



On behalf of the Board of Directors of VST Holdings Limited ("VST Holdings" or the "Company"), I am pleased to announce the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March 2004.

Financial Highlights

For the year ended 31st March 2004, the Group recorded a turnover of approximately HK\$2,489,257,000, representing an increase of about 13% as compared with HK\$2,209,467,000 of the corresponding period last year. Profit attributable to shareholders for the year was approximately HK\$20,057,000, representing an increase of about 17% as compared with HK\$17,211,000 of the corresponding period last year. Basic earnings per share were approximately HK2.87 cents (2003: HK2.52 cents). The Board of Directors proposed to distribute a final dividend of HK0.6 cents (2003: HK0.6 cents) per ordinary share for the year ended 31st March 2004. Together with the paid interim dividend of HK0.5 cents, dividend per share in aggregate for the reporting period amounted to HK1.1 cents (2003: HK1.1 cents).



“ I am pleased to present to shareholders this annual report of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2004 ”

Chairman's Statement

Business Review

During the year, the Group saw a steady increase in its turnover and net profit. It was primarily due to the most competitive services rendered by the Group to large dealers, customers and suppliers. Besides, the growing demand for hardware products in the PRC market and the notably expanded market shares of our Seagate and AMD products also contributed to our remarkable results for the year.

Given the market price for PC products decreasing by 15% annually on average, the Group took appropriate measures to go along with this trend. By leveraging on its expertise and experience, the Group implemented various marketing strategies and successfully enlarged the market share of its products with increases in both turnover and net profit. Also, the Group's influential position was built firmly in the PRC market.

Currently the Group has its representative offices and liaisons across major PRC cities, such as Beijing, Shanghai, Shenyang, Chengdu, Shenzhen and Guangzhou. They are enabling us to work closely with dealers and respond immediately to the enquiries from our customers. As such, their communication needs much less time and our customers can be served well and promptly.



In March 2004, the Group attended the First Meeting of the AMD's Worldwide Distributors Conference in Singapore. The Group was granted by AMD the "2003 Chinese Distributor of AMD PC Processor Award" in praise for its best performance in selling AMD products in the PRC.

Besides concentrating in the core business, on the social front, the Group actively participated in the Government's initiative to promote the development of computer information in Hong Kong. The Group, together with other organisations, sponsored the "Winter Carnival – Digital Pedestrian" which was held in Shamshuipo in December 2003. Mr. Cheng Kam Chung, the Vice Chairman of the Group, was also elected as the Convener of this Winter Carnival. The responsibility of the convener is to lead a working group to organize and promote this activity. The activity not only introduced the latest digital technology to the public, but also helped promote the corporate image of the Group and its relationship with customers and suppliers.

The Group is one of the largest distributors of IT products in Hong Kong, and has been keeping good relationship with the authorized agents and product developers of a number of internationally reputable IT product manufacturers. The Group concentrates on the distribution of IT products, mainly including hard disks, computer boards, projective products and repositories.

Outlook

The IT industry in China is experiencing a rapid growth with huge market demand for computer products. In addition, driven by the fast improving economy and favourable economic statistics of the US, the global economy is stepping into recovery. All these provide significant basis for the Group's optimistic outlook for China's economic growth. Given such factors, I am very confident of the business development of the Group in the future.

The financial year of 2004/2005 will see the Group concentrate on the business development of four major sectors. Firstly, efforts will be incessantly put to identify opportunities to expand the distribution network in China for more market share. The Group will continue to enlarge the customer base, and keep close relationship with its existing customers for the long-term business cooperation.

In addition, due to the fierce market competition, customers are highly sensitive to the product price. Hence, the Group will intensively enhance its after-sale service and provide tailor-made product solutions for customers to satisfy their special needs and make additional values to the products. This may help enhance our competitiveness and subsequently turnover and profits.

After more than a decade of operation, the Group has understood thoroughly that our business growth and success are basically dependent upon customers. A key to our success is to meet customers' needs, or even provide more than they need. Therefore, the Group will keep its system abreast of the times, and further improve the existing way of communication with customers for a closer relationship with customers.



Last but not least, the Group will actively seek opportunities to enrich its product mix of Seagate and AMD brands for product diversification. The Group will also identify other reputable suppliers for the grant of their distribution rights, thereby introducing more quality products to customers.

With the Groups' strong financial position and capability, I deeply believe that we will be able to capitalize on the present tide of IT market and business opportunity, and use its resources cost-effectively to reduce the costs and enhance the overall efficiency so as to maintain good returns to our shareholders.

Appreciation

I wish to take this opportunity to thank all the directors, management and staff for their enthusiasm and contributions to the Group's remarkable results this year. Thanks are also given to all the shareholders, business partners, bankers, customers and suppliers of the Group for their continued supports and trusts over the past years.

Li Jialin

Chairman and Chief Executive Officer

Hong Kong, 7th July 2004