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 2014

HIGHLIGHTS

Well-Positioned for Growth and Sustainable Profitability

- Continuous improvement in operational and financial performance
- Solid funding and cash management strategy, strong bank support
- Strategic acquisitions with robust and smooth integration process
- Differentiated value proposition model to enhance margin and get closer to end users
- Well-positioned to serve Hong Kong's growing and evolving construction market
- Mainland China expansion model with focus on high growth industries and regions
- Experienced management team capable of delivering sustainable growth and consistent shareholder value

Continued Improvement in Profit

- VSC Group's earnings before interests and tax ("EBIT") increased by 32.2% to approximately HK$97 million, versus approximately HK$73 million in the same period last year
- VSC Group's unaudited profit attributable to shareholders amounted to approximately HK$48 million, up by 3.3% compared with the same period last year

- VSC Group's unaudited consolidated net assets value ("NAV") was approximately HK$815 million as at 30th September 2014, and exceeded the audited consolidated NAV of approximately HK$782 million as at 31st March 2014 by approximately HK$33 million

- Annualised return on assets (EBIT/operating assets) was 23.2% as of 30th September 2014 versus 18.0% of the same period last year

- Interim dividend of HK3.5 cents per ordinary share declared

New Investment

- Partnership with NatSteel Holdings Pte. Ltd. (a Tata Steel Enterprise), a renowned international steel processing company to build and operate a construction steel processing plant to serve Hong Kong's construction industry

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 2014, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2014

		For the six months ended 30th September	
		2014	2013
		HK$'000	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)
Revenue	*3*	**1,882,273**	1,967,303
Cost of sales	*5*	**(1,703,438)**	(1,777,073)
Gross profit		**178,835**	190,230
Other gains – net	*4*	**12,253**	8,260
Selling and distribution expenses	*5*	**(28,005)**	(24,678)
General and administrative expenses	*5*	**(91,297)**	(100,765)
Fair value gain on investment properties		**24,752**	–
Operating profit		**96,538**	73,047
Finance income	*6*	**2,568**	1,427
Finance costs	*6*	**(30,363)**	(11,223)
Share of losses of investments accounted for using equity method – net		**(630)**	(284)
Profit before income tax		**68,113**	62,967
Income tax expense	*7*	**(20,138)**	(15,344)
Profit for the period		**47,975**	47,623
Attributable to:			
Equity holders of the Company	*9*	**47,961**	46,407
Non-controlling interests		**14**	1,216
		47,975	47,623
Earnings per ordinary share for profit attributable to the equity holders of the Company during the period			
– Basic	*9*	**HK11.5 cents**	HK11.2 cents
– Diluted	*9*	**HK11.0 cents**	HK10.8 cents
Dividends	*8*	**14,753**	13,759

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2014

	For the six months ended 30th September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**47,975**	47,623
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Change in fair value of an available-for-sale financial asset	**61**	(38)
Currency translation differences	**904**	6,948
Other comprehensive income for the period	**965**	6,910
Total comprehensive income for the period	**48,940**	54,533
Total comprehensive income attributable to:		
– Equity holders of the Company	**48,900**	52,628
– Non-controlling interests	**40**	1,905
	48,940	54,533

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER 2014

	Note	**As at 30th September 2014**	As at 31st March 2014
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**39,809**	14,954
Investment properties		**998,788**	1,005,580
Land use rights		**35,421**	10,123
Intangible assets		**86,519**	87,183
Investments in associates		**9,629**	237,179
Prepayments, deposits and other receivables		**36,223**	26,335
Deferred income tax assets		**18,865**	14,995
Available-for-sale financial asset		**343**	283
Total non-current assets		**1,225,597**	1,396,632
Current assets			
Inventories		**326,129**	332,993
Trade and bill receivables	*10*	**531,168**	405,355
Prepayments, deposits and other receivables		**177,738**	106,810
Financial assets at fair value through profit and loss		**7,671**	–
Derivative financial instruments		**386**	–
Amounts due from associates		**5,398**	1,197
Pledged bank deposits		**33,791**	39,458
Cash and cash equivalents		**334,003**	370,528
Total current assets		**1,416,284**	1,256,341
Current liabilities			
Trade and bill payables	*11*	**137,037**	80,028
Receipts in advance		**35,316**	42,440
Accrued liabilities and other payables		**46,318**	55,406
Current income tax liabilities		**16,160**	8,629
Derivative financial instruments		**–**	912
Borrowings		**909,205**	1,010,011
Total current liabilities		**1,144,036**	1,197,426

	Note	As at 30th September 2014 HK$'000 (Unaudited)	As at 31st March 2014 HK$'000 (Audited)
Net current assets		**272,248**	58,915
Total assets less current liabilities		**1,497,845**	1,455,547
Non-current liabilities			
Accrued liabilities and other payables		**5,725**	4,990
Deferred income tax liabilities		**113,622**	107,330
Borrowings		**563,567**	561,595
Total non-current liabilities		**682,914**	673,915
Net assets		**814,931**	781,632
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**42,152**	41,770
Reserves			
– Declared dividend		**14,753**	17,335
– Others		**758,026**	722,087
Non-controlling interests		**–**	440
Total equity		**814,931**	781,632

NOTES

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2014 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 2014, 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 2014, 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 2014 and are relevant to the VSC Group.

- Amendment to HKFRS 10, 12 and HKAS 27 'Consolidation for investment entities' are effective for annual period beginning on or after 1st January 2014. The amendments give an exception to entities that meet an 'Investment entity' definition and which display particular characteristics. Amendment to HKFRS 12 introduces disclosures that an investment entity needs to make. The revised standard has no material impact on the VSC Group's consolidated financial statements.

The following standards, amendments and interpretations to existing standards are effective in 2014 but not relevant to the VSC Group.

- Amendment to HKAS 32 'Financial instruments: Presentation on asset and liability offsetting' is effective for annual period beginning on or after 1st January 2014. This is not currently applicable to the VSC Group as it has no offsetting of financial assets and financial liabilities on the statement of financial position.

- Amendment to HKAS 36 'Impairment of assets' on recoverable amount disclosures is effective for annual period beginning on or after 1st January 2014. This is not currently applicable to the VSC Group as it has no impairment of assets, for which the recoverable amount is based on fair value less cost of disposal.

- Amendment to HKAS 39 'Financial instruments: Recognition and Measurement – Novation of derivatives' is effective for annual period beginning on or after 1st January 2014. This is not currently applicable to the VSC Group as it has no hedging instrument.

- HK(IFRIC)-Int 21 'Levies' is effective for annual period beginning on or after 1st January 2014. This is not currently applicable to the VSC Group as there is no obligating event that gives rise to a liability to pay a levy.

3 REVENUE AND SEGMENT INFORMATION

The VSC Group's revenue consists of the following:

	For the six months ended 30th September	
	2014	2013
	HK$'000	HK$'000
Sales of goods	**1,856,536**	1,962,814
Rental income	**25,737**	4,489
Total revenue	**1,882,273**	1,967,303

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 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 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	**1,393,961**	**270,169**	**197,406**	**20,737**	**–**	**1,882,273**
Operating profit/(loss)	**78,242**	**14,824**	**1,157**	**37,557**	**(35,242)**	**96,538**
Finance income	**2,055**	**318**	**71**	**124**	**–**	**2,568**
Finance costs	**(11,349)**	**(3,447)**	**(310)**	**(15,189)**	**(68)**	**(30,363)**
Share of losses of investments accounted for using equity method – net	**(565)**	**–**	**–**	**(65)**	**–**	**(630)**
Profit/(loss) before income tax	**68,383**	**11,695**	**918**	**22,427**	**(35,310)**	**68,113**
Depreciation and amortisation	**(633)**	**(1,372)**	**(93)**	**(999)**	**(769)**	**(3,866)**
Fair value gain on investment properties	**–**	**–**	**–**	**24,752**	**–**	**24,752**
Income tax (expense)/credit	**(13,745)**	**(2,622)**	**(218)**	**(8,719)**	**5,166**	**(20,138)**

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*	Engineering plastics *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 investments accounted for using equity method – net	–	–	–	3,017	(3,301)	(284)
Profit/(loss) before income tax	96,510	5,170	4,472	(1,241)	(41,944)	62,967
Depreciation and amortisation	(672)	(1,296)	(39)	(3)	(828)	(2,838)
Fair value gain on investment properties	–	–	–	–	–	–
Income tax (expense)/credit	(16,769)	(2,258)	(936)	–	4,619	(15,344)

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

	For the six months ended 30th September	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Mainland China	**774,712**	734,026
Hong Kong	**1,107,561**	1,233,277
Total revenue	**1,882,273**	1,967,303

4 OTHER GAINS – NET

	For the six months ended 30th September	
	2014	2013
	HK$'000	*HK$'000*
Net fair value change on forward foreign exchange contracts held for trading	**912**	(411)
Net fair value change on steel future contracts	**386**	–
Realised gain on steel future contracts	**272**	–
Provisional gain on bargain purchase	**7,000**	–
Net exchange gain	**2,768**	7,213
Net sundry income	**915**	1,458
	12,253	8,260

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	
	2014	2013
	HK$'000	*HK$'000*
Raw materials consumed and finished goods sold	**1,702,858**	1,771,478
Provision for impairment of inventories	**580**	5,595
Depreciation of property, plant and equipment	**3,035**	2,323
Gain on disposals of property, plant and equipment	**(232)**	(259)
Amortisation of land use rights	**415**	101
Amortisation of intangible assets	**416**	414
Employee benefit expenses	**51,713**	52,580
Operating lease rental expense in respect of land and buildings	**12,421**	14,698
Provision for impairment of trade receivables, net	**106**	372
Provision for impairment of amount due from an associate	**–**	4,000
Others	**51,428**	51,214
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,822,740**	1,902,516

6 FINANCE INCOME AND COSTS

	For the six months ended 30th September	
	2014	2013
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**2,568**	1,427
Finance costs		
Interest expenses:		
– bank borrowings	**(26,754)**	(9,513)
Bank charges	**(3,609)**	(1,710)
	(30,363)	(11,223)
Net finance costs	**(27,795)**	(9,796)

7 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. Subsidiaries established in Mainland China are subject to China corporate income tax at rate of 25% (2013: 25%).

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

	For the six months ended 30th September	
	2014	2013
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**(12,523)**	(16,069)
– China corporate income tax	**(5,290)**	(2,638)
Deferred income tax	**(2,325)**	3,363
	(20,138)	(15,344)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

8 DIVIDENDS

An interim dividend of HK3.5 cents (2013/14 interim: HK3.3 cents) per ordinary share was declared by the Board of Directors on 26th November 2014, totalling approximately HK$14,753,000 (2013/14 interim: HK$13,759,000).

For the avoidance of doubt, the Offer Shares to be issued pursuant to the Open Offer (both as defined in the Company's circular dated 23rd October 2014) will not entitle holders thereof to the interim dividend mentioned above.

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	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**47,961**	46,407
Weighted average number of ordinary shares in issue ('000)	**418,615**	414,693
Basic earnings per ordinary share (HK cents)	**11.5**	11.2

(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	
	2014	2013
Profit attributable to equity holders of the Company and used to determine diluted earnings per ordinary share (HK$'000)	**47,961**	46,407
Weighted average number of ordinary shares in issue ('000)	**418,615**	414,693
Adjustment for share options ('000)	**17,447**	16,781
Weighted average number of ordinary shares for diluted earnings per ordinary share ('000)	**436,062**	431,474
Diluted earnings per ordinary share (HK cents)	**11.0**	10.8

10 TRADE AND BILL RECEIVABLES

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

	As at 30th September 2014	As at 31st March 2014
	HK$'000	*HK$'000*
0-60 days	**425,926**	343,788
61-120 days	**71,118**	33,386
121-180 days	**24,366**	10,135
181-365 days	**9,274**	15,659
Over 365 days	**9,420**	11,217
	540,104	414,185
Less: Provision for impairment of trade receivables	**(8,936)**	(8,830)
	531,168	405,355

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 with credit period.

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

	As at 30th September 2014	As at 31st March 2014
	HK$'000	*HK$'000*
0-60 days	**135,876**	76,070
61-120 days	**238**	3,526
121-180 days	**118**	63
181-365 days	**605**	3
Over 365 days	**200**	366
	137,037	80,028

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 investment properties 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 follow:

	As at 30th September 2014	As at 31st March 2014
	HK$'000	*HK$'000*
Not later than one year	**31,731**	40,160
Later than one year and not later than five years	**67,671**	105,517
Later than five years	**10,089**	15,235
	109,491	160,912

(ii) Lessee

The VSC Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements.

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

	As at 30th September 2014	As at 31st March 2014
	HK$'000	*HK$'000*
Not later than one year	**19,239**	20,238
Later than one year and not later than five years	**17,657**	7,417
Later than five years	**628**	–
	37,524	27,655

(b) Capital commitments

Capital commitments at the end of the reporting period are as follows:

	As at 30th September 2014 *HK$'000*	As at 31st March 2014 *HK$'000*
Contracted but not provided for:		
Renovation work for an investment property	**6,836**	2,634
Capital injection to a joint venture	**19,500**	–
Total	**26,336**	2,634
Authorised but not contracted for:		
Renovation work for an investment property	**12,057**	56,745
Purchase of property, plant and equipment	**87,330**	–
Capital injection to a joint venture	**22,220**	–
Total	**121,607**	56,745

(c) Commitments under derivative contracts

As at 30th September 2014, the VSC Group had no outstanding forward foreign currency contracts (31st March 2014: US$19,000,000 for approximately RMB117,450,000. The settlement date of the last settlement is 22nd October 2015).

As at 30th September 2014, the VSC Group had outstanding steel future contracts to purchase 1,000 metric tonnes of rebar at approximately RMB2,546,000 (31st March 2014: Nil). The settlement date is 14th January 2015.

13 EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

(i) The VSC Group issued a circular and a prospectus on a proposed open offer on 23rd October 2014 and 25th November 2014, respectively. The estimated net proceeds of the open offer is approximately HK$99,784,000 after deduction of estimated expenses. The net proceeds will be used for further product diversification and downstream processing of reinforcement bar business, general working capital purpose and repayment of part of its short term bank borrowings.

(ii) On 11th November 2014, the VSC Group entered into fund agreements (the "Agreements") with independent third parties on the investment of a real estate fund (the "Fund"). Pursuant to the Agreements, the VSC Group will invest RMB100,000,000 in the Fund and the initial size of the Fund will be RMB360,000,000. The Fund will be primarily used for the purpose of the acquisition and development of a service apartment property located in Shanghai.

TRANSFORMATION JOURNEY

Our transformation strategy continues to focus on BOTTOM LINE IMPROVEMENT, RETURN ON CAPITAL, RISK MANAGEMENT, TALENT UPGRADE, as well as GEOGRAPHIC, PRODUCT and PROCESS DIVERSIFICATION.

Our new organization has allowed us to strengthen controls, successfully complete and integrate acquisitions, as well as roll out business specific strategies that are product, industry and region specific. We have worked to strengthen our leadership team by promoting existing personnel as well as hiring new talent to add needed expertise, including risk and supply chain management. Our value proposition continues do evolve. Through change and investment, we are ready to serve the changing needs of the industry segments we serve.

VSC Group has worked diligently to position itself to serve a robust Hong Kong construction market that is expected to remain strong past 2020 as well as Mainland China's high growth industries like automobiles and home appliances.

Our strategic investments in automated reinforcement bar processing and steel recycling in Hong Kong strengthen the VSC Group's supply chain, while differentiating our value proposition for the construction industry. The acquisition of an office building in Shanghai Puxi in December 2013 helps the VSC Group diversify its profit and revenue portfolio. Processing and value-add investment, steel recycling along with property investment provide the VSC Group immediate revenue enhancement and added profitability.

CONTINUED IMPROVEMENT IN PROFIT

VSC Group's revenue was approximately HK$1,882.3 million for the six months ended 30th September 2014 (the "current period"). Gross profit was approximately HK$178.8 million while gross profit margin remained consistent at 9.5% for the current period.

VSC Group's unaudited profit attributable to shareholders for the current period amounted to approximately HK$48 million, only up by 3.3% compared with the same period last year, due to interest expense for Central Park and deferred tax from valuation gain of property (approximately HK$15.0 million and HK$6.2 million respectively).

Annualised return on assets (EBIT/operating assets) improved to 23.2% from 18.0% compared with the same period last year, which was mainly driven by increase of EBIT, together with improved controls and stricter policies which helped to reduce bad debt and obsolete inventory risk. Basic earnings per ordinary share was HK11.5 cents as at 30th September 2014 (30th September 2013: HK11.2 cents). An interim dividend of HK3.5 cents per ordinary share (HK3.3 cents per ordinary share in 2013) was declared for the six months ended 30th September 2014.

INDUSTRIAL MATERIALS DISTRIBUTION GROUP

STEEL DISTRIBUTION BUSINESS

Hong Kong Steel revenue was approximately HK$916 million in the current period, 92.2% of the same period last year as rebar ton sales were impacted by project delays. Tons were up by 0.7%. Piling sales continued to be strong and ton sales grew by 38.4% year-on-year ("YOY"). EBIT was 74.9% of the same period last year primarily due to a lower gross profit margin as we delivered higher-cost rebar under fixed selling price contracts in the current period.

Bao Shun Chang recorded sales of approximately HK$478 million in the current period, up 5.3% YOY, primarily due to an increase in sales volume of about 17.3% YOY. In spite of a slight decrease of gross profit margin by about 0.3% YOY, EBIT for the current period increased by 22.8% YOY to approximately HK$7 million as a result of strict control over operating expenses.

ENGINEERING PLASTICS DISTRIBUTION BUSINESS

Our Engineering Plastics distribution business struggled in the current period and while they delivered an EBIT of approximately HK$1 million, we were not able to deliver on our plan. Our Engineering Plastics revenue amounted to approximately HK$197 million in the current period, 84.6% of the same period last year, as Hong Kong export business remained weak. Xiamen and Shanghai key accounts delivered better-than-expected sales results in the current period.

BUILDING & DESIGN SOLUTIONS GROUP

Building & Design Solutions ("BDS") delivered a significant improvement in the current period. Revenue was approximately HK$270 million in the current period, 5.3% above the same period last year. With the implementation of a new organization and business strategy, Wuhan and Changsha exceeded plan and moved from a loss in profit last year. EBIT for the current period increased by about 113.8% (including one-off restructuring costs in last year) YOY and 74.5% (excluding one-off restructuring costs in last year) YOY. Last year, BDS completed a restructuring program that called for closing of under performing showrooms and headcount reduction. This year's results show that our decisions, while difficult, were timely and beneficial. BDS sales in the current period, excluding operations closed last year, grew by 13.0% YOY.

PROPERTY GROUP

Property Group identifies underperforming assets in Shanghai, acquires, manages and upgrades physical properties to improve tenant mix. They currently focus on Shanghai properties located in Central Business District ("CBD").

In December 2013, the VSC Group acquired a 27-storey office building namely 中國港中旅大廈 (China CTS Tower) and renamed as Central Park 中港滙大廈, located in CBD in Shanghai. The purchase aims to capture the growing demand for office space in Shanghai's centralized business district and secure stable rental income for the VSC Group. Property Group EBIT was approximately HK$38 million in the current period while there was approximately HK$0.2 million of revenue and approximately HK$4 million of negative EBIT in the same period last year.

OUTLOOK

Hong Kong Steel is poised to deliver on its promise to shareholders for the fiscal year. Deliveries of lower-cost rebar for fixed price contracts will be made in the second half of current fiscal year, as steel pricing decreases due to excess production in Mainland China. We expect the global steel market to continue to face imbalances. Mainland China's steel production continues to outpace demand and will continue to put pressure on pricing. Iron ore output is outpacing demand giving steel mills some cost relief as steel price falls. As a leading construction steel distributor in the region and in order to rapidly respond to the opportunities in the booming construction industry in Hong Kong and Macau, the VSC Group will continue to diversify its product offerings. Our partnership with NatSteel Holdings Pte. Ltd., a renowned international steel processing company under Tata group, to build and operate a construction steel processing plant for reinforcement bar cut-and-bend and assembly services in Hong Kong. We will lead the conversion of the Hong Kong construction industry supply chain from on-site to off-site processing. Construction of this plant, which is strategically located in Tsing Yi in the New Territories, will be started in early 2015 and operation is expected to start in the fourth quarter of 2015.

Our investment in automated reinforcement bar processing will give Hong Kong's construction industry the ability to purchase tested, processed and ready-to-use products as opposed to current on-site processing that uses slow and inefficient equipment in congested and unsafe space. It will serve as an example for others to follow as we help Hong Kong convert to proven, automated, environmentally-friendly and safe processes that will provide contractors and fixers the ability to accelerate build schedules while eliminating costs related to waste and inefficiency. The operation will help Hong Kong address challenges related to labour shortage and an aging labour force.

Bao Shun Chang will continue its drive to move from a regional player in surface critical coil serving automobiles, home appliances and construction to a national distributor and processor across multiple product lines of steel products.

For BDS Group, we will work to streamline expenses in Hong Kong while growing our market share in projects. Shanghai BDS will maintain a focus on partnerships with dealers. Hong Kong and Mainland China BDS are expected to deliver their annual operating plans. All BDS locations will continue to maintain a focus on sales growth and asset management. We are on track to deliver growth that is above regional growth so as to maintain and grow our market share.

Engineering Plastics distribution business will continue to focus on high-growth industries and expanding our geographic presence in Mainland China. We have worked to strengthen our ties to supplier partners and will continue to work to recover our market share in Hong Kong and accelerate our Mainland China expansion strategy.

Our property investments will help us further enhance our revenue and profit sources. Central Park's renovation and proximity to new metro line will allow us to increase rental fees and improve tenant mix. Shanghai will continue to move to becoming a services oriented economy. The newly opened Pilot Free Trade Zone and Shanghai-Hong Kong Stock Connect will help create new jobs and will serve to attract companies needing office space.

VSC Group will continue strengthening and upgrading talent. We will continue to pursue strategic acquisitions, while working to integrate recent one. We will streamline under-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 priorities efforts based on value delivery to shareholders. We believe that we are far from our 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.

We are grateful to our dedicated employees, loyal customers, suppliers, banking partners, investors and shareholders for their constant support.

FINANCIAL POSITIONS

Compared with last financial year ended 31st March 2014, as at 30th September 2014, the VSC Group's total assets decreased by approximately HK$11 million to approximately HK$2,642 million. The VSC Group's inventories decreased by approximately HK$7 million to approximately HK$326 million. The average Days of Supplies (average inventories divided by cost of sales x 183 days) was decreased from 37 days for the last year end to 35 days. The VSC Group's trade and bill receivables increased by approximately HK$126 million to approximately HK$531 million. The average overall Day Sales Outstanding (average trade and bill receivables divided by revenue x 183 days) increased from 39 days for the last year end to 46 days. Net assets value of the VSC Group increased by approximately HK$33 million to approximately HK$815 million, equivalent to HK$1.93 per ordinary share as at 30th September 2014.

Compared with the financial position at 31st March 2014, the VSC Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$42 million to approximately HK$368 million while the VSC Group's borrowings decreased by approximately HK$99 million to approximately HK$1,473 million as at 30th September 2014. Current ratio increased to 1.24, 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) decreased from 60% to 58%.

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 including interest rate and foreign exchange 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 68.5% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, about 7.8% in Chinese Renminbi ("RMB") and about 23.7% 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 RMB91 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 2014, the VSC Group had certain charges on assets which included (i) bank deposits of approximately HK$34 million which were pledged as collateral for the VSC Group's banking facilities; and (ii) property, plant and equipment, investment properties and land use rights of approximately HK$8 million, HK$999 million and HK$25 million respectively 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 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 2014, there was no material contingent liability.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK3.5 cents per ordinary share for the six months ended 30th September 2014 payable to shareholders whose names appear on the register of members of the Company at the close of business on 8th December 2014. Dividend warrants are expected to be despatched to shareholders on or about 7th January 2015.

For the avoidance of doubt, the Offer Shares to be issued pursuant to the Open Offer (both as defined in the Company's circular dated 23rd October 2014) will not entitle holders thereof to the interim dividend mentioned above.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 8th December 2014 on which day 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 Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited by not later than 4:30 p.m. (Hong Kong time) on 5th December 2014.

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

During the current period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 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 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 months ended 30th September 2014.

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 2014 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.

By behalf of the Board
Van Shung Chong Holdings Limited
Yao Cho Fai Andrew
Chairman and Executive Director

Hong Kong, 26th November 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).