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 2008

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 2008, together with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	3	**5,677,792**	4,867,657
Cost of sales	5	**(5,370,773)**	(4,549,893)
Gross profit		**307,019**	317,764
Other gains — net	4	**42,822**	37,238
Selling and distribution expenses	5	**(43,328)**	(33,540)
General and administrative expenses	5	**(247,193)**	(191,608)
Operating profit		**59,320**	129,854
Finance income	6	**9,312**	4,982
Finance costs	6	**(46,821)**	(41,383)
Share of profit of associates		**25,236**	—
Profit before income tax		**47,047**	93,453
Income tax expense	7	**(1,876)**	(12,534)
Profit for the year		**45,171**	80,919
Attributable to:			
Equity holders of the Company		**31,317**	70,627
Minority interest		**13,854**	10,292
		45,171	80,919
Dividends	8	**9,101**	17,693
Earnings per share for profit attributable to the equity holders of the Company during the year			
— Basic	9	**HK8.29 cents**	HK19.16 cents
— Diluted	9	**HK8.24 cents**	HK19.16 cents

CONSOLIDATED BALANCE SHEET

As at 31st March 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Non-current assets			
Property, plant and equipment		**140,422**	126,315
Investment properties		**44,800**	50,000
Leasehold land and land use rights		**27,417**	26,527
Goodwill		**16,585**	31,202
Investments in associates		**158,882**	5,832
Deferred income tax assets		**31,395**	23,329
Available-for-sale financial assets		**7,055**	12,992
Derivative financial instruments		**1,310**	57,270
Total non-current assets		**427,866**	333,467
Current assets			
Inventories		**815,377**	587,872
Due from customers on installation contract work		**2,700**	3,935
Trade and bill receivables	*10*	**794,798**	769,352
Loan receivables		**22,472**	—
Prepayments, deposits and other receivables		**264,314**	217,428
Derivative financial instruments		**15,356**	1,704
Amounts due from associates		**16,927**	510
Non-current assets held for sale		**7,100**	—
Pledged bank deposits		**214,577**	29,850
Cash and cash equivalents		**271,435**	304,574
Total current assets		**2,425,056**	1,915,225
Current liabilities			
Trade and bill payables	*11*	**401,417**	301,031
Receipts in advance		**110,524**	106,185
Accrued liabilities and other payables		**61,619**	40,587
Current income tax liabilities		**10,552**	16,579
Derivative financial instruments		**3,319**	—
Borrowings		**1,065,039**	683,687
Total current liabilities		**1,652,470**	1,148,069
Net current assets		**772,586**	767,156
Total assets less current liabilities		**1,200,452**	1,100,623

	Note	**2008**	2007
		HK$'000	*HK$'000*
Non-current liabilities			
Derivative financial instruments		**2,590**	63,619
Deferred income tax liabilities		**2,268**	2,301
Borrowings		**117,690**	27,300
Total non-current liabilities		**122,548**	93,220
Net assets		**1,077,904**	1,007,403
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**38,043**	36,861
Reserves		**797,688**	745,734
		835,731	782,595
Minority interest		**242,173**	224,808
Total equity		**1,077,904**	1,007,403

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). These consolidated financial statements 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 accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31st March 2007 except that the VSC Group has adopted certain new/revised HKFRS, Hong Kong Accounting Standards ("HKAS") and HK(IFRIC) — Interpretations which are effective for accounting periods commencing on or after 1st January 2007 and relevant to its operations.

2 THE ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

The VSC Group has adopted the following new/revised HKFRS, HKAS and HK(IFRIC) — Interpretations since 1st April 2007. The adoption of these new accounting standards did not have a material effect on these consolidated financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements — Capital Disclosures
HKFRS 7	Financial Instruments — Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

The VSC Group has not early adopted the following new/revised accounting standards that have been issued but not yet effective as at and for the year ended 31st March 2008.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

1 Effective for annual periods beginning on or after 1st January 2009
2 Effective for annual periods beginning on or after 1st July 2009
3 Effective for annual periods beginning on or after 1st January 2008
4 Effective for annual periods beginning on or after 1st July 2008

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue by nature

	2008	2007
	HK$'000	*HK$'000*
China Advanced Materials Processing ("CAMP")		
Processing/manufacturing of industrial products		
— Rolled flat steel products	**1,310,851**	1,112,504
— Stainless steel	**417,032**	397,814
— Enclosure systems	**145,377**	197,516
Trading of plastic resins	**347,100**	344,518
Construction Materials Group ("CMG")		
Stockholding and trading of construction materials		
— Steel products — steel rebars, structural steel and flat steel products	**3,182,227**	2,604,869
— Sanitary wares and kitchen cabinets	**261,964**	208,036
Other operations		
Management services provided to an associate	**12,500**	—
Rental income from investment properties	**722**	856
Others	**19**	1,544
	5,677,792	4,867,657

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:

	2008				
	CAMP *HK$'000*	CMG *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
External revenue	2,220,360	3,444,191	13,241	—	5,677,792
Inter-segment revenue	—	191,653	—	(191,653)	—
	2,220,360	3,635,844	13,241	(191,653)	5,677,792
Segment results	38,062	42,027	12,596		92,685
Other gains/(losses) — net	(126)	(4,747)	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

	CAMP *HK$'000*	CMG *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Assets	1,241,708	1,323,016	248,720	39,478	2,852,922
Liabilities	207,386	377,782	2,520	1,187,330	1,775,018
Capital expenditure	23,409	8,398	—	—	31,807
Depreciation and amortisation	18,265	3,989	439	—	22,693
Impairment of trade receivables	12,759	3,153	—	—	15,912
Write-down/(write-back) of inventories	11,531	(2,413)	—	—	9,118

	2007				
	CAMP	CMG	Other operations	Elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	2,052,352	2,812,905	2,400	—	4,867,657
Inter-segment revenue	—	193,877	—	(193,877)	—
	2,052,352	3,006,782	2,400	(193,877)	4,867,657
Segment results	37,359	119,019	(5,564)		150,814
Other gains/(losses) — net	36,250	1,702	(714)		37,238
Unallocated corporate expenses					(58,198)
Operating profit					129,854
Finance income					4,982
Finance costs					(41,383)
Income tax expense					(12,534)
Profit for the year					80,919

	CAMP	CMG	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,252,863	898,335	50,066	47,428	2,248,692
Liabilities	248,365	270,013	2,576	720,335	1,241,289
Capital expenditure	46,636	4,134	2,195	—	52,965
Depreciation and amortisation	13,906	5,748	1,017	—	20,671
Impairment of trade receivables	6,020	1,421	—	—	7,441
Write-down/(write-back) of inventories	36,245	(3,094)	—	—	33,151

Unallocated cost represents corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, goodwill, investments in associates, deferred income tax assets, inventories, due from customers on installation contract work, trade and bill receivables, loan receivables, prepayments, deposits and other receivables, amount due from associates and cash. They exclude items such as investment properties, available-for-sale financial assets and derivative financial instruments.

Segment liabilities comprise operating liabilities and exclude corporate borrowings.

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:

		2008	
	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
External revenue	**1,572,875**	**4,104,917**	**5,677,792**
Assets	**966,911**	**1,886,011**	**2,852,922**
Capital expenditure	**2,115**	**29,692**	**31,807**

		2007	
	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
External revenue	1,219,606	3,648,051	4,867,657
Assets	615,028	1,633,664	2,248,692
Capital expenditure	2,019	50,946	52,965

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.

4 OTHER GAINS — NET

	2008	2007
	HK$'000	*HK$'000*
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**	—
Impairment of goodwill	**(14,617)**	—
Loss on disposal of a subsidiary	**—**	(3,430)
Gain on disposal of certain interest in a subsidiary	**—**	7,020
Gain on deemed disposal of certain interest in a subsidiary	**4,091**	26,024
Fair value gains on investment properties	**1,900**	2,000
Fair value gains arising from a call option granted by a third party to acquire a company	**10,190**	—
Net fair value (losses)/gains on call/put options granted to/by a third party to dispose certain interests in a subsidiary	**(1,145)**	7,211
Fair value gains/(losses) on an interest rate instrument	**6,214**	(7,592)
Net fair value gains on currency swap instruments	**4,537**	—
Net fair value (losses)/gains on forward foreign exchange contracts held for trading	**(4,394)**	2,656
Impairment loss of an available-for-sale financial asset	**(595)**	(1,473)
Gain on disposals of available-for-sale financial assets	**6,947**	336
Dividend income from available-for-sale financial assets		
— listed	**—**	22
— unlisted	**2,763**	1,923
Net exchange gain	**5,038**	2,541
	42,822	37,238

5 EXPENSES BY NATURE

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

	2008	2007
	HK$'000	*HK$'000*
Raw material consumed and finished goods sold	**5,294,822**	4,449,055
Depreciation of property, plant and equipment	**22,130**	20,205
Loss on disposals of property, plant and equipment	**5,096**	1,044
Amortisation of leasehold land and land use rights	**563**	466
Employment costs	**143,378**	113,066
Operating lease rental in respect of		
— land and buildings	**12,338**	11,181
— plant and machinery and motor vehicles	**3,089**	3,423
Impairment of trade receivables	**15,912**	7,441
Impairment of other receivables	**14,797**	5,752
Write-down of inventories	**9,118**	33,151
Auditor's remuneration	**2,180**	1,700
Others	**137,871**	128,557
Total cost of sales, selling and distribution expenses and general and administrative expenses	**5,661,294**	4,775,041

6 FINANCE INCOME AND COSTS

	2008	2007
	HK$'000	*HK$'000*
Finance income		
Interest income:		
on short-term bank deposits	**9,204**	4,982
on loan receivables	**108**	—
	9,312	4,982
Finance costs		
Interest expenses:		
on bank borrowings wholly repayable within five years	**(44,524)**	(38,663)
paid to a related party	**(2,297)**	(2,201)
paid for other loans wholly repayable within five years	**—**	(519)
	(46,821)	(41,383)
Net finance costs	**(37,509)**	(36,401)

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

During the year, subsidiaries established in Mainland China are subject to China corporate income tax at rates ranging from 7.5% to 25% (2007: 10% to 33%). Subsidiaries engaging in manufacturing are exempted from corporate income tax for two years starting from the first year of profitable operations after offsetting prior years' tax losses, followed by a 50% reduction for the next three years. However, when the new Corporate Income Tax Law ("CIT Law") became effective on 1st January 2008, entities that had not yet started their tax holiday due to the cumulative tax losses, the new CIT law deemed that the holiday began on 1st January 2008.

The amount of income tax charged to the income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**1,713**	15,298
— China corporate income tax	**7,259**	4,123
— Macau profits tax	**—**	105
Deferred income tax	**(6,596)**	(6,217)
Over-provision in prior years	**(500)**	(775)
	1,876	12,534

8 DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend of HK1.1 cents (2007: HK2.2 cents) per ordinary share	**4,155**	8,109
Proposed final dividend of HK1.3 cents (2007: HK2.6 cents) per ordinary share	**4,946**	9,584
	9,101	17,693

A final dividend for the year ended 31st March 2008 of HK1.3 cents per share, totalling HK$4,946,000 (2007: HK2.6 cents per share, totalling HK$9,584,000), is recommended by the Directors for approval at the forthcoming Annual General Meeting of the Company. This proposed dividend has not been dealt with as dividend payable as at 31st March 2008.

9 EARNINGS PER SHARE

(a) 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 year.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**31,317**	70,627
Weighted average number of ordinary shares in issue ('000)	**377,591**	368,605
Basic earnings per share (HK cents)	**8.29**	19.16

(b) 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 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.

	2008	2007
Profit attributable to equity holders of the Company and used to determine diluted earnings per share (HK$'000)	**31,317**	70,627
Weighted-average number of ordinary shares in issue ('000)	**377,591**	368,605
Adjustments for share options ('000)	**2,273**	58
Weighted-averaged number of ordinary shares for diluted earnings per share ('000)	**379,864**	368,663
Diluted earnings per share (HK cents)	**8.24**	19.16

10 TRADE AND BILL RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bill receivables	**816,333**	789,094
Less: provision for impairment of trade receivables	**(21,535)**	(19,742)
Trade and bill receivables, net	**794,798**	769,352

Sales are either covered by (i) letters of credit with bill payable at sight or (ii) open account with credit terms of 15 to 90 days.

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

	2008	2007
	HK$'000	*HK$'000*
0 to 60 days	**623,513**	558,971
61 to 120 days	**146,660**	161,031
121 to 180 days	**16,641**	13,837
181 to 365 days	**11,989**	23,649
Over 365 days	**17,530**	31,606
	816,333	789,094
Less: Provision for impairment of trade receivables	**(21,535)**	(19,742)
	794,798	769,352

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2008.

11 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:

	2008	2007
	HK$'000	*HK$'000*
0 to 60 days	**357,358**	228,077
61 to 120 days	**25,416**	42,860
121 to 180 days	**8,864**	21,412
181 to 365 days	**9,092**	3,350
Over 365 days	**687**	5,332
	401,417	301,031

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2008.

12 GUARANTEES

	2008	2007
	HK$'000	*HK$'000*
Performance bonds	**1,416**	1,652

13 COMMITMENTS

(a) Capital commitments

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

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for	**611**	3,756

(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:

	2008	2007
	HK$'000	*HK$'000*
Not later than one year	**14,417**	6,775
Later than one year and not later than five years	**16,290**	6,926
Later than five years	**1,854**	2,186
	32,561	15,887

(c) Commitments under derivative contracts

As at 31st March 2008, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$58,500,000 (2007: US$44,600,000) for approximately HK$452,724,000 (2007: HK$344,239,000), for the purpose of hedging against the VSC Group's commitments arising from its trading activities.

As at 31st March 2008, the VSC Group had outstanding currency swap contracts to purchase approximately US$54,000,000 (2007: Nil) for approximately RMB389,340,000 (2007: Nil), for the purpose of hedging against the VSC Group's commitments arising from its trading activities.

RESULTS

Revenue for the financial year ended 31st March 2008 ("FY2008") reached approximately HK$5,678 million, a 17% increase as compared with approximately HK$4,868 million for the financial year ended 31st March 2007 ("FY2007"). Gross margin decreased 1.1 percentage points to 5.4% as compared with 6.5% for FY2007. Selling and distribution expenses increased by 29% from approximately HK$34 million to approximately HK$43 million. General and administrative expenses increased by 29% from approximately HK$192 million to approximately HK$247 million. The increase was mainly due to higher salaries and increase in management resources resulting from the upgrading efforts in the CAMP division coupled with the respective incentive necessary for motivating and retaining good performing staff.

Profit attributable to the equity holders of the Company was approximately HK$31 million, a 56% dropped from approximately HK$71 million of last year. Basic earnings per share decreased by 57% to HK8.29 cents as compared with HK19.16 cents of last year. The Board recommend to declare a final dividend of HK1.3 cents per share for FY2008.

On operation efficiency of assets, the Days Sales Outstanding ("DSO"; average trade and bill receivables divided by revenue X 365 days) improved from 56 days to 50 days. Days of Supplies ("DOS"; average inventories divided by cost of sales X 365 days) increased from 44 days to 48 days as we cautiously increased our inventory level of the Hong Kong Steel Distribution Department. The increase in inventory level coupled with the acquisition of hotel business and property in Shanghai has driven up our level of borrowings. Interest bearing borrowings increased by approximately HK$472 million to approximately HK$1,183 million and interest expense increased to approximately HK$47 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) increased from the last year's 32% to 45% at book close.

CHARGES ON ASSETS

As at 31st March 2008, the VSC Group had certain charges on assets which included (i) buildings of approximately HK$30 million, leasehold land and land use rights of approximately HK$18 million and inventories of approximately HK$152 million pledged for certain of the VSC Group's short-term bank loans; (ii) certain inventories which were held under short-term trust receipts bank loan arrangements, and (iii) bank deposits of approximately HK$213 million which were pledged as collateral for the VSC Group's banking facilities and approximately HK$2 million was restricted as custom deposits in Mainland China.

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. The VSC Group maintains net positive cashflow movement in RMB.

As at 31st March 2008, about 63.0% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, 21.7% in US dollar and 15.3% 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 2008, 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$453 million and to hedge future RMB payment in the amount of approximately RMB389 million respectively.

All of the VSC Group's borrowings as at 31st March 2008 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

CHINA ADVANCED MATERIALS PROCESSING ("CAMP")

The VSC Group's CAMP operations currently comprise three main business units, namely (1) coil service centres operated under VSC-Ryerson China Limited ("VSC-Ryerson China") — the partnership with Ryerson Inc. ("Ryerson") of the United States, (2) plastic resins distribution, and (3) enclosure systems manufacturing.

Highlights

	FY2008 Total *(HK$'million)*	FY2007 Total *(HK$'million)*	Change %
Revenue	**2,220**	2,052	8
Segment Result	**38**	37	3

Although CAMP's operations had improved during the year under review, the individual business units performed less than satisfactory. Having said that, the management remain very optimistic given the operational enhancement these business units have undertaken during the year.

Coil Service Centre Operations

VSC-Ryerson China encompass the four coil service centre operations (Dongguan, Guangzhou, Tianjin, and Kunshan) and stainless steel and carbon flat roll trading. It also maintains 14% minority stake in an investment in Nansha, the PRC, in association with Shanghai BaoSteel International Economics & Trading Co., Ltd and Mitsui & Co., Ltd. of Japan. VSC-Ryerson China was formally launched in November 2006 when Chicago based Ryerson subscribed for 40% stake.

Highlights

	FY2008 Total	FY2007 Total	Change %
Direct Tons *(Metric ton)*	**225,372**	213,196	6
Revenue *(HK$'million)*	**1,728**	1,510	14
Segment Result *(HK$'million)*	**50**	56	-11

FY2008 was one of challenges and changes as Ryerson and the VSC Group collaborated to create a company that acts as the platform for both the VSC Group and Ryerson to capitalize on the ever growing OEM manufacturing sector, and the migration of foreign manufacturing capacities into the PRC. As such, it is envisioned that this partnership will mature into a self sufficient and independent operation without foregoing the foundation that the VSC Group had created in previous years. One of the most tangible enhancements to the historic business model is the need to move into second, third and further stage of processing. This will allow VSC-Ryerson China to establish a deeper and more entrenched processing relationship with its customers thus solidifying market positions while at the same time driving an improvement in our margins through a more comprehensive process and service offering to the market.

Revenue increased by 14%, processed tons grew 11% while trading tons decreased 20% versus FY2007. The decrease in trading volume was primarily due to a change in business model. The sales of Kunshan Coil Services Center ("KSSC") were predominantly generated from trading in FY2007 as VSC established a market presence in this fast growing area. In the last quarter of FY2007, a state-of-the-art coil precessing centre was opened in Kunshan and KSSC moved from trading to processing and value-added services allowing for overall growth and solidation of the business model. We also invested in manufacturing and assembly processes like stamping and welding.

While the KSSC change was planned and the decrease in trading tons was compensated by our entry into the processing sales in Eastern China, we did not expect the decrease in stainless steel and carbon flat roll trading volume. During the second quarter of FY2008, nickel prices dropped severely and suddenly. The sudden drop caused many of our suppliers to reduce output and as a result, our allocation was affected.

In April 2007, VSC-Ryerson China kicked off a ONE COMPANY campaign designed to standardize metrics and place it on a single platform as it relates to key measures and knowledge management. It allows for easy and timely monitoring of key metrics. Under the ONE COMPANY campaign, VSC-Ryerson China was re-organized to maximize accountability.

The VSC Group designed electronic dashboards that allow for easy and immediate access to data which allow the management to monitor results and make timely and informed decisions. All key measures were grouped under one of the following four categories, SHAREHOLDER VALUE, CUSTOMER LOYALTY, INTERNAL BUSINESS PROCESS IMPROVEMENT and EMPLOYEE LOYALTY.

Organizational levels are eliminated and a lean organization is created where decisions are timely made and accountability exists at all levels. Leadership are challenged to 'right-size' their areas by eliminating layers and assuring that sufficient resources existed to fulfill all high impact functions.

A new performance evaluation process was introduced and is implemented at all levels of the organization. This new performance evaluation process allowed us to link the overall objectives to the performance of all employees. Today, all employees have clear and measurable goals and receive constant feedback as to how they are performing.

Our plant employees were very important to the ONE COMPANY campaign. Categories, based on experience and ability to transfer knowledge, were created. Today our pay to labor is based on seniority and, more importantly, the number of functions they can perform. This change has allowed us to greatly reduce our employee turnover and increase our satisfaction index as we are recognizing and rewarding dedication and loyalty.

Another aspect of our ONE COMPANY campaign continues to be to standardize our operations, create economies of scale, improve knowledge sharing and benchmarking best practices.

VSC-Ryerson China is in a very competitive market. The PRC service centre industry is highly fragmented. The barriers to entry of first stage processing are low and the number of new entrants is growing rapidly. Steel mills are actively investing in first stage processing and there continues to be the new entrants for Chinese and foreigner.

We will continue to focus on differentiation via SERVICE, PRODUCT, and PEPOLE. We will continue to review our internal business processes to assure our performance, expense management, cost of material, yield and inventory turns are the best in the market.

We have also started to invest in second and third stage processing (i.e. fabrication and manufacturing). In FY2008, KSSC acquired equipments that allows us to deliver semi-finished components to our customers. We are now able to go from COIL TO PARTS under one roof, thus eliminating logistics costs and maximizing material utilization (i.e. yield). Investing in fabrication and manufacturing allows us to provide a differentiated solution to our customers allowing them to improve their cash-to-cash cycle while reducing the number of suppliers.

We have also increased our product offering by growing our sales of processed stainless steel and aluminum. We now have a team of specialists throughout the PRC and working with our existing business units to grow our sales of processed stainless steel and aluminum.

In FY2008, a team of manufacturing specialists was assembled. We now have a network of specialized plate processors whose equipments are dedicated to us. We are now actively selling fabricated components in the PRC and have recently started to export to the USA and Europe.

We will continue to focus our efforts on asset management, profitability and differentiation, and are committed to SHAREHOLDER and CUSTOMER VALUE creation.

Plastic Resins Distribution ("Plastics")

Plastics distributes general and engineering plastic resins to customers in Hong Kong, Pearl River Delta region and Eastern China.

Highlights

	FY2008 Total	FY2007 Total	Change %
Trading Tons *(Metric ton)*	**19,640**	21,210	-7
Revenue *(HK$'million)*	**347**	345	1
Segment Result *(HK$'million)*	**12**	13	-8

For FY2008, the price of crude oil continued to increase, causing the price of general plastic resins to reach record high level. Comparatively the price of engineering plastic resins remained more stable for the same period. In order to achieve higher return on investment, in addition to improved operational efficiency, Plastics also enhanced product mix by reducing the proportion of general plastic resins and sold more engineering ones.

In FY2008, Plastics expanded its geographical coverage and now it has business presence in Guangzhou, Shenzhen, Shanghai and Hong Kong. Guangzhou and Shenzhen operations complement Hong Kong operation to serve customers who have facilities in Pearl River Delta region. Shanghai operation built a platform for business development in Eastern China area. Our presence in both strategic locations enable us to react better to change in regional demand. This also allows us to develop higher level of customer intimacy.

As the Plastics operation currently covers industrial customers in both Hong Kong and the PRC, synergies exist in terms of marketing efforts and customers coverage with VSC-Ryerson China. As a result, in an effort to streamline management and enhance operational efficiency, the VSC management may explore a strategy to eventually consolidate the Plastics operation into VSC-Ryerson China.

Enclosure Systems Manufacturing ("VJY")

VJY, located in Shenzhen, provides comprehensive steel processing services and solution to customers mainly in telecommunication industry. It also serves customers in power management and automobile parts businesses.

Highlights

	FY2008 Total *(HK$'million)*	FY2007 Total *(HK$'million)*	Change %
Revenue	**145**	197	-26
Segment Result	**(24)**	(32)	-25

With an aim to improve operational efficiency and internal control, VJY started to implement an ERP system last year and re-engineered work flows. Most of the ERP modules have been put into use in FY2008, which include "Order Management", "Inventory Control", "Purchasing" and "Finance". The entire program is expected to be completed in the financial year ending 31st March 2009 ("FY2009"). In FY2008, VJY also invested approximately HK$1.4 million in "5S", focusing on warehouse management, plant layout and in particular labor working condition.

Alongside with continuous effort to improve product mix, during FY2008, VJY also started exporting component parts to overseas customers, and commenced pilot runs for some new customers in both telecommunication and autopart businesses.

Having said that, VJY is also not immune to the new Law Of The People's Republic Of China On Employment Contracts ("New Labor Law") that became effective at the beginning of 2008. Although significant operational improvements were made, the increase in labor cost as a result of the New Labor Law has had a detrimental effect to VJY's margins. As VJY is a facility that geared towards second and third stage of operations, it becomes a natural extension to the strategy being implemented at the VSC-Ryerson China level. In the search of operational efficiency, a possible scenario is to rationalize the capabilities of VJY into the VSC-Ryerson China portfolio of services.

CONSTRUCTION MATERIALS GROUP ("CMG")

The VSC Group's CMG operations currently comprise three main business units, namely (1) Hong Kong steel distribution, (2) Mainland China steel distribution, and (3) building products.

Highlights

	FY2008 Total *(HK$'million)*	FY2007 Total *(HK$'million)*	Change %
Revenue	**3,444**	2,813	22
Segment Result	**42**	119	-65

Steel Distribution

The CMG operations in steel distribution comprise stockholding business of rebars, structural steel and engineering products in Hong Kong and steel distribution in Mainland China. 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 ("Hong Kong Steel Distribution Department")

Highlights

	FY2008 Total ***(HK$'million)***	FY2007 Total *(HK$'million)*	Change %
Revenue	**1,474**	1,151	28
Segment Result	**29**	107	-73

During FY2008, various unfavorable external factors have made this an extremely challenging year for Hong Kong Steel Distribution Department. As a start the sudden change in the PRC export custom duty policy has caused the Hong Kong rebar supply industry into a tailspin. During the past two years, because of relatively short lead time in transportation, export custom rebate and competitive pricing, a significant portion of Hong Kong supplies and without exception the department's rebars were purchased and imported from PRC mills. In April 2007, the PRC Government had suddenly cancelled the export custom rebates and in addition imposed an export custom duty in June 2007. The change of this custom duty policy in the PRC had an adverse impact on the gross profit margin and the profitability of the department. The net effect of this change of the export custom duty policy has increased unit cost by about 28% (13% on the cancellation of rebate and 15% on the imposition of export duty). While at the same time, the global steel supply market was also experiencing a rapid price increase due to the ever growing demand of steel in the Middle East coupled with the increase in the prices for crude oil and iron ore making alternative sourcing for the department also very challenging. All these external factors have contributed to a significant erosion in the margin for the department. As a result, gross profit margin dropped from 11.2% to 3.6% in FY2008. Despite a 28% increase in sales turnover to approximately HK$1,474 million, segment profit of the department dropped to approximately HK$29 million which was about a 73% reduction compared with FY2007.

The unit cost of rebars reached an unprecedented level through a sustained upward trend for FY2008. Although the situation may last for quite a long period of time as long as the crude oil price stays high and the global demand for rebars is still hot, the department has implemented a series of strategies and actions to minimize the impact and tried to hedge against the risk of fluctuation in prices with customers and suppliers. The Hong Kong rebar supply industry is one of the few remaining markets in the world that still operates under fixed price contracts, but driven by evermore unfavorable global supply market, there is a need for a quick paradigm shift to the current business models in order to ensure the viability of the department. Despite an excess demand in the market, the department has made a conscious decision to avoid entering into fixed price contracts with a term of over one year, or even as short as six months. As a company that has been in this business for over 40 years, the department is extremely conscious of its reputation and on its ability to honor contracts even in the most adverse situation, with this in mind, and balancing with the need to maintain a positive margin as viable business, the department has been very selective in bidding for new contracts. In addition, the department has also increased its inventory level as the price increases are far out pacing the carrying costs. The department is also tapping into its vast sourcing network to other international suppliers and factoring in a more aggressive increase in pricing in new delivery contracts. Margin of new sales contracts have already been taking into account the continuous price hike from the mills. The quick implementation of these efforts has helped to improve the gross profit margin of the department in the last quarter of the reporting year to 5.4% from 2.8% in the third quarter of the reporting year.

Currently, the department's total contracts-on-hand is approximately HK$787 million extending to the FY2009 (approximately HK$680 million as at 31 March 2007) with a positive margin based on the current global steel price. Major projects worth highlighting are Ocean Park Redevelopment, Pak Shek Kok Development, Celestial Heights, Phase 1 & 2 Development at Tai Wai Maintenance Centre and City of Dreams in Macau. Looking forward to FY2009, the Hong Kong Steel Distribution Department, given its quick and decisive actions to adapt to market conditions and commitments to customers, remains optimistic with its market leader position in Hong Kong and profitability given the booming real-estate market in Hong Kong and the announced Pearl River Delta infrastructure projects of which profit margin should be quite attractive.

Mainland China Steel Distribution ("Mainland China Steel Distribution Department")

Highlights

	FY2008 Total *(HK$'million)*	FY2007 Total *(HK$'million)*	Change %
Revenue	**1,708**	1,454	17
Segment Result	**(1)**	3	N/A

With the continued implementation of China's macro-economic austerity policies coupled with an ever increasing steel price, the Mainland China Steel Distribution Department continued to operate under a difficult environment. The results of the Mainland China Steel Distribution Department included BSC, our 66.7% joint venture company. In FY2008, BSC reported an increase of 35% in revenue to approximately HK$1,353 million as compared with approximately HK$999 million last year, and a net profit after minority interests of approximately HK$8 million.

The goal of Mainland China Steel Distribution Department is to provide a virtual chain market linking procurement services to overseas buyers so that China-made metal products could be exported to satisfy global demand. The strategic intent of such specialized services is to develop the VSC Group's domestic sourcing capability and to lower its capital requirements and risks associated with inventory. It is the department's intention to further provides cross-selling opportunity for processing activities for the CAMP and the VSC-Ryerson China operations providing a more cost effective operation. During the year, our strategic venture alliance MetalChina was terminated due to a difference in strategic direction from the founder of the MetalChina. The founder of MetalChina would prefer to develop MetalChina into a separate and independent operation with marginal synergetic relationships with other VSC Group's companies. As such, the department has exercised its redemption right under its investment into a convertible bond issued by MetalChina and the outstanding balance had been fully provided for. Having said that, the termination of the investment in the MetalChina does not affect the VSC Group's strategic intention to further develop its domestic PRC sourcing capability for CMG, CAMP and the VSC-Ryerson China partnership.

Building Products Distribution ("Building Products Department")

Building Products Department consists of four business units, namely (1) Hong Kong Building Products, (2) Shanghai Leisure Plus, (3) Shenzhen Building Products, and (4) Vanyee Macau, which all engaged in distributing TOTO sanitary wares, Hansgrohe, and Rover conglomerate marble. Benefit from booming real-estate markets in Hong Kong, Shanghai and Macau, the Building Products Department has achieved growth in both revenue and segment profit.

Highlights

	FY2008 Total *(HK$'million)*	FY2007 Total *(HK$'million)*	Change %
Revenue	**262**	208	26
Segment Result	**14**	9	56

Hong Kong Building Products continued to operate a retail showroom in Wanchai and engage in projects sales of sanitary wares and conglomerate marble to contractors. This department continued to maintain stable revenue and profit in FY2008. Revenue and segment profit of the department increased by 25% to approximately HK$86 million and 89% to approximately HK$9 million respectively compared with last year whereas gross profit margin dropped slightly from 34.4% to 33.1%. Hong Kong Building Products currently has contracts-on-hand worth approximately HK$14 million (approximately HK$14.5 million as at 31st March 2007). Major outstanding projects-on-hand worth highlighting are the supply of sanitary wares and tiles for One Island East, Caroline Centre Commercial Building Renovation Project, Renovation at Tsim Sha Tsui Centre & Empire Centre, Landmark North Office Tower, Retail Centre at Union Square, Elements Shopping Arcade and Island Lodge. **Shanghai Leisure Plus** also enjoyed a prosperous year in FY2008 and reported a revenue of approximately HK$121 million and segment profit of approximately HK$6 million. **Shenzhen Building Products** earned a revenue of approximately HK$36 million, and continues to operate a retail showroom and wholesales business in Shenzhen. Given the market in the Southern region of China is much competitive, the Shenzhen operations will continue to face a challenging environment. **Vanyee Macau** is a 82% owned joint venture company. Vanyee Building Products (Macau) Company Limited, which started operation in June 2006, is focusing on the booming hotel, casino and residential development businesses. Vanyee Macau's revenue for FY2008 dropped from approximately HK$24 million to approximately HK$20 million due to the recent completions of most of the planned casino hotels in Macau. The operating performance of this department is expected to be stable in coming year by exploring new products and new brands. Given the continuous growth in the real estate markets in Hong Kong and the PRC, we can expect the Building Products Department to face a growing demand. Yet, coupled with this growing market, competitions from other brands launching similar products at competitive prices, and an increasing material cost will no doubt require additional financial resources and may be erosion in gross profit margin.

Other Investments

Hotel business

As disclosed in previous annual reports, the VSC Group continues to search for investment opportunities in the Greater China area that can help it in getting more diversifying revenue streams while providing it with opportunities in asset appreciation.

During the year under review, the VSC Group has taken a 44% minority stake in a chain of business budget hotels called a8 Hotels ("a8") that operates in the PRC. Currently, a8 operates 5 hotels in which 3 are in Shanghai and 2 are in Guangzhou, representing 523 rooms. The business model of a8 is (i) self operate hotels through entering into long-term leases with landlords in strategically located areas, a8 will refurbish these premises into the a8 quality, and theme hotels to be operated by a8 staff; and (ii) the other approach is to franchise the a8 management systems and know how to selective properties for a franchise fee. The management of the VSC Group is optimistic with the a8 opportunity given the growth potential on this underserved sector in the PRC hotel industry. Although the VSC Group currently has a minority stake in a8, it has also obtained a call option to increase its stake in a8 to a majority position given the potential of a8. In addition to possibly increasing its stake in a8, the VSC Group is also actively seeking additional investors into a8 to speed up the growth of it.

Property

On a separate note, the VSC Group also invested in a 33.33% stake in an 11-storey office building located in Jiangan District, Shanghai. The property is one that located in a prime location in Shanghai having total lettable area of approximately 23,000 square meters, and 118 underground parking spaces. The VSC Group has moved its PRC operational headquarter into that building by taking up 2 storeys comprising of approximately 4,000 square meters since December 2007. Such presence of owning its own headquarter is consistent with the VSC Group's intention to establish itself as a serious participant in the PRC market. At the end of June 2008 (6 months since its opening), the building is approximately 52% rented out and given the current increase in real-estate prices in Shanghai and also appreciation in RMB, the VSC Group is pleased to recognize a valuation gain over a relative short period of time on its investment into this property.

EMPLOYEE AND REMUNERATION POLICIES

In March 2008, the VSC Group employed about 1,288 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 FY2008 amounted to approximately HK$143 million. During the year under review, 11,823,000 options have been exercised by staff under the share option scheme adopted on 12th November 2001.

DIVIDENDS

During the year, an interim cash dividend of HK1.1 cents per ordinary share was declared and paid up by 19th March 2008. The Directors have resolved to recommend at the forthcoming Annual General Meeting of the Company the payment of a final dividend of HK1.3 cents per ordinary share in respect of the year ended 31st March 2008 payable to shareholders whose names appear on the Register of Members of VSC at the close of business on 4th September 2008. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend warrants are expected to be despatched on or before 3rd October 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of VSC will be closed from 2nd September 2008 to 4th September 2008 (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 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 1st September 2008.

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 year ended 31st March 2008.

AUDIT COMMITTEE

The Audit Committee has been set up since December 1998 and now consists of four independent non-executive Directors. The VSC Group's financial statements for the year ended 31st March 2008 now reported on have been reviewed by the Audit Committee.

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 2008, 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 FY2008 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, 23rd July 2008

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 and Xu Lin Bao (being the independent non-executive Directors).