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 2011

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "VSC Group") for the six months ended 30th September 2011, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th September 2011

		For the six months ended 30th September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**2,237,789**	2,049,544
Cost of sales	*5*	**(2,205,177)**	(1,992,209)
Gross profit		**32,612**	57,335
Other gains – net	*4*	**31,873**	62,021
Selling and distribution expenses	*5*	**(16,370)**	(13,864)
General and administrative expenses	*5*	**(79,051)**	(67,776)
Operating (loss)/profit		**(30,936)**	37,716
Finance income	*6*	**981**	394
Finance costs	*6*	**(15,031)**	(13,316)
Share of profit of associates – net		**2,465**	797

		For the six months ended 30th September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
(Loss)/profit before income tax		**(42,521)**	25,591
Income tax credit/(expense)	*7*	**7,475**	(1,358)
(Loss)/profit for the period		**(35,046)**	24,233
Attributable to:			
Equity holders of the Company		**(36,786)**	21,796
Non-controlling interest		**1,740**	2,437
		(35,046)	24,233
(Losses)/earnings per ordinary share for (loss)/profit attributable to the equity holders of the Company during the period			
– Basic	*9*	**HK(8.9) cents**	HK5.3 cents
– Diluted	*9*	**HK(8.8) cents**	HK5.1 cents
Dividends	*8*	**–**	5,384

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2011

	For the six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(35,046)**	24,233
Other comprehensive income		
Currency translation differences	**7,042**	2,255
Total comprehensive (loss)/income for the period	**(28,004)**	26,488
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	**(30,649)**	22,989
– Non-controlling interest	**2,645**	3,499
	(28,004)	26,488

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30th September 2011

	Note	As at 30th September 2011 HK$'000 (Unaudited)	As at 31st March 2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**16,006**	16,130
Investment property		**20,000**	20,000
Intangible asset		**10,692**	10,692
Land use rights		**10,627**	10,728
Investments in associates		**161,699**	156,184
Deferred income tax assets		**35,306**	22,951
Derivative financial instruments		**395**	2,294
Total non-current assets		**254,725**	238,979
Current assets			
Inventories		**492,027**	389,864
Trade and bill receivables	*10*	**458,841**	497,362
Loan receivables		**19,000**	19,000
Prepayments, deposits and other receivables		**149,548**	142,032
Derivative financial instruments		**954**	103
Amounts due from associates		**25,032**	23,103
Pledged bank deposits		**38,404**	41,624
Cash and cash equivalents		**291,094**	485,868
Total current assets		**1,474,900**	1,598,956
Current liabilities			
Trade and bill payables	*11*	**124,118**	313,935
Receipts in advance		**52,878**	145,621
Accrued liabilities and other payables		**45,615**	90,997
Derivative financial instruments		**2,181**	13
Current income tax liabilities		**10,303**	7,932
Borrowings		**845,285**	600,144
Total current liabilities		**1,080,380**	1,158,642
Net current assets		**394,520**	440,314

	Note	As at 30th September 2011 HK$'000 (Unaudited)	As at 31st March 2011 HK$'000 (Audited)
Total assets less current liabilities		**649,245**	679,293
Non-current liabilities			
Derivative financial instruments		**–**	128
Deferred income tax liabilities		**1,367**	1,373
Total non-current liabilities		**1,367**	1,501
Net assets		**647,878**	677,792
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**41,413**	41,413
Reserves			
– Proposed dividend		**–**	2,485
– Others		**570,684**	600,758
		612,097	644,656
Non-controlling interest		**35,781**	33,136
Total equity		**647,878**	677,792

NOTES

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2011 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 2011, 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 2011, 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 revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1st April 2011 and are relevant for the VSC Group.

- HKAS 24 (Revised) 'Related Party Disclosures' is effective for annual periods beginning on or after 1st January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. The revised standard has no material impact on the VSC Group's consolidated financial statements.

- Amendment to HKAS 34 'Interim Financial Reporting' is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following standards, amendments and interpretations to existing standards are effective in 2011 but not relevant to the VSC Group.

- Amendment to HKAS 32 'Classification of Rights Issues' is effective for annual periods beginning on or after 1st February 2010. This is not currently applicable to the VSC Group, as it has not made any rights issue.

- Amendment to HK(IFRIC) – Int 14 'HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction' is effective for annual periods beginning on or after 1st January 2011. This is not currently relevant to the VSC Group, as it does not have a defined benefit retirement scheme.

- HK(IFRIC) – Int 19 'Extinguishing Financial Liabilities with Equity Instruments' is effective for annual periods beginning on or after 1st July 2010. This is not currently applicable to the VSC Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to HKFRS (2010) were issued in May 2010 by the Hong Kong Institute of Certified Public Accountants. All improvements are effective in the current financial period and currently not relevant to the VSC Group.

3 REVENUE AND SEGMENT INFORMATION

The VSC Group's revenue consists of the following:

	For the six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
Sales of goods	**2,234,832**	2,046,068
Service income	**681**	2,512
Rental income	**2,276**	964
Total revenue	**2,237,789**	2,049,544

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

Management has determined the operating segments based on the reports reviewed by the VSC Group's Chief Operating Decision Maker ("CODM") that are used to make strategic decisions. The CODM considers the VSC Group operates predominantly in four operating segments:

(i) Steel distribution;

(ii) Building products;

(iii) Plastics resins; and

(iv) Property investment.

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

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

Analysis of the VSC Group's results by the business segments for the six months ended 30th September 2011 is as follows:

	Steel distribution HK$'000	Building products HK$'000	Plastics resins HK$'000	Property investment HK$'000	Other operations HK$'000	Unallocated HK$'000	Total HK$'000
External revenue	**1,817,925**	**224,106**	**195,596**	**162**	**–**	**–**	**2,237,789**
Operating (loss)/profit	**(19,630)**	**17,435**	**3,468**	**145**	**(15)**	**(32,339)**	**(30,936)**
Finance income	**758**	**6**	**22**	**11**	**–**	**184**	**981**
Finance costs	**(12,414)**	**(399)**	**(389)**	**(50)**	**(1)**	**(1,778)**	**(15,031)**
Share of profit of associates – net	**–**	**–**	**–**	**2,465**	**–**	**–**	**2,465**
(Loss)/profit before income tax	**(31,286)**	**17,042**	**3,101**	**2,571**	**(16)**	**(33,933)**	**(42,521)**
Other gains – net	**28,781**	**757**	**222**	**27**	**–**	**2,086**	**31,873**
Depreciation and amortisation	**(650)**	**(910)**	**(17)**	**–**	**–**	**(2,064)**	**(3,641)**
Income tax credit/(expense)	**4,893**	**(3,437)**	**(468)**	**(3)**	**–**	**6,490**	**7,475**

Analysis of the VSC Group's results by the business segments for the six months ended 30th September 2010 is as follows:

	Steel distribution HK$'000	Building products HK$'000	Plastics resins HK$'000	Property investment HK$'000	Other operations HK$'000	Unallocated HK$'000	Total HK$'000
External revenue	1,650,318	187,986	210,936	304	–	–	2,049,544
Operating profit/(loss)	58	14,436	7,685	175	40,469	(25,107)	37,716
Finance income	106	26	2	–	93	167	394
Finance costs	(11,883)	(1,014)	(265)	–	(6)	(148)	(13,316)
Share of profit/(loss) of associates – net	–	–	–	1,774	(977)	–	797
Profit/(loss) before income tax	(11,719)	13,448	7,422	1,949	39,579	(25,088)	25,591
Other gains – net	19,857	180	96	–	41,763	125	62,021
Depreciation and amortisation	(779)	(887)	(26)	–	–	(1,927)	(3,619)
Income tax (expense)/credit	147	(2,320)	(970)	–	(11)	1,796	(1,358)

The Company 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	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Mainland China	**1,016,492**	947,905
Hong Kong	**1,221,297**	1,101,639
Total revenue	**2,237,789**	2,049,544

For the six months ended 30th September 2011, revenue of approximately HK$155,456,000 (for the six months ended 30th September 2010: HK$182,409,000) was derived from a single external customer.

4 OTHER GAINS – NET

	For the six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
Net exchange gain	**7,186**	4,143
Sundry income	**838**	1,547
Fair value gains on interest rate instruments	**13**	131
Net fair value change on forward foreign exchange contracts held for trading	**(1,126)**	–
Net fair value change on steel future contracts	**(1,947)**	27
Realised loss on steel future contracts	**(886)**	(8,144)
Write-back of provision for onerous contracts	**27,795**	23,898
Gain on disposal of interest in an associate	**–**	40,419
	31,873	62,021

5 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	
	2011	2010
	HK$'000	*HK$'000*
Raw materials consumed and finished goods sold	**2,204,201**	1,992,548
Write-down/(write-back) of provision of impairment of inventories	**976**	(1,042)
Depreciation of property, plant and equipment	**3,540**	3,518
(Gain)/loss on disposals of property, plant and equipment	**(20)**	8
Amortisation of land use rights	**101**	101
Employee benefit expenses	**47,995**	36,516
Operating lease rental in respect of land and buildings	**9,673**	6,833
Reversal of impairment of trade receivables	**(933)**	(564)
Others	**35,065**	35,931
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,300,598**	2,073,849

6 FINANCE INCOME AND COSTS

	For the six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**981**	334
– from receivables	**–**	60
	981	394
Finance costs		
Interest expenses:		
– bank borrowings wholly repayable within five years	**(12,910)**	(7,578)
Bank charges	**(2,121)**	(5,738)
	(15,031)	(13,316)
Net finance costs	**(14,050)**	(12,922)

7 INCOME TAX CREDIT/(EXPENSE)

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. Subsidiaries established in Mainland China are subject to China corporate income tax at rate of 25% (2010: 25%).

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

	For the six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**(1,814)**	(2,119)
– China corporate income tax	**(2,943)**	(3,070)
Deferred income tax	**12,232**	3,831
	7,475	(1,358)

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

8 DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30th September 2011 (2011 interim: HK1.3 cents per ordinary share; totaling approximately HK$5,384,000).

9 (LOSSES)/EARNINGS PER ORDINARY SHARE

(a) Basic

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

	For the six months ended 30th September	
	2011	2010
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(36,786)**	21,796
Weighted average number of ordinary shares in issue *('000)*	**414,128**	414,128
Basic (losses)/earnings per ordinary share *(HK cents)*	**(8.9)**	5.3

(b) Diluted

Diluted (losses)/earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares 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.

	For the six months ended 30th September	
	2011	2010
(Loss)/profit attributable to equity holders of the Company and used to determine diluted (losses)/earnings per ordinary share *(HK$'000)*	**(36,786)**	21,796
Weighted average number of ordinary shares in issue *('000)*	**414,128**	414,128
Adjustment for share options *('000)*	**3,968**	9,452
Weighted average number of ordinary shares for diluted (losses)/earnings per ordinary share *('000)*	**418,096**	423,580
Diluted (losses)/earnings per ordinary share *(HK cents)*	**(8.8)**	5.1

10 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 60 days.

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

	As at 30th September 2011 ***HK$'000***	As at 31st March 2011 *HK$'000*
0 – 60 days	**364,492**	430,632
61 – 120 days	**68,441**	46,856
121 – 180 days	**20,415**	15,574
181 – 365 days	**6,901**	5,276
Over 365 days	**7,173**	8,882
	467,422	507,220
Less: Provision for impairment of trade receivables	**(8,581)**	(9,858)
	458,841	497,362

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

11 TRADE AND BILL PAYABLES

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

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

	As at 30th September 2011 ***HK$'000***	As at 31st March 2011 *HK$'000*
0 – 60 days	**117,115**	311,435
61 – 120 days	**–**	316
121 – 180 days	**279**	–
181 – 365 days	**6,696**	–
Over 365 days	**28**	2,184
	124,118	313,935

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

12 COMMITMENTS

(a) Commitments under operating leases

(i) Lessor

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

	As at 30th September 2011 *HK$'000*	As at 31st March 2011 *HK$'000*
Not later than one year	**456**	120
Later than one year and not later than five years	**450**	–
	906	120

(ii) Lessee

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

	As at 30th September 2011 *HK$'000*	As at 31st March 2011 *HK$'000*
Not later than one year	**17,163**	13,522
Later than one year and not later than five years	**17,386**	16,636
Later than five years	**–**	198
	34,549	30,356

(b) Commitments under derivative contracts

As at 30th September 2011, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$10,000,000 (31st March 2011: US$18,000,000) for approximately HK$77,940,000 (31st March 2011: HK$140,184,000). The settlement date is 31st July 2012.

As at 30th September 2011, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$55,000,000 (31st March 2011: US$79,000,000) for approximately RMB351,395,000 (31st March 2011: RMB517,889,000). The settlement dates are from 27th June 2012 to 25th February 2013.

As at 30th September 2011, the VSC Group had outstanding steel future contracts to purchase 3,000 metric tonnes (31st March 2011: 2,000 metric tonnes) of rebar at approximately RMB12,948,000 (31st March 2011: RMB9,590,000). The settlement date is 17th January 2012.

As at 30th September 2011, the VSC Group had no outstanding interest rate instrument (31st March 2011: notional principal amount of approximately US$50,000,000). No committed payment under interest rate instrument (31st March 2011: approximately US$500,000).

RESULTS

Revenue for the six months ended 30th September 2011 was approximately HK$2,238 million, a 9% increase as compared with approximately HK$2,050 million for the same period of last year. Gross profit margin, however, decreased by 1.3 percentage points to 1.5% as compared with 2.8% for the same period of last year. Selling and distribution expenses increased by 18% from approximately HK$14 million to approximately HK$16 million. General and administrative expenses increased by 17% from approximately HK$68 million to approximately HK$79 million.

Loss attributable to the equity holders of the Company was approximately HK$37 million. Basic losses per ordinary share was HK8.9 cents as compared with earnings of HK5.3 cents for the same period of last year. The Board does not recommend the payment of any interim dividend for the six months ended 30th September 2011 (2011 interim: HK1.3 cents per ordinary share).

FINANCIAL POSITIONS

Compared with last fiscal year ended 31st March 2011, as at 30th September 2011, the VSC Group's total assets decreased by approximately HK$108 million to approximately HK$1,730 million. The VSC Group's inventories increased by approximately HK$102 million to approximately HK$492 million. The average Days of Supplies (average inventories divided by cost of sales x 183 days) was increased from 29 days for the last year end to 37 days. The VSC Group's trade and bill receivables decreased by approximately HK$38 million to approximately HK$459 million. The average overall Day Sales Outstanding (average trade and bill receivables divided by revenue x 183 days) remained at 39 days for the last year end and for the six months ended 30th September 2011. Net assets value of the VSC Group decreased by approximately HK$30 million to approximately HK$648 million, equivalent to HK$1.56 per ordinary share.

Compared with the financial position at 31st March 2011, the VSC Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$198 million to approximately HK$329 million while the VSC Group's bank borrowings increased by approximately HK$245 million to approximately HK$845 million. Current ratio decreased to 1.37, while 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 10% to 46%.

FINANCIAL RESOURCES

All of the VSC Group's financing and treasury activities are centrally managed and be controlled at the corporate level. The VSC Group's overall treasury and funding policies focus on managing financial risks, and on cost efficient funding of the VSC Group and its group companies. The VSC Group always adhered to prudent financial management principles.

The VSC Group's trade financing remained primarily supported by its bank trading and term loan facilities. About 82% of the VSC Group's total borrowings were denominated in HK dollar, about 16% in Chinese Renminbi ("RMB") and about 2% in US dollar. These facilities are either secured by the VSC Group's inventory held under short-term trust receipts bank loan arrangement and/or pledged bank deposits and/or corporate guarantee provided by the Company. All of the above borrowings were on floating rate basis. 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 RMB110 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.

CHARGES ON ASSETS

As at 30th September 2011, the VSC Group had certain charges on assets which included (i) inventories of approximately HK$23 million pledged for certain of the VSC Group's short-term bank loans; (ii) certain inventories which were held under trust receipts bank loan arrangements; (iii) bank deposits of approximately HK$33 million which were pledged as collateral for the VSC Group's banking facilities and approximately HK$5 million were pledged for steel future contracts; and (iv) an investment property of approximately HK$20 million was pledged as collaterals for certain of the VSC Group's bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The VSC Group's businesses were primarily transacted in HK dollar, US dollar and 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 minimize exchange exposure.

Forward foreign exchange contracts would be entered into when suitable opportunities arise and when management of the VSC Group consider appropriate, to hedge against major non-HK dollar currency exposures. It is the VSC Group's policy not to enter into any derivative transaction for speculative purposes.

CONTINGENT LIABILITIES

As at 30th September 2011, there was no material contingent liability.

OPERATION REVIEW AND PROSPECTS

Overall

Following through from the year ended 31st March 2011 ("FY2011"), the six months ended 30th September 2011 continues to be challenging for the VSC Group and have been negatively affected by the uncertainty in the global economy. This is primarily driven by the results from the Hong Kong Steel Distribution business. Our Building Products Distribution business has performed well during the same period even as our Plastics Resins Distribution business also faces an extremely difficult market conditions as well.

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")

We have generated HK$988 million in revenue for the first 6 months of this financial year as against HK$844 million for the same period of last year. Unfortunately, this increase in revenue has not been matched by similar increase in profits, our gross profit margin is a negative 4%, as most of all the onerous contracts that had been provided for as of FY2011 have been delivered.

The macro environment is positive as overall demand for steel in Hong Kong still looks good. With the launch of some of the 10 major infrastructure projects and the relaunch of the new Home Ownership Scheme by the Hong Kong Government, it is expected that the demand of steel will further boost up this year with these infrastructure projects and from the public housing market.

The rising steel prices over the last few quarters had adversely affected the VSC Group as reflected in the interim results. However, in the recent months, the steel price has started to soften and recently HK Steel Department also secured orders of MTR West Island Line no. 703 Sheung Wan to Sai Ying Pun Tunnel and MTR South Island Line (East) no. 901 Admiralty Integrated Station and SCL enabling works, Kai Tak Cruise Terminal Building and ancillary facilities, and North Lantau Hospital Phase 1. As a result, we (as the management team) have good reason to expect improved performance in the HK Steel Department in the second half of year ending 31st March 2012 ("FY2012").

This is also supported by the much lower provision for the onerous contract provision as of 30th September 2011.

Mainland China Steel Distribution ("PRC Steel Department")

We are glad to inform our shareholders that our dual strategy of going direct to the "end-users" of steel infrastructures in Mainland China as well as the move towards international projects has been very successful. Our international project sales has increased in profitability in last 6 months.

Our 66.7% owned joint venture BSC continues to focus in automobile steel market. It also faces challenges from the fluctuating steel prices, despite that, they had been able to hold their gross profit margin above a positive 2%.

Metals Recycling Business

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

We are also happy to report that the VSC Group now has trading business in Mainland China in both the ferrous and non-ferrous operations too. After a year of learning and accumulating valuable experience and knowledge, we have obtained ISO 9001 Certificate for the scrap metal trading business and the metals recycling team is much more well poised to move into bigger and more impactful mergers and acquisitions, strategic alliances in both Greater China and also North America regions. We look forward to build a strong team with proper structure to meet the challenges and to accomplish the goals for this business.

Building Products Distribution

The business unit of Building Products Distribution mainly engages in distributing sanitary wares in Greater China, namely Shanghai, Wuhan, Shenzhen, Hong Kong and Macau. Total revenue of the Building Products Distribution amounted to approximately HK$224 million for the period under review, growing from a respectable HK$188 million for same period of last year, close to 20% increase.

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

During the six months under review, Shanghai, Wuhan and Shenzhen Leisure Plus reported revenue of approximately HK$167 million which represents over 70% of our total Building Products Distribution's revenue. This is largely due to our acquisition of the TOTO distributorship in Hubei province; mainly in Wuhan. The gross profit margin has also increased from 12% for the same period of last year to over 14%.

For the remaining second half of FY2012, we expect the revenue growth to continue strongly and also the profitability too. Our strength in our channels development in Shanghai and also key account development in Shenzhen also complements our "close working" and strategic partnership with our key supplier TOTO. We are constantly exploring to enhance our current as well as add more strategic partnerships to create value for our shareholders.

The strategic alliance with LIXIL Group for the distribution of their TOSTEM brand of products has also been enhanced and we look forward to the strong growth of our LIXIL distribution channels across entire China.

Hong Kong Building Products Department

Hong Kong Building Products Department recorded revenue of approximately HK$57 million, the gross profit margin has increased to 31% from 27% for the same period of last year. It engages in projects, wholesale distribution and retail for sanitary wares and fittings, kitchen cabinets and home 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 for the past 12 months has won a number of major projects such as supply of sanitary wares for Marinella, Hennessy Centre redevelopment, Holiday Inn Express (Tseung Kwan O), Tamar Development Project, City One Plaza, Jardine House redevelopment and The Wings.

Plastic Resins Distribution ("Plastics Department")

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

Recently, in the past 6 to 12 months, the export business of our customers in Mainland China has decreased dramatically. This has translated into huge volume decrease (from overall tonnage of 10,800 to 8,000 for the last 6 months) as well as severe pricing pressure from both our suppliers as well as our competitors. This pricing pressure explains the gross profit margin decreased from 6% for the same period of last year to 4% for the last 6 months.

Going forward, the Plastics Department team would focus on aggressively growing the customer base that sells predominately to Mainland China domestic market as this is the only growth market for our customers' base. As this current trend continues, we would also explore the current costs structure to ensure we have the most appropriate and profitable business model for the future.

Property Investment

The VSC Group invested in property business by holding a 33.33% stake in an 11-storey office building in Jing An District, Shanghai, where the VSC Group's PRC headquarter is located. Currently, the property is managed by our property management team and the property has an occupancy rate of over 98%. The performance has been above expectations and good returns have been made on the rentals of the retail and office floor space. The appreciation of the property value has also been most encouraging. The tenants consist of various international companies which provide a stable income for the property business. Our property management team has been in the real estate properties management business for a number of years and will also explore the opportunities in providing property management and agent services to other projects. Recently, we are also looking at multiple potential property projects in FY2012 and a number of potential deals in various cities in Mainland China have been targeted. The management of these properties, service, maintenance and leasing could potential become a substantial portion of our future business in Mainland China.

Other Investment

Hotel Business

The VSC Group owns 44% interest in a business of budgeted hotel chain operating in the PRC, namely a8 Hotel ("a8"), which currently operates 3 hotels in Shanghai and 2 hotels in Guangzhou, with one hotel in Shanghai joined a8 as a franchisee.

Since the great performance last year due to the Shanghai World Expo, the hotel business has continued to maintain relatively good performance and still has positive cash-flow. The leadership team is re-evaluating the strategic planning of this investment and the best possible way to create maximum shareholders' value here.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of shares of the Company during the six months ended 30th September 2011.

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 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the six month ended 30th September 2011, except for the deviations herein below mentioned:

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

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.vschk.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The interim report for the six months ended 30th September 2011 of the Company containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

On behalf of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 11th November 2011

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