

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2002*

	Six months ended 30 September	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Net cash (outflow) inflow from operating activities	(10,992)	69,418
Net cash outflow from investing activities	(1,698)	(35,284)
Net cash inflow (outflow) from financing activities	13,027	(41,817)
Increase (Decrease) in cash and cash equivalents	337	(7,683)
Cash and cash equivalents at 1 April	48,554	50,249
Effect of foreign exchange rate changes	34	(751)
Cash and cash equivalents at 30 September	48,925	41,815
Analysis of cash and cash equivalents:		
– Cash and bank deposits	48,925	41,815

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS**1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The unaudited condensed interim accounts of the VSC Group as at and for the six months ended 30 September 2002 have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) Number 25 (Revised) – Interim financial reporting issued by the Hong Kong Society of Accountants and the disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The unaudited condensed interim accounts should be read in conjunction with the annual accounts of the VSC Group for the year ended 31 March 2002.

The accounting policies and method of computation used in the preparation of the unaudited condensed interim accounts as at and for the six months ended 30 September 2002 are consistent with those used in the annual accounts as at and for the year ended 31 March 2002, except for the adoption of the new/revised SSAPs issued by the Hong Kong Society of Accountants as described in Note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

Effective from 1 April 2002, the VSC Group has adopted the following changes in accounting policies:

SSAP 1 (Revised) :	Presentation of financial statements
SSAP 11 (Revised) :	Foreign currency translation
SSAP 15 (Revised) :	Cash flow statements
SSAP 25 (Revised) :	Interim financial reporting
SSAP 34 :	Employee benefits

Except for certain presentational changes which have been made upon the adoption of SSAP 1 (Revised) – Presentation of financial statements and SSAP 15 (Revised) – Cash flow statements, the adoption of the above new/revised SSAPs had no material effect on the unaudited condensed interim accounts.

3. SEGMENT INFORMATION

The business segment is defined by major product and operational unit, while the geographical segment is defined by destination of shipment of merchandise. The VSC Group's results by business segment and geographical segment are analysed as follows:

a. Primary reporting format – business segments

	Trading and stockholding of construction materials HK\$'000	Manufacturing and trading of industrial products HK\$'000	Investment holding HK\$'000	Total HK\$'000
<i>For the six months ended 30 September 2002</i>				
Turnover				
– continuing operations	1,018,716	249,601	2,037	1,270,354
Segment results				
– continuing operations	27,121	36,556	794	64,471
Unallocated corporate expenses				(23,760)
Operating profit				40,711
Gain on investments				2,736
Interest income				2,272
Interest expense				(4,114)
Taxation				(690)
Minority interests				(3,666)
Profit attributable to shareholders				37,249
<i>For the six months ended 30 September 2001</i>				
Turnover				
– continuing operations	810,305	189,797	3,419	1,003,521
– discontinuing operations	11,548	–	–	11,548
	821,853	189,797	3,419	1,015,069
Segment results				
– continuing operations	27,194	17,689	816	45,699
– discontinuing operations	(2,022)	–	–	(2,022)
	25,172	17,689	816	43,677
Unallocated corporate expenses				(20,707)
Operating profit				22,970
Loss on investments				(517)
Interest income				1,444
Interest expense				(4,824)
Share of loss of associates				(89)
Taxation				(3,998)
Minority interests				(458)
Profit attributable to shareholders				14,528

3. SEGMENT INFORMATION (Continued)

b. Secondary reporting format – geographical segments

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
<i>For the six months ended 30 September 2002</i>			
Turnover			
– continuing operations	640,824	629,530	1,270,354
Segment results			
– continuing operations	15,675	48,796	64,471
Unallocated corporate expenses			(23,760)
Operating profit			40,711
<i>For the six months ended 30 September 2001*</i>			
Turnover			
– continuing operations	524,810	478,711	1,003,521
– discontinuing operations	11,548	–	11,548
	536,358	478,711	1,015,069
Segment results			
– continuing operations	25,361	20,338	45,699
– discontinuing operations	(2,022)	–	(2,022)
	23,339	20,338	43,677
Unallocated corporate expenses			(20,707)
Operating profit			22,970

* Figures have been restated to comply with current year's classification.

4. OPERATING PROFIT

Operating profit is stated after charging (crediting) the following:

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Depreciation of property, plant and equipment	8,117	7,023
Amortisation of goodwill	925	–
(Gain) Loss on disposal of property, plant and equipment	(80)	66

5. GAIN (LOSS) ON INVESTMENTS

Gain (Loss) on investments consisted of:

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Loss on disposal of long-term investment	(287)	–
Return from joint ventures	3,023	–
Impairment loss on investments	–	(517)
	2,736	(517)

6. TAXATION

Taxation consisted of:

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
– Current year	4,034	3,992
– Write-back of provision in prior years	(4,289)	–
Mainland China enterprise income tax	945	6
	690	3,998

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2002 (six months ended 30 September 2001 – interim dividends of HK\$0.018 per ordinary share).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately HK\$37,249,000 (six months ended 30 September 2001 – HK\$14,528,000) and on the weighted average number of approximately 354,979,000 shares (six months ended 30 September 2001 – 355,282,000 shares) in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 September 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately HK\$37,249,000 (six months ended 30 September 2001 – HK\$14,528,000) and the diluted weighted average number of approximately 355,201,000 shares (six months ended 30 September 2001 – 356,929,000 shares) in issue during the period. It has been calculated after taking into account all dilutive instruments outstanding at 30 September 2002. The effect of the dilutive potential ordinary shares resulting from the exercise of the outstanding warrants and employee share options on the weighted average number of shares in issue during the period was approximately 222,000 shares (six months ended 30 September 2001 – 1,647,000 shares), which were deemed to have been issued at no consideration if all outstanding warrants and employee share options had been exercised on the date when the warrants and employee share options were granted.

9. PROPERTY, PLANT AND EQUIPMENT

Net book values of property, plant and equipment consisted of:

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
Land and buildings	62,366	61,904
Furniture and equipment	25,121	26,774
Machinery	28,973	30,811
Motor vehicles	3,442	3,759
	119,902	123,248

10. LONG-TERM INVESTMENTS

Long-term investments consisted of:

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
Investment in shares listed in Hong Kong		
– At cost	27,831	42,722
– Change in fair value	(1,702)	(15,680)
	26,129	27,042
Unlisted investments		
– At cost	5,616	5,616
– Accumulated impairment loss	(97)	(97)
	5,519	5,519
	31,648	32,561

As at 30 September 2002, the investment in shares listed in Hong Kong includes approximately 19.2% (as at 31 March 2002 – 17.8%) equity interests in iSteelAsia.com Limited, a company incorporated in Bermuda whose shares are listed on the Growth Enterprise Market of the Stock Exchange. These investments are stated in the balance sheet at the quoted market value at 30 September 2002.

The underlying value of long-term investments is, in the opinion of VSC's Directors, not less than the carrying value at 30 September 2002.

11. ACCOUNTS RECEIVABLE

A major portion of the VSC Group's sales is made on an open account basis, with credit periods ranging from 30 to 90 days. Credit evaluations of customers are performed periodically to minimise any credit risk associated with customers. Ageing analysis (based on ageing date) of accounts receivable was as follows:

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
0 – 60 days	449,433	358,439
61 – 120 days	98,358	93,837
121 – 180 days	7,389	17,281
181 – 365 days	7,427	3,616
Over 365 days	13,237	19,036
	575,844	492,209
Less: Provision for bad and doubtful debts	(15,052)	(21,315)
	560,792	470,894

12. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings consisted of:

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
Trust receipts bank loans	304,789	225,182
Short-term bank loans	51,975	37,800
	356,764	262,982

Trust receipts bank loans were secured by inventories released under such loans.

13. ACCOUNTS AND BILLS PAYABLE

Ageing analysis (based on ageing date) of accounts and bills payable was as follows:

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
0 – 60 days	212,493	145,288
61 – 120 days	4,638	1,920
121 – 180 days	3,144	1,761
181 – 365 days	2,868	1,000
Over 365 days	2,793	2,602
	225,936	152,571

14. SHARE CAPITAL

	As at 30 September 2002 and 31 March 2002	
	Number of shares '000	Nominal value HK\$'000
Authorised – ordinary shares of HK\$0.10 each	1,000,000	100,000
Issued and fully paid – ordinary shares of HK\$0.10 each	354,979	35,498

15. RELATED PARTY TRANSACTIONS

- a. The VSC Group had the following significant transactions with related parties:

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Metal Logistics Company Limited (i)		
– sales made by the VSC Group	113,818	76,404
– commission for procurement services charged to the VSC Group	1,117	743
– administrative service fees earned by the VSC Group	90	90
– interest earned by the VSC Group on overdue balances	2,073	481
iSteelAsia (Hong Kong) Limited (i)		
– administrative services fees earned by the VSC Group	90	90
– rental earned by the VSC Group	300	510
– rates, management fee and utility charges earned by the VSC Group	44	115
EC.com Limited (ii)		
– rental earned by the VSC Group	506	506

Note –

- (i) Metal Logistics Company Limited and iSteelAsia (Hong Kong) Limited are wholly owned by iSteelAsia.com Limited, a company in which the VSC Group has a 19.2% equity interest as at 30 September 2002.
- (ii) EC.com Limited is beneficially owned and controlled by Mr. Tsang Kwok Tai, Moses, a former non-executive director of VSC who resigned on 17 August 2002.
- b. The amounts due from related companies arising from transactions described in Note 15.a are included in accounts receivable. Details of these balances are as follows:

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
Metal Logistics Company Limited (i)	154,529	137,711

Note –

- (i) The balance, arising mainly from the purchase of steel, was unsecured, repayable within the normal credit term and bore interest at commercial lending rates for overdue balances.

16. SUBSEQUENT EVENT

On 5 November 2002, VSC announced a proposed conditional voluntary cash offer to repurchase up to 53,222,263 shares of VSC (representing approximately 14.6% of the total issued share capital of VSC at the time of offer) at an offer price of HK\$0.98 per share payable in cash. Qualifying shareholders are assured of being able, if they so wish, to sell to VSC 33.3% (subject to adjustment) of the shares they own as at the date of closing of the offer on 2 January 2003. Assuming that the offer is to be accepted in full, the total consideration for the offer will amount to approximately HK\$52.2 million.