

## **Chairman's Statement**

On behalf of Vision Tech International Holdings Limited ("the Company"), I, Chairman, present to the shareholders the annual results of the Company and its subsidiaries ("the Group") for the year ended 31 March 2003.

I, through my wholly and beneficially owned company namely Arko Resources Limited, became the single largest and substantial shareholder and the chairman of the Company in July 2002. Since then, I started to work with the then management in order to review the Company's business and accounting records. However, the management was inco-operative and most of the books and records had somehow been mislaid and could not be found in spite of repeated enquires and searches. This made the audit works on the Company's financial statements extremely difficult and explained the delay in announcement of the Company's results and the delay in despatch of the annual reports and the qualifications by the auditor for the financial year ended 31 March 2002. The Company has been replacing the previous management with capable and responsible personnel.

### **RESULTS**

The financial year ended 31 March 2003 was a very difficult year to the Group. For the year ended 31 March 2003, the Group recorded a net loss of HK\$191.6 million. Net loss attributable to shareholders is HK\$155.5 million which represents a loss of HK\$48.39 cents per share.

### **DIVIDEND**

In light of the Group's performance, the Board of Directors does not recommend any final dividend for the year ended 31 March 2003.

### **BUSINESS REVIEW**

For the year under review, the Group recorded a loss attributable to shareholders of HK\$155.5 million. The loss mainly arose from provision for loss in subsidiaries (HK\$49,435,000) and written off of amounts due from subsidiaries (HK\$58,797,000). Even though the turnover decreased from HK\$70,364,000 to HK\$37,475,000, the gross profit increased from HK\$1,318,000 to HK\$8,127,000 and the gross profit ratio increased from 1.87% to 21.68%.

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. The Group has identified the following initiatives in the coming year.

### **Home appliance products**

The sale of other home appliance products has increased to HK\$34,526,000 from HK\$2,466,000 last year as a result of the launching of new products. Although there is a fierce price competition in the market, the management is optimistic towards our growth in the coming year by diversifying our products and market.

### **Atmospheric water generator machine**

Chong Sun Securities Limited, a wholly owned subsidiary of the Company, was appointed agent for distribution of atmospheric water generator machine in the P.R.C. The management of the Company believed that we will make use of the sales network in the PRC and that these atmospheric water generator machine are expected to contribute significantly to the growth in turnover and profit of the Company.

### **Close off the business in respect of audio- visual products**

The new management close off the business in respect of audio- visual products in order to improve the Gross Profit margin of the Group. The closure of such business resulted in a special provision in investment cost and written off of inter-companies balance.

## **OUTLOOK**

The year of 2004 will be a year for the Group to improve its business. We believe the business environment in the PRC will continue to improve following her entry into the world Trade Organization. Business operating environment is improving. Taping on this unprecedented opportunity and enormous potential in the PRC market will enable our business to have a great leap forward. The Group will continue streamlining the existing operations and improving production efficiency. While new initiatives will be taken to improve the Group's financial position, we look for new investment opportunities that may arise from time to time. The Group will enlarge its trading activities and

subcontracting work for other PRC entities. Despite struggling with the current severely competitive environment, the management is optimistic with the future development of the Group.

## **APPRECIATION**

I take this opportunity to extend my deepest gratitude to the directors for their valuable contributions to the Group. I also like to express my deep appreciation to our shareholders, customers and business associates, as well as our staff, for their immense contribution, dedication and diligence.

By order of the Board

**Mrs PEI Chen Chi Kuen, Delia**

Chairman