THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE HEREIN.

(Note: The financial years ended 31st March, 2000 and 2001 are referred to herein as FY2000 and FY2001, respectively. Certain comparative figures in FY2000 have been reclassified to conform with the presentation in FY2001.)

(1) CONSOLIDATED INCOME STATEMENTS

		FY2001			FY2000			
Ref		Turnover *HK$'000*	Gross Profit *HK$'000*	Gross Margin *%*	Turnover *HK$'000*	Gross Profit *HK$'000*	Gross Margin *%*	Change *%*
1.1	Sales revenue							
	Continuing operations:							
a)	Steel: rebars, piling and flat products	1,751,901	134,746	7.69	1,327,349	175,174	13.20	
b)	Building products	69,109	15,670	22.67	51,205	13,800	26.95	
c)	Coil centre	221,664	42,687	19.26	158,909	31,952	20.11	
d)	Engineering plastic resins	286,179	34,456	12.04	332,657	33,050	9.94	
e)	Machinery	5,450	3,658	67.12	3,941	2,788	70.74	
		2,334,303	231,217	9.91	1,874,061	256,764	13.70	+24.6/-9.9/-27.7
	Discontinuing operations:							
f)	Sales of processed rebars	36,164	1,353	3.74	23,795	(2,059)	-8.65	+52.0/N/A
1.2	Rental income	4,096	4,096		547	547		+648.8
1.3	Interest income from the finance business	1,888	1,888		1,261	1,261		+49.7
	Others	—	—		1,281	741		-100.0
	TOTAL:	2,376,451	238,554	10.04	1,900,945	257,254	13.53	+25.0/-7.3/-25.8
	Selling and distribution expenses		(19,917)			(28,832)		-30.9
	Operating expenses		(176,805)			(100,387)		+76.1
	Profit from operations:		41,832			128,035		-67.3
1.4	Continuing operations	90,327			138,127			-34.6
1.5	Discontinuing operations	(48,495)			(10,092)			+380.5
1.6	Gain (Loss) on investments		323,850			(2,732)		N/A
1.7	Loss on investment properties		(33,630)			(1,680)		+1,901.8
1.8	Interest income		4,778			3,270		+46.1
1.8	Interest expense		(11,732)			(14,907)		-21.3
	Share of profit of associates		89			2		+4,350.0
	Profit before taxation		325,187			111,988		+190.4
	Taxation and minority interests		(14,474)			(21,444)		-32.5
	Profit attributable to shareholders		310,713			90,544		+243.2
1.9	Cash dividends per share		HK$0.26			HK$0.088		+195.5
1.10	Earnings per share							
	— Basic		HK$0.87			HK$0.30		+190.0
	— Diluted		HK$0.86			HK$0.29		+196.6

1.1 Sales revenue from continuing operations

As a whole, total sales revenue from continuing operations of the VSC Group increased by 24.6% but the corresponding gross profit decreased by 9.9%, mainly attributable to the drop in profit contribution from the steel department. An analysis of the VSC Group's various product lines is as follows:

a) Steel

After the acquisition of another steel rebars stockholding company in November 1999, the VSC Group became the dominant player in the steel rebars stockholding business in Hong Kong, commanding an over 50% market share. Despite the increase in market share resulting from the acquisition, overall turnover only increased by 32.0%. This is due to the continued depression of Hong Kong construction market which caused substantial depression in both the price and tonnage delivered of steel rebars and piling. Keen competition also continued to further erode our gross margin. Spin-off of the steel trading business in Southern China in FY2001, which had contributed gross profit of over HK$20 million to the VSC Group in FY2000, was another major factor attributable to the drop in gross profit.

Amid the difficult market condition, FY2001 was a year of consolidation for our steel department to achieve better operational efficiency and results. Storage facilities were centralised and streamlined to improve logistics efficiency. The centralisation of godown operation in Lung Kwu Tan, which had direct access to pier, had resulted in substantial savings on inward transportation and godown operating cost. The rental of an additional pier in Lung Kwu Tan also increased inventory handling capacity and allowed additional flexibility in logistics management. As a result of this improvement in inventory handling, the VSC Group is able to derive additional revenue such as rental income by leasing out its self-owned land in Lau Fau Shan during FY2001 and Lam Tei shortly after FY2001.

Among the various operational processes improvements being undertaken, the most substantial achievement was in the inventory management. Stock level of rebars was successfully reduced by 60% whereby services level to our customers was not compromised. Substantial financial interest cost and carrying cost savings were achieved by reducing the buffer stock. Also, our larger scale enabled us to enjoy a larger pool of supply to facilitate the "Just-in-time" or "Direct pier-to-site" deliveries. Consequently, the costs of godown operation, transportation and other handling costs had been reduced.

The steel department currently has contracts-on-hand in excess of HK$1 billion.

b) ***Building products***

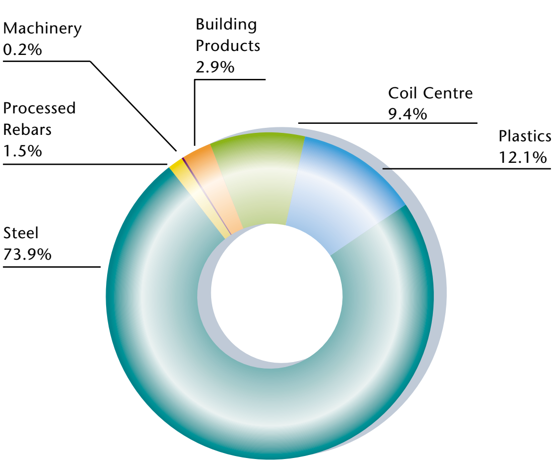
Despite the slow down in the construction of residential and commercial buildings, the building products department reported a 35.0% increase in turnover and its gross profit was improved by 13.6%. The increase in turnover was mainly attributable to the increase from sanitary ware which recorded a growth of 116.1%. Two major sanitary ware projects, namely residential government departmental quarters at Lee On Road and Concord Blocks at various sites, were substantially completed during FY2001.

After a year of rapid growth and the completion of a sizable project, namely the Monte Vista in Ma On Shan, turnover in our kitchen cabinet division had slowed by 14.3%. During FY2001, the division had substantially completed two key projects, Serenade Cove in Tsuen Wan and Ocean Pointe in Sham Tseng. The division had also been awarded some prestigious projects such as Sorrento of Kowloon Station Package II, Coastal Skyline of Tung Chung Station Package II and Bellagio of 390 Sham Tseng, which in aggregate provided a demand of over 4,600 kitchens in the coming years. Contracts-on-hand for the whole department are worth approximately HK$130 million.

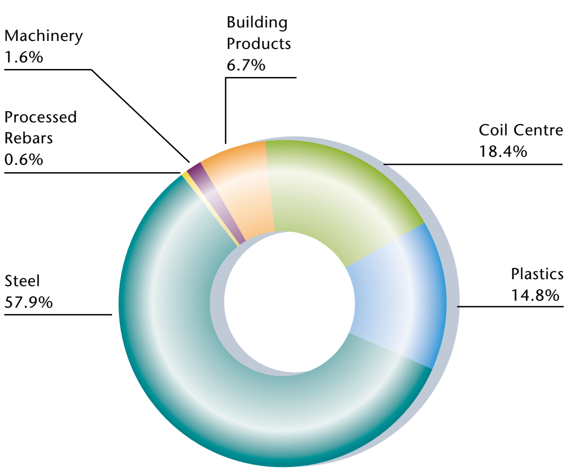
c) ***Coil centre***

FY2001 has proven to be another successful year for our Dongguan coil centre. Volume grew by 29.8% while turnover and gross profit increased by 39.5% and 33.6%, respectively. Improvements were mainly the result of strengthening relationships with key customers as well as rendering of high quality products and services. Another key success factor was the flexibility and our ability to satisfy the customers' shorter lead time in ordering due to dynamic market situation.

Sales Revenue by Product Range FY2001



Gross Profit from Sales Revenue by Product Range FY2001



With our continued effort in improving production efficiency and logistics management, we achieved a 5% reduction in operating expenses. Our recent completion of the second phase expansion for the Dongguan coil centre had increased the production capacity by 50%. Production line layout had also been redesigned to further improve production efficiency.

d) Engineering plastic resins

FY2001 was a challenging year for the division. Economic downturn in major consumer markets around the world caused the division to record a 14.0% decrease in turnover. However, through more accurate forecast of market demand, we managed to achieve a 4.3% increase in gross profit. Gross margin was further improved to 12.04%. In anticipation of economic recession in the United States and potential shrinkage in market demand for our customers' products exported to the United States, we will continue to diversify our customers' portfolio by developing new brands and new markets for our plastic resins.

e) Machinery

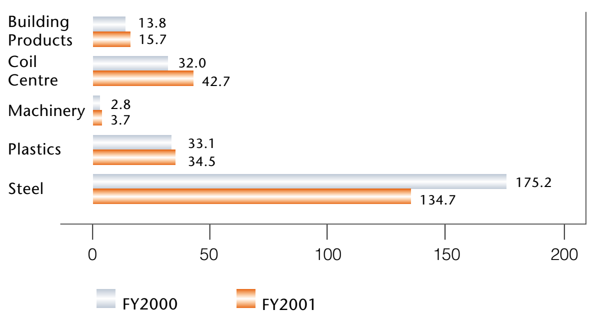
Both the turnover and gross profit increased by 38.3% and 31.2%, respectively. Despite the poor economic condition and thus the lack of confidence in machinery capital investment, we were able to increase the number of machinery sold by 10.7%.

f) Rebars processing

Subject to the downturn of the construction industry in Hong Kong, the VSC Group encountered difficulty in developing its new offsite automated rebars cut and bend and epoxy coated rebars processing operations. Although turnover of the operations had been increased by 52.0%, the volume of business was still not sufficient to attain the necessary level for achieving economy of scale and thus breakeven. A very slim gross margin of 3.74% was resulted due to high manufacturing costs and insufficient volume to absorb the fixed costs such as depreciation, rental and labour costs. We had thus decided to discontinue the operations and refocused the resources and efforts to develop other engineering products such as couplers and soil nails.

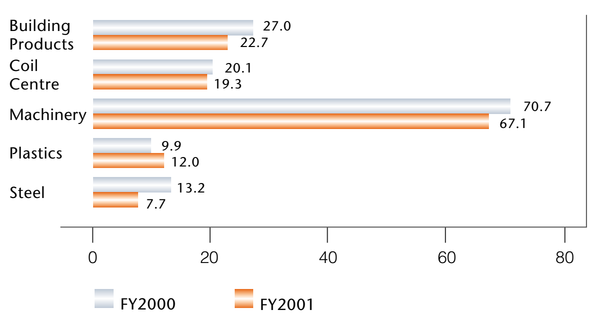
**Gross Profit by Product Range-
Continuing Operations**

HK$ million



**Gross Margin by Product Range-
Continuing Operations**

%



1.2 Rental income

Rental income increased by 648.8%. This was mainly due to rental income derived from our related companies, iSteelAsia.com Limited and EC.com Limited, for sharing of our office space. During FY2001, we also successfully leased out our self-owned land in Lau Fau Shan plus our investment property in Kennedy Town.

1.3 Interest income from the finance business

Interest income from the finance business increased by 49.7%. Several new loans in the amount of approximately HK$30 million were granted during FY2001 with interest rates charged at HIBOR plus 3% per annum.

1.4 Profit from continuing operations

As compared to FY2000, profit from continuing operations decreased by 34.6%. The decrease was attributable to the 9.9% decrease in gross profit as explained above, a 37.3% increase in operating expenses offsetting by a 32.9% drop in selling and distribution expenses.

Decrease in selling and distribution expenses was mainly due to the non-recurring expenses of approximately HK$5.4 million for marketing and branding with respect to iSteelAsia.com in FY2000 prior to its subsequent listing in April 2000. Excluding this promotion cost, the VSC Group was able to record a drop in selling and distribution expenses of 16.7% despite the increase in turnover. This was achieved by our process improvement program and ongoing logistics improvement. Increase in operating expenses was mainly a result of increases in provision for doubtful loans receivable, depreciation, office rental and staff costs.

1.5 Loss from discontinuing operations

The loss in FY2001 was derived from discontinuing the rebars processing operations which included operating loss incurred during FY2001, provision for loans receivable to a subcontractor for onsite rebars fixing work and provision for doubtful accounts for settlement of disputes with the customers. We had also made provision for impairment loss for the machinery and equipment used in these operations by reference to the estimated realisable loss for this disposal. In addition, we had provided approximately HK$2 million for provision of other estimated operating costs arising from the discontinuing operations.

1.6 Gain (Loss) on investments

The gain on investments in FY2001 comprised gain on spin-off of iSteelAsia.com Limited ("iSA") of approximately HK$361 million offsetting by the impairment in value of approximately HK$14 million on our investments in iMerchants Limited. Also, after reviewing the financial position of our associates, we had conservatively made full provision of approximately HK$21 million for investment in and advances to the GFTZ fuel company as well as provision of approximately HK$2 million for our advances made for Dongguan pier operation. Despite making of such provisions, the VSC Group will continue to vigorously recover such investments.

1.7 Loss on investment properties

During FY2001, we had disposed of the residential properties in Mainland China, resulting in a loss of approximately HK$4 million. We had engaged independent qualified property surveyors to revaluate all of our investment properties as at 31st March, 2001. Accordingly, we had made provisions for impairment in value of investment properties in the amount of approximately HK$30 million, which reflected the continued declines in real estate property market value in both Hong Kong and Mainland China.

1.8 Interest income/expense

Net interest expense was reduced by 40.2% to approximately HK$7 million. The decrease in gross interest expense by 21.3% was mainly the result of savings from the reduction of our stock level and general reduction of market interest rate as well as better offer from our banks. Interest cover for continuing operations (profit from operations for continuing operations divided by net financing charges for continuing operations) was also improved to 12.8 (FY2000 - 12.0).

1.9 Cash dividends per share

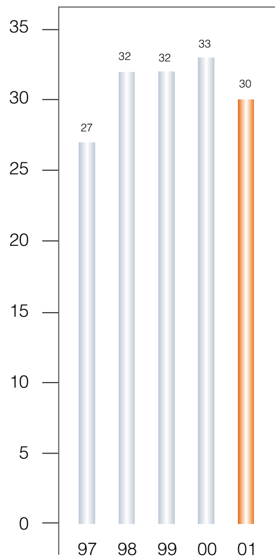
As a result of the exceptional gain of approximately HK$361 million resulting from the spin-off of iSA and after due consideration of the VSC Group's future capital plan and need, a final cash dividend of HK$0.23 per share was declared. Total cash dividends per share for FY2001 increased from HK$0.088 for FY2000 to HK$0.26. This represented cash dividend payout (total cash dividends divided by profit attributable to shareholders X 100%) of 29.7% (FY2000 - 33.1%). Distribution in specie of shares in iSA worth approximately HK$308 million was also made to the shareholders upon spin-off of iSA.

1.10 Earnings per share

The 190.0% increase of basic earnings per share to HK$0.87 was attributable to the exceptional gain on spin-off of iSA and repurchase of shares during FY2001. The diluted earnings per share was relatively increased more by 196.6% due to a lower dilution effect caused by the outstanding warrants and employee share options in FY2001.

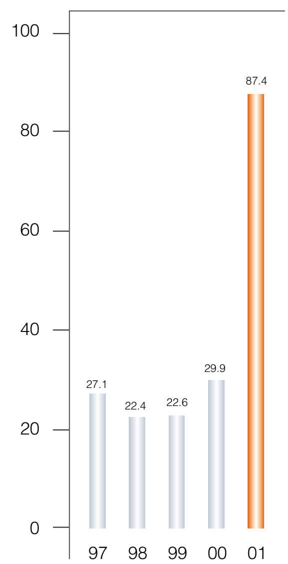
Cash Dividend Payout

for the years ended 31st March,
%



Basic Earnings Per Share

for the years ended 31st March,
HK cents



(2) CONSOLIDATED BALANCE SHEETS

		As at 31st March,				
		2001		2000		Change
Ref		HK$'000	HK$'000	HK$'000	HK$'000	%
2.1	Property, plant and equipment		**86,296**		130,985	-34.1
2.2	Investment properties		**31,340**		36,800	-14.8
2.3	Investment in associates		**90**		18,561	-99.5
2.4	Long-term investments		**87,431**		12,700	+588.4
	Other non-current assets		**—**		3,762	-100.0
	Current assets:		**716,257**		1,016,311	-29.5
2.5	— inventories	**238,855**		425,686		-43.9
2.6	— gross amount due from customers for installation contract work	**916**		—		N/A
2.7	— prepayments, deposits and other receivables	**27,534**		49,928		-44.9
	— advances to suppliers	**14,416**		11,842		+21.7
2.8	— accounts receivable	**355,878**		361,262		-1.5
2.9	— loans receivable	**28,409**		10,832		+162.3
2.10	— pledged bank deposits	**5,492**		19,278		-71.5
2.11	— cash and bank deposits	**44,757**		137,483		-67.4
	Current liabilities:		**(341,381)**		(640,544)	-46.7
	— short-term bank borrowings	**(106,770)**		(333,528)		-68.0
	— bills payable	**(35,142)**		(97,095)		-63.8
	— accounts payable	**(74,203)**		(80,593)		-7.9
2.12	Total liabilities for inventory purchases	**(216,115)**		(511,216)		-57.7
2.6	— gross amount due to customers for installation contract work	**—**		(8,983)		-100.0
	— receipts in advance	**(8,915)**		(29,866)		-70.2
	— accrued liabilities	**(31,493)**		(40,598)		-22.4
	— promissory note	**—**		(17,000)		-100.0
	— proposed dividend	**(81,716)**		(21,317)		+283.3
	— taxation payable	**(3,142)**		(11,564)		-72.8
	Deferred taxation		**(2,070)**		(1,497)	+38.3
	Minority interests		**(2,921)**		(4,289)	-31.9
	Net assets		**575,042**		572,789	+0.4
2.13	Capital and reserves:					
	Share capital		**35,529**		34,088	+4.2
	Reserves		**414,425**		245,611	+68.7
	Retained profit		**125,088**		293,090	-57.3
	Shareholders' equity		**575,042**		572,789	+0.4

2.1 Property, plant and equipment

The decrease of net book value of property, plant and equipment of 34.1% was attributable to the reclassification of several real estate properties previously held for own use, with net book value around HK$32 million, to investment properties held for rental and to the impairment in value of machinery and equipment, approximately HK$10 million in net book value due to the discontinuance of the rebars processing businesses.

2.2 Investment properties

The decrease of investment properties of 14.8% was attributable to the HK$32 million addition of real estate properties reclassified from property, plant and equipment offsetting by the disposal of approximately HK$8 million real estate properties in Mainland China. Besides, the continuous decline in market value of the properties in Hong Kong and the stagnant property market in Mainland China caused a further provision of impairment in value of about HK$30 million for our investment properties.

2.3 Investment in associates

Although the GFTZ fuel company recorded increases in both sales and net profit in FY2001, it was still unable to achieve the planned guaranteed profit level and lacked the cash flow to settle the outstanding guaranteed investment return receivables. Full provision of approximately HK$21 million for impairment in value of our investments in the GFTZ fuel company and its outstanding minimum guaranteed return receivables had thus been made. In addition, we had provided approximately HK$2 million for advances made to Dongguan pier operation.

2.4 Long-term investments

With the initial public offering of iSA and the subsequent distribution of iSA's shares as dividend in specie to VSC's shareholders, the VSC Group now maintains approximately 19.1% shareholding in iSA, which were recorded as long-term investments with market valuation of approximately HK$79 million as at year end. Surplus of the market valuation over the cost of the shares had been credited to the asset revaluation reserve. Also, taken into consideration of the market valuation of GEM listed internet companies, we amended the carrying value of our investment in iMerchants Limited and booked about HK$14 million as provision for impairment in value of investment to the income statement. The remaining balance of long-term investments of approximately HK$6 million represented mainly our investment costs in Baosteel Jingchang.

2.5 Inventories

Shortly after the acquisition in November 1999, our inventory level was at all time high of HK$426 million as at last year end. Since then, we had implemented programs to improve supply chain and sales fulfilment processes with aggressive targets to reduce inventory level. Our inventory of steel in tonnage had been reduced by 60%. As a result, we successfully reduced overall inventories (after a 1.4% provision of obsolete and slow-moving inventories) in dollar terms by 43.9% to HK$239 million. Overall inventory turnover (average inventories divided by cost of sales x 365 days) was also reduced to 57 days (FY2000 - 69 days). With our continuous effort in process improvement, we aimed to achieve a further double-digit reduction in inventory level in the future.

2.6 Gross amount due from/(to) customers for installation contract work

The amount primarily represented the outstanding contract sum due from/(to) customers for kitchen cabinets installation contract works completed of approximately HK$58 million less progress billings received and receivable as at year end of about HK$57 million. Substantial works for several major contracts had been completed during the year.

2.7 Prepayments, deposits and other receivables

The 44.9% decrease was mainly due to spin-off of iSA with the transfer of deferred listing fees of about HK$18 million to iSA. We had also reclassified the outstanding guaranteed investment return receivables from the GFTZ fuel company of approximately HK$6 million to non-current assets in FY2001.

2.8 Accounts receivable

Accounts receivable ("AR"), net of provision for bad and doubtful debts, was decreased by 1.5%. However, as indicated below, the ageing of AR was slightly lengthened, in particular there were AR over 365 days in the amount of approximately HK$6 million. These long outstanding receivables were mainly final project payments and retention monies for our kitchen cabinets installation project at the Monte Vista in Ma On Shan. It was normal industry practice to have such long settlement period due to the time required to prepare final accounts. We are confident such outstanding receivables should be fully collectible. Overall accounts receivable turnover (average AR divided by sales revenue x 365 days) was improved to 55 days (FY2000 - 66 days).

During the normal course of our businesses, we offered credit terms ranging from COD to 90 days after monthly statement to our debtors. An ageing analysis of AR was as follows:

	2001	2000
	HK$ million	*HK$ million*
0 to 60 days	**288.1**	287.8
61 to 120 days	**53.9**	66.8
121 to 180 days	**16.8**	2.7
181 to 365 days	**6.3**	16.4
Over 365 days	**6.1**	5.0
	371.2	378.7
Provision for bad and doubtful debts	**(15.3)**	(17.4)
	355.9	361.3

The current year provision for bad and doubtful debts in the amount of approximately HK$13.2 million was made to cover settlement of disputes with the customers of discontinuing operations (about HK$8 million) and several long overdue accounts receivable of customers with financial difficulties (about HK$5 million).

2.9 Loans receivable

We continued to increase the loans of the finance business during FY2001. All borrowers had been carefully evaluated and assessed on their creditworthiness. The entire loan balances were mostly secured by real estate properties and/or personal guarantees with appealing interest rates. A specific provision of approximately HK$11.6 million was made for the loan to a local subcontractor for the onsite rebars fixing work relating to the discontinuing operations. After careful review of the situation, the management determined to make a general provision for the remaining loans receivables of approximately HK$8.9 million.

2.10 Pledged bank deposits

Pledged bank deposits represented collateral for the deposit system required by the Mainland China customs office for our Dongguan coil centre. Because of changes in regulations, the deposits were substantially reduced in FY2001. The coil centre is expected to attain Class A Enterprise status in the coming year and would then be exempted from the deposit requirement.

2.11 Cash and bank deposits

In March 2000, we received net proceeds of approximately HK$116 million from placement of 30 million shares to independent investors. The funds were subsequently used as working capital to reduce the bank borrowings. Without such exceptional proceeds, cash and bank deposits at current year end hence decreased by 67.4% and remained at a healthy level of approximately HK$45 million.

2.12 Total liabilities for inventory purchases

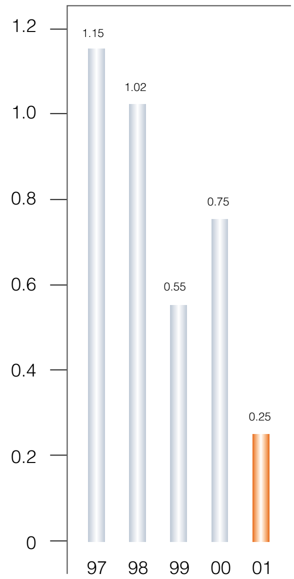
Sum of the short-term bank borrowings, bills payable and accounts payable was decreased by 57.7%. Total proceeds from share placement and reduction in inventory level had helped to reduce our overall liabilities of inventory purchases. We also managed to reduce the inventory carrying costs such as inward transportation by better logistics arrangement and achieved costs reduction by bulk purchasing. Gearing ratio (bank borrowings and bills payable divided by shareholders' equity) was also reduced to 0.25 (2000 - 0.75).

Accounts payable ("AP") was decreased by 7.9%. Similar to the ageing of AR, the ageing of AP was also lengthened. AP over 365 days amounted to approximately HK$1 million. These long outstanding AP represented project costs and retention monies of our subcontractors for our kitchen cabinets installation project at the Monte Vista in Ma On Shan, which to certain extent matched our expected cash flow from the long outstanding AR. An ageing analysis of AP was as follows:

	2001 **_HK$ million_**	2000 _HK$ million_
0 to 60 days	**69.3**	74.7
61 to 120 days	**1.3**	5.6
121 to 180 days	**0.4**	0.3
181 to 365 days	**2.2**	—
Over 365 days	**1.0**	—
	74.2	80.6

Gearing Ratio

as at 31st March,

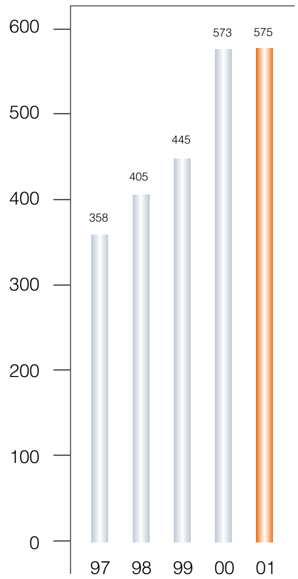


2.13 Capital and reserves

Major changes and movements in our capital and reserves are highlighted as follows:

a) Issued share capital was increased from approximately 341 million shares to 355 million shares. Approximately 24 million new shares were issued through exercises of warrants and employee share options during FY2001. To protect and increase the value of our share, we also exercised the repurchase mandate granted by the shareholders to buy back and cancel approximately 10 million shares during FY2001.

Shareholders' Equity
as at 31st March,
HK$ million

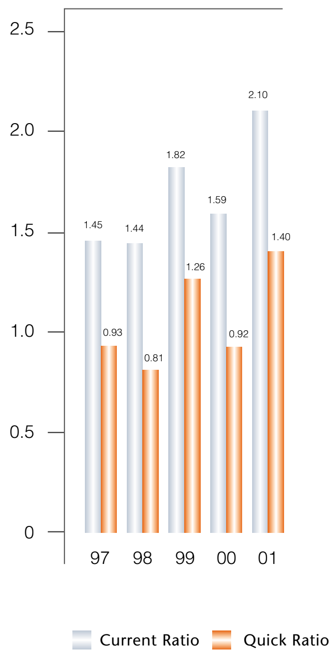


b) Increases in reserve of about HK$169 million corresponding to the movements in share capital were about HK$46 million for exercises of warrants/employee share options and about HK$1 million for repurchase of shares. Other movements included about HK$112 million for net revaluation surplus and transfer to capital reserve on long-term investments in iSA and transfer of about HK$10 million from asset revaluation reserve to loss on long-term investment in iMerchants Limited.

c) Other than the current year profit and dividends, movements of retained profit also included about HK$20 million for the 9.8 million shares repurchased and transfer of about HK$58 million to capital reserve for gain on dilution of the VSC Group's equity interest in iSA upon placing of new shares of iSA to private/institutional investors.

As a whole, our shareholders' equity represented by the sum of capital and reserves increased 0.4% to approximately HK$575 million.

Liquidity Ratios
as at 31st March,



(3) OTHER FINANCIAL ANALYSIS

3.1 Liquidity and financing

As shown in the consolidated cash flow statement, the VSC Group's cash flows have been increased. Net cash inflow from operating activities increased by 137% to around HK$134 million. Such increase was mainly due to the reduction in inventories. We also received about HK$48 million from exercises of warrants and employee share options. The cash inflows were offset by net cash outflows of approximately HK$63 million for interest, dividend, and tax paid. In addition, approximately HK$20 million was used to repurchase shares. These led to net increase in cash and cash equivalents of about HK$120 million in FY2001. Liquidity ratios such as current ratio (current assets divided by current liabilities) and quick ratio (current assets excluding inventories divided by current liabilities) both were improved as follows:

				% Change between	
	2001	2000	1999	**2001 and 2000**	2001 and 1999
Current ratio	**2.10**	1.59	1.82	**+32%**	+15%
Quick ratio	**1.40**	0.92	1.26	**+52%**	+11%

The VSC Group's business operations were generally financed by cash generated from its business activities and banking facilities provided by its banks. During FY2001, the VSC Group obtained/renewed new bank finance for HK$107 million with lower/reduced interest costs. As at June 2001, our letter of credit and trust receipts loans facilities available were over HK$1.4 billion and over HK$1 billion, respectively. As a result of improved asset base and profitability, the VSC Group had more bargaining power with banks and enjoyed lower borrowing cost offered from over 40% of the VSC Group's banks. Currently, the VSC Group utilised less than 30% of its banking facilities. With its strong financial background and keen support from the banks and the investors, the VSC Group is confident to obtain the necessary funding at very competitive pricing for future business expansion.

3.2 Foreign exchange and interest exposure

The foreign currencies involved in the VSC Group's business transactions are primarily US dollar, Renminbi ("RMB") and several European currencies.

Majority of our inventory purchases (steel, coil centre and plastics) are made in US dollar whereas majority of our sales are denominated in Hong Kong dollar. Theoretically, we are subject to foreign exchange exposure in Hong Kong dollar against US dollar for our trust receipts loan borrowings plus any uncovered inventory position to fulfil our sales contracts. However, with the strong support from the government to maintain the peg system in Hong Kong, the exchange rate for US dollar should be relatively stable and the VSC Group's potential exposure in US dollar should thus be minimal in the foreseeable future. We will continue to monitor closely the exchange risks by requesting US dollar settlement from customers and hedging by forward contracts and applicable derivatives when necessary.

Foreign exchange exposure relating to our businesses and investments in Mainland China are assessed as follows:

		Foreign Exchange Exposure *HK$ million*	Sales Income	Purchases	Local Expenses
a)	Dongguan coil centre	21	HK$/RMB	US$	RMB
b)	Shanghai Bao Shun Chang	3	RMB	RMB	RMB
c)	Baosteel Jingchang	6	RMB	RMB	RMB
d)	Dongguan investment properties	5	N/A	N/A	N/A
	Total:	35			

Our various investments and assets in Mainland China totalling approximately HK$35 million will be subjected to foreign exchange exposure for any RMB devaluation upon realisation or repatriation of profit from these joint ventures. As for coil centre, the sales revenues are mainly denominated in Hong Kong dollar with the local operating costs predominantly financed by remittance from Hong Kong head office with limited RMB receipts. Our costs of these operations will be increased if there was appreciation in RMB. Fund remitted to coil centre for the deposit system required by the Mainland China customs office of approximately HK$5.5 million were placed with local domestic banks and should thus be free from foreign exchange exposure. We do not expect any foreign exchange exposure for operations of Shanghai Bao Shun Chang ("SBSC") and Baosteel Jingchang since all income/expenses will be in RMB. We have also from time to time along with the Shanghai Baosteel group provided RMB working capital loan to SBSC for their operations. Such loan bore commercial interest rate and amounted to approximately RMB10 million as at year end. We will also continue to match our RMB expenditures with RMB receipts to minimise our exchange exposure.

Our building products department purchases from several European suppliers in currencies such as Sterling, Deutsche Mark, Italian Lira, and Euro. While the amount involved was not material, movements of these European currencies were closely monitored and hedging by forward contracts were used to avoid erosion of our profit margin.

Interest costs of all our import bank loans are levied on US dollar LIBOR/SIBOR basis with very competitive margin. We have benefited from such relatively low and stable interest rate.