# 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: 00922)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The Board of Directors ("Directors") of Vision Tech International Holdings Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007 together with the comparative figures for the corresponding previous year as follows:

### CONSOLIDATED INCOME STATEMENT

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| TURNOVER | 3 | **15,481** | 36,945 |
| Cost of sales | | **(14,385)** | (35,409) |
| Gross profit | | **1,096** | 1,536 |
| Other revenue | 3 | **608** | 2 |
| Written-off of amounts due from subsidiaries | | **(3)** | (5) |
| Impairment loss in value of interest in a subsidiary | | **–** | (9) |
| Administrative expenses | | **(9,443)** | (2,336) |
| OPERATING LOSS | | **(7,742)** | (812) |
| Finance costs | 4 | **(893)** | (70) |
| LOSS BEFORE TAX | 5 | **(8,635)** | (882) |
| Income tax expense | 6 | **–** | – |
| LOSS FOR THE YEAR | | **(8,635)** | (882) |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the Company | | **(8,675)** | (837) |
| Minority interest | | **40** | (45) |
| | | **(8,635)** | (882) |
| Losses per share for loss attributable to the equity holders of the Company during the year | | | |
| – Basic | | **(2.3 cents)** | (0.23 cents) |
| – Diluted | | **N/A** | N/A |

**CONSOLIDATED BALANCE SHEET**
*AT 31 MARCH 2007*

| | *Notes* | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Rental and utilities deposits | | **421** | 421 |
| Property, plant and equipment | 2 | **953** | – |
| CURRENT ASSETS | | | |
| Inventories | | **301** | 23 |
| Trade receivables | | **1,107** | 5,067 |
| Prepayments and deposits and other receivables | | **29** | 2,540 |
| Bank balances and cash | | **162** | 1,214 |
| | | **1,599** | 8,844 |
| CURRENT LIABILITIES | | | |
| Trade creditors | | **–** | 1,950 |
| Other payables and accruals | | **3,824** | 1,631 |
| Deposit received | | **77** | 77 |
| Amount due to a director | | **12,104** | 9,429 |
| Amount due to related companies | | **698** | 418 |
| Amount due to a shareholder | | **2,568** | 2,423 |
| Other loan (unsecured) | | **–** | 1,000 |
| | | **19,271** | 16,928 |
| NET CURRENT LIABILITIES | | **(17,672)** | (8,084) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **(16,298)** | (7,663) |
| NET LIABILITIES | | **(16,298)** | (7,663) |
| EQUITY: | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | | **36,460** | 36,460 |
| Reserves | | **(52,758)** | (44,083) |
| | | **(16,298)** | (7,623) |
| Minority interests | | **–** | (40) |
| | | **(16,298)** | (7,663) |

# NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

**Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. The measurement basis used in preparing the consolidated financial statements is historical cost.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

**The adoption of new/revised HKFRS**

In 2007, the Group and the Company have initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2006, including:

- Amendments to HKAS 39 Financial instruments: recognition and measurement

- HKFRS 4 Insurance Contracts – Financial guarantee contracts.

The application of the new and revised HKFRSs has no material effects on the Group and the Company's financial performance and position.

## 2. PROPERTY, PLANT AND EQUIPMENT

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost, additions for the year | **1,191** | – |
| Aggregated depreciation | **238** | – |
| Net book value | **953** | – |

## 3. PRIMARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS BY LOCATION OF CUSTOMERS

| | Hong Kong | | PRC | | South East Asia | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Turnover – Sales of goods | **15,481** | 9,523 | **–** | 86 | **–** | 27,336 | **15,481** | 36,945 |
| Segment results | **1,096** | 234 | **–** | 4 | **–** | 1,298 | **1,096** | 1,536 |
| Unallocated other revenues | | | | | | | **608** | 2 |
| Unallocated administrative expenses | | | | | | | **(9,446)** | (2,350) |
| Operating loss | | | | | | | **(7,742)** | (812) |
| Finance costs | | | | | | | **(893)** | (70) |
| Loss before tax | | | | | | | **(8,635)** | (882) |
| Income tax expense | | | | | | | **–** | – |
| Loss after tax | | | | | | | **(8,635)** | (882) |
| Minority interest | | | | | | | **–** | – |
| Minority shareholder's share of loss absorbed by holding company | | | | | | | **(40)** | – |
| Loss attributable to shareholders | | | | | | | **(8,675)** | (882) |
| Segment assets | **2,973** | | | | | | **2,973** | – |
| Unallocated assets | | 9,265 | | | | | **–** | 9,265 |
| | | | | | | | **2,973** | 9,265 |
| Segment liabilities | **19,271** | | | | | | **19,271** | – |
| Unallocated liabilities | | 16,928 | | | | | **–** | 16,928 |
| | | | | | | | **19,271** | 16,928 |
| Other information | | | | | | | | |
| Capital additions | | | | | | | **1,191** | – |
| Depreciation | | | | | | | **238** | – |
| Write-offs of amounts due from subsidiaries | | | | | | | **3** | 5 |
| Impairment losses in value of interest in subsidiaries | | | | | | | **–** | 9 |
| Impairment losses for doubtful debts on trade receivables | | | | | | | **1,802** | – |

The Group's turnover was solely contributed by the business of trading and distribution of electronic home appliance.

## 4. FINANCE COSTS

| | 2007<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| Interest charges on: | | |
| Bank loans and overdrafts | **–** | – |
| Other interest | **893** | 70 |
| | **893** | 70 |

## 5. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

| | 2007<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| Operating charges | **1,102** | 180 |
| Auditors' remuneration | **317** | 270 |
| Staff costs* (including directors' emoluments) | **1,528** | 458 |
| Impairment losses for doubtful debts on trade receivable | **1,802** | – |
| Write-off of amounts due from subsidiaries | **3** | – |

* Staff costs included direct labour, salaries and allowances, wages, staff welfare and retirement benefit scheme contributions

## 6. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the year.

| | 2007<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| The charge comprises: | | |
| Current tax | | |
| Hong Kong profits tax | **–** | – |

The taxation on the Group's loss before tax differs from the theoretical amount that would arise amount that would arise using the Hong Kong profits tax rate applicable to the Group as follows:

| | 2007<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| Loss before tax | **(8,635)** | (882) |
| Calculated at a taxation rate of 17.5% | **(1,511)** | (154) |
| Tax effect of non-taxable revenue | **(46)** | (1) |
| Tax effect of non-deductible expense | **229** | 119 |
| Tax effect of unused tax loss not recognised | **1,328** | 36 |
| Income tax expense | **–** | – |

## 7. (LOSS)/PROFIT PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of approximately loss of HK$8,675,000 (2006: HK$837,000) and the weighted average of 364,600,000 ordinary shares (2006: 364,600,000) during the year.

## 8. TRADE RECEIVABLES

The ageing of the Group's trade receivables is analysed as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 60 days | **16** | 4,950 |
| 61 – 90 days | **2,893** | – |
| Over 90 days | **(1,802)** | 117 |
| | **1,107** | 5,067 |

## 9. TRADE CREDITORS

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 60 days | **–** | 1,950 |
| 61 – 90 days | **–** | – |
| Over 90 days | **–** | – |
| | **–** | 1,950 |

## 10. POST BALANCE SHEET EVENT

(A) On 28 June 2007, the Company made an announcement for proposed (I) capital reorganisation, (II) proposed subscription for new shares, (III) whitewash wavier application, (IV) placing of new shares and (V) connected transaction – loans settlement. The Company intends to put forward to Shareholders for their approval a proposal involving the following changes to the capital of the Company:

**(I) Capital reorganisation**

(a) Capital Reduction: that the issued share capital of the Company be reduced by cancelling from the paid-up capital thereof to the extent of HK$0.09 of each issued Share and reducing the nominal value of all the Shares comprising the authorised share capital of the Company from HK$0.10 to HK$0.01 per share and in consequence thereof the authorised share capital of the Company will be reduced from HK$60,000,000 to HK$6,000,000;

(b) Share Consolidation: that every 10 (ten) shares of HK$0.01 each in the issued and unissued share capital of the Company after the Capital Reduction be consolidated into 1 (one) New Share of HK$0.10 each; and

(c) Increase of Share Capital: that forthwith upon completion of the Capital Reduction and Share Consolidation becoming effective, the authorised share capital of the Company be increased from the aforesaid reduced amount of HK$6,000,000 to HK$200,000,000 and the same will be divided into 2,000,000,000 New Shares of HK$0.10 each.

**(II) Issue of Subscription Shares**

On 18 May 2007, the Company and EPI (Holdings) Limited (Stock code: 689) ("the Subscriber") entered into a Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue and allot 750,000,000 New Shares ("the Subscription Shares") at a price of HK$0.10 per New Share.

Completion of the Subscription Agreement is conditional upon, among other terms and conditions as set forth therein, a proposal for the resumption in trading of the Shares on the Stock Exchange having been approved/accepted by the Stock Exchange to be viable and which shall in all respects be satisfactory and acceptable to the Subscriber and all other relevant parties to the resumption proposal.

**(III) Whitewash Waiver**

Immediately following Completion (which shall take place after completion of the Capital Reorganisation), the Subscriber will be interested in 750,000,000 New Shares, which represent:

(a) approximately 95.36% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares;

(b) approximately 72.36% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares; and

(c) approximately 65.51% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Placing Shares and the Loans Settlement Shares.

The Subscriber will make an application to the Executive for the granting of the Whitewash Waiver and if so granted, it will be subject to, among other things, approval by the Independent Shareholders of the Whitewash Waiver at the SGM where voting on each of the relevant resolutions in respect thereof shall be decided by way of a poll.

**(IV) Placing**

On 18 May 2007, the Company and President Securities (Hong Kong) Limited ("the Placing Agent") entered into a conditional Placing Agreement pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis, (a) 250,000,000 Placing Shares to Independent Third Parties at HK$0.10 per Placing Share; and (b) an additional 108,502,600 Placing Shares (i.e. 308,502,600 Placing Shares in aggregate) at HK$0.10 per Placing Share if the Loans Settlement Agreement is not approved by the Independent Shareholders and the option under the Placing Agreement is duly exercised in accordance with the terms thereof and with the prior written consent of the Subscriber.

The Placing Shares represent:

(a) approximately 24.12% of the issued share capital of the Company (upon completion of the Capital Reorganisation) as enlarged by the issue of the Subscription Shares and the Placing Shares; and

(b) approximately 21.83% of the issued share capital of the Company (upon completion of the Capital Reorganisation) as enlarged by the issue of the Subscription Shares, the Placing Shares and the Loans Settlement Shares.

The Placing Shares and the Option Shares (assuming the exercise of the Option in full) represent approximately 31.31% of the issued share capital of the Company (upon completion of the Capital Reorganisation) as enlarged by the issue of the Subscription Shares, the Placing Shares and the Option Shares.

**(V) Loans Settlement**

On 18 May 2007, the Company and Mrs. Pei entered into a loans settlement agreement whereby the Company and Mrs. Pei have agreed that all amounts due by the Group to Mrs. Pei and her associates shall be settled by way of

(a) the issue of 108,502,600 New Shares ("the Loan Settlement Shares") to Mrs. Pei; and

(b) payment of a sum of HK$5 million by the Company to Mrs. Pei.

The 108,502,600 New Shares represent approximately 9.48% of the issued share capital of the Company as enlarged by the Subscription Shares, the Placing Shares and the Loans Settlement Shares.

(B) 20 July 2007, the Company and the Placing Agent entered into an Second Placing Agreement pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis, 150,000,000 new shares at HK$0.10 per Placing Share.

## SUMMARY OF THE AUDITORS' REPORT

A summary of the auditors' report to the shareholders is set out below:

### Emphasis of matter-material uncertainty relating to the going concern basis

Without qualifying our opinion, we draw attention to Note 2.1 in the consolidated financial statements which indicates that the Group incurred a net loss of HK$8,675,819 during the year ended 31 March 2007 and, as of that date, the Group's current liabilities exceeded its total assets by HK$16,299,461. These conditions along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## DIVIDEND

The Directors of the Company do not recommend the payment of any dividends in respect of the year ended 31 March 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS OF RESULT OF OPERATION

### Financial Review

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$15,480,000 and gross profit of approximately HK$1,096,000.

The Group's loss attributable to equity holders of the Company was approximately HK$8,675,000 (2006: HK$837,000).

### Business Review and Prospects

For the year ended 31 March 2007, 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.

In view of the trading volume of our retail shop was low, the management has launched negotiation with the Group's supplier, Haier International Company Limited, for the possibility of developing different business lines for new Haier products. The management is looking for additional funds to develop our existing business like export trading for electronic home appliances etc.

### Liquidity

As at 31 March 2007, the Group's bank and cash balances was approximately HK$162,000 (2006: HK$1,214,000).

### Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2007.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2007 the Group has a total of 17 employees in Hong Kong. The Group regularly reviews remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to 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 employee are subject to review regularly. Total staff costs for the year amounted to HK$1,528,000 (2006: HK$458,000).

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 shareholders 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 of its subsidiaries. No options have been granted since the approval of the scheme.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## CORPORATE GOVERNANCE

### General

In the opinion of the directors, the Company complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report. Save as disclosed in the Company's latest interim report for the six months ended 30 September 2006. Detailed information on the Company's corporate governance practices is set out in Corporate Governance Report included in the Company's 2007 Annual Report.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

## AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 5 June 2003 which was established in accordance with the requirement 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. The Group's audited financial statements for the year ended 31 March 2007 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Bye-laws.

## 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.

## 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.

## SUSPENSION OF TRADING

Trading in shares of the Company was suspended with effect from 9:30 a.m. on 6 February 2003 and remains suspended until further notice.

By Order of the Board
**Mr Yang Chun, Thomas**
*Executive Director*

Hong Kong, 30 July 2007

*As at the date of this announcement, the executive directors of the Company are Mrs Pei Chen Chi Kuen, Dr Pei Yaw Liang and Mr Yang Chun Thomas. The non-executive directors of the Company are Mr Cheng Hong Cheung, Mr Lam Kwok Ming and Mr Leung Wing On, Louis.*

* *for identification purpose only*