VSC万顺昌

VAN SHUNG CHONG HOLDINGS LIMITED

Website: http://www.vschk.com

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited ("VSC" or the "Company") hereby announces the unaudited condensed consolidated interim financial information of VSC and its subsidiaries (the "VSC Group") as at and for the six months ended 30th September 2009, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th September 2009

		For the six months ended 30th September	
		2009	2008
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**1,583,676**	3,046,324
Cost of sales	4	**(1,428,672)**	(2,783,823)
Gross profit		**155,004**	262,501
Other gains/(losses) — net		**12,851**	(11,177)
Selling and distribution expenses	4	**(10,019)**	(25,686)
General and administrative expenses	4	**(65,341)**	(133,438)
Operating profit		**92,495**	92,200
Finance income	5	**414**	2,899
Finance costs	5	**(6,027)**	(24,840)
Share of (loss)/profit of associates		**(16,781)**	1,008
Profit before income tax		**70,101**	71,267
Income tax expense	6	**(15,970)**	(18,596)
Profit for the period		**54,131**	52,671

	Note	For the six months ended 30th September	
		2009	2008
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Attributable to:			
Equity holders of the Company		**50,203**	34,495
Minority interest		**3,928**	18,176
		54,131	52,671
Dividends	7	**12,391**	—
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	8	**HK12.9 cents**	HK9.1 cents
— Diluted	8	**HK12.9 cents**	HK9.1 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30th September 2009

	Note	As at 30th September 2009 HK$'000 (Unaudited)	As at 31st March 2009 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**20,499**	22,017
Investment properties		**15,000**	28,000
Leasehold land and land use rights		**11,031**	11,132
Investments in associates		**236,734**	253,515
Deferred income tax assets		**30,263**	42,733
Available-for-sale financial assets		**580**	580
Total non-current assets		**314,107**	357,977
Current assets			
Inventories		**199,463**	259,697
Due from customers on installation contract work		**700**	700
Trade and bill receivables	9	**306,079**	257,189
Loan receivables		**21,000**	21,000
Prepayments, deposits and other receivables		**145,521**	163,989
Derivative financial instruments		**—**	130
Amounts due from associates		**78,989**	62,065
Pledged bank deposits		**34,664**	35,893
Cash and cash equivalents		**198,103**	100,679
Total current assets		**984,519**	901,342
Current liabilities			
Trade and bill payables	10	**103,743**	81,687
Receipts in advance		**38,387**	59,975
Accrued liabilities and other payables		**34,714**	43,790
Amount due to an associate		**—**	1,568
Current income tax liabilities		**8,156**	5,783
Derivative financial instruments		**1,907**	739
Borrowings		**471,240**	489,417
Total current liabilities		**658,147**	682,959
Net current assets		**326,372**	218,383
Total assets less current liabilities		**640,479**	576,360

	Note	As at 30th September 2009 HK$'000 (Unaudited)	As at 31st March 2009 HK$'000 (Audited)
Non-current liabilities			
Derivative financial instruments		**1,205**	3,172
Deferred income tax liabilities		**6**	5
Borrowings		**7,793**	11,647
Total non-current liabilities		**9,004**	14,824
Net assets		**631,475**	561,536
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**41,303**	38,143
Reserves		**563,035**	500,184
		604,338	538,327
Minority interest		**27,137**	23,209
Total equity		**631,475**	561,536

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th September 2009

	For the six months ended 30th September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**54,131**	52,671
Other comprehensive income		
Currency translation differences	**—**	9,938
Total comprehensive income for the period	**54,131**	62,609
Total comprehensive income attributable to:		
— Equity holders of the Company	**50,203**	44,433
— Minority interest	**3,928**	18,176
	54,131	62,609

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st March 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new/revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1st April 2009 and are relevant to the VSC Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosure
HKFRS 8	Operating Segments

The following amendments to existing standards and interpretations have been effective for the financial year beginning 1st April 2009 but are not relevant to the VSC Group's operations.

HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in Foreign Operation

The following new/revised standards, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning 1st April 2009 and have not been early adopted.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual period beginning on or after 1st July 2009)
HKFRS 3 (Revised)	Business Combinations (effective for annual period beginning on or after 1st July 2009)
HK(IFRIC) — Int 9 and HKAS 39 (Amendments)	Embedded Derivatives (effective for annual periods beginning on or after 30th June 2009)
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC) — Int 18	Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1st July 2009)

The VSC Group plans to adopt the above new/revised standards, amendment to existing standard and interpretations when they become effective.

The following amendment to existing standard has not yet been effective and is not relevant to the VSC Group's operations:

HKAS 39 (Amendment)	Eligible Hedged Items (effective for annual period beginning on or after 1st July 2009)
HKFRS 1 (Revised)	First-time Adoption of HKFRS (effective for annual period beginning on or after 1st July 2009)

In addition, Hong Kong Institute of Certified Public Accountants (the "HKICPA") also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant impact on the results and financial position of the VSC Group.

3 SEGMENT INFORMATION

The VSC Group's senior executive management is considered as the Chief Operating Decision Maker ("CODM").

The VSC Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the VSC Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The VSC Group's CODM considers the VSC Group operates predominantly in four operating segments:

(i) Coil centres#;
(ii) Plastics;
(iii) Building products; and
(iv) Steel distribution.

Coil centres division changed from a subsidiary to an associate of the VSC Group since 31st October 2008.

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.

Sales between segments are carried out at cost. The revenue from external parties reported to CODM is measured in a manner consistent with that in the condensed interim financial information.

Analysis of the VSC Group's results by the business segment for the six months ended 30th September 2009 is as follows:

	Plastics *HK$'000*	Building products *HK$'000*	Steel distribution *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	**116,990**	**173,397**	**1,292,299**	**990**	**—**	**1,583,676**
Operating profit/ (loss)	**4,241**	**6,570**	**94,630**	**8,410**	**(21,356)**	**92,495**
Finance income	**4**	**—**	**129**	**10**	**271**	**414**
Finance costs	**(231)**	**(167)**	**(3,889)**	**(317)**	**(1,423)**	**(6,027)**
Share of loss of associates	**—**	**—**	**—**	**(16,781)**	**—**	**(16,781)**
Profit/(loss) before tax	**4,014**	**6,403**	**90,870**	**(8,678)**	**(22,508)**	**70,101**
Other (losses)/ gains, net*	**(3)**	**(31)**	**(1,195)**	**11,022**	**3,058**	**12,851**
Depreciation and amortisation	**(19)**	**(861)**	**(840)**	**—**	**(1,966)**	**(3,686)**
Income tax (expense)/credit	**(496)**	**(1,238)**	**(18,259)**	**(570)**	**4,593**	**(15,970)**

* For the six months ended 30th September 2009, gain on disposal of an investment property amounted to approximately HK$10,448,000 (for the six months ended 30th September 2008: Nil).

Analysis of the VSC Group's results by the business segment for the six months ended 30th September 2008 is as follows:

	Coil centres *HK$'000*	Plastics *HK$'000*	Building products *HK$'000*	Steel distribution *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
External revenue	886,639	218,466	160,159	1,748,952	32,108	—	—	3,046,324
Inter-segment revenue	—	—	—	62,945	—	—	(62,945)	—
	886,639	218,466	160,159	1,811,897	32,108	—	(62,945)	3,046,324
Operating profit/ (loss)	80,421	7,603	2,588	56,289	(13,583)	(41,118)	—	92,200
Finance income	727	—	4	932	—	1,236	—	2,899
Finance costs	(5,500)	(498)	(960)	(11,099)	(217)	(6,566)	—	(24,840)
Share of profit of associates	—	—	—	—	1,008	—	—	1,008
Profit/(loss) before tax	75,648	7,105	1,632	46,122	(12,792)	(46,448)	—	71,267
Other (losses)/ gains, net	(10,590)	(231)	(2,773)	2,577	1,017	(1,177)	—	(11,177)
Depreciation and amortisation	(5,674)	(21)	(579)	(956)	(2,485)	(973)	—	(10,688)
Income tax (expense)/credit	(13,784)	(917)	(365)	(7,650)	(184)	4,304	—	(18,596)

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, 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, available-for-sale financial assets, deferred income tax 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, current income tax liabilities, deferred income tax liabilities 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 30th September 2009 and capital expenditure for the six months ended 30th September 2009 are as follows:

	Plastics	**Building products**	**Steel distribution**	**Other operations**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**61,185**	**113,330**	**636,563**	**125,982**	**937,060**
Investments in associates	**—**	**—**	**—**	**236,734**	**236,734**
Total segment assets	**61,185**	**113,330**	**636,563**	**362,716**	**1,173,794**
Segment liabilities	**(10,291)**	**(16,831)**	**(130,723)**	**(18,999)**	**(176,844)**
Capital expenditure	**56**	**554**	**859**	**600**	**2,069**

The segment assets and liabilities as at 31st March 2009 and capital expenditure for the six months ended 30th September 2008 are as follows:

	Coil centres	Plastics	Building products	Steel distribution	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	—	34,782	110,488	661,963	65,063	872,296
Investments in associates	—	—	—	—	253,515	253,515
Total segment assets	—	34,782	110,488	661,963	318,578	1,125,811
Segment liabilities	—	(6,830)	(12,061)	(163,408)	(3,153)	(185,452)
Capital expenditure	9,461	10	1,868	1,449	556	13,344

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

	As at 30th September 2009 *HK$'000*	As at 31st March 2009 *HK$'000*
Total segment assets	**1,173,794**	1,125,811
Investment properties	**15,000**	28,000
Available-for-sale financial assets	**580**	580
Deferred income tax assets	**30,263**	42,733
Amounts due from associates	**78,989**	62,065
Derivative financial instruments	**—**	130
Total assets	**1,298,626**	1,259,319

	As at 30th September 2009 *HK$'000*	As at 31st March 2009 *HK$'000*
Segment liabilities	**176,844**	185,452
Borrowings	**479,033**	501,064
Derivative financial instruments	**3,112**	3,911
Current income tax liabilities	**8,156**	5,783
Deferred income tax liabilities	**6**	5
Amount due to an associate	**—**	1,568
Total liabilities	**667,151**	697,783

The entity is domiciled in Hong Kong. Analysis of the VSC Group's revenue by geographical market is as follows:

	For the six months ended	
	30th September 2009 *HK$'000*	30th September 2008 *HK$'000*
Revenue		
Mainland China	**929,064**	2,320,356
Hong Kong	**654,612**	725,968
Total revenue	**1,583,676**	3,046,324

For the six months ended 30th September 2009, revenue of approximately 4.7% (for the six months ended 30th September 2008: 2.8%) is derived from a single external customer.

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

	As at 30th September 2009	As at 31st March 2009
	HK$'000	*HK$'000*
Non-current assets		
Mainland China	**261,644**	279,550
Hong Kong	**22,200**	35,694
Total non-current assets	**283,844**	315,244

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

4 EXPENSES BY NATURE

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

	For the six months ended 30th September	
	2009	2008
	HK$'000	*HK$'000*
Raw materials consumed and finished goods sold	**1,422,288**	2,750,877
Depreciation of property, plant and equipment	**3,585**	10,399
Loss on disposals of property, plant and equipment	**2**	177
Amortisation of leasehold land and land use rights	**101**	289
Employee benefit expenses	**32,650**	79,992
Operating lease rental in respect of		
— land and buildings	**7,556**	9,751
— plant and machinery and motor vehicles	**—**	1,629
Impairment of trade receivables	**3,098**	16,012
Write-down of inventories	**1,735**	3,670
Others	**33,017**	70,151
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,504,032**	2,942,947

5 FINANCE INCOME AND COSTS

	For the six months ended 30th September	
	2009	2008
	HK$'000	*HK$'000*
Finance income		
Interest income:		
— short-term bank deposits	**206**	2,868
— loan receivables	**—**	31
— received from an associate	**208**	—
	414	2,899
Finance costs		
Interest expenses:		
— bank borrowings wholly repayable within five years	**(6,027)**	(22,935)
— to a related party	**—**	(1,905)
	(6,027)	(24,840)
Net finance costs	**(5,613)**	(21,941)

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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 of 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 period, subsidiaries established in Mainland China are subject to China corporate income tax at rate of 25% (2008: a range of 9% to 25%).

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

	For the six months ended 30th September	
	2009	2008
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**1,328**	6,439
— China corporate income tax	**2,171**	12,453
Deferred income tax	**12,471**	(296)
Income tax expense	**15,970**	18,596

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

7 DIVIDENDS

An interim dividend of HK3 cents per ordinary share (2009 interim: nil) was proposed by the board of directors on 13th November 2009. This interim dividend, amounting to approximately HK$12,391,000 (2009 interim: nil), has not been recognised as a liability in this unaudited condensed consolidated interim financial information.

8 EARNINGS PER SHARE

Basic

Basic earnings per 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 period.

	For the six months ended 30th September	
	2009	2008
Profit attributable to equity holders of the Company *(HK$'000)*	**50,203**	34,495
Weighted average number of ordinary shares in issue *('000)*	**390,235**	380,762
Basic earnings per share *(HK cents)*	**12.9**	9.1

Diluted

Diluted 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 are 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 30th September 2008 and 2009, diluted earnings per share is the same as the basic earnings per share as the dilutive potential ordinary shares are anti-dilutive.

9 TRADE AND BILL RECEIVABLES

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:

	As at 30th September 2009 *HK$'000*	As at 31st March 2009 *HK$'000*
0–60 days	**262,139**	206,853
61–120 days	**38,102**	31,258
121–180 days	**1,000**	10,497
181–365 days	**7,804**	9,685
Over 365 days	**14,575**	15,581
	323,620	273,874
Less: provision for impairment of receivables	**(17,541)**	(16,685)
	306,079	257,189

The carrying amounts of trade and bill receivables approximated their fair values.

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 60 days.

Ageing analysis of the trade and bill payables is as follows:

	As at 30th September 2009	As at 31st March 2009
	HK$'000	*HK$'000*
0–60 days	**102,871**	80,601
61–120 days	**121**	579
121–180 days	**31**	45
181–365 days	**451**	245
Over 365 days	**269**	217
	103,743	81,687

The carrying amounts of trade and bill payables approximated their fair values.

11 GUARANTEES

As at 30th September 2009, the VSC Group has given performance bonds in the ordinary course of business amounting to approximately HK$573,000 (31st March 2009: HK$573,000) to third parties.

12 COMMITMENTS

(a) Capital commitments

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

	As at 30th September 2009	As at 31st March 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 and motor vehicles are analysed as follows:

	As at 30th September 2009	As at 31st March 2009
	HK$'000	*HK$'000*
Not later than one year	**11,448**	7,682
Later than one year and not later than five years	**8,774**	6,843
Later than five years	**1,042**	1,327
	21,264	15,852

(c) **Commitments under derivative contracts**

As at 30th September 2009, the VSC Group had the following derivative contracts. These contracts are stated at fair values as at 30th September 2009.

(i) Outstanding interest rate swap contracts with notional principal amount of approximately HK$51,500,000 (31st March 2009: HK$91,397,000).

(ii) Outstanding rebar future contracts to purchase rebar of approximately HK$21,968,000 (31st March 2009: nil), for the purpose of hedging against the VSC Group's commitments arising from its trading activities.

RESULTS

The VSC Group's performance for the first half of the financial year was encouraging. Profit attributable to the equity holders of the Company was approximately HK$50 million, a 46% increase from approximately HK$34 million for the same period of last year. Most important of all, it shows a recovery of the VSC Group's business and profitability when compared with the loss of approximately HK$278 million for the year ended 31st March 2009.

Our revenue for the six months ended 30th September 2009 was approximately HK$1,584 million, a 48% decrease as compared with approximately HK$3,046 million for the same period of last year, which was a result by global financial crisis that affected both demand and unit price as well as a result of the further dilution in our shareholding in VSC-Ryerson China Limited ("VSC-Ryerson China"). Our gross margin increased by 1.2 percentage points to 9.8% as compared with 8.6% for the same period of last year. In view of the global financial crisis, the VSC Group underwent a comprehensive cost reduction program. For example headcount has been reduced from 346 (excluding the operations of VSC-Ryerson China and its subsidiaries) in September 2008 to 302 in September 2009. Selling and distribution expenses decreased by 61% from approximately HK$26 million to approximately HK$10 million. General and administrative expenses decreased by 51% from approximately HK$133 million to approximately HK$65 million.

The key drivers of our operating efficiency are inventory turns and account receivables dates and we have made a great improvement in both areas. The VSC Group's average Days of Supplies ("DOS") was 29 days which was better than that of 43 days for the last year end. The VSC Group's average overall Day Sales Outstanding ("DSO") also improved from 41 days for the last year end to 32 days for the six months ended 30th September 2009.

Basic earnings per share increased by 42% to HK12.9 cents as compared with HK9.1 cents for the same period of last year. The interim dividend of HK3 cents per share was declared for the six months ended 30th September 2009 (2009 interim: Nil).

FINANCIAL POSITIONS

Compared with last fiscal year ended 31st March 2009, as at 30th September 2009, the VSC Group's total assets increased by approximately HK$39 million to approximately HK$1,299 million. The VSC Group's inventories reduced by approximately HK$60 million while trade and bill receivables increased by approximately HK$49 million. Net assets value of the VSC Group increased by approximately HK$70 million to approximately HK$631 million, equivalent to HK$1.5 per ordinary share.

Compared with the financial position at 31st March 2009, the VSC Group's cash and cash equivalents and pledged bank deposits, increased by approximately HK$96 million to approximately HK$233 million whereas the VSC Group's bank borrowings were reduced by approximately HK$22 million. Current ratio improved to 1.5, while gearing ratio (net debt, which is total borrowings less pledged bank deposits and cash and cash equivalents, divided by total equity (excluding minority interests) plus net debt) decreased from 40% to 29%.

FINANCIAL RESOURCES

The VSC Group's trade financing remained primarily supported by its bank trading and term loan facilities. About 80% of the VSC Group's total borrowings were denominated in Hong Kong dollar, 17% in Renminbi ("RMB") and 3% in US dollar. About 98% of the VSC Group's total borrowing is repayable in one year and 2% was repayable between one and two years. These facilities are either secured by the VSC Group's inventory held under short-term trust receipts bank loan arrangement and/or inventories held under collateral management and/or pledged bank deposits and/or corporate guarantee provided by VSC. All of the above borrowings in Hong Kong are subject to floating interest rate. Interest costs of import bank loans were levied on inter-banks borrowing rates plus very competitive margin. RMB loans and bill exchange facilities have been obtained from domestic and foreign banks in the amount of RMB74 million. Interest costs of RMB banking facilities were based on standard loan rates set by the People's Bank of China adjusted with competitive margin.

Interest rate swap contracts were entered into to hedge against major interest rate exposures. As at 30th September 2009, there were outstanding interest rate swap contracts to hedge against HK$52 million of the VSC Group's borrowings.

CHARGES ON ASSETS

As at 30th September 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 loans; (ii) certain inventories were held under short-term trust receipts bank loan arrangements, (iii) bank deposits of approximately HK$30 million which were pledged as collateral for the VSC Group's banking facilities, and (iv) bank deposits of approximately HK$5 million was pledged as deposit for the VSC Group's rebar future contracts.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The VSC Group's businesses were primarily transacted in Hong Kong dollar, US dollar, RMB and Euro dollar. 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 minimize exchange exposure.

Forward foreign currency contracts were entered into when suitable opportunities arise and when considered appropriate to hedge against major foreign currency exposures. It is the VSC Group's policy not to enter into any derivative transaction for investment purpose as such activity is deemed to be too speculative and a deviation from the VSC Group's core competence.

CONTINGENT LIABILITIES

As at 30th September 2009, the VSC Group had outstanding performance bonds for its sanitary wares supply projects amounting to approximately HK$0.6 million (31st March 2009: HK$0.6 million).

OPERATION REVIEW AND PROSPECTS

Steel Distribution

Steel distribution operations comprise stockholding business of rebar, structural steel and engineering products in Hong Kong and steel distribution in the Peoples' Republic of China ("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")

Demand of rebar increased gradually during the six months under review from its low level in March 2009 which had been caused by the global financial tsunami broken out in 2008. The HK Steel Department continues to catch the rise of demand and has obtained contracts to distribute steel rebar to various projects. Customer base has also been further widened, with total sales contracts in hand as at 30th September 2009 was about 174,000 tons, which represents an increase of about 16% from approximately 150,000 tons as at 31 March 2009.

Approaching the end of 2009, various infrastructure and construction projects are launching out gradually. Some of the 10 major infrastructure projects have been launched by the government, such as the South Island Line, West Kowloon Cultural District Phase I, West Island Line, The Shatin to Central Link Phase I, The Guangzhou-Shenzhen-Hong Kong Express Rail Link, Kai Tak Development Plan and Hong Kong-Zhuhai-Macao Bridge. Highway jobs, such as the Tuen Mun Road reconstruction and improvement projects, as well as the Tolo Highway Widening project, together with some large scale private jobs, such as the Tsing Yi Interlink Development, will also be launched within 2010. It is expected that the demand of steel will further increase by the end of this year all the way throughout next year, which provides a prosperous market to the VSC Group.

Mainland China Steel Distribution ("PRC Steel Department")

Despite the unfavourable impact of the global financial crisis, the PRC Steel Department has carried out certain steps to stabilise as well as to improve its profit margin. We further focus on direct customers, and have sales contracts entered with price variable clauses to ensure our gross profit margin. With its good relationship with suppliers of import steel and customers consuming foreign standard steel for large projects, the PRC Steel Department also shift its sales mix to focus in more import steel materials which provides higher gross profit margin.

Demands from the automobile industry in the PRC after the financial turmoil provides BSC, our 66.7% owned joint venture company, with a good market chance.

Building Products Distribution

The business units of Building Products Distribution mainly engaged in distributing sanitary wares in Hong Kong, Shanghai, Shenzhen and Macau. Total turnover of the building products distribution amounted to approximately HK$173 million (2009 interim: approximately HK$160 million).

The Hong Kong Building Products Department recorded a turnover of approximately HK$46 million (2009 interim: approximately HK$42 million). It engages in projects, wholesale distribution and retail for sanitary wares and fittings, kitchen cabinets and furniture for Hong Kong and Macau markets. Leisure Plus, the one-stop lifestyle home solution provider in Wanchai, offers a delicate combination of balances that turn customer's house into a home. Hong Kong Building Products Department currently has contracts-on-hand worth approximately HK$16 million, which includes some major projects such as supply of sanitary wares for The ONE, Ocean Park, Times Square, Kowloon Shangri-la Hotel, HSBC Headquarter, etc.

During the six months under review, Shanghai Leisure Plus reported a turnover of more than HK$88 million which represents an increase of 32% when compared with the same period of last year. A new showroom was opened recently in September 2009, which helps to strengthen the retail business of Shanghai Leisure Plus. With close relationship with its dealer, expanding sales network with more new customers, and obtaining various project contracts, such as Shanghai World Expo Center; Shanghai World Expo Performing Arts Center; Shanghai Kerry Centre; Great Shanghai Wheelock Square; Shanghai Pudong International Airport; Centre Residence, Shanghai; Shanghai New World Office Building, it is expected that Shanghai Leisure Plus will have good growth potential in the coming future.

Turnover for the six months ended 30th September 2009 of Shenzhen Leisure Plus amounted to about HK$39 million (2009 interim: HK$35 million). After the completion of renovation in May 2009, the Shenzhen showroom has generated revenue at satisfactory level. Another new showroom was recently opened in September 2009. The two showrooms and good relationship with property developers in the Southern China are expected to contribute steady revenue and profits to Shenzhen Leisure Plus.

Plastic Resins Distribution ("Plastic Department")

Plastics Department distributes general and engineering plastics in Hong Kong and Mainland China. It currently has business presence in Guangzhou, Shenzhen, Shanghai and Hong Kong.

Influenced by the economic crisis, the quantity of the orders from end users in USA & Europe decreased around 40%. Nevertheless, the Plastic Department recorded a profit for the period ended 30 September 2009. For the past half year, Plastic Department focuses with customers in the PRC and also toys market for future expansion. Meanwhile, Plastic Department will also explore the opportunities for expansion in other regions in the PRC. Indeed, market recover is found in recent months, the revenue and profit of Plastic Department is expected to grow in coming future.

Other Investments

The VSC Group has invested in associated companies which are engaged in hotel and property businesses operating in the PRC. The VSC Group also owns 20% shareholding interest of coil service center operations which are operating by VSC-Ryerson China. We intend to hold this 20% as a long term strategic investment, completing our steel products value chain. In addition to monitoring the expansion of these businesses, the VSC Group will also continue to search for other potential investment opportunities to enhance the development of business.

Hotel Business

During the period under review, the hotel business generated a turnover of about HK$17 million, represents an increase of 14% when compare with the same period of last year. The average occupancy rate of the hotels was about 80% as at 30 September 2009, and it is self-sustained in terms of cash flow. The 2010 Shanghai World Expo provides growth opportunity for the hotel business both in terms of revenue and profits. We may explore the opportunity to restructure this investment to the best interest of the shareholders.

Property

As at 30th September 2009, the rented out rate of the office building located in Shanghai, where our Shanghai headquarter being located, was 96%. Our property management team has successfully obtained such a satisfactory rented out rate with tenants consists of various international companies that provides a stable income source for our property business. In view of the 2010 Shanghai World Expo, we are bullish in the investment value of this property and our property management team will also explore the opportunities in providing property management services to other projects.

Coil Service Center Operations

Due to the global financial crises, market demand decreased during the period up to June 2009. However, market improvement is found in recent months since July 2009. Central China continues to grow at record pace. To position itself closer to this market, VSC-Ryerson China opened a small fabrication manufacturing facility in Wuhan in June 2009. Indeed, it is also expanding its presence by opening sales offices in cities with high growth. VSC-Ryerson China has positioned itself for aggressive growth and long term shareholder value delivery.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK3 cents per ordinary share for the six months ended 30th September 2009 payable to shareholders whose names appear on the Register of Members of VSC at the close of business on 18th December 2009. Dividend warrants are expected to be despatched on or before 23rd December 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of VSC will be closed from 16th December 2009 to 18th December 2009 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with VSC's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited by not later than 4:00 p.m. (Hong Kong SAR time) on 15th December 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither VSC nor any of its subsidiaries has purchased, sold or redeemed any of shares of VSC during the six months ended 30th September 2009.

AUDIT COMMITTEE

The Audit Committee has discussed auditing, internal controls, and financial reporting matters including review of the results for the six months ended 30th September 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 six months ended 30th September 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 INTERIM 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 interim report for the six months ended 30th September 2009 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, 13th November 2009

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