



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)

2006 INTERIM REPORT
For the six months ended
30 September 2005

* *for identification only*

VISION TECH INTERNATIONAL HOLDINGS LIMITED

CONTENTS

	<i>Page</i>
CORPORATE INFORMATION	3
CONDENSED CONSOLIDATED INCOME STATEMENT	4
CONDENSED CONSOLIDATED BALANCE SHEET	5
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
NOTES TO THE ACCOUNTS	8-12
MANAGEMENT DISCUSSION AND ANALYSIS	13-16

VISION TECH INTERNATIONAL HOLDINGS LIMITED

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor
156-160 Des Voeux Road West
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

VISION TECH INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

		(Unaudited)	
		Six months ended	
		30 September	
		2005	2004
	Notes	HK\$'000	HK\$'000
TURNOVER	2	3,201	2,320
Cost of inventories sold		<u>(2,920)</u>	<u>(1,966)</u>
GROSS PROFIT		281	354
Administrative expenses		<u>(767)</u>	<u>(1,484)</u>
LOSS FROM OPERATIONS	3	(486)	(1,130)
Finance costs	4	<u>–</u>	<u>–</u>
LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION		<u>(486)</u>	<u>(1,130)</u>
Taxation	5	<u>–</u>	<u>–</u>
LOSS FROM ORDINARY ACTIVITIES AFTER TAXATION		(486)	(1,130)
Minority interest		<u>–</u>	<u>–</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(486)</u>	<u>(1,130)</u>
LOSS PER SHARE – BASIC	7	<u>HK0.1 cents</u>	<u>HK0.3 cents</u>
– DILUTED		<u>N/A</u>	<u>N/A</u>

VISION TECH INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
CURRENT ASSETS		
Trade receivables	3,190	70
Prepayments, deposits and other receivables	579	506
Bank balances and cash	146	2,853
	3,915	3,429
Deduct:		
CURRENT LIABILITIES		
Trade creditors	2,830	–
Other payables and accruals	1,520	2,018
Amount due to a director	3,144	1,594
Amount due to a related company	270	180
Other loan (unsecured)	1,000	4,000
	8,764	7,792
NET CURRENT LIABILITIES	(4,849)	(4,363)
TOTAL ASSETS LESS CURRENT LIABILITIES	(4,849)	(4,363)
NON-CURRENT LIABILITIES		
Amount due to a shareholder	2,423	2,423
Deferred tax liabilities	–	–
	(2,423)	(2,423)
NET LIABILITIES	(7,272)	(6,786)
CAPITAL AND RESERVES		
Share capital	36,460	36,460
Reserves	(43,732)	(43,246)
	(7,272)	(6,786)

VISION TECH INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2005

	2005	(Unaudited)
	HK\$'000	2004 HK\$'000
Net cash inflow/(outflow) from operating activities	(3,707)	(960)
Net cash inflow/(outflow) from investing activities	–	–
Net cash inflow/(outflow) from financing	–	–
Increase/(decrease) in cash and cash equivalents	(3,707)	(960)
Cash and cash equivalents at 1 April	2,853	1
Cash and cash equivalents at 30 September	<u>(854)</u>	<u>(959)</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	146	41
Loan (unsecured)	<u>(1,000)</u>	<u>(1,000)</u>
	<u>(854)</u>	<u>(959)</u>

VISION TECH INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	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>
Balance at 1 April 2005	36,460	42,823	81,869	–	(167,938)	(6,786)
Loss for the period	–	–	–	–	(486)	(486)
Balance at 30 September 2005	<u>36,460</u>	<u>42,823</u>	<u>81,869</u>	<u>–</u>	<u>(168,424)</u>	<u>(7,272)</u>

VISION TECH INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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.

This condensed consolidated interim accounts should be read in conjunction with the 2004/05 annual accounts.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and HKAS (“New HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect of adopting these New HKFRS are set out in note 2 below.

2. CHANGES IN PRINCIPAL ACCOUNTING POLICIES

In accounting period commencing 1 April 2005, the Group adopted the New HKFRS below, which are relevant to its operations. The 2004/05 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share

The adoption of the aforesaid HKASs did not result in substantial changes to the Group’s accounting policies.

VISION TECH INTERNATIONAL HOLDINGS LIMITED

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

	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000
Turnover		
– Distribution of home appliance products	<u>3,201</u>	<u>2,320</u>
Results	281	354
Administrative expenses	<u>(767)</u>	<u>(1,484)</u>
Loss from operations	(486)	(1,130)
Finance costs	<u>–</u>	<u>–</u>
Loss from ordinary activities before taxation	(486)	(1,130)
Taxation	<u>–</u>	<u>–</u>
Loss from ordinary activities after taxation	(486)	(1,130)
Minority interest	<u>–</u>	<u>–</u>
Loss attributable to shareholders	<u>(486)</u>	<u>(1,130)</u>

(b) Geographical segments

	Hong Kong		Other Asian countries		Consolidated	
	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000	2005 Unaudited HK\$'000	2004 Unaudited HK\$'000
Segment Revenue	<u>521</u>	<u>–</u>	<u>2,680</u>	<u>2,320</u>	<u>3,201</u>	<u>2,320</u>
Segment Results	<u>9</u>	<u>–</u>	<u>272</u>	<u>354</u>	<u>281</u>	<u>354</u>

VISION TECH INTERNATIONAL HOLDINGS LIMITED

4. LOSS FROM OPERATIONS

	(Unaudited)	
	Six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Loss from operations is stated after charging the following:		
Cost of inventories sold	2,920	1,966
Staffs costs including directors' emoluments	205	162
	<u>2,920</u>	<u>1,966</u>

5. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<u>-</u>	<u>-</u>

6. 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 (2004: 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 2005 (2004: Nil).

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 2005 of approximately HK\$486,000 (2004: HK\$1,130,000) and on the weighted average number of 364,600,000 (2004: 364,600,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 September 2005 (2004: N/A) was not disclosed as there were no dilutive potential ordinary shares.

VISION TECH INTERNATIONAL HOLDINGS LIMITED

9. TRADE RECEIVABLE

GROUP

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Trade receivables	3,190	70
Less: Provision for doubtful debts	—	—
	<u>3,190</u>	<u>70</u>

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

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
0-30 days	3,120	—
31-60 days	—	—
61-90 days	—	—
Over 90 days	70	70
Less: provision for doubtful debts	—	—
	<u>3,190</u>	<u>70</u>

10. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and has no fixed repayment terms.

11. AMOUNT DUE TO A RELATED COMPANY

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

12. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured and interest free. The shareholder has agreed not to demand repayment within next twelve months from the balance sheet date.

VISION TECH INTERNATIONAL HOLDINGS LIMITED

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

	Six months ended	
	2005	2004
	HK\$'000	HK\$'000
Profit (loss) before taxation	(486)	(1,130)
(Increase)/decrease in inventories	–	(11)
(Increase)/decrease in accounts receivables, prepayments, deposits and other receivables	(3,193)	(1,614)
Increase/(decrease) in accounts payable, accrued charges and other payables including amounts due to directors/shareholders	(28)	2,795
Net cash inflow from operating activities	<u>(3,707)</u>	<u>(960)</u>

VISION TECH INTERNATIONAL HOLDINGS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2005, the Group recorded a loss attributable to shareholders of approximately HK\$486,000 (2004: HK\$1,130,000). Loss per share is HK\$0.1 cents (2004: HK0.3 cents).

Turnover for the six months ended 30 September 2005 was approximately HK\$3,201,000, an increase of approximately 38% as compared with corresponding period in 2004. Gross profit for the six months ended 30 September 2005 was approximately HK\$281,000, a decrease of approximately 20% as compared with corresponding period in 2004. Loss before taxation for the six months ended 30 September 2005 was approximately HK\$486,000.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Company engaged in the business of distribution of electronic home appliance products. In addition, the Company launched its DVD player under the Company's registered brand name "VisionTech" to the Hong Kong market in November 2005.

The Company is in the course of forming a joint venture for the purposes of establishing a sales network to carry out the business of retail and distribution of "Haier" branded products within the territory of Hong Kong and Macau. The brand name "Haier", with products manufactured by Qingdao Haier Co., Ltd., a company listed on the Shanghai Stock Exchange in the People's Republic of China, is widely regarded as a renowned household name for home appliance products. Depending on the market potential, a total of 20 retail shops are being anticipated to be opened throughout the period of 3 years to achieve such a goal. There will be further plans to expand such sale and distribution network to other South East Asian countries. The Company believes that, with this business venture, the level of business operations of the Group will rapidly and markedly be increased, resulting in a significant contribution to the business development growth of the Group.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 September 2005, the Group's total assets and borrowings were HK\$3,915,000 and HK\$8,160,000 respectively.

VISION TECH INTERNATIONAL HOLDINGS LIMITED

EMPLOYEES

As at 30 September 2005, the Group has a total of 9 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 2005 amounted to HK\$205,000 (2004: HK\$162,000).

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 2005 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 2005 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;

VISION TECH INTERNATIONAL HOLDINGS LIMITED

- (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; and
- (iii) According to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting not exceeding one-third of the Directors for the time being shall retire from offices by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This constitutes a deviation from Code Provision A.4.2 (second sentence). The Company will consider to comply with this code provision by ensuring the retirement of each Director by rotation at least once every three years.

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.

VISION TECH INTERNATIONAL HOLDINGS LIMITED

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
23 December 2005