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 2014

HIGHLIGHTS

Positioned for Continued Growth and Sustainable Profitability

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

Continued Improvement in Profit

- VSC Group's audited profit attributable to shareholders amounted to approximately HK$104 million, up by approximately 44.8% compared with last year
- VSC Group's audited consolidated net assets value ("NAV") was approximately HK$782 million as at 31st March 2014, exceeds the audited consolidated NAV of approximately HK$750 million as at 31st March 2013 by approximately HK$32 million
- Final dividend of HK4.15 cents per ordinary share is recommended
- Market price closed at HK$1.27 per ordinary share as at 31st March 2014, approximately 18.7% increase compared with the closing price of HK$1.07 per ordinary share as at 31st March 2013

Investments/Strategies

- Increased equity interest in Bao Shun Chang to 100% by way of capital reduction
- Completed acquisition of Central Park (formerly known as China CTS Tower), a 27-storey commercial building in Shanghai
- Completed disposal of the Point Jingan in Shanghai of which VSC Group held one-third equity interest
- Product diversification strategy in Hong Kong construction market – Non-reinforcement bar tons sold grew by approximately 35.2%
- Mainland China regional expansion strategy in engineering plastics and steel
- Partnership with a renowned international steel processing company to build and operate a construction steel processing plant and serve Hong Kong
- Actively seeking acquisition opportunities

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 2014, together with comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Revenue	*2*	**3,849,306**	3,760,620
Cost of sales	*4*	**(3,479,263)**	(3,405,558)
Gross profit		**370,043**	355,062
Selling and distribution expenses	*4*	**(53,623)**	(31,494)
General and administrative expenses	*4*	**(288,337)**	(206,729)
Other gains – net	*3*	**13,306**	534
Fair value gain on investment properties		**73,022**	–
Operating profit		**114,411**	117,373
Finance income	*5*	**2,617**	1,412
Finance costs	*5*	**(37,252)**	(21,499)
Share of profit of investments accounted for using equity method – net		**69,580**	3,529
Profit before income tax		**149,356**	100,815
Income tax expense	*6*	**(44,537)**	(29,355)
Profit for the year		**104,819**	71,460
Attributable to:			
Equity holders of the Company	*8*	**103,708**	71,600
Non-controlling interests		**1,111**	(140)
		104,819	71,460
Earnings per ordinary share attributable to the equity holders of the Company			
Basic	*8*	**HK24.93 cents**	HK17.30 cents
Diluted	*8*	**HK23.91 cents**	HK17.14 cents
Dividends	*7*	**31,094**	21,525

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**104,819**	71,460
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial asset	**(35)**	(190)
Currency translation differences	**(3,747)**	1,119
Other comprehensive (loss)/income for the year	**(3,782)**	929
Total comprehensive income for the year	**101,037**	72,389
Total comprehensive income/(loss) attributable to:		
– Equity holders of the Company	**99,237**	72,408
– Non-controlling interests	**1,800**	(19)
	101,037	72,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment		**14,954**	14,767
Investment properties		**1,005,580**	22,000
Land use rights		**10,123**	10,324
Intangible assets		**87,183**	18,136
Investments in associates		**237,179**	182,592
Prepayments, deposits and other receivables		**26,335**	–
Deferred income tax assets		**14,995**	15,204
Available-for-sale financial asset		**283**	255
Amount due from an associate		**–**	6,197
Total non-current assets		**1,396,632**	269,475
Current assets			
Inventories		**332,993**	365,717
Trade and bill receivables	*9*	**405,355**	423,490
Loan receivable		**–**	19,000
Prepayments, deposits and other receivables		**106,810**	117,825
Derivative financial instruments		**–**	1,059
Amounts due from associates		**1,197**	24,773
Pledged bank deposits		**39,458**	97,428
Cash and cash equivalents		**370,528**	460,403
Total current assets		**1,256,341**	1,509,695
Current liabilities			
Trade and bill payables	*10*	**80,028**	340,141
Receipts in advance		**42,440**	48,328
Accrued liabilities and other payables		**55,406**	47,856
Current income tax liabilities		**8,629**	10,860
Derivative financial instruments		**912**	–
Borrowings		**1,010,011**	581,030
Total current liabilities		**1,197,426**	1,028,215
Net current assets		**58,915**	481,480
Total assets less current liabilities		**1,455,547**	750,955

	Note	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Accrued liabilities and other payables		**4,990**	–
Deferred income tax liabilities		**107,330**	817
Borrowings		**561,595**	–
Total non-current liabilities		**673,915**	817
Net assets		**781,632**	750,138
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**41,770**	41,377
Reserves			
– Proposed final dividend		**17,335**	12,000
– Others		**722,087**	661,747
		781,192	715,124
Non-controlling interests		**440**	35,014
Total equity		**781,632**	750,138

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 properties, which are carried at fair value.

(a) The VSC Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRS") that have been issued and are effective for the VSC Group's accounting year beginning on or after 1st April 2013:

HKAS 1 (Amendment)	Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11, HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 1 (Amendment)	First Time Adoption – Government Loans
HKFRS 7 (Amendment)	Financial Instruments – Disclosures on Asset and Liability Offsetting
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements 2009 – 2011 Cycle	Annual Improvements to HKFRSs issued in June 2012

The adoption of the above new HKFRSs did not result in substantial changes to the accounting policies of the VSC Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

(b) The following new, revised and amended standards and interpretations to existing standards that are effective and have not been early adopted by the VSC Group:

HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting (effective for annual periods beginning on or after 1st January 2014)
HKAS 36 (Amendment)	Impairment of Assets: Recoverable Amount Disclosures (effective for annual periods beginning on or after 1st January 2014)
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement – Novation of Derivatives (effective for annual periods beginning on or after 1st January 2014)
HKFRS 9	Financial instruments (effective for annual periods: To be determined)
HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Consolidation for Investment Entities (effective for annual periods beginning on or after 1st January 2014)
HKFRS 14	Regulatory deferral accounts (effective for annual periods beginning on or after 1st January 2016)
HK (IFRIC)-Int 21	Levies (effective for annual periods beginning on or after 1st January 2015)

The VSC Group has commenced an assessment of the impact of these new, amended and revised HKFRS, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2 REVENUE AND SEGMENT INFORMATION

The VSC Group's revenue consists of the following:

	2014	2013
	HK$'000	*HK$'000*
Sales of goods	**3,825,076**	3,718,563
Service income	**10,917**	41,601
Rental income	**13,313**	456
Total revenue	**3,849,306**	3,760,620

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) Engineering plastics; 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 the 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 2014 is as follows:

	Steel distribution *HK$'000*	Building & design solutions *HK$'000*	Engineering plastics *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	**2,929,183**	**487,051**	**419,326**	**13,746**	**–**	**3,849,306**
Operating profit/(loss)	**176,686**	**8,974**	**2,693**	**63,216**	**(137,158)**	**114,411**
Finance income	**1,550**	**725**	**113**	**202**	**27**	**2,617**
Finance costs	**(18,009)**	**(6,027)**	**(997)**	**(12,182)**	**(37)**	**(37,252)**
Share of profit of investments accounted for using equity method – net	**119**	**–**	**–**	**81,648**	**(12,187)**	**69,580**
Profit/(loss) before income tax	**160,346**	**3,672**	**1,809**	**132,884**	**(149,355)**	**149,356**
Other gains – net	**8,684**	**1,821**	**2,291**	**276**	**234**	**13,306**
Fair value gain on investment properties	**–**	**–**	**–**	**73,022**	**–**	**73,022**
Depreciation and amortisation	**(1,332)**	**(2,573)**	**(105)**	**(203)**	**(1,674)**	**(5,887)**
Provision for impairment of amounts due from associates, loan and other receivables	**–**	**(1,180)**	**–**	**–**	**(61,759)**	**(62,939)**
Income tax (expense)/credit	**(28,565)**	**(6,910)**	**(524)**	**(19,513)**	**10,975**	**(44,537)**

Analysis of the VSC Group's results by business segment for the year ended 31st March 2013 is as follows:

	Steel distribution *HK$'000*	Building & design solutions *HK$'000*	Engineering plastics *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	2,765,346	490,524	472,170	32,580	–	3,760,620
Operating profit/(loss)	173,764	31,560	6,067	4,932	(98,950)	117,373
Finance income	1,161	90	149	5	7	1,412
Finance costs	(14,025)	(5,829)	(1,396)	(80)	(169)	(21,499)
Share of profit of investments accounted for using equity method – net	(289)	–	–	4,424	(606)	3,529
Profit/(loss) before income tax	160,611	25,821	4,820	9,281	(99,718)	100,815
Other gains/(losses) – net	4,293	681	672	(41)	(5,071)	534
Depreciation and amortisation	(2,209)	(1,762)	(72)	(5)	(2,300)	(6,348)
Provision for impairment of amount due from an associate	–	–	–	–	(8,000)	(8,000)
Income tax (expense)/credit	(36,385)	(5,406)	(802)	(4,804)	18,042	(29,355)

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

	2014 ***HK$'000***	2013 *HK$'000*
Revenue		
Hong Kong	**2,442,020**	2,235,459
Mainland China	**1,407,286**	1,525,161
Total revenue	**3,849,306**	3,760,620

3 OTHER GAINS – NET

	2014	2013
	HK$'000	*HK$'000*
Write back of provision for/(provision for) onerous contracts	**4,000**	(4,000)
Net fair value change on forward foreign exchange contracts held for trading	**(1,971)**	430
Loss on disposal of investment in a subsidiary	**–**	(2,448)
Gain on deemed disposal of investment in a subsidiary	**–**	1,354
Realised loss on steel future contracts	**–**	(843)
Net exchange gain	**7,936**	3,206
Sundry income	**3,341**	2,835
	13,306	534

4 EXPENSES BY NATURE

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

	2014	2013
	HK$'000	*HK$'000*
Cost of finished goods sold	**3,477,956**	3,407,400
Provision/(write-back of provision) for impairment of inventories	**1,307**	(1,842)
Depreciation of property, plant and equipment	**4,658**	5,553
Gain on disposals of property, plant and equipment	**(252)**	(566)
Amortisation of intangible assets and land use rights	**1,229**	795
Employee benefit expenses	**111,654**	120,709
Operating lease rental expenses in respect of retail outlets, offices and warehouses	**31,710**	24,675
Provision for impairment of trade receivables	**1,883**	2,212
Provision for impairment of amounts due from associates	**30,759**	8,000
Provision for impairment of loan receivable	**19,000**	–
Provision for impairment of other receivables	**13,180**	–
Auditor's remuneration	**2,100**	1,960
Legal and professional fees	**34,232**	7,100
Freight charges	**40,668**	22,983
Others	**51,139**	44,802
Total cost of sales, selling and distribution expenses and general and administrative expenses	**3,821,223**	3,643,781

5 FINANCE INCOME AND COSTS

	2014	2013
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**2,617**	1,412
Finance costs		
Interest expenses:		
– bank borrowings	**(31,595)**	(18,073)
Bank charges	**(5,657)**	(3,426)
	(37,252)	(21,499)
Net finance costs	**(34,635)**	(20,087)

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

During the year, subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2013: 25%).

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

	2014	2013
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**15,380**	4,125
– China corporate income tax	**9,653**	9,995
Deferred income tax	**18,969**	15,050
Under provision in prior years	**535**	185
	44,537	29,355

7 DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim dividend of HK3.3 cents (2013: 2.3 cents) per ordinary share	**13,759**	9,525
Proposed final dividend of HK4.15 cents (2013: HK2.9 cents) per ordinary share	**17,335**	12,000
	31,094	21,525

A final dividend for the year ended 31st March 2014 of HK4.15 cents (2013: HK2.9 cents) per ordinary share, totalling approximately HK$17,335,000 (2013: HK$12,000,000) 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 2014.

The actual final dividend for the year ended 31st March 2013 was approximately HK$12,092,000 due to 3,915,000 additional shares issued upon exercise of share options and cancellation of 726,000 shares repurchased during the period from 21st June 2013 to 23rd August 2013, the last closure date of the register of the members for ascertaining the entitlement to the final dividend, and was paid out on 6th September 2013.

The actual interim dividend for the six months ended 30th September 2013 was approximately HK$13,785,000 due to 800,000 additional shares issued upon exercise of share options during the period from 20th November 2013 to 13th December 2013, the last closure date of the register of the members for ascertaining the entitlement to the interim dividend, and was paid out on 15th January 2014.

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.

	2014	2013
Profit attributable to equity holders of the Company *(HK$'000)*	**103,708**	71,600
Weighted average number of ordinary shares in issue *('000)*	**416,075**	413,984
Basic earnings per ordinary share *(HK cents)*	**24.93**	17.30

(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.

	2014	2013
Profit attributable to equity holders of the Company and used to determine diluted earnings per ordinary share *(HK$'000)*	**103,708**	71,600
Weighted average number of ordinary shares in issue *('000)*	**416,075**	413,984
Adjustment for share options *('000)*	**17,578**	3,742
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	**433,653**	417,726
Diluted earnings per ordinary share *(HK cents)*	**23.91**	17.14

9 TRADE AND BILL RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade and bill receivables		
– from third parties	**414,185**	419,951
– from an associate	**–**	10,780
Less: Provision for impairment of trade receivables	**(8,830)**	(7,241)
Trade and bill receivables, net	**405,355**	423,490

Sales are either covered by letters of credit or open account with credit terms of 15-90 days.

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

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**343,788**	359,418
61 to 120 days	**33,386**	37,394
121 to 180 days	**10,135**	19,451
181 to 365 days	**15,659**	7,279
Over 365 days	**11,217**	7,189
	414,185	430,731
Less: Provision for impairment of trade receivables	**(8,830)**	(7,241)
	405,355	423,490

The carrying amounts of trade and bill receivables approximated their fair values as at 31st March 2013 and 2014.

10 TRADE AND BILL PAYABLES

Payment terms with suppliers are either on letters of credit or open account with credit period.

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

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days	**76,070**	338,983
61 to 120 days	**3,526**	175
121 to 180 days	**63**	314
181 to 365 days	**3**	363
Over 365 days	**366**	306
	80,028	340,141

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2013 and 2014.

11 COMMITMENTS

(a) Commitments under operating leases

(i) Lessor

The VSC Group leases an investment property under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the lease agreements are renewable at the end of the lease period at market rate.

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

	2014	2013
	HK$'000	*HK$'000*
Not later than one year	**40,160**	–
Later than one year and not later than five years	**105,517**	–
Later than five years	**15,235**	–
	160,912	–

(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:

	2014	2013
	HK$'000	*HK$'000*
Not later than one year	**20,238**	25,253
Later than one year and not later than five years	**7,417**	8,316
	27,655	33,569

(b) Capital commitment

Capital commitment at the end of the reporting period is as follows:

	2014	2013
	HK$'000	*HK$'000*
Contracted but not provided for:		
Renovation work for an investment property	**2,634**	–
Authorised but not contracted for:		
Renovation work for an investment property	**56,745**	–

(c) Commitments under derivative contracts

As at 31st March 2014, the VSC Group had outstanding forward foreign currency contracts to purchase approximately US$19,000,000 (2013: US$44,000,000) for approximately RMB117,450,000 (2013: RMB283,960,000) by 19 monthly settlements. The settlement date of the last instalment is 22nd October 2015 (2013: 27th May 2014).

12 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 16th May 2014, the VSC Group entered into a Joint Venture Agreement with an independent third party, pursuant to which the VSC Group will need to inject approximately HK$19,500,000 to the joint venture company. The VSC Group owns 50% equity interest in the joint venture company, which will engage in the processing of steel products.

RESULTS

The VSC Group underwent a series of important internal changes in the past year and a half. Its ambitious strategy to implement a new organisational structure and new management roles have brought about notable improvements across business lines. Although the VSC Group is still in the early stages of the transformation process, its mission and mandate for the future as a company have never been more uniform and clearer.

The VSC Group continued to deliver a strong performance for the year ended 31st March 2014 (the "current year" or "FY2014"), with profit attributable to shareholders amounting to approximately HK$104 million. This represented a notable profit increase of approximately 44.8% from approximately HK$72 million last year. Gross profit for the current year was approximately HK$370 million, up by approximately 4.2% compared to last year, while revenue grew by approximately 2.4% year over year. Net profit surged by approximately 46.7% to approximately HK$105 million, a significant improvement from last year's net profit of approximately HK$71 million. Gross profit margin and net profit margin were about 9.6% and 2.7% respectively, higher than about 9.4% and 1.9% recorded in last year. Basic earnings per ordinary share was HK24.93 cents (2013: HK17.30 cents). The Board recommended a final dividend of HK4.15 cents (2013 final: HK2.9 cents) per ordinary share for the current year.

FY2014 was a year of substantial progress in VSC's transformation journey. The VSC Group made significant changes to its business model and eliminated or restructured non-performing businesses, with one-time impairment provisions on such businesses totalling approximately HK$63 million. The VSC Group simplified its organization and determined that it would remain in business lines where it has relevance, expertise and competitive strength. It also reserved for those businesses where closing or divestment was not executed in FY2014 but would be completed in the months to come. Its new organization is simpler comprising three major lines of business, Industrial Materials Distribution Group ("IMDG"), Building & Design Solutions Group ("BDSG") and Property Group.

INDUSTRIAL MATERIALS DISTRIBUTION GROUP

The VSC Group brought together its steel and engineering plastics distribution business and created what it now calls Industrial Materials Distribution Group. This new organization allows for synergies in procurement, logistics and supply chain management. The IMDG will be able to share resources across businesses and reduce expenses in the process. In May 2014, all China distribution businesses co-located from separate offices in Shanghai to its newly acquired office building in Putuo District. Having its teams under the same roof will allow them to take advantage of combined expertise while sharing corporate resources, minimizing risk through better controls and reducing expenses. The VSC Group's steel procurement consolidation and geographic expansion strategies are now managed from Shanghai. During the current year, IMDG delivered approximately 3.8% improvement in net profit and approximately 3.4% sales growth year over year.

The steel distribution business (Hong Kong Construction Steel and Bao Shun Chang) delivered excellent results. Tons sold grew by approximately 14.0% while net profit increased approximately 6.1% year over year. Supported by a strong construction market in Hong Kong and a growing automotive industry in Mainland China, the VSC Group was able to deliver improvements in spite of a decrease in steel prices in the second half of the current year. Hong Kong Steel, which sells to Hong Kong and Macau's construction industries delivered significant volume growth in the infrastructure segment and was able to grow reinforcement bar tons by approximately 31.0% while other tons of products like piling and carbon structurals grew by approximately 35.2%.

The engineering plastics trading business (resins trading) struggled in the last half of the current year and while it delivered a profit, it was not able to deliver on its plan. While gross profit margin increased by almost 50 basis points, lower sales and bad debt write-offs, related to a customer that went into administration by local government, caused net profit to decrease. Its sales in Hong Kong and Shenzhen, which made up approximately 57.2% of the total sales during the last fiscal year, decreased to approximately 41.4% in current year as many exporters reduced their purchases. It continued to make great strides in expanding its geographic presence into Mainland China. Its newly opened office in Xiamen managed to increase sales by approximately 71.7%, while its Eastern China sales offices (Shanghai, Ningbo and Suzhou) delivered over approximately 8.4% sales growth.

BUILDING & DESIGN SOLUTIONS GROUP

The VSC Group also re-defined its business model for Building & Design Solutions Group. Teams in each city and province are focused on the regional trends and our sales efforts seek to make the most of

China's drive for urbanisation. The VSC Group closed stores that were not profitable and implemented retail strategies while strengthening dealer networks and adding resources to grow project sales. It has invested in architectural and design centres ("A&D centres") to grow retail sales and strengthened project teams. Hong Kong BDS moved away from the showroom concept and in April 2013, under the TOTO banner, opened the largest sanitary A&D centre in Hong Kong. It also opened an additional A&D centre to cater to architects and designers looking for European made products. Its new A&D centre under the banner of BAGNODESIGN LONDON was opened in January 2014.

BDSG's sales were fairly flat in total but grew by approximately 4.3% excluding Shenzhen, which was closed in 2013. BDSG generated a loss of approximately HK$3.2 million for the current year primarily caused by restructuring expenses in Changsha and Wuhan and the closing of Shenzhen operation. One-time expenses related to the opening of the two A&D centres in Hong Kong and closing of showrooms also contributed to the loss.

Restructuring of Changsha and Wuhan BDS was necessary as both of these businesses were recent acquisitions and business models were not well-aligned with the markets currently served. Restructuring included headcount reduction and store closings. Its brand partner, TOTO, and dealer partners were very supportive of restructuring thus total sales were not affected. The VSC Group is happy to report that restructuring has delivered on objectives it sets and trends show that both Changsha and Wuhan BDS will deliver on profit and growth commitments in financial year ended 31st March 2015. Changsha and Wuhan BDS have exclusive distribution rights in Hunan and Hubei respectively. New structure and organization allow them to use their growing dealer network to boost their sales on a province wide scale.

New A&D centres in Hong Kong are expected to facilitate retail and project sales growth on the back of a strong construction market. Trends in both retail and projects are showing top line and bottom line improvement. By representing TOTO Japan and BAGNODESIGN LONDON, the VSC Group is now able to provide the market a great selection of Japanese and European sanitary ware products. Its A&D centres provide architects and designers access to great quality products in an elegant and beautiful setting.

PROPERTY GROUP

The VSC Group's property strategy continues to deliver value to shareholders. Its team specialises in buying and upgrading for significant increase in rental income.

While investments in projects since the VSC Group entered the property sector have been minority investments, the VSC Group has always been the operator. Being the operator of properties in Dalian and Shanghai, allowed the VSC Group to gain significant insight and experience that it is now using in its new acquisition of a 27-storey office building in Putuo District (Shanghai) which is 100% owned by the VSC Group. The sale of the Point Jingan in the fourth quarter of current year, delivered relevant experience and great shareholder value. The VSC Group plans to use the experience gained in the upgrade and disposal processes of its assets as it manages its Putuo property (Shanghai) and reviews other opportunities for investment.

OUTLOOK

The uncertainties of the global markets and China's slow down on economic growth will inevitably have an impact across the region. The VSC Group expects the global steel market to continue to face imbalances. China's steel production continues to outpace demand and will put pressure on pricing. Iron ore output is also outpacing demand giving steel mills cost relief as steel price falls.

As China's growth slows down, the competitive environment will continue to intensify. The VSC Group will seek opportunities in new products and processes with existing customers and continue its geographic expansion into areas where it is not present.

In steel, it will continue to diversify its product and process offering while continuing to create a more efficient supply chain across all products. Hong Kong Steel team will continue to deliver aggressive growth by continuing to grow market share of structurals and carbon plate while maintaining its market share in reinforcement bar. Hong Kong and Macau infrastructure, residential and non-residential construction will continue at a break neck pace.

The VSC Group will continue to work with contractors and the government to define the right investment in downstream processing for construction steel. In May 2014, the VSC Group signed a joint venture agreement with a renowned international steel processing company. Their knowledge of processing and their experience in construction steel procurement and distribution will make VSC Group a sizeable player in downstream construction steel processing.

Bao Shun Chang will continue its drive to move from a local player in surface critical coil serving automotive, home appliance and construction to a national distributor across multiple product lines of steel. It will also explore an export strategy to take advantage of Mainland China's steel production capacity.

Engineering plastics will continue to focus on high-growth industries and expanding its geographic presence in Mainland China. It has worked to strengthen its ties to its strategic partners like Sabic Innovative Plastics Hong Kong Limited and Toray Plastics (China) Co. Ltd. and will work to recover and grow its market share in Hong Kong and Southern China.

China urbanization will continue at an accelerated pace. Coupled with the property upgrade drive that is taking place in tier 1 cities, BDSG business should benefit as long as it remains in the high-end segment of sanitary ware. New brands are continually making their way to China and it will have to remain vigilant and one step ahead by using its relationships with developers and the brands it represents to expand its reach geographically. Its partnership with BAGNODESIGN LONDON will allow it to tap into the needs of architects and designers looking for a high-end European option in sanitary ware. BDSG's partnership with BAGNODESIGN LONDON gives it exclusivity for China and Asia. BDSG is now positioned for significant growth. Its recent re-organization in Changsha and Wuhan created a province wide sales strategy further boosting its presence in China's interior.

SUMMARY

The VSC Group has concluded a robust restructuring process that included the elimination of businesses that were not adding value while taking up valuable resources. For the first time in many years, the VSC Group has begun new financial year with a clean slate as it relates to legacy issues and non-performing businesses. Its strong results of the current year allowed it to close businesses that had been generating losses in prior years and face related expenses while still delivering a significant improvement in net profit year over year. The VSC Group will continue to mandate that each office, city and overall business deliver a profit. It will not subsidise non-performing or non-strategic businesses.

The VSC Group's new organization is lean, nimble and, as a result of recent changes, very focused. It has a new management team that is driving a revitalised business model and delivering earnings improvement. Under guidance of the new and revitalised management team, the VSC Group is well on track to propel its business forward to achieve key corporate milestones in the years to come.

Looking ahead, a solid foundation has been laid in the past year to actualize the VSC Group's transformational journey in becoming a value-added supply chain provider in the regions and markets it operates in. Internally, clear measurable goals have been enforced to enhance financial discipline and accountability amongst all business units.

The VSC Group maintains that it is far from its potential and that its share price is significantly undervalued. The VSC Group is now positioned to deliver aggressive top line growth and continuous bottom line improvement.

CHARGES ON ASSETS

As at 31st March 2014, the VSC Group had certain charges on assets which included, (i) bank deposits of approximately HK$13 million which were pledged as collateral for the VSC Group's banking facilities, and (ii) investment properties of approximately HK$1,006 million were pledged as collaterals for certain bank borrowings of the VSC Group.

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 minimize the exchange exposure.

As at 31st March 2014, about 72.3% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, about 20.5% in US dollar and about 7.2% 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 2014, 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 RMB117 million.

All of the VSC Group's borrowings as at 31st March 2014 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 2014, there was no material contingent liability.

EMPLOYEE AND REMUNERATION POLICIES

As at 31st March 2014, the VSC Group employed 327 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 the current year amounted to approximately HK$112 million. During the current year, options to subscribe for 8,700,000 ordinary shares have been offered and granted to our directors and employees under the share option scheme adopted on 11th August 2011.

FINAL DIVIDEND

During the current year, an interim cash dividend of HK3.3 cents per ordinary share was declared and paid up by 15th January 2014. The Board has resolved to recommend at the forthcoming 2014 annual general meeting of the Company (the "2014 AGM") the payment of a final dividend of HK4.15 cents per ordinary share in respect of the year ended 31st March 2014 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 29th August 2014, subject to the approval of shareholders at the 2014 AGM.

Final dividend warrants are expected to be despatched to shareholders on or about 8th September 2014.

CLOSURE OF REGISTERS OF MEMBERS

The Register 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 2014 AGM

    From Monday, 18th August 2014 to Tuesday, 19th August 2014, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2014 AGM. In order to be eligible to attend and vote at the 2014 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrar") 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 Friday, 15th August 2014.

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

From Thursday, 28th August 2014 to Friday, 29th August 2014, 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 Registrar for registration no later than 4:30 p.m. on Wednesday, 27th August 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st March 2014, 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 1,126,000 ordinary shares on The Stock Exchange of Hong Kong Limited for an aggregate consideration of HK$1,298,140 (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$) Highest**	**Lowest**	**Aggregate consideration (before expenses) (HK$)**	*Note*
July 2013	360,000	1.12	1.04	393,400	*1*
August 2013	466,000	1.15	1.10	521,440	*2*
December 2013	78,000	1.34	1.21	98,540	*3*
January 2014	78,000	1.36	1.35	105,600	*3*
March 2014	144,000	1.25	1.24	179,160	*3*
Total	1,126,000			1,298,140	

Notes:

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

(2) 366,000 shares were repurchased pursuant to the mandate to repurchase shares of the Company obtained on 17th August 2012; and 100,000 shares were repurchased pursuant to the mandate to repurchase shares of the Company obtained on 16th August 2013.

(3) 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 year ended 31st March 2014.

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 2014.

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 year ended 31st March 2014.

During the current year, 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 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 the current year 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, 30th June 2014

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, Mr. Tse Lung Wa Teddy and Mr. Yeung Wing Sun Mike (being the independent non-executive directors).