VST 偉仕

VST HOLDINGS LIMITED
偉仕控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 856)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The board of directors (the "Directors") of VST Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2007, together with the comparative figures for the previous year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 31 March	
		2007	2006
	Note	***HK$000***	*HK$000*
Turnover	*3*	**4,236,829**	3,705,633
Cost of sales		**(4,001,594)**	(3,534,497)
Gross profit		**235,235**	171,136
Other gains, net	*4*	**2,578**	1,485
Administrative expenses		**(36,963)**	(31,094)
Operating profit	*5*	**200,850**	141,527
Finance costs	*6*	**(5,256)**	(5,668)
Profit before taxation		**195,594**	135,859
Taxation	*7*	**(34,261)**	(24,091)
Profit for the year attributable to equity holders of the Company		**161,333**	111,768
Dividends	*8*	**72,670**	52,463
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	*9*		
– Basic		**18.07 cents**	13.31 cents
– Diluted		**17.55 cents**	13.24 cents

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,793**	2,653
Available-for-sale financial assets		**9,467**	10,000
		12,260	12,653
Current assets			
Bills receivable		**–**	17,908
Trade receivables	*10*	**346,434**	141,203
Prepayments and other receivables		**3,620**	1,708
Inventories		**287,661**	163,419
Pledged bank deposits		**10,000**	–
Cash and cash equivalents		**113,926**	219,129
		761,641	543,367
Total assets		**773,901**	556,020
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**93,167**	84,000
Reserves		**283,069**	134,248
Proposed dividend		**42,857**	39,863
Total equity		**419,093**	258,111
LIABILITIES			
Non-current liabilities			
Convertible bonds		**–**	63,544
Deferred taxation		**200**	237
		200	63,781
Current liabilities			
Trade payables	*11*	**333,235**	213,233
Accruals and other payables		**3,691**	1,978
Taxation payable		**17,682**	18,917
		354,608	234,128
Total liabilities		**354,808**	297,909
Total equity and liabilities		**773,901**	556,020
Net current assets		**407,033**	309,239
Total assets less current liabilities		**419,293**	321,892

Notes:

1 Basis of preparation

The consolidated accounts of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

2 Changes in accounting policies

(a) In the current year, the Group adopted the following amendments of HKFRS, which are effective in the current year and are relevant to the Group's operations:

- HKAS 21 Amendment, Net Investment in a Foreign Operation

- HKAS 39 & HKFRS 4 Amendments, Financial Guarantee Contracts

The adoption of the above new/revised HKFRSs has no material impact on the Group's consolidated accounts.

The following standards, amendments and interpretations of HKFRS are effective in the current year but are not relevant to the Group's operations:

- HKAS 19 Amendment, Employee Benefits

- HKAS 39 Amendment, Cash Flow Hedge Accounting of Forecast Intragroup Transactions

- HKAS 39 Amendment, The Fair Value Option

- HKFRS 1 Amendment, First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 Amendment, Exploration for and Evaluation of Mineral Resources

- HKFRS 6, Exploration for and Evaluation of Mineral Resources

- HK(IFRIC)-Int 4, Determining whether an Arrangement Contains a Lease

- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market-Waste Electronical and Electronic Equipment

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies

(b) Standards, interpretations and amendments to published standards that are not yet effective

The following new standards and interpretation of HKFRS have been issued and are relevant to the Group's operations:

- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Accounts – Capital Disclosures (effective for accounting periods commencing on or after 1 January 2007). The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual period beginning 1 April 2007.

- HKFRS 8, Operating Segments (effective for accounting periods commencing on or after 1 January 2009). The Group will apply HKFRS 8 from annual period beginning 1 April 2009, but it is not expected to have any significant impact on the Group's consolidated accounts other than presentational changes and additional disclosures in respect of segment information.

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods commencing on or after 1 November 2006). The Group will apply HK(IFRIC)-Int 10 from annual period beginning 1 April 2007, but it is not expected to have any significant impact on the Group's consolidated accounts.

The following interpretations of HKFRS have been issued and are not relevant to the Group's operations:

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for accounting periods commencing on or after 1 May 2006)

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for accounting periods commencing on or after 1 June 2006)

- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transaction (effective for accounting periods commencing on or after 1 March 2007)

- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for accounting periods commencing on or after 1 January 2008)

3 Turnover and segment information

The Group is principally engaged in the distribution of IT products. Turnover represents gross invoiced sales, net of discounts and returns. Revenue recognised during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover – Sale of goods	**4,236,829**	3,705,633

No business segment information (primary segment information) is presented as the Group is operating in a single business segment which is the distribution of IT products.

No geographical segment information is presented as all the Group's turnover and contribution to operating results were substantially derived from the distribution of IT products carried out in Hong Kong.

4 Other gains, net

	2007	2006
	HK$'000	*HK$'000*
Interest income	**4,895**	1,524
Loss on disposal of available-for-sale financial assets	**(2,000)**	–
Loss on disposal of property, plant and equipment	**(317)**	(4)
Derivative financial instruments: forward contracts, transactions not qualifying as hedges		
– Changes in fair value of forward contracts	**–**	(1,941)
– Gain on settlement of forward contracts upon maturity	**–**	1,906
	2,578	1,485

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2007 *HK$'000*	2006 *HK$'000*
Crediting:		
Rebates and discounts from suppliers	**460,446**	302,470
Charging:		
Cost of inventories	**4,448,924**	3,818,784
Staff costs, including directors' emoluments		
– Salaries, allowance and welfare	**20,860**	17,542
– Provident fund contributions	**766**	664
Operating lease rentals in respect of premises and warehouse	**3,811**	2,744
Net exchange loss	**1,221**	150
Bad debt written off	**1,206**	–
Auditor's remuneration	**1,128**	700
Depreciation of property, plant and equipment		
– Owned	**1,123**	964
– Leased	**–**	78
Inventory provision	**685**	2,940
Loss on disposal of property, plant and equipment	**317**	4
Impairment of trade receivables	**–**	537

6 Finance costs

	2007 *HK$'000*	2006 *HK$'000*
Interest expenses on:		
– Bank overdrafts and import loans	**2,620**	5,146
– Interest on convertible bonds	**2,636**	520
– Finance lease	**–**	2
	5,256	5,668

7 Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2007 *HK$'000*	2006 *HK$'000*
Current taxation		
– Hong Kong profits tax	**34,741**	24,022
– PRC income tax	**92**	82
Over-provision of Hong Kong profits tax in prior years	**(535)**	(79)
Deferred taxation	**(37)**	66
	34,261	24,091

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

PRC income tax represents the Enterprise Income Tax of the representative offices established in the PRC and has been calculated based on the estimated deemed taxable profit for the year in accordance with the relevant PRC tax laws at rates between 15% to 33% (2006: 15% to 33%) prevailing in the PRC municipal jurisdiction.

On 16 March 2007, the National People's Congress of the PRC approved the Corporate Income Tax Law (the "new CIT Law"). The new CIT Law reduces or increases the corporate income tax rate for domestic enterprises or foreign invested enterprises from 33% or 24% or 15% to a fixed rate of 25% with effect from 1 January 2008. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

8 Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim, paid, of HK3.2 cents (2006: HK1.5 cents) per ordinary share	**29,813**	12,600
Final, proposed, of HK4.6 cents (2006: HK4.5 cents) per ordinary share	**42,857**	39,863
	72,670	52,463

At a meeting held on 9 July 2007, the Directors proposed a final dividend of HK$4.6 cents per ordinary share. The 2007 proposed final dividend is based on 931,666,666 shares in issue at 9 July 2007. This proposed dividend is not reflected as a dividend payable in these consolidated accounts.

Such dividend represented HK$42,857,000 for the 931,666,666 shares in issue as at 31 March 2007.

9 Earnings per share

Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$161,333,000 (2006: HK$111,768,000) and the weighted average of 892,740,000 shares (2006: 840,000,000 shares) in issue during the year.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. The weighted average number of ordinary shares in issue is compared with the number of shares that would have been issued assuming the conversion of the convertible bonds.

	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**161,333**	111,768
Interest expense on convertible bonds (net of tax)	**2,175**	429
Profit used to determine diluted earnings per share	**163,508**	112,197
Weighted average number of ordinary shares in issue (thousands)	**892,740**	840,000
Adjustments for		
– assumed conversion of convertible bonds (thousands)	**38,927**	7,534
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**931,667**	847,534
Diluted earnings per share (HK cents per share)	**17.55**	13.24

10 Trade receivables

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**346,434**	141,740
Less: Provision for impairment of receivables	**–**	(537)
	346,434	141,203

There is concentration of credit risk with respect to trade receivables as the Group's sales are concentrated on several key customers.

The Group grants a credit period to third party customers ranging from 7 to 60 days, which may be extended for selected customers depending on their trade volume and settlement history with the Group. However, sales to new customers are only conducted on a cash basis in accordance with the Group's credit control policy. The ageing analysis of gross trade receivables is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**345,209**	140,388
31 – 60 days	**25**	427
61 – 90 days	**–**	550
Over 90 days	**1,200**	375
	346,434	141,740

The carrying amounts of trade receivables approximate their fair values.

11 Trade payables

The Group's suppliers grant credit periods ranging from 30 to 90 days to the Group. The ageing analysis of trade payables is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**333,235**	213,233

The carrying amounts of trade payables approximate their fair values.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HK4.60 cents per ordinary share for the year under review (2006: HK4.5 cents) to be declared at the forthcoming annual general meeting. Subject to the approval at the annual general meeting, the final dividend will be payable on or about 7 September 2007 to shareholders whose names appear on the register of members of the Company (the "Register of Members") at the close of the business on 27 August 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 28 August 2007 to 31 August 2007, both days inclusive, during which no transfer of shares will be effected. In order to qualify for attending the annual general meeting to be held on 31 August 2007, all transactions accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited situated at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 27 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In keeping abreast of the fast-changing market conditions and product trend in the information technology ("IT") industry, the Group has closely monitored its performance and aligned itself by undertaking various measures which include establishing representative offices and liaison points throughout major cities in the People's Republic of China (the "PRC") so as to strengthen ties with its customers. This allowed the Group to be closer to its end-users thus enabling it to react swiftly to the changing market needs and continuously provide customised value-added services.

The Group has been keeping pace with the market development in order to strengthen its competitiveness and has been actively undertaking "Three Enhancement" development strategy. These are continual improvement in the corporate management, products and distribution channels. Remarkable results have been derived and disclosed in the current year's annual report. Moreover, by means of widening our products and distribution channels, our market share in the PRC has markedly increased and which has become a strong foundation for future development.

In the past few years, there has been intense competition in the global IT industry, and many IT companies continuously adjusted their products, prices and service strategies in an attempt to stay competitive. In order to stay in the market forefront, the Group not only expanded its sales and distribution network and enriched its product portfolio, but also enhanced its distribution efficiency with improved after-sales services and other value-added services, so as to boost its market competitiveness. In 2006, the Group was once again honorably bestowed by its suppliers various awards which included Seagate's "Distributor of The Year Award FY2006"; AMD's "Distributor of The Year 2006 China", Maxtor's "Fastest Growing Distributor of The Year 2006 – APAC" as well as "Best Product Manager of the Year 2006" for the recognition of the Group's outstanding performance; and also Corsair's Top Business Partner 2006 as well as 2006 Award for Outstanding Contribution & Co-operation.

During the year under review, our Group has continually and successfully obtained the authorised distributorship for three new international brands, namely Western Digital's disk drive products in Hong Kong and the PRC, the respective exclusive distributorship for PDP Systems Inc.'s DRAM and flash memory modules, as well as Walton Chaintech's memory module in the PRC. As a result of the Group's dedicated efforts, the Group has achieved another record high in turnover and net profit as stated in the consolidated profit and loss account session of this announcement.

Prospects

The IT sector has been one of the fastest growing industries and the PRC will remain as one of the vital supply bases for the semiconductor and IT industry in the world. Under the development blueprint for the 11th Five-Year Plan of the PRC, the mainland has set to fully open its market to foreign competitors under the agreements it made for the membership of the World Trade Organization. Moreover, the PRC government's determination to move the whole nation into the "Digital Age" and IT development has become the foundation of the nation's policy. As a result, the huge potential for the IT market have attracted many foreign as well as local players to set foot in the PRC market to grab new business opportunities. Major foreign IT products manufacturers including Seagate, Western Digital and AMD are targeting the PRC to be their key growth drivers.

Pursuant to the release of the Microsoft Vista during early 2007, there will be a large demand for IT products in the region which will inevitably give rise to positive effect to our Group. Given the PRC's continuous and concrete economy, whilst coupled with the improving global economic outlook, Hong Kong's economy has in return exhibited a solid upturn. Our Group will capitalise such positive sentiment and increase its sales by proactively seeking opportunities to strengthen our distribution network through expanding the sales network in Hong Kong and the PRC.

Leveraging on its internationally reputable IT and digital media products manufacturers including Seagate, Maxtor, Western Digital, AMD, and Corsair in the global IT and digital media market, our Group has positioned itself as the distributor of high-quality and reliable IT and digital media products and has earned considerable trust from its customers. Besides, our Group will continue to gauge the market demand and look for reputable IT and digital products to enrich its distribution portfolio. In order to ensure value-for-money, our Group will continually improve the before-sale, after-sale and technical support services to our customers.

On the product front, the Group will also continue its endless pursuit to look for a variety of modern and functional digital products for its customers. Through the introduction of new products, the Group is able to diversify its revenue stream and appeal to a wide range of customer tastes. As a result of the Group's achievement in obtaining the authorised distributorship for additionally three new international brands, namely Western Digital's disk drive products in Hong Kong and the PRC, the respective exclusive distributorship for PDP Systems Inc.'s DRAM and flash memory modules, as well as Walton Chaintech's memory module in the PRC, our business will definitely continue to expand and attract more customers through offering them with the latest and a wider range of high quality IT products.

In view of the Group's highly responsive and efficient management team together with its extensive distribution network, our suppliers will continue to rank the Group as one of the chosen authorised distributors for internationally reputable IT and digital media products. Not resting on its laurels, the Group will continually look for opportunities to further expand its supplies and network in the region so as to reinforce its competitive edge in the marketplace and bring even more sales revenue and profits to the Group. Without losing focus, our Group will continue to make use of these competitive advantages and expand our core business of distributing computer, digital and multimedia products business.

Whilst the IT and digital media industry in the PRC is still enjoying a fast and healthy growth, the management admits that the competitive landscape remains tough and our Group is fully prepared to meet the challenges. Nevertheless, the management firmly believes that the IT and digital media industry in the PRC will continue to be one of the fastest growing areas in the world and will offer great potential and opportunities. Based on sound experience in the IT and digital media industry, the Group will endeavour to enhance its value by various measures including effective cost control, risk management, acute responsiveness to market changes, strong capabilities in sales and marketing in order to stay ahead of the competition and achieve even better returns for its shareholders in the coming years.

FINANCIAL REVIEW

The Group's turnover for the year ended 31 March 2007 amounted to approximately HK$4,236,829,000 (2006: approximately HK$3,705,633,000), representing an increase of approximately 14% as compared with that of last year. Profit attributable to shareholders amounted to approximately HK$161,333,000 (2006: approximately HK$111,768,000), representing an increase of approximately 44% as compared with that of last year. The main reason for the increase in net profit was mainly due to the maiden launch of a new brand product named Western Digital and the marked increase in the sale of Maxtor and Corsair products. The basic earnings per share for the year amounted to HK18.07 cents (2006: HK13.31 cents) and diluted earnings per share was HK17.55 cents (2006: HK13.24 cents).

The Group endeavoured to control its operating expenses and finance costs whilst increasing its interest income substantially through frequently placing surplus funds in short term deposits during the year under review. The continued improvement in the working capital management has resulted in less reliance on interest-bearing advances.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2007, the Company has complied with the code provisions on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules which came into effect on 1 January 2005, with deviations from a code provision as explained below.

Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. The roles of the Chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Li Jialin. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Company and believe that this structure will enable the Group to make and implement decisions promptly and effectively.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

The Company wishes to highlight the importance of its board (the "Board") of Directors in ensuring effective leadership and control of the Company and transparency and accountability of all operations.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year under review. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year under review.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors (including one independent non-executive Directors who possesses the appropriate professional qualifications or accounting or related financial management expertise).

The Company's annual results for the year ended 31 March 2007 have been reviewed by the Audit Committee.

By Order of the Board
Li Jialin
Chairman

Hong Kong, 9 July 2007

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2007 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

As at the date hereof, the Board comprises of Mr. Li Jialin and Mr. William Choo as executive Directors, Mr. Cheng Kam Chung as non-executive Director, and Mr. Ni Zhenwei, Dr. Chan Po Fun Peter, and Madam Hui Hiu Fai as independent non-executive Directors.

* *for identification purpose only*