



VT 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 : 0922

2008 Interim Report
for the six months ended 30 September 2007

* for identification only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mrs. Pei Chen Chi Kuen Delia
(Chairman and Managing Director)
Dr. Pei Yaw Liang
Mr. Yang Chun Thomas

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Cheung
Mr. Lam Kwok Ming
Mr. Leung Wing On Louis

AUDIT COMMITTEE MEMBERS

Mr. Cheng Hong Cheung
Mr. Lam Kwok Ming
Mr. Leung Wing On Louis

AUDITORS

Wong Lam Leung & Kwok C.P.A. Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Wing Lung Bank Limited
Standard Chartered Bank (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor
156-160 Des Voeux Road West
Sheung Wan
Hong Kong
Telephone: (852) 3526 0296
Facsimile : (852) 3526 0297
Email : vt@visiontechint.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

GROUP'S WEBSITE

<http://www.visiontechint.com/>

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

| | | Six months ended | |
|---|--------------|-------------------------|-----------------|
| | | 30 September | |
| | | 2007 | 2006 |
| | | Unaudited | Unaudited |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| TURNOVER | 3 | 120,183 | 20,764 |
| Cost of inventories sold | | 115,974 | 19,962 |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 4,209 | 802 |
| Other revenue | | 60 | 182 |
| Administrative expenses | | (3,004) | (2,436) |
| | | <hr/> | <hr/> |
| PROFIT/(LOSS) FROM OPERATIONS | 4 | 1,265 | (1,452) |
| Finance costs | 5 | (814) | – |
| | | <hr/> | <hr/> |
| PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION | | 451 | (1,452) |
| Taxation | 6 | (523) | – |
| | | <hr/> | <hr/> |
| LOSS FROM ORDINARY ACTIVITIES AFTER TAXATION | | (72) | (1,452) |
| Minority interest | | – | – |
| | | <hr/> | <hr/> |
| LOSS ATTRIBUTABLE TO SHAREHOLDERS | | (72) | (1,452) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| LOSS PER SHARE – BASIC | 8 | HK0.02 cents | HK0.4 cents |
| | | <hr/> <hr/> | <hr/> <hr/> |
| – DILUTED | | N/A | N/A |
| | | <hr/> <hr/> | <hr/> <hr/> |

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CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

| | <i>Notes</i> | 30 September 2007 Unaudited HK\$'000 | 31 March 2007 Audited HK\$'000 |
|---|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Rental and utilities deposits | | 421 | 421 |
| Property, plant and equipment | 9 | 851 | 953 |
| | | 1,272 | 1,374 |
| CURRENT ASSETS | | | |
| Inventories | | 134 | 301 |
| Trade and other receivables | | | |
| Trade receivables | 10 | 75,427 | 1,107 |
| Prepayments, deposits and other receivables | | 29 | 29 |
| Bank balances and cash | | 7,492 | 162 |
| | | 83,082 | 1,599 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | | |
| Trade payables | | 72,384 | – |
| Other payables and accruals | | 3,988 | 3,824 |
| Deposits received | | – | 77 |
| Tax provision | | 523 | – |
| Amount due to a director | 11 | 15,708 | 12,104 |
| Amount due to a shareholder | 13 | – | 2,568 |
| Amounts due to related companies | 12 | 622 | 698 |
| Other loan (unsecured) | | 7,500 | – |
| | | 100,724 | 19,271 |
| NET CURRENT LIABILITIES | | (17,642) | (17,672) |
| NET LIABILITIES | | (16,370) | (16,298) |
| Financed by: | | | |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | | 36,460 | 36,460 |
| Reserves | | (52,830) | (52,758) |
| TOTAL EQUITY | | (16,370) | (16,298) |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2007

| | <i>Note</i> | 2007 Unaudited HK\$'000 | 2006 Unaudited HK\$'000 |
|---|-------------|--|-------------------------------|
| Net cash inflow/(outflow) from operating activities | <i>14</i> | (153) | 1,729 |
| Net cash inflow/(outflow) from investing activities | | (17) | (1,307) |
| Net cash inflow/(outflow) from financing | | – | – |
| Increase/(decrease) in cash and cash equivalents | | (170) | 422 |
| Cash and cash equivalents at 1 April | | 162 | 214 |
| Cash and cash equivalents at 30 September | | <u>(8)</u> | <u>636</u> |
| Analysis of balances of cash and cash equivalents: | | | |
| Cash and bank balances | | 7,492 | 786 |
| Loan (unsecured) | | <u>(7,500)</u> | <u>(150)</u> |
| | | <u>(8)</u> | <u>636</u> |

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

| | Share capital <i>HK\$'000</i> | Other reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Minority interest <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------|-------------------------------------|-------------------------------------|--|---|--------------------------|
| Balance at 1 April 2006 | 36,460 | 124,692 | (168,775) | (40) | (7,663) |
| Loss for the period | — | — | (1,452) | — | (1,452) |
| Balance at 30 September 2006 | <u>36,460</u> | <u>124,692</u> | <u>(170,227)</u> | <u>(40)</u> | <u>(9,115)</u> |
| Balance at 1 April 2007 | 36,460 | 124,692 | (177,450) | — | (16,298) |
| Loss for the period | — | — | (72) | — | (72) |
| Balance at 30 September 2007 | <u>36,460</u> | <u>124,692</u> | <u>(177,522)</u> | <u>—</u> | <u>(16,370)</u> |

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2007.

3. TURNOVER AND SEGMENTAL INFORMATION

The Group was principally engaged in distribution of home appliance products during this period. The analysis of the turnover business segments and geographical segments of the operation of the Group during the period as follows:

(a) *Business segments*

| | Six months ended | |
|---|------------------|-----------------|
| | 30 September | |
| | 2007 | 2006 |
| | Unaudited | Unaudited |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | | |
| – Distribution of home appliance products | <u>120,183</u> | <u>20,764</u> |
| Results | 4,209 | 802 |
| Other revenue | 60 | 182 |
| Administrative expenses | <u>(3,004)</u> | <u>(2,436)</u> |
| Profit/(Loss) from operations | 1,265 | (1,452) |
| Finance costs | <u>(814)</u> | <u>–</u> |
| Loss from ordinary activities before taxation | 451 | (1,452) |
| Taxation | <u>(523)</u> | <u>–</u> |
| Loss from ordinary activities after taxation | <u>(72)</u> | <u>(1,452)</u> |

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(b) *Geographical segments*

| | Six months ended 30 September 2007 | | Six months ended 30 September 2006 | |
|-----------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|
| | Revenue <i>HK\$'000</i> | Results <i>HK\$'000</i> | Revenue <i>HK\$'000</i> | Results <i>HK\$'000</i> |
| Middle East | 56,942 | 2,007 | – | – |
| America | 48,969 | 1,682 | – | – |
| Hong Kong | 925 | 54 | 14,809 | 712 |
| South East Asia | 8,783 | 307 | 5,955 | 90 |
| Others | 4,564 | 159 | – | – |
| | <u>120,183</u> | <u>4,209</u> | <u>20,764</u> | <u>802</u> |

4. LOSS FROM OPERATIONS

| | Six months ended 30 September 2007 | | 2006 | |
|--|--|------------------------------|------------------------------|------------------------------|
| | Unaudited <i>HK\$'000</i> | Unaudited <i>HK\$'000</i> | Unaudited <i>HK\$'000</i> | Unaudited <i>HK\$'000</i> |
| Loss from operations is stated after charging the following: | | | | |
| Cost of inventories sold | 115,974 | | 19,962 | |
| Depreciation charge | 119 | | 131 | |
| Staffs costs including directors' emoluments | 625 | | 617 | |
| | <u>116,718</u> | | <u>20,710</u> | |

5. FINANCE COSTS

| | Six months ended 30 September 2007 | | 2006 | |
|--|--|------------------------------|------------------------------|------------------------------|
| | Unaudited <i>HK\$'000</i> | Unaudited <i>HK\$'000</i> | Unaudited <i>HK\$'000</i> | Unaudited <i>HK\$'000</i> |
| Interest on director's account | 814 | | – | |
| Interest on bank loans and overdrafts wholly repayable within five years | – | | – | |
| | <u>814</u> | | <u>–</u> | |

6. TAXATION

Hong Kong profits tax has been made on assessable profits arising in Hong Kong during the period (2006: Nil).

Overseas tax is provided in accordance with the legislation and tax rates prevailing in the respective overseas countries.

7. DIVIDEND

No interim dividend was recommended by the board of directors for the six months ended 30 September 2007 (2006: Nil).

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8. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to shareholders for the six months ended 30 September 2007 of approximately HK\$72,000 (2006: HK\$1,452,000) and on the weighted average number of 364,600,000 (2006: 364,600,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 September 2007 (2006: N/A) was not disclosed as there were no dilutive potential ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

GROUP

| | Office furniture HK\$'000 | Office equipment HK\$'000 | Office decoration HK\$'000 | Total HK\$'000 |
|--------------------------|---------------------------------|---------------------------------|----------------------------------|-------------------|
| Cost | | | | |
| At 1 April 2007 | 1 | 66 | 1,124 | 1,191 |
| Additions | – | – | 17 | 17 |
| At 30 September 2007 | <u>1</u> | <u>66</u> | <u>1,141</u> | <u>1,208</u> |
| Accumulated depreciation | | | | |
| At 1 April 2007 | – | 13 | 225 | 238 |
| Charge for the period | – | 7 | 112 | 119 |
| At 30 September 2007 | <u>–</u> | <u>20</u> | <u>337</u> | <u>357</u> |
| Net book value | | | | |
| At 30 September 2007 | <u>1</u> | <u>46</u> | <u>804</u> | <u>851</u> |
| At 31 March 2007 | <u>1</u> | <u>53</u> | <u>899</u> | <u>953</u> |

10. TRADE RECEIVABLE

GROUP

| | 30 September 2007 Unaudited HK\$'000 | 31 March 2007 Audited HK\$'000 |
|------------------------------------|---|---|
| Trade receivables | 77,229 | 2,909 |
| Less: Provision for doubtful debts | <u>1,802</u> | <u>1,802</u> |
| | <u>75,427</u> | <u>1,107</u> |

Included in trade receivables are trade debtors (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

| | 30 September 2007 Unaudited HK\$'000 | 31 March 2007 Audited HK\$'000 |
|------------------------------------|---|---|
| Within 60 days | 74,940 | 16 |
| 61-90 days | – | – |
| Over 90 days | 2,289 | 2,893 |
| Less: provision for doubtful debts | <u>1,802</u> | <u>1,802</u> |
| | <u>75,427</u> | <u>1,107</u> |

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11. AMOUNT DUE TO A DIRECTOR

The amount is unsecured and interest bearing at commercial rate.

On 18 May 2007, the Company and Mrs. Pei entered into the Loans Settlement Agreement whereby the Company and Mrs. Pei have agreed that all amounts due by the Group to Mrs. Pei and her associates shall be settled by way of:

- (i) the issue of 108,502,600 New Shares to Mrs. Pei; and
- (ii) payment of a sum of HK\$5 million by the Company to Mrs. Pei.

12. AMOUNT DUE TO RELATED COMPANIES

The amount due to a related company is unsecured, interest free and has no fixed repayment terms.

13. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured and interest bearing at commercial rate.

14. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Six months ended | |
|---|------------------|--------------|
| | 30 September | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Profit/(loss) before taxation | 451 | (1,452) |
| Adjustment: Depreciation | 119 | 131 |
| (Increase)/decrease in inventories | 167 | – |
| (Increase)/decrease in accounts receivables, prepayments, deposits and other receivables | (74,320) | 2,218 |
| Increase/(decrease) in accounts payable, accrued charges and other payables including amounts due to directors/shareholders | 73,430 | 832 |
| Net cash inflow from operating activities | <u>(153)</u> | <u>1,729</u> |

15. RELATED PARTY TRANSACTIONS

| | 2007 | 2006 |
|--|------------|----------|
| | HK\$'000 | HK\$'000 |
| Rental expense paid to a related company | 191 | 90 |
| Interest payable to a director | <u>814</u> | <u>–</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2007, the Group recorded a loss attributable to shareholders of approximately HK\$72,000 (2006: HK\$1,452,000). Loss per share is HK0.02 cents (2006: HK0.4 cents).

Turnover for the six months ended 30 September 2007 was approximately HK\$120,183,000, an increase of approximately 478% as compared with corresponding period in 2006. Gross profit for the six months ended 30 September 2007 was approximately HK\$4,209,000, an increase of approximately 424% as compared with corresponding period in 2006. Profit before taxation for the six months ended 30 September 2007 was approximately HK\$451,000 (2006: Loss HK\$1,452,000).

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 September 2007, the Group was principally engaged in the businesses of trading and distribution of electronic home appliance.

Export Sales

Since the signing of the Subscription Agreement on 18 May 2007 which has been announced on 28 June 2007, several framework supply agreements have been entered into between the Group and several manufacturers pursuant to which the Group is supplied by such manufacturers with high-quality products including TVs, audio products, surround sound systems and other electronic products for the Group's international distribution business. The Group is developing sales network mainly in middle East and America.

Local Sales

The Group intends to gradually transform its existing retail operation into a wholesale business. Initially, the Group will be focused on, apart from the existing "Haier" branded white appliances, the distribution of TVs and air conditioners of other brands and "Haier" branded wine cellars.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 September 2007, the Group's total assets and liabilities were HK\$84,354,000 and HK\$100,724,000 respectively.

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EMPLOYEES

As at 30 September 2007, the Group has a total of 15 employees of Hong Kong based. The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to the basic salary, employees are entitled to other benefits such as share option scheme, of which the Directors may, at their discretion, grant options to employees of the Group. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the six months ended 30 September 2007 amounted to HK\$625,000 (2006: HK\$617,000).

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 shareholder on 5 September 2001, available for any full time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any subsidiaries. No options have been granted since the approval of the scheme.

REVIEWED BY 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.

The Committee comprises three independent non-executive directors of the Company. The Group's unaudited financial statements for the six months ended 30 September 2007 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and the Stock Exchange and legal requirements, and that adequate disclosure have been made.

CORPORATE GOVERNANCE

The Company has complied with the Code on the Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 September 2007 except the following:

- (i) The roles of the chairman and the chief executive officer are not separate and are performed by the same individual. The Board considered it is not practicable at the moment to separate the two roles in view of special situation and status of the Company. The Company will continue to review the feasibility of separating the two roles to enhance corporate governance and to comply with the Code;
- (ii) All the independent non-executive directors are not appointed for specific term but are subject to rotation at Annual General Meeting of the Company in accordance with the provisions of the Company's Bye-laws.

REMUNERATION COMMITTEE

The Company had established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises three independent non-executive directors and the chairman of the Company. The remuneration committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

During the period, the company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. After having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2007, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

| Name | Position | Number of ordinary shares of the Company held | | % of issued share capital |
|---------------------------------------|----------|--|--------------------|------------------------------|
| | | Direct interest | Deemed interest | |
| Arko Resources Limited | Long | 71,134,000 (L) | – | 19.51 (L) <i>Note 1</i> |
| Wong Chi Wing Joseph | Long | – | 750,000,000 (L) | 250.70 (L) <i>Note 2</i> |
| Advanced Grade Investments Limited | Long | 750,000,000 (L) | – | 205.70 (L) <i>Note 2</i> |

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| Name | Position | Number of ordinary shares of the Company held | | % of issued share capital |
|-----------------------------------|----------|--|--------------------|------------------------------|
| | | Direct interest | Deemed interest | |
| Climax Associates Limited | Long | – | 750,000,000 (L) | 205.70 (L) <i>Note 2</i> |
| EPI (Holdings) Limited | Long | – | 750,000,000 (L) | 205.70 (L) <i>Note 2</i> |
| Rich Concept Worldwide Limited | Long | – | 750,000,000 (L) | 205.70 (L) <i>Note 2</i> |
| Tanton Holdings Limited | Long | 30,100,000 (L) | – | 8.26 (L) |

Notes:

- (1) Arko Resources Limited is wholly owned by Mrs. Pei Chen Chi Kuen Delia, a Director and Chairman of the Company.
- (2) Advanced Grade Investments Limited is a wholly owned subsidiary of EPI (Holdings) Limited. Climax Associates Limited owned 40.99% interest in EPI (Holdings) Limited. Rich Concept Worldwide Limited owned 51% interest in Climax Associates Limited. Mr. Wong Chi Wing Joseph owned 51% interest in Rich Concept Worldwide Limited.
- (3) “L” refers to the long position in the Shares held by such entity.

Pursuant to the Subscription Agreement date 18 May 2007, the Company has agreed to allot and issue to Advanced Grade Investments Limited at a total subscription price of HK\$75,000,000 for a total of 750,000,000 New Shares at a price of HK\$0.10 each, by cash.

Save as disclosed above, no person had registered an interest in the issued share capital of the Company that was required to be recorded under Section 336 of the SFO.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited in due course.

By order of the board
Mrs Pei Chen Chi Kuen
Chairman

Hong Kong
27 December 2007