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 2013

HIGHLIGHTS

Well-Position for Growth and Sustainable Profitability

- Considerable improvement in performance
- Strong bank support, solid funding and cash management strategy
- Evolving value proposition model to enhance margin
- Positioned to serve strong Hong Kong construction market
- Evolving Mainland China expansion model to tap into high growth industries
- New and revitalized management team focused on shareholder value

Continued Improvement in Profit

- VSC Group's earnings before interests and tax ("EBIT") increased by 65.9% to approximately HK$73 million versus HK$44 million in the same period last year
- VSC Group's unaudited profit attributable to shareholders amounted to approximately HK$46 million, up by 44.9% compared with the same period last year
- VSC Group's unaudited consolidated net assets value ("NAV") was approximately HK$794 million as at 30th September 2013, exceeds the audited consolidated NAV of approximately HK$750 million as at 31st March 2013 by approximately HK$44 million

- Return on assets (EBIT/operating assets) was 18.0% as of 30th September 2013 versus 11.7% of the same period last year

- Interim dividend of HK3.3 cents per ordinary share declared

- Market price closed at HK$1.08 per share as at 30th September 2013, doubled the closing price of HK$0.49 per share as at 30th September 2012

New Investments/Strategies

- Increased equity interest in Bao Shun Chang by way of capital reduction in October 2013

- Began process for acquisition of a 27-storey commercial building in Shanghai

- Product diversification strategy in Hong Kong Construction

- Regional expansion strategy in Industrial Steel, Plastics and Bao Shun Chang

- Exploring further business and investment opportunities

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 2013, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30th September 2013

		For the six months ended 30th September	
		2013	2012
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,967,303**	2,041,298
Cost of sales	*5*	**(1,777,073)**	(1,892,796)
Gross profit		**190,230**	148,502
Other gains/(losses) – net	*4*	**8,260**	(2,297)
Selling and distribution expenses	*5*	**(24,678)**	(15,454)
General and administrative expenses	*5*	**(100,765)**	(86,718)
Operating profit		**73,047**	44,033
Finance income	*6*	**1,427**	876
Finance costs	*6*	**(11,223)**	(11,484)
Share of (losses)/profits of associates – net		**(284)**	3,356
Profit before income tax		**62,967**	36,781
Income tax expense	*7*	**(15,344)**	(5,930)
Profit for the period		**47,623**	30,851
Attributable to:			
Equity holders of the Company		**46,407**	32,030
Non-controlling interest		**1,216**	(1,179)
		47,623	30,851
Earnings per ordinary share for profit attributable to the equity holders of the Company during the period			
– Basic	*9*	**HK11.2 cents**	HK7.7 cents
– Diluted	*9*	**HK10.8 cents**	HK7.7 cents
Dividends	*8*	**13,759**	9,525

The notes form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2013

	For the six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**47,623**	30,851
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Change in fair value of available-for-sale financial asset	**(38)**	(106)
Currency translation differences	**6,948**	(1,839)
Other comprehensive income/(loss) for the period	**6,910**	(1,945)
Total comprehensive income for the period	**54,533**	28,906
Total comprehensive income attributable to:		
– Equity holders of the Company	**52,628**	30,162
– Non-controlling interest	**1,905**	(1,256)
	54,533	28,906

The notes form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30th September 2013

	Note	As at 30th September 2013 *HK$'000* (Unaudited)	As at 31st March 2013 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**13,519**	14,767
Investment property		**22,000**	22,000
Land use rights		**10,224**	10,324
Intangible assets		**18,070**	18,136
Investments in associates		**186,391**	182,592
Deferred income tax assets		**18,715**	15,204
Available-for-sale financial asset		**280**	255
Amount due from an associate		**6,197**	6,197
Total non-current assets		**275,396**	269,475
Current assets			
Inventories		**370,945**	365,717
Trade and bill receivables	*10*	**493,890**	423,490
Loan receivable		**19,000**	19,000
Prepayments, deposits and other receivables		**195,291**	117,825
Derivative financial instruments		**648**	1,059
Amounts due from associates		**21,591**	24,773
Pledged bank deposits		**89,463**	97,428
Cash and cash equivalents		**415,354**	460,403
Total current assets		**1,606,182**	1,509,695
Current liabilities			
Trade and bill payables	*11*	**156,051**	340,141
Receipts in advance		**26,958**	48,328
Accrued liabilities and other payables		**60,032**	47,856
Current income tax liabilities		**24,851**	10,860
Borrowings		**818,430**	581,030
Total current liabilities		**1,086,322**	1,028,215

	Note	As at 30th September 2013 HK$'000 (Unaudited)	As at 31st March 2013 HK$'000 (Audited)
Net current assets		**519,860**	481,480
Total assets less current liabilities		**795,256**	750,955
Non-current liability			
Deferred income tax liabilities		**817**	817
Net assets		**794,439**	750,138
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**41,694**	41,377
Reserves			
– Declared dividend		**13,759**	12,000
– Others		**702,067**	661,747
		757,520	715,124
Non-controlling interest		**36,919**	35,014
Total equity		**794,439**	750,138

The notes form an integral part of the condensed consolidated interim financial information.

NOTES

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2013 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 2013, 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 2013, 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 on or after 1st April 2013 and are relevant for the VSC Group.

- HKAS 1 (Amendment) 'Presentation of financial statements' is effective for annual period beginning on or after 1st July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The revised standard has no material impact on the VSC Group's consolidated financial statements.

- HKFRS 10 'Consolidated financial statements' and HKAS 27 (revised 2011) 'Separate financial statements' are effective for annual period beginning on or after 1st January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The revised standard has no material impact on the VSC Group's consolidated financial statements.

- HKFRS 12 'Disclosure of interests in other entities' is effective for annual period beginning on or after 1st January 2013. HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The revised standard will lead to additional disclosures to the VSC Group's consolidated financial statements.

- HKFRS 13 'Fair value measurements' is effective for annual period beginning on or after 1st January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The revised standard will lead to additional disclosures to the VSC Group's consolidated financial statements.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual period beginning on or after 1st January 2013. The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

The following standards, amendments and interpretations to existing standards are effective in 2013 but not relevant to the VSC Group.

- HKFRS 11 'Joint arrangements' and HKAS 28 (revised 2011) are effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it has no joint arrangements.

- HKAS 19 (Amendment) 'Employee benefits' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it has no defined benefit plan.

- HKFRS 1 (Amendment) 'Government loans' benefits' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it has no government loan.

- HKFRS 7 (Amendment) 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it has no offsetting financial instruments.

- HK(IFRIC) – Int 20 'Stripping costs in the production phase of a surface mine' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it is not a mining entity.

- Amendment to HKFRS 1 'First time adoption of IFRS' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it is not a first-time adopter.

- Amendment to HKAS 1 'Presentation of financial statements' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it has no third balance sheet to disclose.

- Amendment to HKAS 16 'Property, plant and equipment' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it has no spare parts and servicing equipment.

- Amendment to HKAS 32 'Financial instruments: Presentation' is effective for annual period beginning on or after 1st January 2013. This is not currently applicable to the VSC Group, as it has no income tax relating to distributions and transaction costs.

3 REVENUE AND SEGMENT INFORMATION

The VSC Group's revenue consists of the following:

	For the six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**1,962,814**	2,037,316
Rental income	**4,489**	3,618
Service income	**–**	364
Total revenue	**1,967,303**	2,041,298

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 & design solutions;

(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 unaudited condensed consolidated interim financial information.

Analysis of the VSC Group's results by the business segment for the six months ended 30th September 2013 is as follows:

	Steel distribution *HK$'000*	Building & design solutions *HK$'000*	Plastic resins *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	**1,476,987**	**256,662**	**233,426**	**228**	**–**	**1,967,303**
Operating profit/(loss)	**103,986**	**6,933**	**4,985**	**(4,235)**	**(38,622)**	**73,047**
Finance income	**747**	**605**	**68**	**7**	**–**	**1,427**
Finance costs	**(8,223)**	**(2,368)**	**(581)**	**(30)**	**(21)**	**(11,223)**
Share of (losses)/profits of associates – net	**–**	**–**	**–**	**3,017**	**(3,301)**	**(284)**
Profit/(loss) before income tax	**96,510**	**5,170**	**4,472**	**(1,241)**	**(41,944)**	**62,967**

Analysis of the VSC Group's results by the business segment for the six months ended 30th September 2012 is as follows:

	Steel distribution *HK$'000*	Building & design solutions *HK$'000*	Plastic resins *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	1,527,840	253,169	260,061	228	–	2,041,298
Operating profit/(loss)	61,864	18,766	3,070	(3,001)	(36,666)	44,033
Finance income	731	56	75	–	14	876
Finance costs	(7,782)	(1,005)	(748)	(44)	(1,905)	(11,484)
Share of profits of associates – net	–	–	–	3,356	–	3,356
Profit/(loss) before income tax	54,813	17,817	2,397	311	(38,557)	36,781

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

	For the six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Mainland China	**734,026**	809,759
Hong Kong	**1,233,277**	1,231,539
Total revenue	**1,967,303**	2,041,298

4 OTHER GAINS/(LOSSES) – NET

	For the six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Net fair value change on forward foreign exchange contracts held for trading	**(411)**	(293)
Realised loss on steel future contracts	**–**	(560)
Loss on disposal of investment in a subsidiary	**–**	(2,448)
Net exchange gain	**7,213**	240
Net sundry income	**1,458**	764
	8,260	(2,297)

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	
	2013	2012
	HK$'000	*HK$'000*
Raw materials consumed and finished goods sold	**1,771,478**	1,893,514
Provision for/(write-back of) provision for impairment of inventories	**5,595**	(718)
Depreciation of property, plant and equipment	**2,323**	2,134
Gain on disposals of property, plant and equipment	**(259)**	(566)
Amortisation of land use rights	**101**	101
Amortisation of intangible assets	**414**	218
Employee benefit expenses	**52,580**	50,159
Operating lease rental expense in respect of land and buildings	**14,698**	11,767
Provision for impairment of trade receivables, net	**372**	952
Provision for impairment of amount due from an associate	**4,000**	–
Others	**51,214**	37,407
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,902,516**	1,994,968

6 FINANCE INCOME AND COSTS

	For the six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**1,427**	876
Finance costs		
Interest expenses:		
– bank borrowings wholly repayable within five years	**(9,513)**	(9,789)
Bank charges	**(1,710)**	(1,695)
	(11,223)	(11,484)
Net finance costs	**(9,796)**	(10,608)

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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% (2012: 25%).

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

	For the six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**(16,069)**	(1,421)
– China corporate income tax	**(2,638)**	(1,488)
Deferred income tax	**3,363**	(3,021)
	(15,344)	(5,930)

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

8 DIVIDENDS

An interim dividend of HK3.3 cents (2013 interim: HK2.3 cents) per ordinary share was declared by the Board of Directors on 19th November 2013, totalling approximately HK$13,759,000 (For the six months ended 30th September 2012: HK$9,525,000).

9 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 period.

	For the six months ended 30th September	
	2013	2012
Profit attributable to equity holders of the Company *(HK$'000)*	**46,407**	32,030
Weighted average number of ordinary shares in issue *('000)*	**414,693**	414,128
Basic earnings per ordinary share *(HK cents)*	**11.2**	7.7

(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 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	
	2013	2012
Profit attributable to equity holders of the Company and used to determine diluted earnings per ordinary share *(HK$'000)*	**46,407**	32,030
Weighted average number of ordinary shares in issue *('000)*	**414,693**	414,128
Adjustment for share options *('000)*	**16,781**	–
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	**431,474**	414,128
Diluted earnings per ordinary share *(HK cents)*	**10.8**	7.7

A diluted earnings per ordinary share amount for the six months ended 30th September 2012 is the same as the basic earnings per ordinary share for the same period as the Company's share options outstanding during the period were anti-dilutive potential ordinary shares.

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 90 days.

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

	As at 30th September 2013	As at 31st March 2013
	HK$'000	*HK$'000*
0–60 days	**403,099**	359,418
61–120 days	**50,690**	37,394
121–180 days	**16,881**	19,451
181–365 days	**23,949**	7,279
Over 365 days	**9,569**	7,189
	504,188	430,731
Less: Provision for impairment of trade receivables	**(10,298)**	(7,241)
	493,890	423,490

The carrying amounts of net trade and bill receivables approximated to 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 2013 *HK$'000*	As at 31st March 2013 *HK$'000*
0–60 days	**149,604**	338,983
61–120 days	**3,163**	175
121–180 days	**2,485**	314
181–365 days	**37**	363
Over 365 days	**762**	306
	156,051	340,141

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

12 COMMITMENTS

(a) Commitments under operating leases

(i) Lessor

The VSC Group leases an investment property under non-cancellable operating lease agreement. 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 follow:

	As at 30th September 2013 *HK$'000*	As at 31st March 2013 *HK$'000*
Not later than one year	**–**	223

(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 leases agreements in respect of rented premises are analysed follows:

	As at 30th September 2013	As at 31st March 2013
	HK$'000	*HK$'000*
Not later than one year	**25,784**	25,253
Later than one year and not later than five years	**11,022**	8,316
	36,806	33,569

(b) Commitments under derivative contracts

As at 30th September 2013, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$66,000,000 for approximately RMB405,834,000 (31st March 2013: US$44,000,000 for approximately RMB276,144,000). The settlement dates are ranged from 1st October 2013 to 28th May 2015 (31st March 2013: from 1st April 2013 to 27th May 2014).

13 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) On 25th June 2013, the non-controlling shareholder of Shanghai Bao Shun Chang International Trading Co. Ltd. ("BSC"), a subsidiary of the VSC Group, entered into a capital reduction agreement with the VSC Group. Pursuant to the capital reduction agreement, the non-controlling shareholder will cease to be a shareholder of BSC and BSC will become a wholly owned subsidiary of the VSC Group after completion of the renewal of business registration. The transaction has been completed in October 2013.

(b) On 12th October 2013, the VSC Group has entered into a sale and purchase agreement with China Travel Service (Holdings) Hong Kong Ltd ("CTS") and has conditionally agreed to acquire 100% of the issued share capital of Eastlink International Investment Inc. from CTS, and to arrange for the repayment of the shareholder's loan of approximately RMB430 million (equivalent to approximately HK$545 million) for a consideration in the amount of approximately RMB708 million (equivalent to approximately HK$897 million). The VSC Group expects the transaction to be completed before the end of December 2013. On 18th November 2013, the VSC Group has published a circular which provides the details of the transaction.

TRANSFORMATION JOURNEY

Our transformation focused on BOTTOM LINE IMPROVEMENT, RETURN ON CAPITAL, RISK MANAGEMENT, GEOGRAPHIC, PRODUCT and PROCESS DIVERSIFICATION as well as TALENT UPGRADE continues for the six months ended 30th September, 2013 (the "current period").

Our new organization has allowed us to strengthen controls as well as roll out business specific strategies that are product, industry and region specific. Our talent upgrade strategy is now almost completed for our management team. We have worked to structure our leadership team by promoting existing personnel as well as hiring new talent to add strategic experience, including risk management, divestment and acquisitions. We will continue to work to strengthen each area and line of business by upgrading talent and restructuring to reflect value proposition and changing business models.

CONTINUED IMPROVEMENT IN PROFIT

VSC Group's results showed a considerable improvement when compared with the same period last year as a series of new measures and strategies were initiated.

VSC Group's unaudited profit attributable to shareholders for the current period amounted to approximately HK$46 million, up by 44.9% compared with the same period last year, despite a slight decrease of 3.6% revenue in the current period compared with the same period last year.

Return on assets (EBIT/operating assets) improved to 18.0% from 11.7% compared with the same period last year, which was mainly driven by improvement in accounts receivable and inventory, together with improved controls and stricter policies which helped to reduce bad debt and obsolete inventory risk. VSC Group's gross profit margin was 9.7% in the current period versus 7.3% in the same period last year. Basic earnings per ordinary share was HK11.2 cents as at 30th September 2013 (30th September 2012: HK7.7 cents). An interim dividend of HK3.3 cents per ordinary share (HK2.3 cents per ordinary share in 2012) was declared for the six months ended 30th September 2013.

STEEL GROUP

Steel Group, which comprises mainly Hong Kong construction products and Shanghai Bao Shun Chang ("BSC") coil processing and distribution, represented 75.1% of total revenue. Driven by Hong Kong Steel, the Steel Group outperformed the same period last year in terms of MARGIN, EBIT and NET PROFIT.

Steel Group revenue amounted to approximately HK$1,477 million in the current period, 96.7% of the same period last year while gross profit margin has considerable improvement compared with the same period last year. EBIT was 168.1% of the same period last year. In spite of an increase in inventory levels, improved controls allowed for a sizeable decrease in account receivable levels in the current period.

Hong Kong Steel sales volume was 125.8% of the same period last year. Its revenue performance is dependent on steel prices. Revenue grew at a lower percentage due to a decrease in steel prices. According to tons sold and market growth, we maintained our market share in Hong Kong construction market.

PLASTICS

Plastics Group distributes general and engineering plastics in Hong Kong and Mainland China, and provides financing, inventory management and logistics services. Plastics revenue amounted to approximately HK$233 million in the current period, 89.8% of the same period last year, but net profit margin has significant improvement compared with the same period last year. We are now more selective of business and industries served. We have chosen to pursue growth in Central China and Northern China. Xiamen, Shanghai, Shenzhen and Hong Kong key accounts have delivered better-than-expected sales results in the current period. Improved gross profit margin and expense control helped Plastics to deliver a significant improvement in EBIT. EBIT was 162.4% of the same period last year.

BUILDING & DESIGN SOLUTIONS

Building & Design Solutions ("BDS") has struggled in the current period. BDS revenue amounted to approximately HK$257 million in the current period, 101.4% of the same period last year. While gross profit margin remained flat compared with the same period last year, expense level increased due to the closing of Shenzhen showroom and sales office. EBIT for BDS was approximately HK$7 million in the current period.

PROPERTY

Property Group specializes in buying underperforming office buildings in strategically located areas and converting into high end, high yield investments, as well as leveraging its expertise to provide property management agency services to other projects.

On 12th October 2013, VSC Group has entered into a conditional sale and purchase agreement for acquisition of a 27-storey commercial building namely 中國港中旅大廈 (China CTS Tower*), located in Shanghai's city center for RMB708 million (approximately HK$897 million) (the "Acquisition", details of which was set out in the Company's circular dated 18th November 2013). The purchase aims to capture the growing demand for office spaces in Shanghai's centralized business district and secure stable rental income for VSC Group.

LOOKING FORWARD

We remain optimistic about our ability to deliver on our annual operating plan in sales and EBIT. We have obtained a five-year term loan commitment of HK$580 million (approximately RMB458 million) for the Acquisition. The funding structure of the Acquisition enabled us to use idle cash while supporting targeted growth of our other businesses. Our liqudity improved significantly as margin and operating cash flow increased.

Hong Kong Steel is poised to exceed plans in spite of a deterioration of steel pricing due to excess production in Mainland China. Our Steel Group will continue to grow both in Mainland China and Hong Kong. The strength of the Hong Kong construction market should continue into the next three-to-five years and we will maintain our market share while exploring acquisitions that expand our product and process portfolio. We will also invest in downstream processes to serve the evolving needs of the Hong Kong construction sector.

Our increase of interest in the Company's subsidiary Shanghai Bao Shun Chang International Trading Co. Ltd. ("BSC") by way of capital reduction (details of which was set out in the Company's circular dated 29th July 2013) was completed in October 2013. BSC now becomes an indirect wholly-owned subsidiary of the Company. The acquisition of the remaining stakes in BSC further maximizes its positive contribution to VSC Group in terms of revenue and profits, enabling VSC Group to continue to expand in the Mainland China market which continues to present opportunities for profitable growth. We will work with BSC to expand our regional presence to include Southern and Northern China. BSC's steel purchase creates a national synergy for the VSC Group as it will combine the total steel buy to leverage our position with steel suppliers. We look to continue the industry specific model that has made BSC successful for the past years.

BDS has completed the implementation of a new organization in Wuhan and Changsha. We will also work to streamline expenses in Hong Kong while growing our market share in projects. Shanghai BDS will maintain a focus on wholesale. Hong Kong and Shanghai are expected to deliver their profit plans. All BDS locations will maintain a focus on asset management. Slow moving and obsolete inventory continue to represent improvement opportunities for all businesses. Our new warehousing and logistics strategy will also become a major part of our improvement drive. We expect to deliver growth that is in line with regional growth so as to maintain our market share. We remain confident in our ability to deliver on our committment to shareholders.

Plastics is expected to continue its path and deliver on its annual operating plan although the second half year is slower than the first half year due to seasonality and new year holiday schedules. We will continue to address our inventory strategy so as to minimize risk of price cycles. Plastics will continue to expand regionally and will continue to assess business opportunities using economic value analysis.

Property Group is poised to become a very relevant part of VSC Group's investment strategy. Property Group will continue to explore investment options in Mainland China. Upon completion of the acquisition of the China CTS Tower, we plan to reposition the building through renovation to a grade A office building in order to establish an upmarket tenant base. We will continue to restructure and strengthen the Property Group to deliver on our commitment. The accelerated shift of Shanghai into a services driven economy will allow us to maximize the value of the Acquisition.

VSC Group will continue strengthening its management team while enhancing its experience and expertise. We will continue to streamline non-performing businesses and assets, and deliver significant improvements in profitability while effectively managing risk. We will regularly monitor and review the performance of and returns from VSC Group's investments, and will also consider opportunities based on value to shareholders. We firmly believe that we are far from our true potential and are committed to using our existing platform and experience to continue to deliver a great return to our shareholders while diversifying our investment portfolio.

FINANCIAL POSITIONS

Compared with last financial year ended 31st March 2013, as at 30th September 2013, the VSC Group's total assets increased by approximately HK$102 million to approximately HK$1,882 million. The VSC Group's inventories increased by approximately HK$5 million to approximately HK$371 million. The average Days of Supplies (average inventories divided by cost of sales x 183 days) was decreased from 41 days for the last year end to 38 days. The VSC Group's trade and bill receivables increased by approximately HK$70 million to approximately HK$494 million. The average overall Day Sales Outstanding (average trade and bill receivables divided by revenue x 183 days) decreased from 48 days for the last year end to 43 days. Net assets value of the VSC Group increased by approximately HK$44 million to approximately HK$794 million, equivalent to HK$1.91 per ordinary share.

Compared with the financial position at 31st March 2013, the VSC Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$53 million to approximately HK$505 million while the VSC Group's borrowings increased by approximately HK$237 million to approximately HK$818 million. Current ratio increased to 1.48, 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 3% to 29%.

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 57.6% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, about 12.3% in Chinese Renminbi ("RMB") and about 30.1% 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 RMB80 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 2013, the VSC Group had certain charges on assets which included (i) bank deposits of approximately HK$39 million which were pledged as collateral for the VSC Group's banking facilities and approximately HK$50 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 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 considers 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 2013, there was no material contingent liability.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK3.3 cents per ordinary share for the six months ended 30th September 2013 payable to shareholders whose names appear on the register of members of the Company at the close of business on 18th December 2013. Dividend warrants are expected to be despatched to shareholders on or about 15th January 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16th December 2013 to 18th December 2013 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited by not later than 4:30 p.m. (Hong Kong time) on 13th December 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September 2013, pursuant to the mandates to repurchase shares of the Company obtained from the Company's shareholders at the annual general meetings of the Company held on 17th August 2012 and 16th August 2013, the Company repurchased an aggregate of 726,000 and 100,000 ordinary shares respectively on The Stock Exchange of Hong Kong Limited for an aggregate consideration of HK$914,840 (before expenses) and all these shares were subsequently cancelled by the Company.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price *(HK$)* Highest	Lowest	Aggregate consideration (before expenses) *(HK$)*
July 2013	360,000	1.12	1.04	393,400 [1]
August 2013	366,000	1.15	1.10	411,140 [1]
August 2013	100,000	1.11	1.10	110,300 [2]
Total	826,000			914,840

Notes:

(1) Pursuant to the mandate to repurchase shares of the Company obtained on 17th August 2012.

(2) Pursuant to the mandate to repurchase shares of the Company obtained on 16th August 2013.

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30th September 2013.

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 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code ("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 2013.

During the period, in order to comply with the CG Code provision A.4.1, the Company's non-executive Directors have been appointed for a specific term, they (including all other Directors) are 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 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 2013 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
Van Shung Chong Holdings Limited
Yao Cho Fai Andrew
Chairman and Executive Director

Hong Kong, 19th November 2013

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew (chairman) and Mr. Frank Muñoz (being the executive directors), Mr. Dong Sai Ming Fernando (being the non-executive director), Mr. Tam King Ching Kenny, Mr. Xu Lin Bao and Mr. Tse Lung Wa Teddy (being the independent non-executive directors).

* *for identification purpose only*