



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 2004

* *for identification only*

VISION TECH INTERNATIONAL HOLDINGS LIMITED

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VISION TECH INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

		(Unaudited)	
		Six months ended	
		30 September	
		2004	2003
	Notes	HK\$'000	HK\$'000
TURNOVER	2		
Continuing operations		2,320	–
Discontinuing operations		–	11,299
		<u>2,320</u>	<u>11,299</u>
Cost of inventories sold		<u>(1,966)</u>	<u>(10,757)</u>
GROSS PROFIT		354	542
Other revenue		–	331
Selling and distribution expenses		–	(669)
Administrative expenses		(1,484)	(1,420)
Write-off of amount due from a subsidiary		–	(200)
		<u>(1,130)</u>	<u>(1,416)</u>
LOSS FROM OPERATIONS	3	(1,130)	(1,416)
Finance costs	4	–	(1,955)
		<u>(1,130)</u>	<u>(1,420)</u>
LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION			
Continuing operations		(1,130)	(1,420)
Discontinuing operations		–	(1,951)
		<u>(1,130)</u>	<u>(3,371)</u>
Taxation	5	–	–
		<u>(1,130)</u>	<u>(3,371)</u>
LOSS FROM ORDINARY ACTIVITIES AFTER TAXATION		(1,130)	(3,371)
Minority interest		–	1,397
		<u>(1,130)</u>	<u>(1,974)</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(1,130)</u>	<u>(1,974)</u>
LOSS PER SHARE – BASIC	7	<u>HK0.3 cents</u>	<u>HK0.5 cents</u>

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CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	—	—
MINORITY INTEREST		
	—	—
CURRENT ASSETS		
Inventories	11	—
Trade receivables	1,464	—
Prepayments, deposits and other receivables	931	781
Bank balances and cash	41	1
	2,447	782
CURRENT LIABILITIES		
Trade payables	1,568	—
Other payables and accruals	2,051	1,941
Loan (unsecured)	1,000	1,000
Provision for taxation	—	—
	4,619	2,941
NET CURRENT LIABILITIES	(2,172)	(2,159)
TOTAL ASSETS LESS CURRENT LIABILITIES	(2,172)	(2,159)
NON-CURRENT LIABILITIES		
Amount due to a shareholder	(3,541)	(2,423)
NET LIABILITIES	(5,712)	(4,582)
CAPITAL AND RESERVES		
Share capital	36,460	36,460
Reserves	(42,172)	(41,042)
	(5,712)	(4,582)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2004

	2004	(Unaudited)
	HK\$'000	2003 HK\$'000
Net cash inflow/(outflow) from operating activities	40	(8,654)
Net cash inflow/(outflow) from investing activities	–	(714)
Net cash inflow/(outflow) from financing	–	(1,955)
Increase/(decrease) in cash and cash equivalents	40	(11,323)
Cash and cash equivalents at 1 April	1	68,240
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	41	56,917
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	41	56,917
	<hr/> <hr/>	<hr/> <hr/>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	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 2004	36,460	42,823	81,869	–	(165,734)	(4,582)
Loss for the period	–	–	–	–	(1,130)	(1,130)
Balance at 30 September 2004	<u>36,460</u>	<u>42,823</u>	<u>81,869</u>	<u>–</u>	<u>(166,864)</u>	<u>(5,712)</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 Statements of Standard Accounting Practice (“SSAP”) 25, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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. 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

	Distribution of home appliance products		Assembling and distribution of home appliance products (Discontinuing)		Consolidated	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	<u>2,320</u>	<u>–</u>	<u>–</u>	<u>11,299</u>	<u>2,320</u>	<u>11,299</u>
Segment results	<u>354</u>	<u>–</u>	<u>–</u>	<u>(127)</u>	<u>354</u>	<u>(127)</u>
Unallocated other revenue					–	331
Unallocated expenses					<u>(1,484)</u>	<u>(1,620)</u>
Loss from operations					<u>(1,130)</u>	<u>(1,416)</u>
Finance costs					<u>–</u>	<u>(1,955)</u>
Loss from ordinary activities before taxation					<u>(1,130)</u>	<u>(3,371)</u>
Taxation					<u>–</u>	<u>–</u>
Loss from ordinary activities after taxation					<u>(1,130)</u>	<u>(3,371)</u>
Minority interest					<u>–</u>	<u>1,397</u>
Loss attributable to shareholders					<u>(1,130)</u>	<u>(1,974)</u>

(b) Geographical segments

	Other Asian countries		Mainland China		Consolidated	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Segment Revenue	<u>2,320</u>	<u>–</u>	<u>–</u>	<u>11,299</u>	<u>2,320</u>	<u>11,299</u>

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3. LOSS FROM OPERATIONS

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Loss from operations is stated after charging the following:		
Cost of inventories sold	1,966	10,757
Depreciation	–	278
Staffs costs including directors' emoluments	162	155
Write-off of amount due from a subsidiary	–	200
	<u> </u>	<u> </u>

4. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	–	1,955
	<u> </u>	<u> </u>

5. TAXATION

No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (2003: Nil).

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

6. DIVIDEND

No interim dividend was recommended by the board of directors for the six months ended 30 September 2004 (2003: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to shareholders for the six months ended 30 September 2004 of approximately HK\$1,130,000 (2003: HK\$1,974,000) and on the weighted average number of 364,600,000 (2003: 364,600,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 September 2004 (2003: N/A) was not disclosed as there were no dilutive potential ordinary shares.

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

	Six months ended	
	2004	2003
	HK\$'000	HK\$'000
Profit (loss) before taxation	(1,130)	(3,371)
Interest income	-	-
Interest on bank loans and overdrafts wholly repayable within five years	-	1,955
Interest element of hire purchase contracts	-	-
Depreciation of owned fixed assets	-	278
Depreciation of fixed assets held under hire purchase contracts	-	-
(Increase)/decrease in inventories	(11)	1,328
(Increase)/decrease in accounts receivables, prepayments, deposits and other receivables	(1,614)	2,385
Increase/(decrease) in accounts payable, accrued charges and other payables including amounts due to directors/shareholders	2,795	(11,229)
	<u>40</u>	<u>(8,654)</u>
Net cash inflow from operating activities	<u>40</u>	<u>(8,654)</u>

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2004, the Group recorded a loss attributable to shareholders of approximately HK\$1,130,000 (2003: HK\$1,974,000). Loss per share is HK\$0.3 cents (2003: HK0.5 cents).

Due to streamline of assembling and distribution business and develop of trading business in home appliance products, the Group's Turnover and Results was inevitably affected during this transition period. Turnover for the six months ended 30 September 2004 was approximately HK\$2,320,000 , a decrease of approximately 79.47% as compared with corresponding period in 2003. Gross profit for the six months ended 30 September 2004 was approximately HK\$354,000, a decrease of approximately 34.69% as compared with corresponding period in 2003.

BUSINESS REVIEW

In considering the business of assembling and distribution has been continuously operating at a loss and the ability to attain future profitable operation and generate positive cash flows would highly rely on future funding to be injected by the Group, the directors decided to reallocate the Group's resource in the business of distribution of home appliance products.

PROSPECTS

The Group continues focusing on the distribution of home appliances and electronics products. The management is delighted to announce that, after inputting vast amount of time, the Group has successfully developed a new model of DVD recorder which will be launched into market during the first quarter of 2005. The new product will be manufactured in OEM factory in the PRC and will be launched into the Asian markets with an interest in setting footpaths into the United States and Europe as well. The management also targets to develop various models of DVD recorders to cover full range of customers including commercial users such as hotel and service apartments users, and household users. Some models will be designed in portable style for sales in retail chain stores. The management optimizes on the prospect of DVD recorders and believes that it will finally replace VHS products. Accordingly, the management is confident that this new entrant will generate dynamic business opportunities to the Group. The Group is registering the brand name "VisionTech" to be used in the whole range of DVD recorder products, other home appliance and electronic components for home appliances and electronic products.

Apart from manufacturing of home appliances and electronics products, to ensure stabilization of sources of revenue, the Group as well looks for potential investment opportunities by diversifying the Group's operations such as production and trading of electronic components for home appliances and electronic products.

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The management also realizes that staff's competence plays an important role to the Group's future success. Accordingly, the Group will introduce recruitment programmes for talented and experienced staff in the near future.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 September 2004, the Group's total assets and borrowings were HK\$2,447,000 and HK\$8,160,000 respectively. On 30 December 2004, the Company entered into a subscription agreement with an investor to issue the convertible bond to the investor in the principal sum of HK\$30,000,000. On the same date, a subsidiary of the Company entered into an agreement with the same investor for a loan agreement pursuant to which the investor agreed to provide to the subsidiary a loan facility of HK\$3 million. The Directors are of the view that with the proceed from the convertible bond and the loan facility, the Group will have sufficient financial resources to expand its business operation. Further details in respect of the convertible bond and the loan facility will be provided in a separate announcement.

EMPLOYEES

As at 30 September 2004, the Group has a total of 11 employees of Hong Kong whereas 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 2004 amounted to HK\$162,000 (2003: HK\$155,000).

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 2004 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.

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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 interim 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-Law.

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.

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
30 December 2004