

# CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Directors") of Vision Tech International Holdings Limited (the "Company"). I hereby present the Annual Report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004.

## RESULTS

The financial year ended 31 March 2004 was still a difficult year to the Group. Although the Group recorded a net profit attributable to shareholders of HK\$33 million which represents earnings of HK9.04 cents per share, the profit was mainly attributable from the reversal of net liabilities of a discontinued operation previously consolidated.

## DIVIDEND

The Directors of the Company do not recommend the payment of any dividends in respect of the year ended 31 March 2004.

## BUSINESS REVIEW AND PROSPECTS

The Group has been operating in a difficult and competitive environment during the year under review and the existing business of the Group has deteriorated further. Sales of the Group has decreased from approximately HK\$37,475,000 for the year ended 31 March 2003 to approximately HK\$15,436,000 for the year under review, representing a decrease of approximately 58.8% from the previous financial year. Gross profit margin decreased from approximately 21.7% for the year ended 31 March 2003 to approximately 8.4% for the year under review.

The net profit for the year of HK\$32,956,000 was mainly attributable to the reversal of net liabilities of a discontinued operation previously consolidated, namely 佛山市順德區正野電器有限公司 (Foshan Municipal Shunde Region Zheng Ye Electrical Appliances Company Limited) ("Zheng Ye").

During the year under review, the Directors have resolved to discontinue the operations of Zheng Ye. In resolving such discontinuation, the Directors have taken into account, among other factors, the further financial resources required by the Group to continue the operations of Zheng Ye, the sustainability of the future operations of Zheng Ye, the losses of Zheng Ye in the previous financial years, the ability of Zheng Ye to turnaround in such competitive and difficult environment in which it is operating and the various legal proceedings against Zheng Ye. The Group's resources which have been saved in discontinuing the operations of Zheng Ye will be re-allocated to its distribution and trading activities. The legal advisers of the Group on the PRC laws are of the opinion that the Group would not be responsible for the debts, liabilities and obligations of Zheng Ye and the liability of the Group towards Zheng Ye will be limited to its contribution towards the Group's share in the registered capital of Zheng Ye. The Directors are of the opinion that full provision for loss on investment in Zheng Ye has been made and the Directors are not aware of any unrecorded liabilities that should be reflected in the year under review.

The Group will continue to develop its network in distribution of home appliance products and consumer electrical products.

## 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*

25 October 2004