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 2015

HIGHLIGHTS

- VSC Group's earnings before interests and tax ("EBIT") increased by approximately 11.8% to approximately HK$108 million, versus approximately HK$97 million in the same period last year

- VSC Group's unaudited profit attributable to equity holders amounted to approximately HK$43 million, versus approximately HK$48 million in the same period last year

- VSC Group's unaudited consolidated net assets value ("NAV") was approximately HK$1,033 million as at 30th September 2015, versus the audited consolidated NAV of approximately HK$1,072 million as at 31st March 2015

- Gross profit margin increased to approximately 10.0% from approximately 9.5% compared with the same period last year

- Annualised return on assets (EBIT/operating assets) improved to approximately 25.4% as of 30th September 2015 compared with approximately 23.2% of the same period last year

- Interim dividend of HK1.8 cents per ordinary share declared

* *For identification purpose only*

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 2015, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2015

		Six months ended 30th September	
		2015	2014
		HK$'000	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)
Revenue	*3*	**1,753,802**	1,882,273
Cost of sales	*5*	**(1,578,916)**	(1,703,438)
Gross profit		**174,886**	178,835
Other (losses)/gains – net	*4*	**(8,255)**	12,253
Selling and distribution expenses	*5*	**(40,398)**	(28,005)
General and administrative expenses	*5*	**(130,824)**	(91,297)
Fair value gain on an investment property		**112,494**	24,752
Operating profit		**107,903**	96,538
Finance income	*6*	**651**	2,568
Finance costs	*6*	**(29,148)**	(30,363)
Share of results of associates – net		**(801)**	(630)
Share of results of joint ventures – net		**(3,646)**	–
Profit before income tax		**74,959**	68,113
Income tax expense	*7*	**(31,209)**	(20,138)
Profit for the period		**43,750**	47,975
Attributable to:			
Equity holders of the Company	*9*	**42,650**	47,961
Non-controlling interests		**1,100**	14
		43,750	47,975
Earnings per ordinary share attributable to the equity holders of the Company during the period			
			(Restated)
– Basic	*9*	**HK6.7 cents**	HK9.5 cents
– Diluted	*9*	**HK6.5 cents**	HK9.1 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2015

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**43,750**	47,975
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of an available-for-sale financial asset	**(113)**	61
Share of other comprehensive loss of a joint venture	**(9,831)**	–
Currency translation differences	**(45,415)**	904
Other comprehensive (loss)/income for the period	**(55,359)**	965
Total comprehensive (loss)/income for the period	**(11,609)**	48,940
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	**(12,709)**	48,900
– Non-controlling interests	**1,100**	40
	(11,609)	48,940

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER 2015

	Note	**As at 30th September 2015** **HK$'000** **(Unaudited)**	As at 31st March 2015 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**154,700**	73,820
Investment property		**1,221,289**	1,144,634
Land use rights		**45,855**	47,977
Intangible assets		**82,088**	85,786
Investments in associates		**6,652**	7,696
Investments in joint ventures		**121,682**	135,159
Prepayments, deposits and other receivables		**67,135**	32,735
Deferred income tax assets		**30,001**	21,460
Available-for-sale financial asset		**472**	458
Total non-current assets		**1,729,874**	1,549,725
Current assets			
Inventories		**350,162**	320,015
Trade and bill receivables	*10*	**553,364**	553,352
Prepayments, deposits and other receivables		**251,932**	92,384
Financial assets at fair value through profit or loss		**258**	7,989
Amount due from a joint venture		**21,633**	4,468
Pledged bank deposits		**23,317**	38,876
Cash and cash equivalents		**249,022**	354,997
Total current assets		**1,449,688**	1,372,081
Total assets		**3,179,562**	2,921,806
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**64,064**	63,227
Reserves		**966,813**	1,007,954
		1,030,877	1,071,181
Non-controlling interests		**2,020**	920
Total equity		**1,032,897**	1,072,101

	Note	As at 30th September 2015 HK$'000 (Unaudited)	As at 31st March 2015 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and bill payables	*11*	**140,453**	151,604
Receipts in advance		**34,066**	27,986
Accrued liabilities and other payables		**86,134**	40,577
Current income tax liabilities		**19,247**	14,942
Borrowings		**1,132,955**	882,943
Total current liabilities		**1,412,855**	1,118,052
Non-current liabilities			
Accrued liabilities and other payables		**9,891**	7,520
Deferred income tax liabilities		**179,608**	158,594
Borrowings		**544,311**	565,539
Total non-current liabilities		**733,810**	731,653
Total liabilities		**2,146,665**	1,849,705
Total equity and liabilities		**3,179,562**	2,921,806

NOTES

1 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2015 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31st March 2015, as described in those annual consolidated financial statements.

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

(a) The VSC Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRSs") that have been issued and are effective for the Company's accounting period beginning on or after 1st April 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010 – 2012 Cycle	Annual Improvements to HKFRSs issued in January 2014
Annual Improvements 2011 – 2013 Cycle	Annual Improvements to HKFRSs issued in January 2014

The adoption of these 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 that are effective and have not been early adopted by the VSC Group:

HKAS 1 (Amendment)	Disclosure Initiative (effective for annual periods beginning on or after 1st January 2016)
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1st January 2016)
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants (effective for annual periods beginning on or after 1st January 2016)
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1st January 2016)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after 1st January 2018)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1st January 2016)
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1st January 2016)
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1st January 2016)
HKFRS 14	Regulatory Deferral Accounts (effective for annual periods beginning on or after 1st January 2016)
HKFRS 15	Revenue from Contracts with Customers (effective for annual periods beginning on or after 1st January 2018)
Annual Improvements 2012 – 2014 Cycle	Annual Improvements to HKFRSs issued in October 2014 (effective for annual periods beginning on or after 1st January 2016)

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

3 Revenue and segment information

The VSC Group's revenue consists of the following:

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
Sales of goods	**1,725,153**	1,856,172
Service income	**5,046**	5,364
Rental income	**23,603**	20,737
Total revenue	**1,753,802**	1,882,273

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) Construction materials;

(ii) Building & design solutions ("BDS");

(iii) Engineering plastics; and

(iv) Property.

The VSC Group's CODM assesses the performance of operating segments based on a measure of profit before income tax.

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 business segment for the six months ended 30th September 2015 is as follows:

	Construction materials *HK$'000*	BDS *HK$'000*	Engineering plastics *HK$'000*	Property *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	**1,269,412**	**259,035**	**197,222**	**28,133**	**–**	**1,753,802**
Operating profit/(loss)	**31,460**	**7,967**	**(3,344)**	**127,115**	**(55,295)**	**107,903**
Finance income	**435**	**4**	**69**	**31**	**112**	**651**
Finance costs	**(12,087)**	**(2,222)**	**(257)**	**(14,433)**	**(149)**	**(29,148)**
Share of results of associates – net	**(789)**	**–**	**–**	**(12)**	**–**	**(801)**
Share of results of joint ventures – net	**–**	**–**	**–**	**(3,646)**	**–**	**(3,646)**
Profit/(loss) before income tax	**19,019**	**5,749**	**(3,532)**	**109,055**	**(55,332)**	**74,959**
Depreciation and amortisation	**(3,219)**	**(1,235)**	**(78)**	**(1,450)**	**(1,302)**	**(7,284)**
Fair value gain on an investment property	**–**	**–**	**–**	**112,494**	**–**	**112,494**
Income tax (expense)/credit	**(5,205)**	**(1,400)**	**516**	**(30,698)**	**5,578**	**(31,209)**

Analysis of the VSC Group's results by business segment for the six months ended 30th September 2014 is as follows:

	Construction materials *HK$'000*	BDS *HK$'000*	Engineering plastics *HK$'000*	Property *HK$'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 results of associates – 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 an investment property	–	–	–	24,752	–	24,752
Income tax (expense)/credit	(13,745)	(2,622)	(218)	(8,719)	5,166	(20,138)

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

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Mainland China	**696,882**	774,712
Hong Kong	**1,056,920**	1,107,561
Total revenue	**1,753,802**	1,882,273

4 Other (losses)/gains – net

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
Net unrealised fair value change on steel future contracts	**151**	386
Realised gain on steel future contracts	**484**	272
Gain on disposals of investments in corporate notes	**2,891**	–
Provisional gain on bargain purchase	**–**	7,000
Net exchange (loss)/gain	**(12,443)**	2,768
Net fair value change on forward foreign exchange contracts	**–**	912
Net sundry income	**662**	915
	(8,255)	12,253

5 Expenses by nature

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

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
Cost of finished goods sold	**1,568,550**	1,702,858
Provision for impairment of inventories	**779**	580
Depreciation of property, plant and equipment	**5,735**	2,565
Loss/(gain) on disposals of property, plant and equipment	**1,211**	(227)
Amortisation of land use rights	**819**	571
Amortisation of intangible assets	**730**	730
Employee benefit expenses	**76,636**	51,713
Legal and professional fees	**18,524**	4,240
Operating lease rental expense in respect of retail outlets, offices and warehouses	**17,924**	12,421
(Write-back of provision)/provision for impairment of trade receivables, net	**(430)**	106
Freight charges	**30,972**	22,604
Others	**28,688**	24,579
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,750,138**	1,822,740

6 Finance income and costs

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**651**	2,568
Finance costs		
Interest expenses:		
– bank borrowings	**(24,814)**	(26,754)
Bank charges	**(4,334)**	(3,609)
	(29,148)	(30,363)
Net finance costs	**(28,497)**	(27,795)

7 Income tax expense

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the VSC Group operates.

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 25%).

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

	Six months ended 30th September	
	2015	2014
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**(9,820)**	(12,523)
– China corporate income tax	**(2,839)**	(5,290)
Deferred income tax	**(18,550)**	(2,325)
	(31,209)	(20,138)

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 HK1.8 cents (2014/15 interim: HK3.5 cents) per ordinary share was declared by the Board on 30th November 2015, totaling approximately HK$11,531,000 (2014/15 interim: HK$14,753,000). The interim dividend has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in equity in the year ending 31st March 2016.

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.

	Six months ended 30th September	
	2015	2014 (As previously stated)
Profit attributable to equity holders of the Company *(HK$'000)*	**42,650**	47,961
Weighted average number of ordinary shares in issue *('000)*	**639,388**	418,615
Basic earnings per ordinary share *(HK cents)*	**6.7**	11.5
		(Restated) *(Note)*
Weighted average number of ordinary shares in issue *('000)*		503,334
Basic earnings per ordinary share *(HK cents)*		9.5

Note:

For the six months ended 30th September 2014, the weighted average number of ordinary shares for the purpose of basic earnings per ordinary share has been restated to take into account the effect of the open offer completed on 17th December 2014.

(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.

	Six months ended 30th September	
	2015	2014 (As previously stated)
Profit attributable to equity holders of the Company and used to determine diluted earnings per ordinary share *(HK$'000)*	**42,650**	47,961
Weighted average number of ordinary shares in issue *('000)*	**639,388**	418,615
Effect of conversion of share options *('000)*	**17,172**	17,447
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	**656,560**	436,062
Diluted earnings per ordinary share *(HK cents)*	**6.5**	11.0

	(Restated) *(Note)*
Weighted average number of ordinary shares in issue *('000)*	503,334
Effect of conversion of share options *('000)*	20,979
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	524,313
Diluted earnings per ordinary share *(HK cents)*	9.1

Note:

For the six months ended 30th September 2014, the weighted average number of ordinary shares and adjustment for share options for the purpose of diluted earnings per ordinary share have been restated to take into account the effect of the open offer completed on 17th December 2014.

10 Trade and bill receivables

Sales are either covered by letters of credit or 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 2015 *HK$'000*	As at 31st March 2015 *HK$'000*
0 – 60 days	**412,231**	423,454
61 – 120 days	**56,032**	83,054
121 – 180 days	**64,321**	18,894
181 – 365 days	**14,336**	25,967
Over 365 days	**13,179**	9,107
	560,099	560,476
Less: Provision for impairment	**(6,735)**	(7,124)
	553,364	553,352

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 of 30 to 60 days.

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

	As at 30th September 2015 *HK$'000*	As at 31st March 2015 *HK$'000*
0 – 60 days	**137,350**	150,112
61 – 120 days	**1,771**	874
121 – 180 days	**284**	114
181 – 365 days	**555**	52
Over 365 days	**493**	452
	140,453	151,604

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 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:

	As at 30th September 2015 *HK$'000*	As at 31st March 2015 *HK$'000*
Not later than one year	**41,994**	45,031
Later than one year and not later than five years	**67,052**	53,342
Later than five years	**2,567**	3,727
	111,613	102,100

(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 lease agreements in respect of rented premises are analysed as follows:

	As at 30th September 2015 *HK$'000*	As at 31st March 2015 *HK$'000*
Not later than one year	**44,250**	38,960
Later than one year and not later than five years	**98,851**	101,238
Later than five years	**15,781**	24,954
	158,882	165,152

(b) ***Capital commitments***

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

	As at 30th September 2015 HK$'000	As at 31st March 2015 HK$'000
Contracted but not provided for:		
Purchase of an investment property	**970,385**	-
Renovation work for an investment property	**2,035**	6,517
Purchase of property, plant and equipment	**70,098**	146,304
Capital injection to a joint venture	**19,500**	19,500
Total	**1,062,018**	172,321
Authorised but not contracted for:		
Renovation work for an investment property	**980**	5,578

(c) ***Commitments under derivative contracts***

As at 30th September 2015, the total notional principal amount of the outstanding steel future contracts was approximately HK$2,482,000. The settlement date is 15th January 2016.

As at 31st March 2015, the total notional principal amount of the outstanding steel future contracts was approximately HK$3,193,000. The settlement date was 15th October 2015.

13 Events occurring after the reporting period

(i) On 16th September 2015, 上海新施房地產經紀有限公司 (Shanghai Xinshi Real Estate Brokerage Co., Ltd.*), a subsidiary of the VSC Group entered into a framework agreement with an independent third party in relation to an acquisition of an office building located in Shanghai, PRC for a total consideration of RMB801,308,900 (equivalent to approximately HK$970,385,000) (the "Acquisition"). The Acquisition was approved by the shareholders of the Company on 26th November 2015 and the completion shall occur in accordance with the terms of the framework agreement and upon full payment of the consideration.

(ii) On 26th October 2015, the Board proposed to change the English name of "Van Shung Chong Holdings Limited" to "Hong Kong Shanghai Alliance Holdings Limited" and adopt the Chinese name "滬港聯合控股有限公司" as the secondary name of the Company. The proposed change of name was approved by the shareholders of the Company on 26th November 2015 and shall take effect when the new name is entered in the register maintained by the Registrar of Companies in Bermuda and a certificate of incorporation on change of name and a certificate of secondary name are issued.

MANAGEMENT DISCUSSION AND ANALYSIS

The weak and uncertain global economy created a very challenging environment for our businesses, ranging from cautious customer demand to pressure on margins. For the six months ended 30th September 2015 (the "current period"), VSC Group recorded an unaudited profit attributable to equity holders of approximately HK$43 million on revenue of approximately HK$1,754 million, versus an unaudited profit attributable to equity holders of approximately HK$48 million on revenue of approximately HK$1,882 million in the same period last year. Gross profit was approximately HK$175 million, down approximately 2.2% year-on-year ("YOY") while gross profit margin increased to approximately 10.0% from approximately 9.5% compared with the same period last year.

Annualised return on assets (EBIT/operating assets) improved to approximately 25.4% from approximately 23.2% compared with the same period last year, which was mainly driven by increase of operating profit by approximately 11.8% YOY to approximately HK$108 million in current period, together with improved controls and stricter policies which helped to reduce bad debt and obsolete inventory risk. Basic earnings per ordinary share was HK6.7 cents as at 30th September 2015 (30th September 2014 (restated): HK9.5 cents). An interim dividend of HK1.8 cents per ordinary share (HK3.5 cents per ordinary share in 2014) was declared by the Board for the current period.

CONSTRUCTION MATERIALS BUSINESS

Our Construction Materials Business comprises Hong Kong construction products (mainly rebars and pilings in current period), Shanghai Bao Shun Chang and Hong Kong steel recycling business conducted through He Tai Steel Co., Limited ("He Tai"), which was acquired by VSC Group in September 2014. These businesses are now being grouped under Asia Infrastructure Resources Group Limited ("AIR"). This business recorded total revenue of approximately HK$1,269 million in the current period, approximately 91.1% of the same period last year in spite of YOY increase of tons sold of approximately 6.9% and approximately 5.5% respectively in Hong Kong construction products and Shanghai Bao Shun Chang, as steel price decreased throughout the current period. Our net profit was approximately HK$14 million, approximately 25.3% of the same period last year mainly due to (i) decrease of total net profit of Hong Kong construction products and Shanghai Bao Shun Chang by approximately 42.7% YOY to approximately HK$33 million in current period, primarily due to a decrease in their total revenue by approximately HK$211 million to approximately HK$1,182 million in current period in spite of an increase of their total gross profit margin by 56 basis points to approximately 8.1%, as there was projects delay for two infrastructure projects in Hong Kong and our customers postponed delivery of rebars to second half of current fiscal year, and steel price decreased throughout current period; and (ii) net loss of approximately HK$19 million was made by He Tai in current period mainly due to the continuous decrease in scrap price and weakened demand from customers in North Asia. We have started to take the following actions to turnaround He Tai:

(i) Selling directly to end customers instead of through traders to boost gross profit margin;

(ii) Expanding sales to steel mills in Southeast Asia and South Asia;

(iii) Implementing various costs saving measures to reduce variable expenses and overheads; and

(iv) Expanding revenue stream by increasing the utilisation of fixed assets and workforce for our affiliated companies and other third party customers.

ENGINEERING PLASTICS BUSINESS

Our Engineering Plastics Business recorded revenue of approximately HK$197 million, slightly down approximately 0.1% YOY in spite of increase in tons sold by approximately 6.4% YOY resulted from stiff price competition. Due to an exchange loss of approximately HK$5 million arising from the depreciation of Renminbi ("RMB") against Hong Kong dollars ("HKD") in August 2015 and translation of our trade payables denominated in HKD, this business recorded a net loss of approximately HK$3 million in current period, versus a net profit of approximately HK$0.7 million in the same period last year. We have started to take the following actions to reduce our foreign exchange risk exposure:

(i) Shorten our working capital cycle to increase HKD cash balance;

(ii) Keep more cash balance in HKD; and

(iii) Explore with suppliers to change the billing currency to RMB to minimise our net liabilities in HKD.

BUILDING & DESIGN SOLUTIONS BUSINESS

Building & Design Solutions ("BDS") Business delivered revenue of approximately HK$259 million in the current period, down approximately 4.1% YOY. Net profit decreased by approximately 52.1% to approximately HK$4 million in current period, mainly due to (i) projects delay in Hong Kong; (ii) slowdown of the residential property market in Mainland China which affected our wholesale sales and margin in current period; (iii) rental expenses of our recently opened architectural & design centres ("A&D Centres") in Changsha and Wuhan of approximately HK$1 million; and (iv) increase in rental expenses for warehouse and office in Hong Kong totaling approximately HK$1 million. These A&D Centres are one of the largest and most comprehensive selections of products for washroom and kitchen in each of Hunan and Hubei Province and aim to serve the most discerning of design tastes combining design with technology.

PROPERTY BUSINESS

Our expertise and proven track record of carrying out value enhancement works on properties under management (Central Park and Metro Park in the current period) which has the effect of improving tenant mix and occupancy rate, increasing rental return and bringing valuation appreciation continued to help us achieve success and deliver excellent results in current period. For Central Park, we successfully increased the occupancy rate from 74% at end of March 2015 to 82% at end of current period and increased the average market rental by approximately 26.1% in current period. Based on a valuation report issued by an independent international valuation firm to us, the carrying amount of our investment property Central Park increased by approximately 10.6% YOY to approximately RMB1,003 million (equivalent to approximately HK$1,221 million) at end of the current period, resulted in a valuation gain of approximately HK$113 million for the current period. As a results, our Property Business recorded a net profit of approximately HK$78 million on revenue of approximately HK$28 million in the current period, versus a net profit of approximately HK$14 million on revenue of approximately HK$21 million in the same period last year.

As disclosed in our circular dated 28th October 2015, 上海新施房地產經紀有限公司(Shanghai Xinshi Real Estate Brokerage Co., Ltd.*) (our indirect wholly-owned subsidiary) as the purchaser, and 上海電氣集團置業有限公司(Shanghai Electric Group Real Estate Co., Ltd.*) (an Independent Third Party) as the vendor entered into a framework agreement dated 16th September 2015 to acquire 創屹商務大廈(Chuang Yi Tower*) located at the intersection of Zhangyang Road and Gushan Road, Pudong New District, Shanghai Municipality, PRC, for a total consideration of RMB801,308,900 (equivalent to approximately HK$970,385,000). This acquisition was approved by our shareholders in a shareholders meeting on 26th November 2015. We expect that the completion of the acquisition will occur at the earliest in the second quarter of 2016.

OUTLOOK

We expect the volatility in the global economy to continue in the near term. This will continue to offer various challenges to our businesses in coming quarters, ranging from cautious customer demand to pressure on margins. Our focus will be to manage cash, costs and risks and, to build our strength during these times by working with our management teams to improve capability and efficiency.

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 regional provider of construction materials, we are confident that AIR will be able to further expand its business scale as it has (i) successfully transformed itself from an ordinary steel supplier into a market leading, highly customisable and automated steel processor with leading technologies; and (ii) moved from a product driven offer to a service-based and supply chain management value proposition. In particular, AIR has recently completed the construction of Hong Kong's first automated construction steel processing plant in Tsing Yi which will enable highly automated steel processing to be carried out in a more efficient, less costly and much safer environment. As demand for construction materials is expected to increase as a result of PRC's government policies such as the "the Belt and Road" initiative, AIR is well positioned to capture such opportunity through its enhanced supply model; which will not only enable it to serve its customers that have expanded or are expanding trade and investment beyond Hong Kong to serve the "the Belt and Road" initiative, but also to expand regionally into Southeast Asia.

For BDS, we will work closely with our brand partners to increase sales by offering new products and eliminate non-performing products, exercising strict cost and expense control, focusing on assets and working capital management. With this approach, we will work to minimise the impact from the market slowdown in Mainland China and strengthen our position for the market recovery.

Our Engineering Plastics 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. We will continue to exert considerable efforts in revitalising properties under our portfolio (including Central Park, Metro Park as well as 創屹商務大廈 (Chuang Yi Tower* which is being acquired)) and invest in further opportunities and properties in Shanghai which may be identified and evaluated by our property team from time to time and which are considered to be sound. Central Park will complete its renovation before end of March 2016. For Metro Park, show flats are now set up and strata-sale promotion program will be started in mid-December 2015. The total floor area of properties managed by our property team following the acquisition of 創屹商務大廈(Chuang Yi Tower*) will exceed 1.2 million square feet. Shanghai shall continue to be a geographical focus and core investment market of our Property Business as we are confident that the continuous evolution of Shanghai towards a service-driven economy will not only boost its international stature, but also generate demand for quality office space.

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

FINANCIAL POSITIONS

Compared with last financial year ended 31st March 2015, as at 30th September 2015, the VSC Group's total assets increased by approximately HK$258 million to approximately HK$3,180 million. The VSC Group's inventories increased by approximately HK$30 million to approximately HK$350 million. The average Days of Supplies was increased from 34 days for the last year end to 39 days. The VSC Group's trade and bill receivables remained as approximately HK$553 million. The average overall Day Sales Outstanding increased from 45 days for the last year end to 58 days. Net assets value of the VSC Group decreased by approximately HK$39 million to approximately HK$1,033 million, equivalent to HK$1.61 per ordinary share as at 30th September 2015.

Compared with the financial position at 31st March 2015, the VSC Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$122 million to approximately HK$272 million while the VSC Group's borrowings increased by approximately HK$229 million to approximately HK$1,677 million as at 30th September 2015. Current ratio decreased to 1.03, 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 50% 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 has 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 51.5% of the VSC Group's interest-bearing borrowings were denominated in HK dollar, about 6.2% in Chinese Renminbi ("RMB") and about 42.3% 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 RMB85 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 2015, the VSC Group had certain charges on assets which included (i) bank deposits of approximately HK$23 million which were pledged as collateral for the VSC Group's bank borrowings and banking facilities; and (ii) an investment property, property, plant and equipment and land use rights of approximately HK$1,221 million, HK$14 million and HK$36 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 volatility 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 2015, there was no material contingent liability.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.8 cents per ordinary share for the six months ended 30th September 2015 payable to shareholders whose names appear on the register of members of the Company at the close of business on 30th December 2015. Dividend warrants are expected to be despatched to shareholders on or about 28th January 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th December 2015 to 30th December 2015, both days 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 Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited by not later than 4:30 p.m. (Hong Kong time) on 28th December 2015.

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 2015.

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 2015.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.vschk.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The interim report for the six months ended 30th September 2015 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

Hong Kong, 30th November 2015

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew, Ms. Luk Pui Yin Grace and Mr. Lau Chi Chiu (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).