen cabinets and furniture from Italy, which can assist customers to experience the real comfort of living.

In FY2011, the team of Hong Kong Building Products Department has a record-breaking year. This stellar results was delivered in the midst of change-over and re-structuring of the team. Revenue increased by nearly 23% as against FY2010 and has also managed to deliver a very respectable gross profit margin of over 27%. The net profit is also at an overwhelming results of HK$14 million, about 12% for profitability. With the Hong Kong market becoming extremely price competitive, we expect the gross profit margin to continue to erode. However, the team will explore and implement a number of sales and pricing strategies to mitigate the price erosion impact in FY2012.

This includes focusing on building the project team's strength and adding to the strong pipeline and backlog orders, enhancing the operations efficiency and sales strategies to expand and grow the market in Hong Kong, including market positioning of Leisure Plus as the premium brand, working closely with TOTO, Arkitepo, Santarossa, etc. to project a "Living in Green, Stylish and Relaxation" image.

Major outstanding projects currently secured by the department on supplying sanitary wares include Ritz Carlton Hotel in International Commerce Centre, Lionrise, Hong Kong Exchange Square, Prince Building, Shatin and Happy Valley Racecourses of Jockey Club, LHT Tower and Shui On Centre.

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, Shanghai and Hong Kong.

In FY2011, we also expanded our presence in Eastern China region to Ningbo as well as Southern parts of China (eg. Xiamen) since many Chinese manufacturers have also moved inland due to expensive labor costs in the coastal China cities. These new offices helped contribute toward a revenue growth of over 41% and also 27% increase in the tonnage sold. The net profit has also increased by about HK$1.7 million.

In the coming FY2012, we expect to open more offices in Western (Chongqing, Chengdu, Sichuan) and Middle (Hubei) parts of China before the end of this calendar year. The team will also continue to drive volume growth, concentrating on the execution of the dual strategy of: emphasizing on both the higher end products of engineered plastics as well as increasing market share of the commodity plastics. The geographical focus on key customers as well as the "move to inland" strategy highly supported by the Central Government should also continue to serve us well going into 2012. We will also explore different channels development opportunities and new offerings to our customers such as recycled plastics.

Property Investment

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. In addition, the capital appreciation of the asset in Shanghai has benefited the shareholders well and we have received several offers to purchase this real estate property from us.

As part of the FY2011 strategic plan, we intended to also increase our presence into real estate property. In line with this direction, we have reported Property Investment as a separate business segment in the 1st half of FY2011. We have also started exploring real estate investments beyond the first tier China cities as the major growth and expansion in China are now in those areas (namely the second and third tier cities in China). These potential opportunities includes but not limited to the North East region's major cities and the central region of China. We also have new presence in commercial real estate in Dalian too, we look forward to generate strong results from this project in the future.

Other Investment

The VSC Group has invested in hotel business operating in the PRC. In addition to monitoring the expansion of this business, the VSC Group will also continue to search for other new potential investment or divestiture opportunities to enhance the development of business and enhancing the value of the Company's shareholders.

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.

FY2011 has been a record-breaking year for a8 Hotel chain. This extraordinary stellar year for us has been partially buoyed up and helped by the World Expo held in Shanghai, nonetheless, our a8 team's ability to handle the major increase in revenue and huge volume of customers traffic at virtually no increase in our headcounts or costs structure has been most impressive.

Our strong a8 leadership team has proven itself in FY2011 in delivering financial results and excellent service quality despite the huge added demands from customers' volume and traffic from Shanghai World Expo. Not to mention the operational excellence that has also helped deliver strong cash flow to the parent company and its investors. FY2011 has been a good year for a8 and also the hotel industry in Shanghai.

EMPLOYEE AND REMUNERATION POLICIES

In March 2011, the VSC Group employed 418 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 FY2011 amounted to approximately HK$73 million. During the year under review, options to subscribe 3,815,000 ordinary shares have been offered and granted to its employee under the share option scheme adopted since 12th November 2001.

Our new mission statement reinforces our commitment to providing sustainable profit to shareholders, a desirable working environment for employees, and quality services and values for customers and suppliers worldwide. It further solidifies our pledge in achieving market leadership by leveraging on our strength in competitive sourcing, supply chain management and value added services. Underpinning this commitment, and to enhance shareholders' value, is a new set of core values that encompasses Integrity & Honesty, Accountability, Embracing Change, Teamwork, and Excellence. These are deeply held beliefs that binds the organization together and resonates with every member of our workforce and our approach to the remuneration policy is geared to all these aspects and beliefs.

FINAL DIVIDEND

During the year, an interim cash dividend of HK1.3 cents per ordinary share was declared and paid up by 22nd December 2010. The Directors have resolved to recommend at the forthcoming 2011 annual general meeting of the Company (the "2011 AGM") the payment of a final dividend of HK0.6 cents per ordinary share in respect of the year ended 31st March 2011 payable to shareholders whose names appear on the register of members of the Company at the close of business on 11th August 2011, subject to the approval of shareholders at the 2011 AGM.

Final dividend warrants are expected to be despatched to shareholders on or about 9th September 2011.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 9th August 2011 to 11th August 2011 (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 8th August 2011.

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 2011.

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 2011.

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 2011, 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 websites of the Company (www.vschk.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The annual report for FY2011 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, 17th June 2011

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