



VISION TECH INTERNATIONAL HOLDINGS LIMITED

金科數碼國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 922)

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

* *for identification only*

VISION TECH INTERNATIONAL HOLDINGS LIMITED

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VISION TECH INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2003

		(Unaudited)	
		Six months ended	
		30 September	
		2003	2002
	Notes	HK\$'000	HK\$'000
Turnover	2	11,299	16,796
Cost of inventories sold		(10,757)	(13,994)
Gross profit		542	2,802
Other revenue		331	–
Interest income		–	–
Selling and distribution expenses		(669)	–
Administrative expenses		(1,420)	(1,953)
Impairment loss of goodwill		–	(1,579)
Write-off of amount due from a subsidiary		(200)	–
(Loss)/profit from operations	3	(1,416)	(730)
Finance costs	4	(1,955)	(433)
Loss before taxation		(3,371)	(1,163)
Taxation	5	–	–
Loss for the period		(3,371)	(1,163)
Minority interests		1,397	(467)
Loss attributable to shareholders		(1,974)	(1,630)
Loss per share – Basic	7	HK0.5 cents	HK0.5 cents

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CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2003

	(Unaudited) 30 September 2003 HK\$'000	(Audited) 31 March 2003 HK\$'000
NON-CURRENT ASSETS		
Fixed assets	<u>7,368</u>	<u>6,952</u>
Current assets		
Inventories	1,906	3,234
Accounts receivable	11,049	11,531
Prepayments, deposits and other receivables	16,561	18,464
Taxation recoverable	–	80
Cash and bank balances	<u>56,917</u>	<u>68,240</u>
Total current assets	<u>86,433</u>	<u>101,469</u>
Current liabilities		
Bank loans	57,032	66,458
Accounts payable	42,119	71,464
Accrued charges and other payables	68,295	41,886
Amount due to a director	1,133	–
Tax payable	<u>–</u>	<u>29</u>
Total current liabilities	<u>168,579</u>	<u>179,837</u>
Net current assets	<u>(82,146)</u>	<u>(78,368)</u>
Total assets less current liabilities	<u>(74,778)</u>	<u>(71,416)</u>
Financed by:		
Share capital	36,460	36,460
Reserves	<u>(76,041)</u>	<u>(74,076)</u>
Shareholders' funds	<u>(39,581)</u>	<u>(37,616)</u>
Minority interests	<u>(35,197)</u>	<u>(33,800)</u>
	<u>(74,778)</u>	<u>(71,416)</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2003

		(Unaudited) 2003 HK\$'000	(Unaudited) 2002 HK\$'000
Net cash inflow/(outflow) from operating activities	8	(8,654)	(785)
Net cash inflow/(outflow) from investing activities		(714)	(15,304)
Net cash inflow/(outflow) from financing		(1,955)	(2,590)
Increase/(decrease) in cash and cash equivalents		(11,323)	(43)
Cash and cash equivalents at 1 April		<u>68,240</u>	<u>2,033</u>
Cash and cash equivalents at 30 September		<u>56,917</u>	<u>1,990</u>
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		<u>56,917</u>	<u>1,990</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2003	36,460	42,823	81,868	–	(198,767)	(37,616)
Exchange differences arising on translation of the financial statement of foreign subsidiary					9	9
Loss for the period	–	–	–	–	(1,974)	(1,974)
Balance at 30 September 2003	<u>36,460</u>	<u>42,823</u>	<u>81,868</u>	<u>–</u>	<u>(200,732)</u>	<u>(39,581)</u>

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NOTES TO THE ACCOUNTS

1 Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”), and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2 Segmental information

	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Turnover by activity and geographical location:		
Trading of audio-visual products	-	-
Assembling and distribution of goods		
Home appliance products	11,299	16,796
Digital camera	-	-
	<u>11,299</u>	<u>16,796</u>
- Mainland China	11,299	16,796
- Hong Kong	-	-
	<u><u>11,299</u></u>	<u><u>16,796</u></u>
Contribution to profit/(loss) before taxation by activity and geographical location:		
Trading of audio-visual products	-	-
Assembling and distribution of goods		
Home appliance products	(1,416)	(730)
Digital camera	-	-
	<u>(1,416)</u>	<u>(730)</u>
Less: Net interest expenses	(1,955)	(433)
	<u>(3,371)</u>	<u>(1,163)</u>
- Mainland China	(3,371)	(1,163)
- Hong Kong	-	-
	<u><u>(3,371)</u></u>	<u><u>(1,163)</u></u>

3 (Loss)/Profit from operations

(Loss)/Profit from operations is stated after charging the following:

	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
After charging:		
Cost of inventories sold	10,757	13,994
Depreciation of owned fixed assets	278	58
Depreciation of fixed assets held under hire purchase contracts	-	-
Provision for claim	-	-
Exchange loss	-	-
Impairment loss of goodwill	-	1,579
Write-off of amount due from a subsidiary	200	-
	<u><u>10,757</u></u>	<u><u>13,994</u></u>

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4 Finance costs

	For the six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	1,955	433
Interest element of hire purchase contracts	–	–
	<u>1,955</u>	<u>433</u>

5 Taxation

- a No Hong Kong profits tax has been provided as there is no estimated profit for the period (2002: Nil).
- b No PRC profits tax has been provided for in the financial statements as there is no profit chargeable to PRC tax (2002: Nil)
- c There was no significant unprovided deferred taxation as at 30 September 2003.

6 Dividends

No interim dividend was recommended by the broad of director for the period ended 30 September 2003 (2002: Nil).

7 Loss per share – Basic

The calculation of loss per share is based on loss attributable to shareholders for the period ended 30 September 2003 of approximately HK\$1,974,000 (2002: 1,630,000) and on the weighted average number of 364,600,000 ordinary shares in issue during the period (2002: 309,600,000 shares).

Diluted earnings per share for the six months ended 30 September 2003 was not disclosed as there were no dilutive potential ordinary shares.

8 Reconciliaton of profit (loss) before taxation to net cash inflow from operating activities

	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Profit (Loss) before taxation	(3,371)	(1,163)
Interest Income	–	–
Interest on bank loans and overdrafts wholly repayable within five years	1,955	433
Interest element of hire purchase contracts	–	–
Depreciation of owned fixed assets	278	58
Depreciation of fixed assets held under hire purchase contracts	–	–
Impairment loss of goodwill	–	1,579
(Increase)/decrease in inventories	1,328	(2,505)
(Increase)/decrease in accounts receivable, prepayments, deposits and other receivables	2,385	(96,657)
Increase/(decrease) in accounts payable, accrued charges and other payables including amounts due to directors	(11,229)	116,106
Net cash inflow from operating activities	<u>(8,654)</u>	<u>17,851</u>

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BUSINESS REVIEW

The Group engaged in the business of home appliances. For the period under review, the Group recorded a turnover of approximately HK\$11,299,000 (2002: HK\$16,796,000) representing a drop of 32.7% (2002: 56%) as compared with same period of last year. The decrease in turnover was due to the fierce competition in the domestic electronic products market in PRC.

PROSPECTS

The Group has continued to reinforce our commitment in improvement of our cost control and profit margin in 2003. The management of the Company exercised stringent cost control, quality assurance and expenses control, so as to minimize production and management costs and improve flexibility and efficiency.

EMPLOYEES

As at 30 September 2003, the Group had approximately a total of 72 employees of whom 12 were based in Hong Kong whereas 50 were local staff employed in the PRC. The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits such as share option scheme, of which the Board may, at its discretion, grant options to employees of the Group.

The Group did not operate any pension or retirement schemes for its Directors or employees until implementation of MPF in December 2000. The Group has a share option scheme, which was duly approved by the shareholders on 5 September 2001, available for any fulltime employees of the Company or any of its subsidiaries, including any executive directors of the Company or of any subsidiaries. No options have been granted since the approval of the scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2003, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 5 June 2003 which was established in accordance with the requirements of the Code of Best Practice (the "Code"), as set out in The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), with written terms of reference, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

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The Committee comprises two independent non-executive directors of the Company. The Group's unaudited interim financial statements for the six months ended 30 September 2003 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Bye-laws.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The unaudited interim financial statements for the six months ended 30 September 2003 containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules (before the amendments made on 31 March 2004) will be published on the website of the Stock Exchange in due course.

By Order of the Board
Mrs Pei Chen Chi Kuen
Chairman

Hong Kong, 5 July 2004