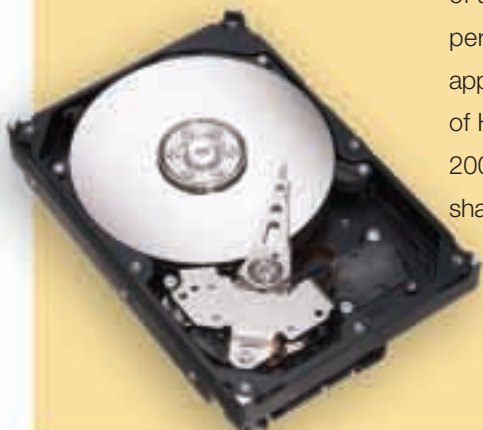




On behalf of the Board of Directors of VST Holdings Limited (“VST Holdings” or the “Company”), I am pleased to announce the financial report of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st March 2005.

#### **FINANCIAL HIGHLIGHTS**

For the year ended 31st March 2005, the Group recorded a turnover of approximately HK\$2,801,165,000, representing an increase of about 13% as compared with approximately HK\$2,489,257,000 of the corresponding period last year. Profit attributable to shareholders for the year was approximately HK\$27,424,000, representing an increase of about 37% as compared with approximately HK\$20,057,000 of the corresponding period last year. Basic earnings per share were approximately HK3.71 cents (2004: approximately HK2.87 cents). The Board of Directors proposed to distribute a final dividend of HK0.7 cents (2004: HK0.6 cents) per ordinary share for the year ended 31st March 2005. Together with the paid interim dividend of HK0.5 cents per share, dividend per share in aggregate for the reporting period amounted to HK1.2 cents (2004: HK1.1 cents).



## BUSINESS REVIEW

During the year under review, the Group maintained the steady growth momentum of last year, recording continuous growth of turnover and net profit. Thanks largely to the robust development in the domestic information technology ("IT") industry, the Group achieved satisfactory results during the year, with further increase in market shares of the hard disks and processors distributed by the Group under two renowned brands "Seagate" and "AMD" in the PRC distribution market. Moreover, the Group managed to improve its overall profitability by providing customers with quality value-added services.

In view of the rapid development of digital portable multimedia players which have become very popular in the domestic consumer electronic products market, the Group has set up a Digital Products Department and devoted significant resources to develop distribution business of digital electronic products such as MP3 players and PMP. At the end of 2004, the Group introduced PMP and MP3 players under a new brand of "KISS". The products are well received by the market since their launch and they are sold in various large digital and electrical products retail chain stores in Hong Kong. On the other hand, the Group also carried out marketing activities for the brand "KISS" in four major domestic cities of the PRC, namely Beijing, Shanghai, Guangzhou and Shenzhen, and established a sales network of over 100 outlets in the PRC. The management expects that this business sector will become a new source of strong growth for the Group.

To keep abreast of the fast-changing business environment and to maintain and boost its market competitiveness, the Group has during the year optimized its corporate structure, including the setting up of a "Business Department" to deal with specific matters of logistics, capital flow and purchase and the handling of orders. This not only enhances the stability and overall efficiency of the Group's operation, but also provides our customers with more professional services.

The Group always believes that provision of quality value-added services to customers is crucial for the good long term relationship with its customers, and a successful approach for the Group to establish a solid distribution business. As such, the Group maintains to provide its customers with tailor-made solutions for products, and strives to strengthen after-sales services and other value-added services so as to enhance its market competitiveness.

As a result of the Group's aggressiveness and dedicated efforts in the distribution business, in 2004, the Group was honorably presented the "Outstanding Achievement: Personal Storage FY2004" by Seagate Singapore International Headquarters Pte. Ltd., one of its major suppliers. In addition, the Group was also awarded by AMD the "PC Best PIB Distributor 2004". Both of these awards witness the strength of the Group.



Apart from the Hong Kong head office, the Group has established representative offices and liaison points in major cities throughout the PRC, such as Beijing, Shanghai, Shenyang, Chengdu, Shenzhen and Guangzhou in order to tie up with customers. This allows the Group to stay closer to its end-users, thus enabling it to react rapidly to market needs and respond to the fast-changing IT market and product development trend.

### **PROSPECTS**

2005 is the first year of the eleventh Five-year Plan of the PRC, of which the electronics and IT industries form an important part. In addition, major foreign suppliers such as Seagate and AMD have stated that the PRC will be their key growth driver. I, therefore, have full confidence about the Group's future development.

Looking forward to the financial year 2005/2006, the Group will concentrate resources in its prioritized strategic development. Meanwhile, the Group will make a greater effort and put more resources in developing new products and exploring new markets. At present, the Group has outlined three distinct directions of development. Firstly, the Group will continue to analyze market demand, source more renowned IT products, so as to expand the product mix of its distribution operations. In addition, the Group will also proactively expand the Digital Products Department so as to replace old products with new ones and improve its profitability.

Secondly, the Group will be dedicated to providing quality customer service, including pre-sale, after-sale, technical support and value-added services. Meanwhile, the Group will also establish long-term and close relationship with its customers, enhance customers' confidence in the Group, with an aim to become their most reliable business partner.

Finally, the Group will continue to seek opportunities to expand the sales network in the PRC and Hong Kong so as to increase its market share. The Group will also increase the number of its sales outlets in the PRC, enhance product recognition and increase product mix for its distribution operations, in order to further improve its sales revenue and turnover.

The Group, with its flexible management and solid sales and marketing capabilities and effective cost control measures, together with profound management experience, will sustain a better growth and create a fruitful return for shareholders in the future.

**APPRECIATION**

I wish to take this opportunity to thank all fellow directors, management and staff for their great efforts in realizing good results of the Group. And I have to express my appreciation to all the shareholders, business partners, bankers, customers and suppliers of the Group for their continued support and trust over the past years.

**Li Jialin**

*Chairman and Chief Executive Officer*

Hong Kong, 20th June 2005