RESULTS

The VSC Group's turnover for the six months ended 30 September 2002 was HK$1,270 million, an increase of 25% compared with the same period in 2001. Gross profit and gross margin were increased by 33% and 6%, respectively. Profit attributable to shareholders was HK$37.2 million, an increase of 156% and 268% as compared to the six months ended 30 September 2001 and the year ended 31 March 2002, respectively.

Basic earnings per share increased by 156% to 10.5 cents due to the increase in profit attributable to shareholders. No interim dividend per share was declared for the period (2001 – 1.8 cents per share representing dividend payout of 44%) as an offer had recently been made to all shareholders to purchase 33.3% (subject to adjustment) of their shares in VSC at HK$0.98 per share. Although the management considered the share buyback, if approved by the shareholders and fully accepted by the qualifying shareholders, should not have any material adverse impact to the VSC Group's financial position, the offer could be perceived as a special distribution since the offer price already represented a premium to the prevailing market share price of VSC. As such, the management believed that the VSC Group remains committed to its philosophy to always explore ways to enhance the return to reward its shareholders.

FINANCIAL ANALYSIS

The VSC Group continued to monitor and maintain its liquidity and financial position in a healthy manner. As compared to 31 March 2002, both current ratio and quick ratio have slightly decreased but were still kept at a healthy level of 1.60 and 1.10. In view of the current low interest rate environment coupled with a relatively weak equity market, the VSC Group had cautiously increased its bank borrowings as a means to finance its business expansion and capital need. As such, the gearing ratio (bank borrowings and bills payable divided by shareholders' equity) was increased from 0.66 to 0.88. The VSC Group's trade financing remained primarily supported by trade facilities from banks. As in prior years, these lines were secured by the VSC Group's inventories held under short-term trust receipts bank loan arrangement and corporate guarantees by VSC. Interest costs of the import bank loans are levied on US dollar LIBOR/SIBOR basis with very competitive margin. With its focus on increasing business expansion in Mainland China, the VSC Group had obtained 25 million Renminbi ("RMB") banking facilities. As a way to hedge against the currency risk, the VSC Group had adopted a strategy by aligning the currency of its financing need with its income. Thus, the VSC Group will continue to solicit additional RMB financing from both foreign and domestic banks to support its businesses and operations in Mainland China. As stated above, cash flow management is a critical part of the VSC Group's financing activities. The VSC Group will also explore opportunities to secure some medium to longer-term capital financing from banks to match its capital funding needs for its internal expansion and external acquisitions in the coming 3 to 5 years.

CHARGES ON ASSETS

The VSC Group had certain inventories held under trust receipts bank loans.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The VSC Group's businesses were primarily transacted in Hong Kong dollar, US dollar, RMB and Euro dollar. Despite some recent market discussion on the discontinuance of the current peg system in Hong Kong to help combating the economic recession, the Hong Kong SAR Government had indicated its strong commitment to maintain the peg system. The VSC Group's exposure in US dollar should thus still be minimal. The VSC Group will however closely monitor such foreign exchange exposure arising from its trust receipts bank loans and uncovered inventory for committed sales contracts, which are mainly denominated in US dollar. The VSC Group's investments and properties in Mainland China amounted to approximately HK$62 million as at 30 September 2002. As stated above, the VSC Group is aiming to obtain more RMB financing to further mitigate its currency exposure on its domestic operations in Mainland China. Transaction values involving Euro dollar were relatively insignificant and hedging by forward contracts had been used as the main tool to reduce such foreign exchange exposure.

CONTINGENT LIABILITIES

As at 30 September 2002, the VSC Group had contingent liabilities in the form of guarantees of approximately HK$18.6 million.