



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 2006

2007

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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, HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

		Six months ended 30 September	
		2006	2005
	<i>Notes</i>	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
TURNOVER	3	20,764	3,201
Cost of inventories sold		<u>19,962</u>	<u>(2,920)</u>
GROSS PROFIT		802	281
Other revenue		182	–
Administrative expenses		<u>(2,436)</u>	<u>(767)</u>
LOSS FROM OPERATIONS	4	(1,452)	(486)
Finance costs	5	<u>–</u>	<u>–</u>
LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,452)</u>	<u>(486)</u>
Taxation	6	<u>–</u>	<u>–</u>
LOSS FROM ORDINARY ACTIVITIES AFTER TAXATION		(1,452)	(486)
Minority interest		<u>–</u>	<u>–</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(1,452)</u>	<u>(486)</u>
LOSS PER SHARE – BASIC	8	<u>HK0.4 cents</u>	<u>HK0.1 cents</u>
– DILUTED		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	<i>Notes</i>	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
NON-CURRENT ASSETS			
Rental and utilities deposits		457	421
Property, plant and equipment	9	1,176	–
CURRENT ASSETS			
Inventories		23	23
Trade and other receivables			
Trade receivables	10	3,849	5,067
Prepayments, deposits and other receivables		1,504	2,540
Bank balances and cash		786	1,214
		6,162	8,844
CURRENT LIABILITIES			
Trade and other payables			
Trade payables		–	1,950
Other payables and accruals		2,952	1,631
Deposits received		77	77
Amount due to a director	11	10,800	9,429
Amount due to a shareholder	13	2,423	2,423
Amounts due to related companies	12	508	418
Other loan (unsecured)		150	1,000
		16,910	16,928
NET CURRENT LIABILITIES		(10,748)	(8,084)
NET LIABILITIES		(9,115)	(7,663)
Financed by:			
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		36,460	36,460
Reserves		(45,535)	(44,083)
		(9,075)	(7,623)
Minority interest		(40)	(40)
TOTAL EQUITY		(9,115)	(7,663)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2006

	<i>Note</i>	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Net cash inflow/(outflow) from operating activities	<i>14</i>	1,729	(3,707)
Net cash inflow/(outflow) from investing activities		(1,307)	–
Net cash inflow/(outflow) from financing		–	–
Increase/(decrease) in cash and cash equivalents		422	(3,707)
Cash and cash equivalents at 1 April		214	2,853
Cash and cash equivalents at 30 September		<u>636</u>	<u>(854)</u>
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		786	146
Loan (unsecured)		(150)	(1,000)
		<u>636</u>	<u>(854)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2006*

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2005	36,460	124,692	(167,938)	–	(6,786)
Loss for the period	<u>–</u>	<u>–</u>	<u>(486)</u>	<u>–</u>	<u>(486)</u>
Balance at 30 September 2005	<u><u>36,460</u></u>	<u><u>124,692</u></u>	<u><u>(168,424)</u></u>	<u><u>–</u></u>	<u><u>(7,272)</u></u>
Balance at 1 April 2006	36,460	124,692	(168,775)	(40)	(7,663)
Loss for the period	<u>–</u>	<u>–</u>	<u>(1,452)</u>	<u>–</u>	<u>(1,452)</u>
Balance at 30 September 2006	<u><u>36,460</u></u>	<u><u>124,692</u></u>	<u><u>(170,227)</u></u>	<u><u>(40)</u></u>	<u><u>(9,115)</u></u>

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION

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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2006.

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

	Six months ended 30 September	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Turnover		
– Distribution of home appliance products	<u>20,764</u>	<u>3,201</u>
Results	802	281
Other revenue	182	–
Administrative expenses	<u>(2,436)</u>	<u>(767)</u>
Loss from operations	(1,452)	(486)
Finance costs	<u>–</u>	<u>–</u>
Loss from ordinary activities before taxation	(1,452)	(486)
Taxation	<u>–</u>	<u>–</u>
Loss from ordinary activities after taxation	(1,452)	(486)
Minority interest	<u>–</u>	<u>–</u>
Loss attributable to shareholders	<u>(1,452)</u>	<u>(486)</u>

(b) *Geographical segments*

	Hong Kong		Other Asian countries		Consolidated	
	2006	2005	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment Revenue	<u>14,809</u>	<u>521</u>	<u>5,955</u>	<u>2,680</u>	<u>20,764</u>	<u>3,201</u>
Segment Results	<u>712</u>	<u>9</u>	<u>90</u>	<u>272</u>	<u>802</u>	<u>281</u>

4. LOSS FROM OPERATIONS

	Six months ended	
	30 September	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Loss from operations is stated after charging the following:		
Cost of inventories sold	19,962	2,920
Depreciation charge	131	–
Staffs costs including directors' emoluments	<u>617</u>	<u>205</u>

5. FINANCE COSTS

	Six months ended	
	30 September	
	2006	2005
	Unaudited	Unaudited
	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 (2005: 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 2006 (2005: 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 2006 of approximately HK\$1,452,000 (2005: HK\$486,000) and on the weighted average number of 364,600,000 (2005: 364,600,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 September 2006 (2005: N/A) was not disclosed as there were no dilutive potential ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvement and equipment, additions	1,307	–
Less: Depreciation charge	131	–
	<hr/>	<hr/>
Net book value at 30 September 2006	<u>1,176</u>	<u>–</u>

10. TRADE RECEIVABLE

GROUP

	30 September	31 March
	2006	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	3,849	5,067
Less: Provision for doubtful debts	–	–
	<hr/>	<hr/>
	<u>3,849</u>	<u>5,067</u>

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

	30 September	31 March
	2006	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	3,732	4,950
61-90 days	–	–
Over 90 days	117	117
Less: provision for doubtful debts	–	–
	<hr/>	<hr/>
	<u>3,849</u>	<u>5,067</u>

11. AMOUNT DUE TO A DIRECTOR

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

12. AMOUNT DUE TO RELATED COMPANIES

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

13. 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.

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

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Profit (loss) before taxation	(1,452)	(486)
Adjustment: Depreciation	131	–
(Increase)/decrease in inventories	–	–
(Increase)/decrease in accounts receivables, prepayments, deposits and other receivables	2,218	(3,193)
Increase/(decrease) in accounts payable, accrued charges and other payables including amounts due to directors/shareholders	832	(28)
	<u>1,729</u>	<u>(3,707)</u>
Net cash inflow from operating activities	<u>1,729</u>	<u>(3,707)</u>

15. RELATED PARTY TRANSACTIONS

	2006	2005
	HK\$'000	HK\$'000
Rental expense paid to a related company	<u>90</u>	<u>90</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 September 2006, the Group recorded a loss attributable to shareholders of approximately HK\$1,452,000 (2005: HK\$486,000). Loss per share is HK0.4 cents (2005: HK0.1 cents).

Turnover for the six months ended 30 September 2006 was approximately HK\$20,764,000, an increase of approximately 548% as compared with corresponding period in 2005. Gross profit for the six months ended 30 September 2006 was approximately HK\$802,000, an increase of approximately 185% as compared with corresponding period in 2005. Loss before taxation for the six months ended 30 September 2006 was approximately HK\$1,452,000.

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 September 2006, the Group was principally engaged in the businesses of trading and distribution of electronic home appliance.

The trading business of dvd/vcd players did not contribute much gross profit to the Group due to increase in supplier's price. The management will focus to improve the profit margin.

Our retail shop for "Haier" brand electronic home appliance has provided room for business development not only in the retail business, but also for distribution business. The management expected the retail and distribution business will take a larger portion of the Group's turnover and gross profit.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 30 September 2006, the Group's total assets and liabilities were HK\$7,795,000 and HK\$16,910,000 respectively.

EMPLOYEES

As at 30 September 2006, the Group has a total of 13 employees of Hong Kong 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 2006 amounted to HK\$617,000 (2005: HK\$205,000).

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 2006 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 2006 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;
- (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.

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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2006, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Name	<i>Note</i>	Interest in shares	Nature of interest	Percentage of the Company's issued share capital
Arko Resources Limited	(1)	71,134,000	Corporate	19.51%
Tanton Holdings Limited		30,100,000	Corporate	8.25%

Note:

- (1) These shares are beneficially owned by Arko Resources Limited and the entire issued share capital of which is wholly owned by Mrs. Pei Chen Chi Kuen Delia.

Save as disclosed above, no person had registered an interest in the issued share capital of the Company that was required to be recorded under Section 336 of the SFO.

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
 18 December 2006