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 2012

The Board of Directors (the "Board") of Van Shung Chong Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "VSC Group") for the year ended 31st March 2012, together with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	2	**4,432,081**	4,207,768
Cost of sales	4	**(4,260,894)**	(4,018,827)
Gross profit		**171,187**	188,941
Other gains – net	3	**47,463**	44,426
Selling and distribution expenses	4	**(34,040)**	(27,657)
General and administrative expenses	4	**(163,299)**	(136,164)
Operating profit		**21,311**	69,546
Finance income	5	**1,584**	858
Finance costs	5	**(25,300)**	(24,126)
Share of profits of associates – net		**8,465**	6,626
Profit before income tax		**6,060**	52,904
Income tax credit/(expense)	6	**4,787**	(14,010)
Profit for the year		**10,847**	38,894

	Note	2012 HK$'000	2011 HK$'000
Attributable to:			
Equity holders of the Company		**6,283**	31,032
Non-controlling interest		**4,564**	7,862
		10,847	38,894
Earnings per ordinary share for profit attributable to the equity holders of the Company during the year			
– Basic	8	**HK1.52 cents**	HK7.49 cents
– Diluted	8	**HK1.51 cents**	HK7.34 cents
Dividends	7	**7,454**	7,869

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**10,847**	38,894
Other comprehensive income:		
Change in fair value of available-for-sale financial asset	**147**	–
Currency translation differences	**10,325**	10,883
Other comprehensive income for the year	**10,472**	10,883
Total comprehensive income for the year	**21,319**	49,777
Total comprehensive income attributable to:		
– Equity holders of the Company	**15,570**	40,383
– Non-controlling interest	**5,749**	9,394
	21,319	49,777

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**15,355**	16,130
Investment property		**22,000**	20,000
Land use rights		**10,526**	10,728
Intangible assets		**10,659**	10,692
Investments in associates		**169,552**	156,184
Deferred income tax assets		**32,493**	22,951
Available-for-sale financial asset		**445**	–
Derivative financial instruments		**–**	2,294
Total non-current assets		**261,030**	238,979
Current assets			
Inventories		**396,858**	389,864
Trade and bill receivables	9	**563,976**	497,362
Loan receivables		**19,000**	19,000
Prepayments, deposits and other receivables		**122,862**	142,032
Derivative financial instruments		**629**	103
Amounts due from associates		**24,081**	23,103
Pledged bank deposits		**134,066**	41,624
Cash and cash equivalents		**267,448**	485,868
Total current assets		**1,528,920**	1,598,956
Current liabilities			
Trade and bill payables	10	**340,013**	313,935
Receipts in advance		**62,642**	145,621
Accrued liabilities and other payables		**38,558**	90,997
Derivative financial instruments		**–**	13
Current income tax liabilities		**2,099**	7,932
Borrowings		**653,788**	600,144
Total current liabilities		**1,097,100**	1,158,642
Net current assets		**431,820**	440,314

	Note	2012 HK$'000	2011 HK$'000
Total assets less current liabilities		**692,850**	679,293
Non-current liabilities			
Derivative financial instruments		**–**	128
Deferred income tax liabilities		**1,127**	1,373
Total non-current liabilities		**1,127**	1,501
Net assets		**691,723**	677,792
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**41,413**	41,413
Reserves			
– Proposed final dividend		**7,454**	2,485
– Others		**610,040**	600,758
		658,907	644,656
Non-controlling interest		**32,816**	33,136
Total equity		**691,723**	677,792

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment property, which are carried at fair value.

(a) The following new standards, amendments and interpretations to existing standards are mandatory for the annual period beginning on or after 1st April 2011, but are currently not relevant to the VSC Group:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-Time Adopters
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguish Financial Liabilities with Equity Instruments

(b) The following new standards, amendments and interpretations to existing standards have been issued, but are not effective and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements on Other Comprehensive Income
HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9	Mandatory Effective Date and Transition Disclosures (Amendments)
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. REVENUE AND SEGMENT INFORMATION

The VSC Group's revenue consists of the following:

	2012	2011
	HK$'000	*HK$'000*
Sales of goods	**4,426,525**	4,204,052
Service income	**5,166**	3,070
Rental income	**390**	646
Total revenue	**4,432,081**	4,207,768

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) Plastic resins; and

(iv) Property investment.

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

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

Analysis of the VSC Group's results by business segment for the year ended 31st March 2012 is as follows:

	Steel distribution *HK$'000*	**Building products** *HK$'000*	**Plastic resins** *HK$'000*	**Property investment** *HK$'000*	**Other operations(*)** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
External revenue	3,610,433	440,221	381,037	390	–	–	4,432,081
Operating profit/(loss)	49,107	30,336	4,318	2,344	–	(64,794)	21,311
Finance income	1,316	42	53	12	–	161	1,584
Finance costs	(21,422)	(2,786)	(890)	(96)	–	(106)	(25,300)
Share of profits/(losses) of associates – net	411	–	–	9,592	–	(1,538)	8,465
Profit/(loss) before income tax	29,412	27,592	3,481	11,852	–	(66,277)	6,060
Other gains/(losses) – net	40,262	1,197	(7)	2,039	–	3,972	47,463
Depreciation and amortisation	(1,307)	(1,963)	(44)	(6)	–	(4,084)	(7,404)
Income tax credit/(expense)	(4,434)	(5,922)	(601)	–	–	15,744	4,787

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

	Steel distribution *HK$'000* (Restated)	Building products *HK$'000* (Restated)	Plastic resins *HK$'000* (Restated)	Property investment *HK$'000* (Restated)	Other operations[*] *HK$'000* (Restated)	Unallocated *HK$'000* (Restated)	Total *HK$'000* (Restated)
External revenue	3,465,874	370,156	371,092	646	–	–	4,207,768
Operating profit/(loss)	47,848	29,190	12,531	(1,378)	39,667	(58,312)	69,546
Finance income	305	51	7	10	429	56	858
Finance costs	(21,273)	(2,009)	(577)	(50)	(7)	(210)	(24,126)
Share of profits/(losses) of associates – net	878	–	–	6,724	(976)	–	6,626
Profit/(loss) before income tax	27,758	27,232	11,961	5,306	39,113	(58,466)	52,904
Other gains/(losses) – net	(2,195)	450	364	(309)	43,113	3,003	44,426
Depreciation and amortisation	(1,005)	(1,791)	(38)	(1)	–	(4,318)	(7,153)
Income tax (expense)/credit	(17,138)	(5,097)	(2,027)	407	(65)	9,910	(14,010)

* Other operations mainly represent the operating result of 20% interest in an associated company, Ryerson China Limited, which was disposed during the year ended 31st March 2011.

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

	2012 ***HK$'000***	2011 *HK$'000*
Revenue		
Mainland China	**1,861,020**	2,014,427
Hong Kong	**2,571,061**	2,193,341
Total revenue	**4,432,081**	4,207,768

3. OTHER GAINS – NET

	2012	2011
	HK$'000	*HK$'000*
Write-back of/(provision) for onerous contracts	**37,912**	(5,483)
Gain on disposal of interest in an associate	**–**	40,419
Fair value gain/(loss) on an investment property	**2,000**	(273)
Fair value gains on interest rate instruments	**13**	120
Net fair value change on forward foreign exchange contracts held for trading	**(1,638)**	2,257
Net fair value change on steel future contracts	**(2)**	(978)
Realised loss on steel future contracts	**(3,827)**	(4,935)
Gain on disposal of a club debenture	**–**	2,038
Net exchange gain	**11,187**	10,410
Amount recovered from a fully impaired available-for-sale financial asset	**–**	388
Sundry income	**1,818**	463
	47,463	44,426

4. EXPENSES BY NATURE

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

	2012	2011
	HK$'000	*HK$'000*
Raw material consumed and finished goods sold	**4,255,124**	4,019,698
Provision/(write-back) of impairment of inventories	**5,770**	(871)
Depreciation of property, plant and equipment	**6,770**	6,951
Gain on disposals of property, plant and equipment	**(96)**	(6)
Amortisation of intangible assets and land use rights	**634**	202
Employee benefit expenses	**94,387**	73,293
Operating lease rental expense in respect of land and buildings	**20,568**	14,586
Reversal of impairment of trade receivables	**(2,448)**	(4,944)
Provision for impairment of other receivables	**–**	1,195
Auditor's remuneration	**1,880**	1,700
Others	**75,644**	70,844
Total cost of sales, selling and distribution expenses and general and administrative expenses	**4,458,233**	4,182,648

5. FINANCE INCOME AND COSTS

	2012	2011
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**1,584**	702
– from receivables	**–**	156
	1,584	858
Finance costs		
Interest expenses:		
– bank borrowings wholly repayable within five years	**(21,580)**	(16,039)
Bank charges	**(3,720)**	(8,087)
	(25,300)	(24,126)
Net finance costs	**(23,716)**	(23,268)

6. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") on 16th March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6th December 2007. According to the CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1st January 2008. However, for enterprises which are established before the publication of the CIT Law and are entitled to preferential treatments of reduced income tax rate granted by relevant tax authorities, the income tax rate is gradually increased to 25% within 5 years after the effective date of the CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term continue to enjoy such treatment until the fixed term expires. During the year, subsidiaries established in Mainland China are subject to China corporate income tax at rates ranging from 24% to 25% (2011: 22% to 25%).

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

	2012	2011
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**(1,571)**	(2,006)
– China corporate income tax	**(7,174)**	(8,098)
Deferred income tax	**9,576**	(3,906)
Over provision in prior years	**3,956**	–
	4,787	(14,010)

7. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim dividend of nil (2011: HK1.3 cents per ordinary share)	–	5,384
Proposed final dividend of HK1.8 cents per ordinary share (2011: HK0.6 cents)	**7,454**	2,485
	7,454	7,869

A final dividend for the year ended 31st March 2012 of HK1.8 cents per ordinary share, totalling HK$7,454,000 (2011: HK$2,485,000) has been recommended by the Board for approval at the forthcoming Annual General Meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31st March 2012.

8. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	2012	2011
Profit attributable to equity holders of the Company *(HK$'000)*	**6,283**	31,032
Weighted average number of ordinary shares in issue *('000)*	**414,128**	414,128
Basic earnings per ordinary share *(HK cents)*	**1.52**	7.49

(b) Diluted

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares is arising from share options, for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012	2011
Profit attributable to equity holders of the Company and used to determine diluted earnings per ordinary share *(HK$'000)*	**6,283**	31,032
Weighted average number of ordinary shares in issue *('000)*	**414,128**	414,128
Adjustment for share options *('000)*	**1,372**	8,630
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	**415,500**	422,758
Diluted earnings per ordinary share *(HK cents)*	**1.51**	7.34

9. TRADE AND BILL RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bill receivables		
– from third parties	**566,185**	507,220
– from an associate	**3,970**	–
Less: provision for impairment of trade receivables	**(6,179)**	(9,858)
Trade and bill receivables, net	**563,976**	497,362

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:

	2012	2011
	HK$'000	*HK$'000*
0 to 60 days	**447,921**	430,632
61 to 120 days	**58,519**	46,856
121 to 180 days	**16,550**	15,574
181 to 365 days	**41,674**	5,276
Over 365 days	**5,491**	8,882
	570,155	507,220
Less: Provision for impairment of trade receivables	**(6,179)**	(9,858)
	563,976	497,362

The carrying amounts of net trade and bill receivables approximated to their fair values as at 31st March 2011 and 2012.

10. TRADE AND BILL PAYABLES

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

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

	2012	2011
	HK$'000	*HK$'000*
0 to 60 days	**332,524**	311,435
61 to 120 days	**412**	316
121 to 180 days	**42**	–
181 to 365 days	**3**	–
Over 365 days	**7,032**	2,184
	340,013	313,935

The carrying amounts of trade and bill payables approximated to their fair values as at 31st March 2011 and 2012.

11. COMMITMENTS

(a) Commitments under operating leases

(i) Lessor

The VSC Group leases an investment property under non-cancellable operating lease agreements. The lease term is 2 years, and the lease agreement is renewable at the end of the lease period at market rate.

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

	2012 *HK$'000*	2011 *HK$'000*
Not later than one year	**456**	120
Later than one year and not later than five years	**223**	–
	679	120

(ii) Lessee

The VSC Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2012 *HK$'000*	2011 *HK$'000*
Not later than one year	**22,449**	13,522
Later than one year and not later than five years	**17,789**	16,636
Later than five years	**–**	198
	40,238	30,356

(b) Capital commitment

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2012 *HK$'000*	2011 *HK$'000*
Contracted but not provide for:		
Capital contribution for a recycling business	**12,744**	–

(c) Commitments under derivative contracts

As at 31st March 2012, the VSC Group had an outstanding forward foreign currency contract to purchase approximately US$7,000,000 (2011: US$18,000,000) for approximately HK$54,355,000 (2011: HK$140,184,000). The settlement date is 31st October 2012.

As at 31st March 2012, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$28,000,000 (2011: US$79,000,000) for approximately RMB176,334,000 (2011: RMB517,889,000). The settlement dates are from 5th September 2012 to 25th February 2013.

RESULTS

Revenue for the financial year ended 31st March 2012 ("FY2012") reached approximately HK$4,432 million, a 5% increase as compared with approximately HK$4,208 million for the financial year ended 31st March 2011 ("FY2011"). Gross profit margin decreased 0.6 percentage points to 3.9% as compared with 4.5% for FY2011. Selling and distribution expenses increased by 23% from approximately HK$28 million to approximately HK$34 million. General and administrative expenses increased by 20% from approximately HK$136 million to approximately HK$163 million.

Profit attributable to the equity holders of the Company was approximately HK$6 million (FY2011: HK$31 million). Basic earnings per ordinary share was HK1.52 cents (FY2011: HK7.49 cents). The Board recommends to declare of a final dividend of HK1.8 cents per ordinary share for FY2012. (FY2011 final: HK0.6 cents).

CHARGES ON ASSETS

As at 31st March 2012, the VSC Group had certain charges on assets which included, (i) bank deposits of approximately HK$28 million which were pledged as collateral for the VSC Group's banking facilities and approximately HK$106 million were pledged for performance bonds, and (ii) an investment property of approximately HK$22 million was pledged as collaterals for certain of the VSC Group's bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The VSC Group's businesses are primarily transacted in HK dollar, US dollar and Chinese Renminbi ("RMB"). As exchange rate between HK dollar and the US dollar is pegged, the VSC Group believes its exposure to exchange rate risk arising from US dollar is not material. Facing the appreciation of RMB, the VSC Group will continue to match RMB payments with RMB receipts to minimise the exchange exposure.

As at 31st March 2012, about 86.1% of the VSC Group's interest-bearing borrowings were denominated in HK dollar and about 13.9% in RMB. Forward foreign exchange contracts would be entered into when suitable opportunities arise and when the management of the VSC Group consider appropriate, to hedge against major non-HK dollar currency exposures. As at 31st March 2012, the VSC Group had forward foreign exchange contracts to hedge principal repayment of future US dollar debts under letters of credit in the amount of approximately HK$54 million and RMB176 million.

All of the VSC Group's borrowings as at 31st March 2012 were on floating rate basis. The use of derivative financial instruments is strictly controlled and mainly used to hedge against the foreign currency exchange rate exposures in connection with the borrowings. It is the VSC Group's policy not to enter into derivative transactions for speculative purposes.

CONTINGENT LIABILITIES

As at 31st March 2012, there was no material contingent liability.

MANAGEMENT DISCUSSION AND ANALYSIS

FY2012 has proven to be a challenging and turn-around year for the VSC Group. Revenue has continued to grow, highlighting the strong market demand for our products. The first half of the year has been challenging for the Company due to huge fluctuations in steel prices. The second half of FY2012 has witnessed significant improvement in the profitability of the VSC Group of over HK$43 million in net profit which helped the VSC Group to turn from loss to profit.

The revenue has grown to HK$4.4 billion representing a growth of 5% over last year. This revenue growth was mainly contributed by our Hong Kong Steel and our Mainland China Building Products Businesses.

The overall gross profit margin of the VSC Group has decreased from 4.5% for FY2011 to this year's 3.9%. This decrease is mainly contributed by our Hong Kong Steel Business as the volatile steel prices fluctuation gets reflected in our Steel Business' performance. The profit attributable to equity holders amounted to HK$6 million.

About HK$169 million and HK$47 million were used in operating activities and financing activities respectively, while our year-end cash balance settled to HK$267 million. This represents a decrease in our cash position of HK$218 million over the same date in 2011, a large part of this went towards increase in our pledged bank deposits as our performance bonds with strategic customers grew. Another reason is that our hedged position for steel contracts outstanding is increased to over 65% in line with our corporate risk management strategy. On operating efficiency of assets, the Days Sales Outstanding (average trade and bill receivables divided by revenue X 365 days) had increased from about 39 days to about 44 days. Days of Supplies (average inventories divided by cost of sales X 365 days) ("DOS") also increased from about 29 days to about 34 days.

The VSC Group's gearing ratio (net debt, which is total borrowings minus pledged bank deposits and cash and cash equivalents, divided by capital and reserves attributable to equity holders plus net debt) increased from the last year's 10% to 28% at book close.

In the year ending 31st March 2013 ("FY2013"), we will continue our focus and emphasis on internal controls within the VSC Group, as well as leverage best practices to minimize our risk exposure.

Steel Distribution

Steel distribution operations comprise stockholding business of rebar, structural steel and engineering products in Hong Kong and steel distribution in Mainland China. The VSC Group has a 66.7% owned subsidiary – Shanghai Bao Shun Chang ("BSC"), which engages in the distribution of domestic steel products in Eastern China.

In the recent years, the market conditions have made the recycling of the steel value chain, within China, an attractive opportunity for the VSC Group to explore. While entering into the recycling industry and generating renewable resources to support a cleaner, more sustainable environment, this strategic move would also enhance our core business rebars steel position by creating a natural hedging synergy between the two businesses. Overall from the VSC Group standpoint, we could also extend our participation in the steel value chain and create better synergies.

As this is an attractive strategic direction for us, we have started a 51% owned subsidiary in Changsha, Hunan, as a first step and are exploring other opportunities within China and internationally as well.

Hong Kong Steel Distribution ("HK Steel Department")

HK Steel Department generated HK$2,121 million in revenue for the whole financial year, representing an increase of 23% over last year. Although the gross profit margin was negative for the first half of FY2012, gross profit margin for the whole year remains positive thanks to the completion of loss contracts and major improvements implemented in our risk management process.

The market demand remains strong in Hong Kong and Macau. In FY2012, the Hong Kong government launched 10 major infrastructure projects to boost up the economy and thus also positively affected the demand of steel for the coming years. These major projects are: the Express Rail Link Terminus station in Tsimshatsui; MTR Shatin-Central Link and the Hong Kong-Zhuhai-Macau Bridge. In addition, the new Chief Executive of Hong Kong has made a number of proclamations in favor of the development of new public housing policies aimed at increasing the supply of public housing, we are hopeful that these policies will be quickly implemented once he assumes the post.

The strong demand for steel in Macau is also supported by the multitude of casino extension projects and additional public housing estates under construction. The major casino extension projects include: MGM Macau casino project phase 2; Wynn development project phase 2 and Galaxy Mega Resort Complex phase 2. Those projects are targeted for completion by 2015. The Macau government is also speeding up the supply of public housing and has at present approved several large new residential developments. This includes development of parts of the relatively underdeveloped Coloane Island.

At a global level however, the steel market is weak due to the continuing Euro Zones Debt Crisis, in addition, the recent policy in Mainland China aimed at preventing the overheating of the private property market has also served to lessen the demand for steel in the Mainland China market.

VSC Group's steel leadership team will continue to place major emphasis on and enhance its focus on risk management by leveraging various disciplined hedging instruments and mechanisms to minimize the exposure to price fluctuation in the commodity markets. The corporate treasury function would work closely with the Steel Business leadership team to ensure minimal risks exposure; ensuring stable and profitable earnings and optimizing shareholders' value.

Mainland China Steel Distribution ("Mainland Steel Department")

Mainland Steel Department's strategy has proven to be successful by going direct to the "end-users" of steel infrastructure in Mainland China as well as moving towards international projects. This dual approach has successfully increased the profitability of Mainland Steel business in FY2012. In FY2013, Mainland Steel Department will also start to cooperate with fabrication factories in Mainland China to provide the technical service and fabrication service to end users of international projects.

BSC, our joint venture with Baosteel, faced a challenging macro economics environment, yet managed to finish the year with a strong revenue of HK$1,442 million and a respectable profit. With the good relationship with Baosteel, BSC continues to have a robust and profitable operation.

Metals Recycling Business

In addition to our Metals Recycling trading business in China and internationally, we have also started a joint venture in Metals Recycling in Changsha, Hunan. The facility is currently being fitted out and should begin limited operation by the second quarter of FY2013. We expect this site to be fully operational by the third quarter of FY2013.

With continued efforts in the business development and a strong merger and acquisition project pipeline, management expects to form more joint ventures both within China and internationally in FY2013.

Building Products Distribution

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

Mainland China Leisure Plus (Shanghai, Shenzhen and Wuhan, etc)

In FY2012, Mainland China Leisure Plus with a revenue of HK$325 million, again recorded a growth of over 30% in revenues and generated a profit of HK$10.5 million. This gross profit margin of over 15.3% has improved significantly over last year's 11.3%. By leveraging its strong sales team, and its extensive and increasing retail networks, the team has managed to increase its profitability as mentioned.

Looking back at FY2012, the Mainland China Leisure Plus leadership team has executed well on a number of its strategic growth initiatives. The successful acquisition and integration of Wuhan and the entire Hubei Province operations has been the main contribution for the Mainland China Leisure Plus growth in both revenue and profits.

As this strategy has proven successful and most beneficial to our shareholders, we will continue to explore further opportunities for acquisitions in Mainland China.

We also continue to explore more potential strategic alliances. Besides the alliance with LIXIL (formerly known as TOSTEM) in Mainland China, we are also pleased to include NIfCO into our alliance network as well. The strength of our strong distribution channels across the entirety of Mainland China has been recognized as a competitive strength and as a benefit to our current alliance partners and this will continue to allow us to attract new partners.

Strong management discipline has also helped us achieve a lower working capital requirements especially in the inventory area of 35 days of DOS – This is something the team can be proud of. We continue to be optimistic on the future of the building products operation in Mainland China as the leadership team has a strong track record in prior years.

Hong Kong Building Products Department

Hong Kong Building Products Department operates a retail showroom "Leisure Plus" in Wanchai, acts as a one-stop solution provider who carried all round-home products with style for customers.

Celebrating its 10th anniversary, Leisure Plus is dedicated to introducing the best quality brands; TOTO sanitary wares & fittings from Japan and Novamobili furniture from Italy. Leisure Plus aims to impress its valued customers with great product design, practicability and environmental friendliness in the Hong Kong market.

In FY2012, the team of Hong Kong Building Products Department has a record-breaking year by supplying the superlative TOTO Neorest series to Marinella 9, the most prestige residential development in Hong Kong.

As the Hong Kong market becomes more price competitive, we expect the gross profit margin to continue to erode. In response to this, the Hong Kong Building Products leadership team will explore and implement a number of sales and pricing strategies to mitigate the pricing pressure in FY2013.

This would include focusing on reinforcing the strength of project team and adding to the existing strong pipeline and backlog orders, increasing the operations efficiency and locating additional business opportunities by identifying more potential new brands and products for future co-operation.

The department currently has backlog orders for the following major projects: Marinella 9, Hong Kong International Airport Renovation, Hotel Nikko Renovation, Hong Kong Exchange Square Renovation, Prince's Building Renovation.

Plastic Resins Distribution ("Plastics Department")

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

In FY2012, with the combined European and American economic crisis, global export demand was very weak, and this in turn dramatically reduced the export business of our key customers, what made the situation more challenging was over-supply of material from our suppliers, thus the Plastics team were faced with major price pressure from both our suppliers as well as our competitors. Although we managed to maintain our sales volume close to the previous year, but our gross profit margin decreased from 6.4% to 4.3%, resulting in a net profit drop of over 70%.

Looking forward into FY2013, we expect the situation to be similar to FY2012, with a tough global economic environment and a weak demand. Our strategy for growth and to generate favorable returns to our shareholders would be to focus on the expansion of our customer base. We will develop more domestic customers in Mainland China as this a good growth market for our customers, we are optimistic in our domestic market expansion in Mainland China.

We also plan to expand our supplier network and form stronger strategic alliances with our suppliers. We will find more suppliers to enlarge our products lines, so as to better meet our customers' needs.

As mentioned earlier we will continue to grow our presence into new regions within Mainland China. The management looks forward to our new business growth in Chongqing, Wuhan, Ningbo and Xiamen.

Finally, to enhance the channel profitability, we look toward to better partnerships and synergistic situations. We will develop new partnerships to increase the sales quantity, speed up the sales turnover and also generate better returns from our supply-chain.

Property Investment

The VSC Group holds a 33.33% stake in an 11-storey office building in Jing An District, Shanghai, where the VSC Group's Mainland China headquarter is located. Currently, the property has an occupancy rate of about 93%. The tenants consist of various international companies whom provide a stable income stream for the property business. Our property management team will also explore the opportunities in providing property management and agent services to other projects. In addition, the capital appreciation of the asset in Shanghai has benefited the shareholders.

In the new year ahead, with the major cooling down in the Mainland China real estate market, we will closely monitor the situation and look for good value investments to benefit our shareholders. We will also continue to explore real estate investments beyond the first tier Mainland China cities as there continues to be potential growth and expansion in Mainland China real estate market in those areas (namely the third tier cities in Mainland China).

Other Investment

The VSC Group owns a 44% interest in a business of budgeted hotel chain operating in Mainland China, namely a8 Hotel ("a8"), which currently operates 3 hotels in Shanghai and 2 hotels in Guangzhou, with one more hotel in Shanghai joined a8 as a franchisee. In addition to monitoring the expansion of this business, the VSC Group will also continue to review strategic options including new potential cooperation or divestiture opportunities to enhance the Company's shareholders' value.

Business Development, Mergers and Acquisitions

In FY2012, the VSC leadership developed a dedicated, strong and efficient business development team that was responsible for the successful acquisition and integration of the Wuhan and Hubei Building Products distribution business. This has contributed to the profitable growth in Mainland China Building Products business. The same team is also responsible for setting up the Metals Recycling Processing plant in Changsha, Hunan. The contribution to revenue and gross profit is expected in FY2013.

Currently in the business development pipeline remains active and we anticipate delivering more deals in FY2013 in the Metals Recycling and Building Products businesses both within China and also internationally as well.

EMPLOYEE AND REMUNERATION POLICIES

In March 2012, the VSC Group employed 443 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 FY2012 amounted to approximately HK$94 million. During the year under review, options to subscribe 3,815,000 ordinary shares have been offered and granted to its employee under the share option scheme adopted since 12th November 2001 and no options has been offered and/or granted to any employee under the new share option scheme adopted since 11th August 2011.

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

FINAL DIVIDEND

No interim dividend was paid to the shareholders during the year. The Board has resolved to recommend at the forthcoming 2012 annual general meeting of the Company (the "2012 AGM") the payment of a final dividend of HK1.8 cents per ordinary share in respect of the year ended 31st March 2012 payable to shareholders whose names appear on the register of members of the Company at the close of business on 27th August 2012, subject to the approval of shareholders at the 2012 AGM.

Final dividend warrants are expected to be despatched to shareholders on or about 15th November 2012.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed during the following periods and during these periods, no transfer of shares will be registered:

(i) For ascertaining the shareholders' entitlement to attend and vote at the 2012 AGM

From Wednesday, 15th August 2012 to Friday, 17th August 2012, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2012 AGM. In order to be eligible to attend and vote at the 2012 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch Share Registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrars") of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14th August 2012.

(ii) For ascertaining the shareholders' entitlement to the final dividend

From Friday, 24th August 2012 to Monday, 27th August 2012, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrars for registration no later than 4:30 p.m. on Thursday, 23rd August 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of shares of the Company during the year ended 31st March 2012.

AUDIT COMMITTEE

The Audit Committee has discussed auditing, internal controls, and financial reporting matters including review of the results for the year ended 31st March 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31st March 2012, 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 at least once every three years according to the Company's Bye-Laws.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.vschk.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The annual report for FY2012 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, 22nd June 2012

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