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 2009

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited ("VSC" or the "Company") hereby announces the audited condensed consolidated financial statements of VSC and its subsidiaries (the "VSC Group") as at and for the year ended 31st March 2009, together with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	2	**4,659,507**	5,677,792
Cost of sales	4	**(4,513,743)**	(5,370,773)
Gross profit		**145,764**	307,019
Other (losses)/gains — net	3	**(90,363)**	42,822
Selling and distribution expenses	4	**(36,288)**	(43,328)
General and administrative expenses	4	**(214,091)**	(247,193)
Operating (loss)/profit		**(194,978)**	59,320
Finance income	5	**4,281**	9,312
Finance costs	5	**(39,535)**	(46,821)
Share of (loss)/profit of associates		**(26,508)**	25,236
(Loss)/profit before income tax		**(256,740)**	47,047
Income tax credit/(expense)	6	**6,546**	(1,876)
(Loss)/profit for the year		**(250,194)**	45,171

	Note	**2009**	2008
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**(278,252)**	31,317
Minority interest		**28,058**	13,854
		(250,194)	45,171
Dividends	7	**—**	9,101
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
— Basic	8	**HK(73.01) cents**	HK8.29 cents
— Diluted	8	**HK(73.01) cents**	HK8.24 cents

CONSOLIDATED BALANCE SHEET

As at 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**22,017**	140,422
Investment properties		**28,000**	44,800
Leasehold land and land use rights		**11,132**	27,417
Goodwill		**—**	16,585
Investments in associates		**253,515**	158,882
Deferred income tax assets		**42,733**	31,395
Available-for-sale financial assets		**580**	7,055
Derivative financial instruments		**—**	1,310
Total non-current assets		**357,977**	427,866
Current assets			
Inventories		**259,697**	815,377
Due from customers on installation contract work		**700**	2,700
Trade and bill receivables	9	**257,189**	794,798
Loan receivables		**21,000**	22,472
Prepayments, deposits and other receivables		**163,989**	264,314
Derivative financial instruments		**130**	15,356
Amounts due from associates		**62,065**	16,927
Non-current assets held for sale		**—**	7,100
Pledged bank deposits		**35,893**	214,577
Cash and cash equivalents		**100,679**	271,435
Total current assets		**901,342**	2,425,056

	Note	2009 HK$'000	2008 HK$'000
Current liabilities			
Trade and bill payables	10	**81,687**	401,417
Receipts in advance		**59,975**	110,524
Accrued liabilities and other payables		**43,790**	61,619
Amounts due to an associate		**1,568**	—
Current income tax liabilities		**5,783**	10,552
Derivative financial instruments		**739**	3,319
Borrowings		**489,417**	1,065,039
Total current liabilities		**682,959**	1,652,470
Net current assets		**218,383**	772,586
Total assets less current liabilities		**576,360**	1,200,452
Non-current liabilities			
Derivative financial instruments		**3,172**	2,590
Deferred income tax liabilities		**5**	2,268
Borrowings		**11,647**	117,690
Total non-current liabilities		**14,824**	122,548
Net assets		**561,536**	1,077,904
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**38,143**	38,043
Reserves		**500,184**	797,688
		538,327	835,731
Minority interest		**23,209**	242,173
Total equity		**561,536**	1,077,904

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 available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The Hong Kong Institute of Certified Public Accountants has issued a number of new amendments to existing standards and interpretations that are first effective for the current accounting period of the VSC Group but the adoptions of these new amendments to existing standards and interpretations do not have impact to the VSC Group financial statements.

The VSC Group has not applied any new and revised standards, amendments to existing standards and interpretations that are not yet effective for the current accounting period.

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue by nature

	2009	2008
	HK$'000	*HK$'000*
Construction Materials Group ("CMG")		
Stockholding and trading of construction materials		
— Steel products — steel rebars, structural steel and flat steel products	**2,977,695**	3,182,227
— Sanitary wares and kitchen cabinets	**318,628**	261,964
China Advanced Materials Processing ("CAMP")		
Processing/manufacturing of industrial products		
— Rolled flat steel products	**872,841**	1,310,851
— Stainless steel	**134,703**	417,032
— Enclosure systems	**39,964**	145,377
Trading of plastic resins	**313,653**	347,100
Other operations		
Management services provided to an associate	**—**	12,500
Rental income from investment properties	**2,023**	722
Others	**—**	19
	4,659,507	5,677,792

Other operations mainly comprise the provision of rental services in Hong Kong and other investments in Mainland China, which do not constitute separately reportable segments.

(b) Primary reporting format — business segments

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

	CMG	CAMP	2009 Other operations	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	3,296,323	1,361,161	2,023	—	4,659,507
Inter-segment revenue	65,573	—	—	(65,573)	—
	3,361,896	1,361,161	2,023	(65,573)	4,659,507
Segment results	(99,350)	59,098	1,460		(38,792)
Other (losses)/gains — net	8,050	(66,162)	(32,251)		(90,363)
Unallocated corporate expenses					(65,823)
Operating loss					(194,978)
Finance income					4,281
Finance costs					(39,535)
Share of loss of associates					(26,508)
Income tax credit					6,546
Loss for the year					(250,194)

	CMG	CAMP	2009 Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
— segment assets	772,451	42,765	14,933	42,147	872,296
— other assets					387,023
					1,259,319
Liabilities					
— segment liabilities	175,469	9,880	—	103	185,452
— other liabilities					512,331
					697,783
Capital expenditures	3,584	9,114	—	2,176	14,874
Depreciation and amortisation	4,610	9,245	438	43	14,336
Impairment of trade receivables	3,494	13,053	—	—	16,547
Write-down of inventories	70,899	4,918	—	—	75,817

	2008				
	CMG	CAMP	Other operations	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	3,444,191	2,220,360	13,241	—	5,677,792
Inter-segment revenue	191,653	—	—	(191,653)	—
	3,635,844	2,220,360	13,241	(191,653)	5,677,792
Segment results	42,027	38,062	12,596		92,685
Other gains/(losses) — net	(4,747)	(126)	47,695		42,822
Unallocated corporate expenses					(76,187)
Operating profit					59,320
Finance income					9,312
Finance costs					(46,821)
Share of profit of associates					25,236
Income tax expense					(1,876)
Profit for the year					45,171

	2008				
	CMG	CAMP	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
— segment assets	1,266,034	1,229,589	58,810	15,664	2,570,097
— other assets					282,825
					2,852,922
Liabilities					
— segment liabilities	371,602	199,444	288	2,226	573,560
— other liabilities					1,201,458
					1,775,018
Capital expenditures	8,398	23,409	—	—	31,807
Depreciation and amortisation	3,989	18,265	439	—	22,693
Impairment of trade receivables	3,153	12,759	—	—	15,912
Write-down/(write-back) of inventories	(2,413)	11,531	—	—	9,118

Unallocated cost represents corporate expenses.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, goodwill, 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, investment in associates, available-for-sale financial assets, deferred income tax assets, amount due from associates, non-current assets held-for-sale and derivative financial instruments.

Segment liabilities comprise operating liabilities and exclude corporate borrowings, derivative financial instruments, current income tax liabilities, deferred income tax liabilities and amounts 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.

(c) Secondary reporting format — geographic segments

The VSC Group's business activities operate predominately in Hong Kong and Mainland China. Analysis of the VSC Group's results by geographical segment is as follows:

	2009		
	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
External revenue	**1,269,322**	**3,390,185**	**4,659,507**
Segment assets	**390,891**	**481,405**	**872,296**
Other assets			**387,023**
Total assets			**1,259,319**
Capital expenditures	**5,463**	**9,411**	**14,874**

	2008		
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
External revenue	1,572,875	4,104,917	5,677,792
Segment assets	891,000	1,679,097	2,570,097
Other assets			282,825
Total assets			2,852,922
Capital expenditures	2,115	29,692	31,807

Revenue are allocated based on the places in which customers are located.

Assets and capital expenditure are allocated based on where the assets are located.

3. OTHER (LOSSES)/GAINS — NET

	2009	2008
	HK$'000	*HK$'000*
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)**	—
Fair value (losses)/gains on investment properties	**(16,800)**	1,900
Fair value (losses)/gains arising from a call option granted by a third party to acquire a company	**(10,190)**	10,190
Impairment of goodwill	**(9,810)**	(14,617)
Negative goodwill arising from increase in investment in an associate to a subsidiary	**—**	20,765
Negative goodwill arising from increase in investment in an associate	**—**	1,128
Gain on deemed disposal of certain interest in a subsidiary	**—**	4,091
Net fair value losses on call/put options granted to/by a third party to dispose certain interests in a subsidiary	**(2,132)**	(1,145)
Fair value (losses)/gains on an interest rate instrument	**(2,528)**	6,214
Net fair value (losses)/gains on currency swap instruments	**(4,000)**	4,537
Net fair value gains/(losses) on forward foreign exchange contracts held for trading	**2,727**	(4,394)
Impairment loss of an available-for-sale financial asset	**(200)**	(595)
Gain on disposals of available-for-sale financial assets	**—**	6,947
Dividend income from unlisted available-for-sale financial assets	**227**	2,763
Net exchange gain	**9,847**	5,038
Amount received from an available-for-sale financial asset fully impaired previously	**194**	—
	(90,363)	42,822

4. EXPENSES BY NATURE

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

	2009	2008
	HK$'000	*HK$'000*
Raw material consumed and finished goods sold	**4,391,183**	5,294,822
Depreciation of property, plant and equipment	**13,913**	22,130
Loss on disposals of property, plant and equipment	**8,448**	5,096
Amortisation of leasehold land and land use rights	**423**	563
Employee benefit expenses	**115,503**	143,378
Operating lease rental in respect of		
— land and buildings	**16,622**	12,338
— plant and machinery	**2,531**	3,089
Impairment of trade receivables	**16,547**	15,912
Impairment of other receivables	**3,272**	14,797
Impairment of loan receivables	**1,472**	—
Impairment of amount due from customers on installation contract work	**2,000**	—
Write-down of inventories	**75,817**	9,118
Auditor's remuneration	**2,180**	2,180
Others	**114,211**	137,871
Total cost of sales, selling and distribution expenses and general and administrative expenses	**4,764,122**	5,661,294

5. FINANCE INCOME AND COSTS

	2009	2008
	HK$'000	*HK$'000*
Finance income		
Interest income:		
— short-term bank deposits	**3,516**	9,204
— loan receivables	**—**	108
— received from an associate	**765**	—
	4,281	9,312
Finance costs		
Interest expenses:		
— bank borrowings wholly repayable within five years	**(37,372)**	(44,524)
— to a related party	**(2,163)**	(2,297)
	(39,535)	(46,821)
Net finance costs	**(35,254)**	(37,509)

6. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) 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 9% to 25% (2008: 7.5% to 25%).

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

	2009	2008
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**(7,957)**	(1,713)
— China corporate income tax	**(11,149)**	(7,259)
— Macau profits tax	**(15)**	—
Deferred income tax	**24,602**	6,596
Over-provision in prior years	**1,065**	500
	6,546	(1,876)

7. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend of nil (2008: HK1.1 cents per ordinary share)	**—**	4,155
Proposed final dividend of nil (2008: HK1.3 cents per ordinary share)	**—**	4,946
	—	9,101

The dividends paid in the year ended 31st March 2009 were HK$4,959,000 (HK1.3 cents per ordinary share for proposed final dividend in 2008). The Directors do not recommend the payment of a final dividend for the year ended 31st March 2009 (year ended 31st March 2008: HK1.3 cents per ordinary share).

8. (LOSSES)/EARNINGS PER SHARE

(a) Basic

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

	2009	2008
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(278,252)**	31,317
Weighted average number of ordinary shares in issue *('000)*	**381,094**	377,591
Basic (losses)/earnings per share *(HK cents)*	**(73.01)**	8.29

(b) Diluted

Diluted (losses)/earnings per 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. At 31st March 2009, diluted losses per share is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

	2009	2008
(Loss)/profit attributable to equity holders of the Company and used to determine diluted (losses)/earnings per share *(HK$'000)*	**(278,252)**	31,317
Weighted average number of ordinary shares in issue *('000)*	**381,094**	377,591
Adjustment for share options *('000)*	**—**	2,273
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**381,094**	379,864
Diluted (losses)/earnings per share *(HK cents)*	**(73.01)**	8.24

9. TRADE AND BILL RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade and bill receivables	**273,874**	816,333
Less: provision for impairment of trade receivables	**(16,685)**	(21,535)
Trade and bill receivables, net	**257,189**	794,798

Sales are either covered by (i) letters of credit with bill payable at sight or (ii) open account with credit terms of 15 to 120 days.

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

	2009	2008
	HK$'000	*HK$'000*
0 to 60 days	**206,853**	623,513
61 to 120 days	**31,258**	146,660
121 to 180 days	**10,497**	16,641
181 to 365 days	**9,685**	11,989
Over 365 days	**15,581**	17,530
	273,874	816,333
Less: Provision for impairment of trade receivables	**(16,685)**	(21,535)
	257,189	794,798

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2009.

10. TRADE AND BILL PAYABLES

Payment terms with suppliers are either on letters of credit or open account. Certain suppliers grant credit period ranging from 30 to 210 days.

Ageing analysis of trade and bill payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 60 days	**80,601**	357,358
61 to 120 days	**579**	25,416
121 to 180 days	**45**	8,864
181 to 365 days	**245**	9,092
Over 365 days	**217**	687
	81,687	401,417

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2009.

11. GUARANTEES

	2009	2008
	HK$'000	*HK$'000*
Performance bonds	**573**	1,416

12. COMMITMENTS

(a) Capital commitments

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

	2009	2008
	HK$'000	*HK$'000*
Contracted but not provided for	**167**	611

(b) Commitments under operating leases

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

	2009	2008
	HK$'000	*HK$'000*
Not later than one year	**7,682**	14,417
Later than one year and not later than five years	**6,843**	16,290
Later than five years	**1,327**	1,854
	15,852	32,561

(c) Commitments under derivative contracts

As at 31st March 2009, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$7,400,000 (2008: US$58,500,000) for approximately HK$57,350,000 (2008: HK$452,724,000), for the purpose of hedging against the VSC Group's commitments arising from its trading activities.

As at 31st March 2009, the VSC Group had outstanding currency swap contracts to purchase approximately US$20,000,000 (2008: US$54,000,000) for approximately RMB136,684,000 (2008: RMB389,340,000), for the purpose of hedging against the VSC Group's commitments arising from its trading activities.

As at 31st March 2009, the VSC Group had outstanding interest rate swap contracts with notional principal amount of approximately HK$72,000,000 (2008: Nil).

13. EVENTS AFTER THE BALANCE SHEET DATE

On 13th July 2009, Pulsar Enterprises Limited, a wholly owned subsidiary of the VSC Group, entered into a provisional sales and purchase agreement with an independent third party to dispose of a property that was classified as an investment property as at 31st March 2009. The agreed consideration is HK$24,000,000 and the completion of the sales and purchase shall take place on or before 4:00 p.m. of 17th August 2009.

RESULTS

Revenue for the financial year ended 31st March 2009 ("FY2009") reached approximately HK$4,660 million, a 18% decrease as compared with approximately HK$5,678 million for the financial year ended 31st March 2008 ("FY2008"). Gross profit margin decreased 2.3 percentage points to 3.1% as compared with 5.4% for FY2008. Selling and distribution expenses reduced by 16% from approximately HK$43 million to approximately HK$36 million. General and administrative expenses reduced by 13% from approximately HK$247 million to approximately HK$214 million.

Loss attributable to the equity holders of the Company was approximately HK$278 million (FY2008: profit of approximately HK$31 million). Basic losses per share was HK73.01 cents (FY2008: basic earnings per share of HK8.29 cents). The Board does not recommend the payment of a final dividend for FY2009 (2008 final: HK1.3 cents per ordinary share).

CHARGES ON ASSETS

As at 31st March 2009, the VSC Group had certain charges on assets which included (i) inventories of approximately HK$28 million pledged for certain of the VSC Group's short-term bank loan, (ii) certain inventories which were held under short-term trust receipts bank loan arrangements, and (iii) bank deposits of approximately HK$36 million which were pledged as collateral for the VSC Group's banking facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The VSC Group's businesses are primarily transacted in Hong Kong 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 2009, about 73.6% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, about 7.9% in US dollar and about 18.5% 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 2009, the VSC Group had forward foreign exchange contracts and currency swap contracts to hedge principal repayment of future US dollar debts under letters of credit in the amount of approximately HK$57 million and to hedge future RMB payment in the amount of approximately RMB137 million respectively.

All of the VSC Group's borrowings as at 31st March 2009 were on floating rate basis. In May 2008, VSC Group has entered into an interest rate swap contract to hedge against the risk on a long term debt. The use of derivative financial instruments is strictly controlled and mainly used to hedge against the interest rate and 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

The year under review was very challenging and difficult for both of our Construction Materials Group and China Advanced Materials Processing divisions. The global financial tsunami broken out in the last quarter of 2008 adversely affected our business environment as well as our operation results. For the FY2009, net loss attributable to equity holders amounted to approximately HK$278 million. The loss was mainly caused by some non-recurring items including loss of approximately HK$68 million on disposal of 40% interest in VSC-Ryerson China Limited ("VSC-Ryerson China"); loss of approximately HK$36 million was incurred with the enclosure system manufacturing operation which has been scaled down; there was approximately HK$66 million write down in inventory value. In addition, there was also a loss of approximately HK$17 million on revaluation of investment properties.

However, stabilization and recovery measures implementing by respective governments, especially launching of more infrastructure projects in faster steps, provides various business opportunities for the VSC Group in the year ending 31st March 2010 ("FY2010").

On operation efficiency of assets, the Days Sales Outstanding ("DSO"; average trade and bill receivables divided by revenue X 365 days) improved from about 50 days to about 41 days. Days of Supplies ("DOS"; average inventories divided by cost of sales X 365 days) decreased from about 48 days to about 43 days. Interest bearing borrowings reduced by approximately HK$682 million to approximately HK$501 million and interest expense decreased to approximately HK$40 million. 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 45% to 40% at book close.

CONSTRUCTION MATERIALS GROUP ("CMG")

The VSC Group's CMG operations comprise steel and building products distribution mainly in Hong Kong and the PRC.

As a result of the uncontrollable and unfavourable external factors caused by the global financial tsunami, loss of the CMG for FY2009 amounted to approximately HK$99 million (FY2008: profit of approximately HK$42 million) and a decrease in turnover of about 4% to HK$3,296 million.

Steel Distribution

Steel distribution operations comprise of 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 ("BSC"), which engages in the distribution of domestic steel products in Eastern China.

Hong Kong Steel Distribution ("HK Steel Department")

Global steel prices were experiencing dramatic increases in the first half of 2008 which came to a peak in August 2008. The global financial tsunami led by the US subprime mortgage in the last quarter of 2008 quickly reversed the direction of the steel prices which have decreased exceptional suddenly and sharply by more than 60% by early 2009. The steel sector has experienced a steep decline in demand while various construction projects in Hong Kong and Macau were suspended because of global recession and rigid credit markets caused by the global financial turmoil.

Despite the disappointed results for the reporting year, we believed that the global economy will gradually stabilize or recover as various governments and central banks around the world have implemented a series of economy stimulation actions. The global steel prices are now comparatively stable and the steel demand is gradually increasing. The HK Steel Department has recently obtained contracts to distribute steel rebars to various construction projects, such as the Central Wanchai Bypass, while the cumulated contracts in hand amounted to a total of about 150,000 tons.

The Hong Kong government has launched the plan of ten major infrastructure projects including the South Island Line, Hong Kong-Zhuhai-Macao Bridge, West Kowloon Cultural District and Kai Tak Development Plan. It is expected that the demand of steel will grow progressively in the FY2010. The VSC Group will continue to closely monitor the working capital level, widen the customers base and sales network to strengthen our market coverage, and will take a cautious approach to capture new business opportunities.

Mainland China Steel Distribution ("PRC Steel Department")

Global steel price fluctuation also affected the steel trading business of the PRC Steel Department. Steel prices achieved its record high in the first half of last year and dropped sharply since last quarter of 2008. To minimise the impact and tried to hedge against the risk of fluctuation in steel prices as well as to maximise our gross profit margin, sales contracts are entered with a price variable clause to ensure our gross profit margin when there is any price fluctuation.

In respect of our 66.7% owned joint venture company, BSC also faced challenges in the reporting year. Nevertheless, its turnover increased by approximately 11% to about HK$1,500 million when compared with that of last year. With the recovery of automobile industry in the PRC after the financial turmoil, BSC continues to operate with prosperous business opportunities.

Building Products Distribution

The business units of Building Products Distribution mainly engaged in distributing sanitary wares in Hong Kong, Shanghai, Shenzhen and Macau.

Hong Kong Building Products Department operates a retail showroom in Wanchai, Hong Kong ("Leisure Plus") which engages in distribution of sanitary wares to wholesalers and consumers as well as on project basis. Leisure Plus also engages in distribution of kitchen cabinets and home furniture in Hong Kong and distribution of sanitary wares to Macau. This department has maintained stable revenue in the reporting year of approximately HK$86 million (FY2008: HK$86 million).

Major outstanding projects currently secured by the department on project basis to supply sanitary wares for renovation including Hong Kong International Airport, Windsor House, World Trade Centre, Miramar Tower, HK Sanatorium & Hospital, Ocean Park, Housing Authority Ho Man Tin Headquarter, etc.

Leisure Plus aims at helping customers to discover the art of quality scientific livelihood and stylish environment at home, it currently lined up with one of the most influential furnishing manufacturers in Italy — Santarossa to set up its first flagship store in Asia Pacific Region, introducing a new series of home furnishing products with functionality combined with aesthetics. Leisure Plus has enhanced its product range with kitchen wares and home furniture with its target to be a prestige one-stop home solution provider who fulfills all customers' needs about home.

Based on its sales and retail network, **Shanghai Leisure Plus** reported a revenue of approximately HK$132 million (FY2008: HK$121 million). To expand its retail channel, Shanghai Leisure Plus has opened an additional showroom during the reporting year. With expansion of retail channels, the showrooms and retail shops are expected to contribute steady revenue and profits to the VSC Group in the coming future.

During the FY2009, **Shenzhen Leisure Plus** realised a revenue of more than HK$77 million (FY2008: HK$36 million), and continued to operate a retail showroom in Shenzhen. The recent re-decoration of that showroom and a new retail shop opening soon are expected to facilitate Shenzhen Leisure Plus with future growth potential.

CHINA ADVANCED MATERIALS PROCESSING ("CAMP")

CAMP division currently engages in plastic resins distribution and coil service centers operated under VSC-Ryerson China which is a joint venture with 20% owning by the VSC Group.

As announced in October and December 2008, respectively, the VSC Group has divested in aggregate 40% of its shareholding in VSC-Ryerson China during the year under review. In addition, due to high raw material cost and labour cost as a result of the new Law Of The People's Republic of China On Employment Contracts, the VSC Group scaled down the operation of the enclosure systems manufacturing business.

After the divestment in VSC-Ryerson China and the scaling down of the enclosure systems manufacturing business, the VSC Group continues to search for high potential investment opportunities to enhance the business of the CAMP division.

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. In recent months, Plastics Department has expanded its existing presence and is now actively selling in some cities of the PRC like Guangzhou, Shenzhen and Shanghai.

The reporting year provided growth and profits exceeding our plan in the first half of the year. However, the second half was very challenging and difficult as the global financial crisis caused commodities consumption to decrease significantly causing prices to collapse severely and suddenly.

The price of plastics dropped as much as 35%. Although volume decreases were very sudden, we were able to minimize the impact as a major metric is working capital management. We had changed our strategy to minimize inventory level and focus on back to back business. Another impact of the down market was that many customers started having cash flow issues. As we have managed a very conservative reserve policy for past due debt, the impact was manageable and planned.

Plastics Department will continue its expansion into the PRC. We will continue to aggressively manage working capital and accounts receivable risk. Expenses were also managed and reduced to reflect lower volume.

Coil Service Center Operations

The VSC Group currently owns a 20% shareholding interest of the Coil Service Center Operations which are operating by VSC-Ryerson China. It composed of four coil processing centers (Dongguan, Guangzhou, Kunshan and Tianjian), two sheet metal fabrication & manufacturing centers (Guangzhou and Kunshan) and one plate fabrication & manufacturing center (Kunshan).

The year under review provided growth and profits exceeding our plan in the first half of the year. However, the second half was very challenging and difficult as the global financial crisis caused steel consumption to decrease significantly causing steel prices to collapse severely and suddenly.

VSC-Ryerson China, while affected by volume decreases, was able to face the downturn as we had begun conservative working capital management and accounts receivable risk management long before the downturn. Our inventory levels as well as our collection had been managed in a very conservative manner thus allowing us to minimize the impact of the global downturn. In early 2008, we purchased credit insurance as we saw liquidity as a concern for small and medium size fabricators (50% of our sales). We are happy to report that the bad debt impact to VSC-Ryerson China was manageable and without consequence. Inventory management was a very important part of our strategy even before the downturn. Because of our conservative inventory management discipline, we were able to minimize the impact of the severe price drops in the last part of 2008. In addition, the inventory reduction and conservative accounts receivable management greatly improved our cash flow.

As part of our differentiation strategy, we invested in two new facilities. Guangzhou sheet metal fabrication and manufacturing center opened in October 2008 and allowed us to penetrate new markets by increasing our offer of semi-finished sheet metal components. Kunshan plate fabrication and manufacturing center opened in September 2008. This facility allowed us to enter a new market. We are now actively providing semi-finished components to heavy equipment, access equipment and heating/ventilation industries. We have also started to export semi-finished, labor intensive components to the Americas and Europe.

VSC-Ryerson China continues to see the market as challenging for the months to come and we look to continue to manage working capital cautiously. We will continue to focus on value added services, commitment to quality and service to differentiate ourselves. We are proud of how our management team managed the downturn and feel that our current actions and strategy have positioned us to maximize the upturn when it comes.

OTHER INVESTMENTS

The VSC Group has invested in hotel and property businesses mainly operating in the PRC. In addition to monitor 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.

Hotel business

The VSC Group owns 44% interest in a business of budgeted hotels 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. During the year under review, despite the economy downturn, a8 recorded a growth in turnover by approximately 253% as compared with last year. While the hotel business is self-sustained in terms of cash flow, there is no need to make further cash investment in it.

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, in which the VSC Group's PRC headquarter being located. Currently, the property has a rented out rate of about 94%, representing an increase of approximately 42 percentage points as compared with that as disclosed in the VSC Group's last annual report. The high rented out rate with tenants consists of various international companies which provides a stable income for the property business.

EMPLOYEE AND REMUNERATION POLICIES

In March 2009, the VSC Group employed about 212 staffs. 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 FY2009 amounted to approximately HK$116 million. During the year under review, no options have been offered and/or granted to its employees under the share option scheme adopted since 12th November 2001.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31st March 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st March 2009.

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 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

VSC 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 2009, 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. VSC 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 VSC'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. VSC'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 VSC (www.vschk.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The annual report for FY2009 of VSC 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, 22nd July 2009

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