1. CORPORATE INFORMATION

During the year, the principal activity of the Company was investment holding.

The principal activities of the Group during the year were:

- systems integration of mid-range computers
- software development and the provision of related services
- distribution of computer products
- e-business (discontinuing during the year, see note 6)

2. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK$191 million for the year ended 31st March, 2002 (2001: HK$189 million). As at that date, the Group had consolidated net current liabilities of HK$49 million (2001: net current assets of HK$177 million) and a consolidated deficiency in assets of HK$31 million (2001: consolidated net assets of HK$164 million). Despite the substantial loss incurred for the year, the Group recorded a net cash inflow from operating activities of HK$82 million (2001: outflow of HK$146 million) and an increase in cash and cash equivalents of HK$77 million (2001: a decrease of HK$50 million) as a result of the implementation of tighter credit and inventory controls.

As further detailed in note 39 to the financial statements, subsequent to the balance sheet date on 3rd April, 2002, the Group successfully issued the 2005 Convertible Bonds (as defined in note 39 to the financial statements) of approximately HK$198 million and HK$136 million to Hutchison International Limited (the "HIL Bond") and DBS Nominees Private Limited (the "FI Bond"), respectively. The consideration for the HIL Bond was settled by the surrender of the HK$198 million 2002 HIL Bonds (defined in note 34 to the financial statements) to the Company for cancellation. The proceeds of the FI Bond were used as to HK$78 million to repay in part the principal amount of the I3P Bond (defined in note 34 to the financial statements) and the remaining balance was added to the Group's working capital. The proforma financial position of the Group as at 31st March, 2002 after taking into account of the above is as follows:

2. BASIS OF PRESENTATION (continued)

	Audited 31st March, 2002 HK$'000	Adjustments HK$'000	Proforma 31st March, 2002 HK$'000
Non-current assets	247,852		247,852
Current assets	448,388	58,465 (1)	506,853
Current liabilities	(497,046)	78,000 (2)	(419,046)
Net current assets/(liabilities)	(48,658)		87,807
Non-current liabilities	(22,166)		(22,166)
	177,028		313,493
Capital and reserves			
Issued capital	42,098		42,098
Reserves	(72,736)		(72,736)
	(30,638)		(30,638)
Minority interests	9,700		9,700
	(20,938)		(20,938)
Convertible bonds	197,966	136,465 (3)	334,431
	177,028		313,493

(1) Net cash injection from the FI Bond

(2) Repayment of the principal amount of the I3P Bond

(3) Issue of the principal amount of the FI Bond

These financial statements have been prepared on a going concern basis having regard to the proforma financial position shown above and future anticipated liquidity positions of the Group and after taking into consideration various factors including those set out below.

2. BASIS OF PRESENTATION (continued)

The Group will focus on its core businesses in the foreseeable future which mainly comprise the systems integration of mid-range computers; software development and the provision of related services; and, the distribution of computer products. To improve the performance of its core businesses, the Group has implemented a number of cost cutting measures, which will significantly reduce the Group's administrative expenses. In addition, the Group has strengthened its credit and inventory controls to further improve its working capital position. The Group's operating results are projected to benefit from these actions in the near future.

The Group has reviewed its banking facilities with its principal banks. Certain facilities have been reviewed after the balance sheet date.

The bondholders have reassured their continued support for the Group. The convertible bonds which mature in 2005, if not previously converted, will be redeemable in accordance with their terms and conditions.

The Group is also exploring alternatives to strengthen its capital base, which include the introduction of new investors to the Company.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 29 and 37 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 7 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The principal impact of this SSAP on the financial statements is that provisions are now disclosed as a separate line item on the face of the balance sheet and the disclosures in respect thereof have been revised to include the new required additional disclosures (see note 28 to the financial statements).

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 24 to the financial statements), whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 18 to the financial statements. The required new additional disclosures are included in notes 18 and 20 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties, other investments and short term investments, as further explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31st March, 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition of subsidiaries and associates is recognised in the balance sheet as an asset and is amortised on the straight-line basis over its estimated useful life of 5 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1st April, 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Long term leasehold land	Over the remaining lease terms
Buildings	2% – 4%
Leasehold improvements	20%
Furniture, fixtures, equipment and motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. When the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred development costs

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined, the expenditure is separately identifiable, and there is reasonable certainty that the projects are technically feasible and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised, using the straight-line method, over five years commencing in the year when the products are put into commercial production.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses. The amount of the impairment losses are charged to the profit and loss account for the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term investments

Long term investments are unlisted securities which are intended to be held on a continuing strategic or long term purpose. Such long term investments are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Other investments

Other investments are investments in equity and debt securities, other than long term investments, and are stated at their fair values at the balance sheet date, on an individual investment basis. The fair value of unlisted securities are estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities. The fair value of listed securities are based on their quoted market price. The gains or losses arising from changes in the fair value of other investments are credited or charged to the profit and loss account for the period in which they arise. Other investments are initially included in non-current or current assets depending on their expected holding period at the time of their acquisition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories, which comprise finished goods, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling price less any estimated costs necessary to make the sale.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sales of goods and related systems integration services, on delivery of the goods to the customers;

(ii) from the rendering of software development services and technical services, in the period in which the services are rendered;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(iii) rental income, in the period in which the properties are let out, on the straight-line basis over the lease terms;

(iv) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rates applicable;

(v) from the disposal of marketable securities, on the transaction date when the relevant contract notes are exchanged; and

(vi) dividend income, when the shareholders' right to receive payment is established.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance and defined contribution Central Provident Fund and Employee Provision Fund retirement schemes in Singapore and Malaysia, respectively under the law prevailing in those countries, for those employees who are eligible to participate in the schemes. The MPF Scheme has operated since 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the retirement benefit schemes. The assets of the retirement benefit schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "prior scheme") for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions. With effect from 1st December, 2000, the prior scheme was terminated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associates outside Hong Kong denominated in foreign currencies are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Provisions for product maintenance granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and maintenance, discounted to their present value as appropriate.

The provisions for redundancy costs and the loss on the put option granted are made based on the present value of the future costs and loss expected to be incurred.

5. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to those disclosed in note 39 to the financial statements and elsewhere in the financial statements, the Group had the following connected and/or related party transactions during the year and subsequent to the year end date.

(a) During the year, the Company and Vanda Systems (Singapore) Pte Ltd ("VSS") gave guarantees to certain suppliers and banks in respect of the full amount of the guarantee required for the facilities granted by these suppliers and banks to Azure Technologies Pte Ltd ("AT") and Azure Technologies (Malaysia) Sdn. Bhd. ("ATM"). A summary of the guarantees given as at 1st April, 2001 is as follows:

Borrower	Lender	Facility amount HK$'000	Guarantor	Guarantee amount HK$'000
ATM and Vandacom*	Supplier	26,520	The Company	26,520
AT, VSS and VCS#	Supplier	70,926	The Company	70,926
AT	Bank	8,978	VSS	8,978
ATM	Bank	10,200	VSS	7,466

* Vandacom (Malaysia) Sdn. Bhd. ("Vandacom") is a wholly-owned subsidiary of the Company.

Vanda Computer Services (S.E.A.) Pte Ltd ("VCS") is a wholly-owned subsidiary of the Company.

5. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

During the period from 1st April, 2001 to 3rd October, 2001, the above guarantees were revised as follows:

Borrower	Lender	Facility amount HK$'000	Guarantor	Guarantee amount HK$'000
ATM	Supplier	81,396	The Company	81,396
ATM	Supplier	7,800	The Company	7,800
AT	Supplier	76,313	The Company	76,313
AT	Bank	22,445	The Company and VSS, severally	22,445
ATM	Bank	10,200	VSS	7,466

During the period from 1st April, 2001 to 3rd October, 2001, VSS was a wholly-owned subsidiary of the Company, AT and ATM were both 87.5% beneficially owned by the Company, and during such time certain minority shareholders of AT and ATM are connected persons by virtue of their being directors of certain subsidiaries of the Company.

As the amounts guaranteed by the Company or VSS exceed the share of the Group's interests of 87.5% in AT and ATM, the provision of the guarantees constituted connected transactions of the Company pursuant to the Listing Rules. These connected transactions and the continuing guarantees in respect of the credit and banking facilities mentioned above were approved by the independent shareholders of the Company at a special general meeting on 21st May, 2001.

(b) As further detailed in note 35(c) to the financial statements, on 4th October, 2001, VSS acquired a further 12.5% interest in AT and 25% interest in Vanda Solutions (Singapore) Pte Ltd ("VS") for a consideration of S$1,091,994 (equivalent to HK$4,902,000) (the "Acquisition"). The consideration was determined based on the latest audited net assets of the companies concerned and it was settled by VSS by way of allotting 597,632 ordinary

5. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

shares in the share capital of VSS to iWave Holdings Pte Limited ("iWave"), the then minority shareholders holding 12.5% interest in AT and 25% interest in VS. On the same date, VSS issued 1,602,368 ordinary shares to Vanda (B.V.I.) Limited ("Vanda (BVI)"). Upon completion of the above transactions, AT and ATM (a wholly-owned subsidiary of AT) became wholly-owned subsidiaries of VSS, which is owned by the Group as to 91.7% and by iWave as to 8.3%. The transactions were made in order to streamline the corporate structure of the Company and its subsidiaries by the acquisition of the minority interests held in the share capital of AT and VS.

iWave was a connected person by reason of being a substantial shareholder of AT and VS immediate before the above transactions. The Acquisition constituted a related party transaction and a connected transaction and was subject to the disclosure requirements under the Listing Rules.

Upon the acquisition of 12.5% interest in AT and 25% in VS, iWave ceased to be a connected person of the Company and the provision of guarantees by VSS for AT and ATM (being wholly-owned subsidiaries of VSS) ceased to be connected transactions. The ongoing provision of guarantees by the Company to AT and ATM constituted the granting of financial assistance by the Company to non wholly–owned subsidiaries in which no connected person is a shareholder. Such transactions are connected transactions under the Listing Rules and are subject to disclosure requirements, which are as follows:

Borrower	**Lender**	**Facility amount** HK$'000	**Guarantor**	**Guarantee amount** HK$'000
VSS	Bank	25,380	The Company	25,380
ATM	Supplier	81,895	The Company	81,895
ATM	Supplier	7,800	The Company	7,800
ATM	Bank	18,678	The Company	18,678
AT	Supplier	71,910	The Company	71,910
AT	Bank	21,150	The Company	21,150
ATP*	Supplier	36,660	The Company	36,660

5. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Borrower	Lender	Facility amount HK$'000	Guarantor	Guarantee amount HK$'000
ATP*	Bank	7,640	The Company	7,640

* Azure Technologies Phils., Inc. ("ATP") is a wholly-owned subsidiary of VSS.

(c) On 27th March, 2002, Vanda (BVI), a wholly-owned subsidiary of the Company, entered into an agreement pursuant to which Vanda (BVI) agreed to sell and Zhan Gao Electric Company Ltd. ("Zhan Gao") agreed to purchase the entire issued share capital of Janko Technology Limited ("Janko"), for a consideration of HK$1,880,000 (the "Disposal").

On completion of the Disposal on 27th March, 2002, Vanda Instrument & Equipment Company Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement to formalise and regulate the amount owed by Janko to the Group at the date of Disposal, for the principal sum of US$883,239 (equivalent to HK$6,889,264) (the "Term Loan"). Mr. Wang Jin Ming ("Mr. Wang"), Zhan Gao and Janko Electronics (Beijing) Company Limited ("Janko Beijing"), which is a 80% owned subsidiary of Janko, guaranteed the obligation of Janko for the repayment of the Term Loan and interest accrued thereon after the Disposal. The Term Loan is interest-bearing with interest charged at 6.125% per annum and repayable by 8 instalments to be made from 15th April, 2002 to 31st December, 2003.

The above transactions constituted related party transactions.

On 30th June 2002, Janko defaulted on the payment of the second repayment instalment of US$200,000. The Group is negotiating with Janko over the repayment arrangements for the remaining outstanding balance and a provision of US$697,000 (equivalent to HK$5,436,600) against the Term Loan receivable has been made to account for the risk of default in the repayment.

The entire issued share capital of Zhan Gao is owned by Mr. Wang and his wife in equal shares. Given that Zhan Gao is an associate of Mr. Wang and Mr. Wang is a director of Janko Beijing and the holder of a 20% interest in Janko Beijing, which was a non wholly-owned subsidiary of the Company before the Disposal, the Disposal constituted a connected transaction for the Company under the Listing Rules. The Disposal is subject to the disclosure requirements under the Listing Rules.

5. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(d) On 22nd February, 2001, Vanda Investment International Company Limited ("Vanda Investment") entered into an agreement with Vanda Computer & Equipment Company Limited ("Vanda Computer"), a wholly-owned subsidiary of the Company, pursuant to which Vanda Investment agreed to sell and Vanda Computer agreed to acquire, certain properties situated at Units A901-A906 on 9th Floor, Block A, Van Tone New World Plaza, Beijing, the People's Republic of China (the "PRC"), which have a gross floor area of 720.86 square meters, for a cash consideration of US$1,831,000. The consideration was agreed based on a valuation as at 16th February, 2001 made by FPDSavills (Hong Kong) Limited, an independent property valuer. Vanda Investment is beneficially owned by four executive directors of the Company, Ching Wan Kwan, Lam Hon Nam, Ma Chun Kwong, Edmund and Wai Yee Jan.

The above transaction constituted a related party transaction.

Vanda Investment is an associate of Lam Hon Nam and Ma Chun Kwong, Edmund, directors of the Company, as defined by the Listing Rules, because of their significant shareholdings in Vanda Investment. Accordingly, the transaction also constituted a connected transaction of the Company pursuant to the Listing Rules. The transaction was approved by the independent shareholders of the Company at a special general meeting on 21st May, 2001. The transaction was completed on 22nd May, 2001.

(e) On 31st March, 2002, Mr. Wai Yee Jan, a director of the Company and the holder of 15% interest in Beijing New Generation Computer Graphic Co., Ltd. ("BJ New Generation"), a subsidiary of the Company, waived to receive an amount of HK$2,134,000 advanced by him to BJ New Generation. This transaction constituted a related party and a connected transaction under the Listing Rules.

6. DISCONTINUING AND DISCONTINUED OPERATIONS

Discontinuing operations

As further detailed in note 39(b) to the financial statements, subsequent to the balance sheet date on 29th April, 2002, the Group disposed of its 75.1% equity interest in DigiLogistics.com Limited ("DigiLogistics") which was a 95% owned subsidiary of the Group at the balance sheet date, through which the Group's business of sub-licensing web-based logistics software (the "e-business") in Hong Kong was conducted. The disposal was made following the Group's strategy to divest its non-core businesses. The disposal was completed on 29th April, 2002 and since then DigiLogistics ceased to be a subsidiary of the Group.

6. DISCONTINUING AND DISCONTINUED OPERATIONS (continued)

Discontinuing operations (continued)

The results, assets and liabilities of DigiLogistics were consolidated into the Group's financial statements for the year ended 31st March, 2002 and thereafter up to the date of disposal. The revenue and net loss for the year ended 31st March, 2002 attributable to the discontinuing e-business operations conducted through DigiLogistics amounted to HK$17,181,000 (2001: HK$92,000) and HK$3,565,000 (2001: HK$5,222,000), respectively.

Discontinued operations

On 27th April, 2000, Tenfold Profits Company Limited, a wholly-owned subsidiary of Baring Asia Private Equity Fund, exercised in full the rights attached to the Company's 5% US$6,500,000 Exchangeable Bonds to exchange for a 39.23% equity interest in Comtech Engineering and Consultant Company Limited ("Comtech") that was held by the Group. The Group held a 57.69% interest in Comtech immediately prior to this transaction. Consequently, the Group's interest in Comtech was reduced to 18.46%, and since then, Comtech has ceased to be a subsidiary of the Group.

Comtech was accounted for as a subsidiary in the Group's consolidated financial statements until 27th April, 2000, the date when the Group disposed of its 39.23% interest therein.

The Group's operations related to the business of the trading of telecommunication products and cabling and intelligent building projects in Hong Kong and the PRC were conducted through Comtech. Such operations were discontinued (the "Discontinued Operations") when Comtech ceased to be a subsidiary of the Group.

The results of the Discontinued Operations were accounted for until 27th April, 2000, the effective date of disposal, and the related assets and liabilities were included in the calculation of the HK$9,862,000 net loss arising on the disposal of the Discontinued Operations during the year ended 31st March, 2001.

7. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as explained in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segments; and (ii) on a secondary segment reporting basis, by business segments.

The principal activities of the Group are the systems integration of mid-range computers, software development and the provision of related services, distribution of computer products and e-business, which are managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products or services to customers located in different geographical areas, which are subject to risks and returns that are different from those of other geographical segments. The Group's geographical segments are as follows:

(a) Hong Kong and Macau;
(b) Elsewhere in the PRC;
(c) South Asia; and
(d) Unallocated

In determining the Group's business segments, revenues, results and assets are attributed to the following business segments.

(a) System integration and software development;
(b) Distribution of computer products;
(c) E-business (discontinuing operations);
(d) Cabling and intelligent building projects (discontinued operations); and
(e) Unallocated

7. SEGMENT INFORMATION (continued)

(a) Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments.

Group

	Hong Kong and Macau		Elsewhere in the PRC		South Asia		Unallocated		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**163,272**	197,076	**526,673**	313,964	**413,141**	653,993	**–**	–	**1,103,086**	1,165,033
Other revenue	**1,700**	349	**7,870**	2,147	**541**	526	**2,600**	2,024	**12,711**	5,046
Total	**164,972**	197,425	**534,543**	316,111	**413,682**	654,519	**2,600**	2,024	**1,115,797**	1,170,079
Segment results	**(42,835)**	(35,582)	**(29,918)**	(154,101)	**(42,589)**	32,615	**(41,060)**	(30,210)	**(156,402)**	(187,278)
Dividend income, unallocated interest and other gains									**8,198**	17,177
Gain/(loss) on disposal of a subsidiary							**7,339**	(20,954)	**7,339**	(20,954)
Gain on disposal of a long term investment							**–**	83,232	**–**	83,232
Loss on a disposal of other investments							**(61)**	–	**(61)**	–
Impairment of long term investments							**–**	(49,978)	**–**	(49,978)
Unrealised holding loss on other investment							**(1,091)**	–	**(1,091)**	–
Impairment of interest in an associate			**(237)**	–					**(237)**	–
Amortisation of goodwill arising on acquisition of subsidiaries	**(2,508)**	–							**(2,508)**	–
Impairment of goodwill arising on acquisition of subsidiaries	**(9,533)**	–							**(9,533)**	–
Provision for loss on put option	**(10,000)**	–							**(10,000)**	–
Unrealised holding loss on other investments	**–**	(435)							**–**	(435)
Loss on disposal of an associate	**–**	(5)							**–**	(5)
Loss on deemed disposal of partial interests in subsidiaries							**(682)**	–	**(682)**	–

7. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group

	Hong Kong and Macau		Elsewhere in the PRC		South Asia		Unallocated		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss from operating activities									**(164,977)**	(158,241)
Finance costs									**(28,860)**	(24,019)
Share of profits and losses of associates	**–**	(2,750)	**(1,163)**	(1,241)	**–**	(290)	**–**	–	**(1,163)**	(4,281)
Amortisation of goodwill	**(107)**	–							**(107)**	–
Impairment of goodwill	**(1,179)**	–							**(1 ,179)**	–
Loss before tax									**(196,286)**	(186,541)
Tax									**(23)**	(10,375)
Loss before minority interests									**(196,309)**	(196,916)
Minority interests									**5,240**	8,147
Net loss from ordinary activities attributable to shareholders									**(191,069)**	(188,769)
Segment assets	**89,553**	135,831	**197,204**	429,040	**150,169**	287,035	**–**	–	**436,926**	851,906
Interests in associates	**–**	–	**3,107**	3,955	**–**	1,197	**–**	–	**3,107**	5,152
Unallocated assets	**–**	–	**–**	–	**–**	–	**256,207**	183,240	**256,207**	183,240
Total assets									**696,240**	1,040,298
Segment liabilities	**47,182**	43,350	**137,160**	152,588	**100,876**	168,644	**–**	–	**285,218**	364,582
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**431,960**	500,090	**431,960**	500,090
Total liabilities									**717,178**	864,672
Other segment information:										
Depreciation and amortisation	**5,121**	886	**9,354**	18,412	**5,004**	4,841	**3,604**	4,196	**23,083**	28,335
Provision for bad and doubtful debts	**2,347**	16,932	**4,514**	21,983	**14,707**	8,496	**4,857**	–	**26,425**	47,411
Impairment losses recognised in the profit and loss account	**10,949**	–	**4,330**	55,969	**–**	–	**–**	49,978	**15,279**	105,947
Capital expenditure	**3,140**	10,961	**20,794**	12,254	**2,999**	6,269	**875**	1,741	**27,808**	31,225

7. SEGMENT INFORMATION (continued)

(b) Business segments

The following table presents revenue, profit/(loss) and certain asset and capital expenditure information for the Group's business segments.

Group

	Systems integration and software development		Distribution of computer products		(Discontinuing operations) e-business		(Discontinued operations) Cabling and intelligent building projects		Unallocated		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**784,186**	674,842	**301,719**	477,095	**17,181**	92	**-**	7,897	**-**	5,107	**1,103,086**	1,165,033
Segment results	**(76,958)**	(140,226)	**(31,280)**	23,247	**(2,346)**	(5,030)	**-**	(9,862)	**(45,818)**	(55,407)	**(156,402)**	(187,278)
Other segment information:												
Segment assets	**315,184**	620,395	**122,938**	201,470	**1,757**	35,193	**-**	-	**-**	-	**439,879**	857,058
Unallocated assets									**256,361**	183,240	**256,361**	183,240
Total assets											**696,240**	1,040,298
Capital expenditure	**19,902**	15,467	**2,999**	6,269	**4,682**	9,489	**-**	-	**225**	-	**27,808**	31,225

8. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the aggregate of income arising from the sale of computer systems and the provision of related systems integration services; income from the sales of telecommunication products and cabling and intelligent building projects; and income from the provision of software development and e-business services, after elimination of all significant intra-group transactions.

An analysis of Group turnover, other revenue and gains is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Turnover	**1,103,086**	1,165,033
Other revenue		
Interest income	**7,708**	15,240
Rental income	**1,032**	1,154
Dividend income from listed investments	**54**	47
Other	**9,419**	5,062
	18,213	21,503
Gains		
Waiver of loan by a minority shareholder	**2,134**	–
Gain on disposal of subsidiaries	**7,339**	–
Gain on disposal of an associate	**561**	–
Gain on disposal of a long term investment	**–**	83,232
Gain on deemed disposal of interest in an associate	**–**	720
	10,034	83,952
	28,247	105,455

9. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Group	
	2002	2001
	HK$'000	HK$'000
Cost of inventories sold****	**929,891**	985,460
Cost of services provided	**36,255**	32,590
Depreciation	**20,027**	16,567
Staff costs*	**145,913**	107,257
Pension scheme contributions - gross**	**–**	1,378
Less: Forfeited contributions**	**–**	(924)
Net pension contributions	**–**	454
MPF scheme contributions	**2,004**	397
Central pension scheme contributions	**5,235**	3,455
Minimum lease payments under operating lease rentals in respect of:		
Land and buildings	**8,783**	8,134
Plant and machinery	**797**	–
Auditors' remuneration	**1,780**	1,753
Provisions for impairment of deferred development costs***	**4,330**	55,969
Loss on disposal of discontinued operations	**–**	20,954
Loss on disposal/write off of fixed assets	**14,488**	2,687
Unrealised holding loss on other investments	**1,091**	435
Exchange (gains)/losses, net	**325**	(963)
Provisions for and write off of bad and doubtful debts	**26,425**	47,411
Revaluation deficit of investment properties***	**2,630**	80
Loss on disposal of an associate	**–**	5
Loss on deemed disposal of partial interests in subsidiaries	**682**	–
Impairment of long term investments***	**–**	49,978
Loss on disposal of other investments	**61**	–
Impairment of interest in an associate***	**237**	–
Goodwill on acquisition of subsidiaries:		
Amortisation for the year***	**2,508**	–
Impairment arising during the year***	**9,533**	–
Provisions – note 28	**25,751**	5,000
Gross rental income	**(1,032)**	(1,154)
Less: Outgoings	**20**	10
Net rental income	**(1,012)**	(1,144)

9. LOSS FROM OPERATING ACTIVITIES (continued)

* The amount includes the directors' remuneration which is disclosed in note 10 to the financial statements.

** The pension scheme was terminated on 1st December, 2000 and replaced by the MPF scheme under the Mandatory Provident Fund Schemes Ordinance. Consequently, the forfeited contributions available to the Group were refunded to it upon the termination of the pension scheme, and at 31st March, 2002, no further forfeited contributions were available to the Group (2001: HK$20,750).

*** Amounts included in "Other operating expenses" on the face of the consolidated profit and loss account.

**** The provision against inventories and amortisation of deferred development costs for the year included as part of "Cost of inventories sold" amounted to HK$32,935,000 (2001: HK$28,797,000) and HK$441,000 (2001: HK$11,768,000), respectively.

10. DIRECTORS' REMUNERATION

	Group	
	2002	2001
	HK$'000	HK$'000
Fees	**40**	120
Salaries, allowances and benefits in kind	**10,750**	9,511
Pension scheme contributions	**–**	269
MPF scheme contributions	**446**	132
Bonuses paid and payable	**–**	2,279
	11,236	12,311

The directors' emoluments paid to an independent non-executive director during the year, included in the above, were fees of HK$40,000 (2001: HK$120,000).

10. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Group 2002 Number of directors	2001 Number of directors
Nil – HK$1,000,000	**6**	9
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**2**	2
	10	13

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

During the year, a total of 2,950,000 share options were granted to the directors in respect of their services rendered to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors. No value in respect of the share options granted during the year has been charged to the profit and loss account.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001: three) directors, details of whose remuneration are set out in note 10 to the financial statements above. Details of the remuneration of the remaining one (2001: two) non-director, highest paid employee are set out below.

	Group 2002 HK$'000	2001 HK$'000
Salaries, allowances and benefits in kind	**1,587**	2,795
Pension scheme contributions	**–**	86
MPF scheme contributions	**73**	43
Bonuses paid and payable	**1,468**	2,259
	3,128	5,183

11. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group 2002 Number of employee	Group 2001 Number of employees
HK$1,500,001 – HK$2,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	1
	1	2

During the year, a total of 306,000 share options were granted to the non-director, highest paid employee in respect of his services rendered to the Group, further details of which are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors. No value in respect of the share options granted during the year has been charged to the profit and loss account.

12. FINANCE COSTS

	Group 2002 HK$'000	Group 2001 HK$'000
Interest on:		
Bank loans and supplier loans wholly repayable within five years	**12,447**	7,641
Finance leases	**50**	256
Convertible bonds	**16,363**	16,122
	28,860	24,019

13. TAX

No provision for Hong Kong profits tax has been made because the Company and its subsidiaries had no assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at 16% on the estimated assessable profits arising in Hong Kong.

Tax on the profits of the Company and its subsidiaries operating outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions of their operations based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2002	2001
	HK$'000	HK$'000
Current year provision:		
Outside Hong Kong	**1,683**	9,597
Prior years under/(over)provision:		
Hong Kong	**(4)**	–
Outside Hong Kong	**165**	(10)
	161	(10)
Deferred tax – note 31	**(1,821)**	788
Tax charge for the year	**23**	10,375

14. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 31st March, 2002 dealt with in the financial statements of the Company was HK$126,268,000 (2001: HK$162,927,000). The Group's share of losses retained by the associates for the year amounted to HK$1,163,000 (2001: HK$4,281,000).

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the year of HK$191,069,000 (2001: HK$188,769,000) and the weighted average of 420,214,000 (2001: 411,802,000) ordinary shares in issue during the year.

15. LOSS PER SHARE (continued)

Diluted loss per share amounts for the current and prior years have not been shown because the potential ordinary shares of the Group outstanding during both years had an anti-dilutive effect on the basic loss per share for the years.

16. FIXED ASSETS

	Leasehold land and buildings Hong Kong	PRC	Leasehold improvements	Furniture, fixtures, equipment and motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group					
At cost:					
At 1st April, 2001	17,602	44,626	15,411	85,644	163,283
Additions	–	17,034	736	10,038	27,808
Disposals	–	–	(1,801)	(6,710)	(8,511)
Written off	–	–	(1,119)	(27,435)	(28,554)
Reclassification	–	–	(32)	45	13
Arising from acquisition of subsidiaries	–	–	731	7,013	7,744
Arising from disposal of subsidiaries	–	–	–	(2,371)	(2,371)
Exchange realignment	–	–	60	(1,451)	(1,391)
At 31st March, 2002	17,602	61,660	13,986	64,773	158,021
Accumulated depreciation:					
At 1st April, 2001	3,067	4,216	9,848	48,468	65,599
Provided for the year	528	1,966	3,018	14,515	20,027
Disposals	–	–	(1,574)	(4,662)	(6,236)
Written off	–	–	(565)	(13,447)	(14,012)
Reclassification	–	–	(10)	23	13
Arising from acquisition of subsidiaries	–	–	59	1,589	1,648
Arising from disposal of subsidiaries	–	–	–	(1,580)	(1,580)
Exchange realignment	–	–	28	(1,122)	(1,094)
At 31st March, 2002	3,595	6,182	10,804	43,784	64,365
Net book value:					
At 31st March, 2002	14,007	55,478	3,182	20,989	93,656
At 31st March, 2001	14,535	40,410	5,563	37,176	97,684

16. FIXED ASSETS (continued)

The leasehold land and buildings are held under medium term leases.

Certain land and buildings with a net book value of HK$46,994,000 (2001: HK$14,535,000) were pledged as security for banking facilities granted to the Group.

The net book value of assets held under finance leases included in the total amount of furniture, fixtures, equipment and motor vehicles at 31st March, 2002 amounted to HK$79,000 (2001: HK$1,490,000).

17. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK$'000	HK$'000
At beginning of year	**9,280**	9,360
Additions	**5,340**	–
Revaluation deficit	**(2,630)**	(80)
At end of year	**11,990**	9,280

The investment properties are situated in Hong Kong and the PRC and are held under medium term leases.

Certain investment properties with a net book value of HK$7,500,000 (2001: HK$9,280,000) are pledged to banks as security for banking facilities granted to the Group.

The investment properties were revalued on an open market, existing use basis by DTZ Debenham Tie Leung, an independent firm of professional valuers, as at 31st March, 2002. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37 to the financial statements.

18. GOODWILL

SSAP 30 was adopted during the year, as explained in note 3 to the financial statements. The amount of the goodwill capitalised as an asset arising from the acquisition of subsidiaries during the year, is as follows:

	Group
	HK$'000
Cost:	
At 1st April, 2001	–
Additions arising from acquisition of subsidiaries	12,041
At 31st March, 2002	12,041
Accumulated amortisation and impairment:	
At 1st April, 2001	–
Amortisation provided during the year	2,508
Impairment loss provided during the year	9,533
At 31st March, 2002	12,041
Net book value:	
At 31st March, 2002	–
At 31st March, 2001	–

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1st April, 2001, to remain eliminated against reserves. The amounts of the goodwill remaining in the Group's accumulated losses, arising from the acquisitions prior to 1st April, 2001, is HK$6,917,000 as at 1st April, 2001 and 31st March, 2002.

19. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**28,277**	28,277
Due from subsidiaries	**531,261**	545,123
	559,538	573,400
Less: Provisions for impairment	**(379,770)**	(265,051)
	179,768	308,349

The balances with subsidiaries are unsecured, are not repayable within one year and are interest-free except for an amount due from a subsidiary of HK$143,982,000 (2001: HK$189,901,000) which bears interest at 6% per annum (2001: 7.5% per annum).

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered and paid-up capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Vanda (B.V.I.) Limited	British Virgin Islands	Ordinary US$50,000	**100**	100	Investment holding
Polmont Property Investments Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holding
Honeycroft Holdings Ltd.	British Virgin Islands	Ordinary US$2	**100**	100	Investment holding
Vanda Computer & Equipment Company Limited	Hong Kong	Ordinary HK$2 Deferred HK$2,000,000	**100**	100	Systems integration and trading of computer products

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered and paid-up capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Janeper Development Limited	Hong Kong	Ordinary HK$2 Deferred HK$300,000	**100**	100	Property investment
Vanda Software Engineering Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Development of software
Vanda Information Technology Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Development of software
DigiLogistics.com Ltd.#	Hong Kong	Ordinary HK$10,000	**95**	95	e-logistics business
WiseAsia.com Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Systems integration and provision of related technical services and trading of computer products
Vanda Computer Service (Hong Kong) Company Limited	Hong Kong	Ordinary HK$10,000	**100**	–	Systems integration and distribution of computers

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered and paid-up capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
BonVision Technology Limited	Hong Kong	Ordinary HK$10,000	**60**	–	Investment holding
BonVision Technology (Hong Kong) Limited#	Hong Kong	Ordinary HK$33,333	**37.8**	–	Development of artificial intelligence products
Vanda Computer Service (Macau) Company Limited#	Macau	Ordinary MOP$500,000	**100**	100	Systems integration and distribution of computers
Beijing Vanda Suntech Software Engineering Co., Ltd. #	PRC	US$500,000	**100**	100	Manufacture and sale of computer software and the provision of related technical consultancy services
Changchun Changlian Software Engineering Co., Ltd. #	PRC	RMB2,750,000	**60**	60	Development, design and installation of computer software systems, provision of consultancy and training services and trading of computers
Dalian Vanda Software Engineering Co., Ltd. #	PRC	RMB996,120	**60**	60	Design and installation of computer software communications networks and industrial control systems

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered and paid-up capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Vanda Computer System Integration (Shenzhen) Co., Ltd. #	PRC	US$2,100,000	**100**	100	Development, design and installation of computer software systems
Vanda Software Engineering (Shenzhen) Co., Ltd.#	PRC	US$300,000	**100**	100	Development, design and installation of computer software systems
Beijing New Generation Computer Graphics Co., Ltd. #	PRC	US$300,000	**60**	60	Systems integration and distribution of computer software
Changchun Vanda Software Engineering Co., Ltd. #	PRC	US$500,000	**100**	100	Development, design and installation of computer software systems, provision of consultancy and training services and trading of computers
Vanda Computer System Integration (Shanghai) Co., Ltd. #	PRC	US$1,050,000	**100**	100	Systems integration and trading of computers
Beijing Vanda Yunda IT Services Co., Ltd.#	PRC	RMB31,000,000	**–***	–	Systems integration and trading of computers
Vanda Systems (Singapore) Pte Ltd	Singapore	Ordinary S$7,200,000	**91.7**	100	Investment holding

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered and paid-up capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Vanda Solutions (Singapore) Pte Ltd	Singapore	Ordinary S$652,896	**91.7**	75	Provision of information technology consultancy services and trading of computer products
Azure Technologies Pte Ltd	Singapore	Ordinary S$1,000,000	**91.7**	87.5	Distribution of computer products and provision of information technology consultancy services
Vandacom (Malaysia) Sdn. Bhd. #	Malaysia	RM$500,000	**91.7**	100	Provision of technical services and trading of computer products
Azure Technologies (Malaysia) Sdn. Bhd.	Malaysia	RM$3,000,000	**91.7**	87.5	Distribution of computer products and the provision of computer support services
Azure Technologies Phils., Inc. #	The Philippines	Peso9,250,000	**91.7**	100	Distribution of computer hardware, software and the provision of computer support services

\# Audited by public accountants other than Ernst & Young.

* Beijing Vanda Yunda IT Services Co., Ltd. is regarded as a subsidiary of the Company because the Group has control over its financial and operating policies.

19. INTERESTS IN SUBSIDIARIES (continued)

All of the above companies are indirectly held by the Company through Vanda (BVI) except for Vanda (BVI) itself, which is directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group at the balance sheet date. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The remittance of dividends to the Group from certain subsidiaries outside Hong Kong is subject to the convertibility of the foreign currencies generated and retained by the subsidiaries.

20. INTERESTS IN ASSOCIATES

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets	**1,739**	2,349
Goodwill on acquisition / deemed acquisition, net of amortisation and impairment	**–**	–
	1,739	2,349
Provision for impairment	**(237)**	–
	1,502	2,349
Amounts due from associates	**1,605**	2,803
	3,107	5,152

The balances with associates are unsecured, interest-free and are not repayable within one year.

20. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

Name of company	Business structure	Country of registration and operations	Percentage of equity attributable to the Group 2002	2001	Principal activities
KAZ Computer Services (S.E.A.) Pte Ltd.#	Corporate	Singapore	**–**	50	Dealing in facility management and information technologies outsourcing
Beijing Datong Vanda Systems Integration Co., Ltd. #	Corporate	PRC	**25**	25	Systems integration
China Shipping and Trading Network Co. Ltd. #	Corporate	PRC	**25**	–	Publication of shipping and transportation information

Audited by public accountants other than Ernst & Young.

The above table lists the associates of the Group which in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the balance sheet date. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The remittance of dividends to the Group from certain associates outside Hong Kong is subject to the convertibility of the foreign currencies generated and retained by the associates.

20. INTERESTS IN ASSOCIATES (continued)

SSAP 30 was adopted during the year, as explained in note 3 to the financial statements. The amount of the goodwill capitalised as an asset, arising from the acquisition of an associate, is as follows:

Group

	Goodwill
	HK$'000
Cost:	
At 1st April, 2001	–
Additions arising from acquisition of an associate	1,286
At 31st March, 2002	1,286
Accumulated amortisation and impairment:	
At 1st April, 2001	–
Amortisation provided during the year	107
Impairment loss provided during the year	1,179
At 31st March, 2002	1,286
Net book value:	
At 31st March, 2002	–
At 31st March, 2001	–

21. LONG TERM INVESTMENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at cost	**115,330**	159,652	**–**	25,000
Provisions for impairment in values	**(35,269)**	(49,978)	**–**	–
	80,061	109,674	**–**	25,000
Unlisted debt investments, at cost	**–**	30,402	**–**	30,402
	80,061	140,076	**–**	55,402

21. LONG TERM INVESTMENTS (continued)

Particulars of the investee company, the Group's shareholding in which exceeds 10% of the total assets of the Group, are as follows:

Name of company	Country of incorporation	Class of shares held	Proportion of the class of shares held
Netstar International Holdings (BVI) Limited	British Virgin Islands	Class A Common Stock	4.96%

22. OTHER INVESTMENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity investments listed in Hong Kong, at market value	**–**	4,440	**–**	–
Unlisted equity investments, at fair value	**28,636**	–	**25,000**	–
Unlisted debt investments, at fair value	**30,402**	–	**30,402**	–
	59,038	4,440	**55,402**	–
Amount classified as current portion	**–**	(4,440)	**–**	–
	59,038	–	**55,402**	–

23. LONG TERM DEPOSIT

The prior year's long term deposit represented a deposit paid by a subsidiary of the Company for the purpose of acquiring the controlling interest in an entity in the PRC. The transaction was completed during the year.

24. DEFERRED DEVELOPMENT COSTS

	HK$'000
Group	
Cost:	
At 1st April, 2001	
As previously reported	–
Prior year reclassification (Note)	82,466
As restated	82,466
Additions	4,771
Write off	(443)
Exchange realignment	(5)
At 31st March, 2002	86,789
Accumulated amortisation and impairment:	
At 1st April, 2001	
As previously reported	–
Prior year reclassification (Note)	82,466
As restated	82,466
Amortisation during the year	441
Provision for impairment loss	4,330
Write off	(443)
Exchange realignment	(5)
At 31st March, 2002	86,789
Net book value:	
At 31st March, 2002	–
At 31st March, 2001	–

Note: Accumulated impairment losses are aggregated with accumulated amortisation under the disclosure requirements of SSAP 29, which was adopted during the year as explained in note 3 to the financial statements, whereas previously they were disclosed as an adjustment to the cost of the assets. This change has been disclosed as a retrospective reclassification.

25. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 30 days	**88,971**	217,530
31 to 90 days	**61,275**	79,215
Over 90 days	**30,506**	69,213
	180,752	365,958

The credit terms granted to the customers vary, and are generally based on the result of a credit evaluation of the individual customer carried out by the Group, which includes an evaluation of the credit risk and financial strengths of the customer.

26. CASH AND CASH EQUIVALENTS

	Group	
	2002	2001
	HK$'000	HK$'000
Cash and bank balances	**66,728**	86,443
Time deposits, unpledged	**50,093**	72,528
	116,821	158,971

27. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 30 days	**81,781**	211,095
31 to 90 days	**18,599**	12,106
Over 90 days	**51,762**	20,149
	152,142	243,350

28. PROVISIONS

Group

	Product maintenance costs	**Redundancy costs**	**Loss on put option**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April, 2001	5,000	–	–	5,000
Additional provisions	10,936	4,815	10,000	25,751
Amounts utilised during the year	(2,381)	(1,116)	–	(3,497)
At 31st March, 2002	13,555	3,699	10,000	27,254
Portion classified as current liabilities	(6,856)	(3,699)	–	(10,555)
Long term portion	6,699	–	10,000	16,699

The Group provides a two-year warranty to its customers on certain of its computer products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns, discounted to their present value as appropriate. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

28. PROVISIONS (continued)

On 6th April, 2001, the Company entered into an agreement (the "Agreement") with First Shanghai Investment Limited ("First Shanghai"), pursuant to which, First Shanghai agreed to sell, and the Company agreed to acquire a 60% equity interest and certain amount of the shareholder's loan in BonVision Technology Limited ("BonVision"). The provision of HK$10 million was made for the estimated loss on a put option granted to First Shanghai pursuant to the Agreement, which enables First Shanghai to put its 40% equity interest and relevant shareholder's loan in BonVision to the Company or any of its designated subsidiary, at the earlier of 31st December, 2003 or upon the occurrence of any events as specified in the Agreement.

29. FINANCE LEASE PAYABLES

The Group leases certain of its equipment for its systems integration business. These leases are classified as finance leases and have remaining lease terms of two years.

The future minimum lease payments under the finance leases and their present value at the balance sheet date were as follows:

Group	**Minimum lease payments 2002 HK$'000**	Minimum lease payments 2001 HK$'000	**Present value of minimum lease payments 2002 HK$'000**	Present value of minimum lease payments 2001 HK$'000
Amounts payable:				
Within one year	**89**	391	**69**	351
In the second to fifth years, inclusive	**58**	634	**49**	527
Total minimum finance lease payments	**147**	1,025	**118**	878
Future finance charges	**(29)**	(147)		
Total net finance lease payables	**118**	878		
Portion classified as current liabilities	**(69)**	(351)		
Long term portion	**49**	527		

SSAP 14 was revised and implemented during the year, as explained in note 3 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

30. INTEREST-BEARING BANK LOANS, OVERDRAFTS AND SUPPLIER LOANS

	Group	
	2002	2001
	HK$'000	HK$'000
Unsecured bank overdrafts	**165**	–
Trust receipt loans:		
Secured	**56,880**	109,529
Unsecured	**14,722**	6,630
Bank loans:		
Secured	**15,553**	31,244
Unsecured	**31,195**	25,589
Unsecured supplier loans	**11,893**	36,601
	130,408	209,593

The bank loans, overdrafts and supplier loans are repayable as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year:		
Overdrafts	**165**	–
Trust receipt loans	**71,602**	116,159
Bank loans	**41,417**	54,155
Supplier loans	**11,893**	36,601
	125,077	206,915
In the second year:		
Bank loans	**1,880**	933
In the third to fifth years, inclusive:		
Bank loans	**3,451**	1,745
	130,408	209,593
Portion classified as current liabilities	**(125,077)**	(206,915)
Long term portion	**5,331**	2,678

30. INTEREST-BEARING BANK LOANS, OVERDRAFTS AND SUPPLIER LOANS (continued)

The bank loans are secured by fixed charges over certain leasehold land and buildings, investment properties and time deposits of the Group. The supplier loans are unsecured and are interest-bearing with interest charged at rates ranging from 6.5% to 15.8% (2001: 6.5% to 15.8%) per annum.

31. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**1,901**	1,046
Charge/(credit) for the year – note 13	**(1,821)**	788
Arising from the disposal of subsidiaries	**–**	(8)
Exchange realignment	**7**	75
Balance at end of year	**87**	1,901

The provision for deferred tax is made in respect of accelerated capital allowances to the extent that the liability is expected to crystallise in the foreseeable future.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

32. SHARE CAPITAL

Ordinary shares

	Company 2002 HK$'000	Company 2001 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
420,977,199 (2001: 420,018,199) ordinary shares of HK$0.10 each	**42,098**	42,002

During the year, 1,591,000 ordinary shares of HK$0.10 each were issued pursuant to the exercise of the Company's share options by the holders at various exercise prices with total proceeds received of HK$1,256,000. During the year, the Company repurchased 632,000 of its own ordinary shares that were listed on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.72 to HK$0.80 per share for a total consideration of HK$476,000.

A summary of movements in the issued share capital of the Company during the year is as follows:

	Number of ordinary shares of HK$0.10 each	Amounts of issued share capital HK$'000
At 1st April, 2001	420,018,199	42,002
Exercise of options	1,591,000	159
Repurchase of shares	(632,000)	(63)
At 31st March, 2002	420,977,199	42,098

Subsequent to the year end date, pursuant to an ordinary resolution passed on 2nd April, 2002, the authorised share capital of the Company was increased from HK$100,000,000 divided into 1,000,000,000 shares of HK$0.10 each to HK$200,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.10 each.

32. SHARE CAPITAL (continued)

Share options

The Company operates a share option scheme (the "Existing Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

Details of movements in the share options under the Existing Scheme of the Company during the year were as follows:

(i) Share options expiring on 14th October, 2002

At the beginning of the year, there were 800,000 options outstanding under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period ranging from 15th October, 1999 to 14th October, 2002 at a subscription price of HK$0.42 per share.

During the year, 250,000 options were exercised.

As at the balance sheet date, the Company had 550,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 550,000 additional shares of HK$0.10 each.

(ii) Share options expiring on 2nd March, 2003

At the beginning of the year, there were 250,000 options outstanding under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period from 3rd March, 2000 to 2nd March, 2003 at a subscription price of HK$0.58 per share.

As at the balance sheet date, the Company had 250,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 250,000 additional shares of HK$0.10 each.

32. SHARE CAPITAL (continued)

Share options (continued)

(iii) Share options expiring on 22nd May, 2003

At the beginning of the year, there were 7,000,000 options outstanding under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period from 23rd May, 2000 to 22nd May, 2003 at a subscription price of HK$0.87 per share.

During the year, 1,098,500 share options were exercised and 101,500 share options lapsed.

As at the balance sheet date, the Company had 5,800,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 5,800,000 additional shares of HK$0.10 each.

(iv) Share options expiring on 22nd August, 2003

At the beginning of the year, there were 344,000 options outstanding under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period from 23rd August, 2000 to 22nd August, 2003 at a subscription price of HK$4.05 per share.

During the year, 104,000 options lapsed.

As at the balance sheet date, the Company had 240,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 240,000 additional shares of HK$0.10 each.

32. SHARE CAPITAL (continued)

Share options (continued)

(v) Share options expiring on 31st August, 2003

At the beginning of the year, there were 200,000 options outstanding under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period from 1st September, 2000 to 31st August, 2003 at a subscription price of HK$5.30 per share.

As at the balance sheet date, the Company had 200,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 200,000 additional shares of HK$0.10 each.

(vi) Share options expiring on 25th October, 2003

At the beginning of the year, there were 22,000 options outstanding under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period from 26th October, 2000 to 25th October, 2003 at a subscription price of HK$3.20 per share.

During the year, 12,000 options lapsed.

As at the balance sheet date, the Company had 10,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 10,000 additional shares of HK$0.10 each.

(vii) Share options expiring on 11th January, 2004

At the beginning of the year, there were 6,840,000 options outstanding under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period ranging from 12th January, 2001 to 11th January, 2004 at a subscription price of HK$2.20 per share.

During the year, 620,000 options lapsed.

As at the balance sheet date, the Company had 6,220,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 6,220,000 additional shares of HK$0.10 each.

32. SHARE CAPITAL (continued)

Share options (continued)

(viii) Share options expiring on 1st November, 2004

During the year, 8,330,000 options were granted under the Existing Scheme, which entitle the holders to subscribe for shares of the Company at any time during the period from 2nd November, 2001 to 1st November, 2004 at a subscription price of HK$0.81 per share.

During the year, 242,500 share options were exercised and 420,500 share options lapsed.

As at the balance sheet date, the Company had 7,667,000 of these share options outstanding. The exercise in full of these share options would result in the issue of 7,667,000 additional shares of HK$0.10 each.

The exercise in full of all of the share options outstanding at 31st March, 2002 would, under the current capital structure of the Company, result in the issue of 20,937,000 shares in the Company with cash proceeds of approximately HK$27,380,270 before the related issue costs.

In addition to the share options issued under the Company's share option scheme, certain options were granted to the convertible bondholders in the prior year as detailed in note 34 to the financial statements. These options lapsed subsequent to the balance sheet date, on 7th April, 2002.

33. RESERVES

	Share premium account HK$'000	Contributed surplus HK$'000	Fixed asset revaluation reserve HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Group							
At 1st April, 2000	299,890	2,045	2,828	23,755	(8,349)	(64,832)	255,337
Premium on conversion of convertible bonds	3,686	–	–	–	–	–	3,686
Premium on exercise of options	5,042	–	–	–	–	–	5,042
Repurchase of shares	(1,716)	–	–	–	–	–	(1,716)
Release upon disposal of subsidiaries	–	–	–	–	171	33,537	33,708
Release upon disposal of a long term investment	–	–	–	–	76	15,092	15,168
Exchange differences on consolidation of overseas subsidiaries	–	–	–	–	(782)	–	(782)
Net loss attributable to shareholders	–	–	–	–	–	(188,769)	(188,769)
Transfer upon disposal of a subsidiary	–	–	–	(23,755)	–	23,755	–
At 31st March, 2001 and 1st April, 2001	306,902	2,045	2,828	–	(8,884)	(181,217)	121,674
Premium on exercise of options	1,097	–	–	–	–	–	1,097
Repurchase of shares	(413)	–	–	–	–	–	(413)
Release upon disposal of subsidiaries	–	(5)	–	–	(209)	–	(214)
Exchange differences on consolidation of overseas subsidiaries	–	–	–	–	(3,811)	–	(3,811)
Net loss attributable to shareholders	–	–	–	–	–	(191,069)	(191,069)
At 31st March, 2002	307,586	2,040	2,828	–	(12,904)	(372,286)	(72,736)
Retained by:							
Company and subsidiaries	307,586	2,040	2,828	–	(12,904)	(366,703)	(67,153)
Associates	–	–	–	–	–	(5,583)	(5,583)
At 31st March, 2002	307,586	2,040	2,828	–	(12,904)	(372,286)	(72,736)
Company and subsidiaries	306,902	2,045	2,828	–	(8,884)	(176,797)	126,094
Associates	–	–	–	–	–	(4,420)	(4,420)
At 31st March, 2001	306,902	2,045	2,828	–	(8,884)	(181,217)	121,674

33. RESERVES (continued)

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Company				
At 1st April, 2000	299,890	28,077	(124,633)	203,334
Premium on conversion of convertible bonds	3,686	–	–	3,686
Premium on exercise of options	5,042	–	–	5,042
Repurchase of shares	(1,716)	–	–	(1,716)
Net loss attributable to shareholders	–	–	(162,927)	(162,927)
At 31st March, 2001 and 1st April, 2001	306,902	28,077	(287,560)	47,419
Premium on exercise of options	1,098	–	–	1,098
Repurchase of shares	(414)	–	–	(414)
Net loss attributable to shareholders	–	–	(126,268)	(126,268)
At 31st March, 2002	307,586	28,077	(413,828)	(78,165)

The contributed surplus of the Group was originally derived from the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1993, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the above reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act (1981) of Bermuda, as amended, the contributed surplus is distributable under certain circumstances.

34. CONVERTIBLE BONDS

	Company and Group	
	2002	2001
	HK$'000	HK$'000
2002 Convertible Bonds	**277,153**	277,153
Portion classified as current liabilities	**(79,187)**	–
Long term portion	**197,966**	277,153

34. CONVERTIBLE BONDS (continued)

On 18th February, 2000, the Company entered into a conditional agreement with Hutchison International Limited ("Hutchison"), an independent third party ("I3P") and Lam Ma & Wai Limited under which (i) the Company agreed to issue convertible bonds (the "2002 Convertible Bonds") to Hutchison (the "2002 HIL Bonds") and I3P (the "I3P Bond") in the respective principal sums of HK$197,966,638 and HK$79,186,656; and (ii) the Company agreed to grant options (the "Options") to Hutchison and I3P to subscribe for shares in the Company up to a total of 7.5% and 3.0%, respectively, of the total issued share capital of the Company, based on the issued share capital of the Company as at 18th February, 2000 as enlarged by (a) the shares to be issued upon the full conversion of the 2002 Convertible Bonds; and (b) the shares to be issued upon the full conversion of another convertible bond which was outstanding as at 18th February, 2000. The 2002 Convertible Bonds were issued on 7th April, 2000.

The 2002 Convertible Bonds bear interest at a rate of 6% per annum payable every six months in arrears. The 2002 Convertible Bonds mature on the second anniversary of their issue date, if not previously converted by the bondholders. The 2002 Convertible Bonds are convertible into shares of the Company at any time after their issue date at an initial conversion price of HK$3.175 per share, subject to adjustment. Based on the initial conversion price, a total of 87,292,376 new shares would be issued upon the full conversion of the 2002 Convertible Bonds.

The Options are exercisable by Hutchison and I3P at any time during the period commencing on the issue date of the 2002 Convertible Bonds and expiring on the second anniversary of that date and may be exercised in whole or in part. The exercise price per share is equal to the conversion price under the 2002 Convertible Bonds. Assuming that the Options are fully exercised at the initial exercise price according to the terms of the Options, a total of 52,375,425 new shares of the Company would be issued and gross proceeds of HK$166,291,974 would be received by the Company upon exercise of the Options.

The outstanding principal of the I3P Bond of HK$79,186,656 was fully repaid at its maturity on 8th April, 2002. No options were exercised during the year and all lapsed on 7th April, 2002.

The 2002 HIL Bonds were surrendered by Hutchison on 3rd April, 2002 as settlement of the consideration for the subscription of the HIL Bond (as defined in note 39 to the financial statements). The directors negotiated with Hutchison for the refinancing of the 2002 HIL Bonds before 31st March, 2002 and had successfully completed the issue of the HIL Bond on 3rd April, 2002. As such, the principal amount of the 2002 HIL Bonds of HK$197,966,638, has continued to be classified as a non-current liability at the balance sheet date.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before tax to net cash inflow/(outflow) from operating activities:

	2002 HK$'000	2001 HK$'000
Loss before tax	(196,286)	(186,541)
Interest income	(7,708)	(15,240)
Interest expense on loans, bonds and finance leases	28,860	24,019
Dividend income from listed investments	(54)	(47)
Share of profits and losses of associates	1,163	4,281
Depreciation	20,027	16,567
Waiver of loan by a minority shareholder	(2,134)	–
Revaluation deficit of investment properties	2,630	80
Amortisation of deferred development costs	441	11,768
Provisions for impairments of deferred development costs	4,330	55,969
Impairments of long term investments	–	49,978
Impairment of interest in an associate	237	–
Amortisation of goodwill	2,615	–
Impairment of goodwill	10,712	–
Loss on disposal/write off of fixed assets	14,488	2,687
Unrealised holding loss on other investments	1,091	435
Loss/(gain) on disposal of subsidiaries	(7,339)	20,954
Loss on deemed disposal of partial interests in subsidiaries	682	–
Loss/(gain) on disposal of an associate	(561)	5
Gain on deemed disposal of interest in an associate	–	(720)
Loss on disposal of other investments	61	–
Gain on disposal of a long term investment	–	(83,232)
Provisions for and write-off of bad and doubtful debts	26,425	47,411
Provisions against inventories	32,935	28,797
Decrease/(increase) in accounts receivable	152,184	(45,508)
Decrease/(increase) in inventories	33,753	(103,136)
Decrease in prepayments, deposits and other receivables	10,196	4,135
Increase/(decrease) in accounts payable	(80,879)	4,664
Increase in provisions	22,254	5,000
Increase in deposits received, accruals and other payables	11,433	11,458
Net cash inflow/(outflow) from operating activities	81,556	(146,216)

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital (including share premium account)	Loans (Note) and finance lease obligations	Convertible bonds	Minority interests
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st April, 2000	338,808	82,347	6,200	56,028
Net cash inflow from financing	3,896	13,234	277,153	4,268
Share of losses	–	–	–	(8,147)
Arising from disposal of subsidiaries	–	(1,269)	–	(39,967)
Conversion of exchangeable bonds	–	–	–	–
Conversion of convertible bonds	6,200	–	(6,200)	–
Exchange realignment	–	–	–	(232)
Balance at 31st March, 2001 and 1st April, 2001	348,904	94,312	277,153	11,950
Net cash inflow from financing	780	2,252	–	3,240
Arising from acquisition of a subsidiary	–	–	–	1,202
Share of losses	–	–	–	(5,240)
Deemed disposal of partial interests in subsidiaries	–	–	–	682
Waiver of loan by a minority shareholder	–	–	–	(2,134)
Exchange realignment	–	(875)	–	–
Balance at 31st March, 2002	349,684	95,689	277,153	9,700

Note: Excluding trust receipt loans with maturity within three months from the date of advance.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions

On 4th October, 2001, VSS acquired a 12.5% interest in AT and a 25% interest in VS from iWave, the minority shareholder of AT and VS, for a total consideration of S$1,091,994 (equivalent to HK$4,902,000). The consideration was settled by way of the allotment of 597,632 ordinary shares of S$1 each in the capital of VSS to iWave.

On the same date, VSS issued 1,602,368 ordinary shares of S$1 each to Vanda (BVI), a wholly-owned subsidiary of the Company and the immediate holding company of VSS, at S$1.8272 per share. The consideration for the share allotment of S$2,927,847 (equivalent to HK$13,143,000) was satisfied by offsetting the amount due by VSS to Vanda (BVI).

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Acquisition of subsidiaries

	Group 2002 HK$'000	Group 2001 HK$'000
Net assets acquired:		
Fixed assets	**6,096**	–
Accounts receivable	**663**	–
Prepayments, deposits and other receivables	**3,333**	–
Cash and cash equivalents	**35,993**	–
Deposits received, accruals and other payables	**(8,904)**	–
Minority interests	**(1,202)**	–
	35,979	–
Goodwill on acquisition	**12,041**	–
	48,020	–
Satisfied by:		
Cash	**19,500**	–
Long term deposits	**28,520**	–
	48,020	–
Analysis of the net cash inflow in respect of the acquisition of subsidiaries:		
Cash consideration	**(19,500)**	–
Cash and cash equivalents acquired	**35,993**	–
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**16,493**	–

The subsidiaries acquired during the year contributed cash inflows to the Group's activities which include HK$40,286,000 of the Group's net operating cash flows, HK$408,000 in respect of returns on investments and servicing of finance, HK$784,000 in respect of tax paid, HK$1,684,000 net cash outflows in respect of investing activities and HK$44,000,000 net cash inflow in respect of financing activities.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Disposal of subsidiaries

	Group	
	2002	2001
	HK$'000	HK$'000
Net assets/(liabilities) disposed of:		
Fixed assets	**791**	10,085
Deferred development costs	**–**	5,225
Accounts receivable	**14,474**	86,385
Inventories	**280**	41,687
Tax recoverable	**–**	61
Prepayments and other receivables	**3,662**	10,637
Pledged bank deposits	**–**	7,238
Cash and cash equivalents	**107**	(7,549)
Accounts payable	**(8,106)**	(29,545)
Deposits received, accruals and other payables	**(9,764)**	(28,429)
Finance lease payables	**–**	(980)
Interest-bearing bank and other loans	**–**	(289)
Deferred tax	**–**	(8)
Due to the Group	**(6,889)**	–
Contributed surplus	**(5)**	–
Exchange realignment	**(209)**	171
Minority interests	**–**	(39,967)
	(5,659)	54,722
Interest in the subsidiaries retained by the Group and reclassified as long term investment	**–**	(16,930)
	(5,659)	37,792
Goodwill released on disposal of subsidiaries	**–**	33,537
Gain/(loss) on disposal of subsidiaries	**7,339**	(20,954)
	1,680	50,375
Satisfied by:		
Cash	**1,680**	–
Release of liability to repay Exchangeable Bonds	**–**	50,375
	1,680	50,375

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Disposal of subsidiaries (continued)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	Group	
	2002	2001
	HK$'000	HK$'000
Cash consideration	**1,680**	–
Cash and cash equivalents disposed of	**(107)**	7,549
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**1,573**	7,549

The subsidiaries disposed of during the year made no significant contribution to the Group in respect of the cash flows, turnover or contribution to the consolidated loss after tax for the year.

The subsidiaries disposed of in the prior year contributed cash outflows to the Group's activities which include HK$6,193,000 of the Group's net operating cash flows, HK$156,000 in respect of returns on investments and servicing of finance, HK$1,192,000 in respect of tax, HK$14,000 in respect of investing activities and HK$120,000 in respect of financing activities.

36. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks and suppliers in connection with:				
Facilities granted to subsidiaries	**–**	–	**617,413**	448,174
Facilities granted to a third party	**–**	18,750	**–**	18,750
Bank guarantees provided by banks	**16,907**	4,251	**–**	–
	16,907	23,001	**617,413**	466,924

At the balance sheet date, the facilities of HK$16,907,000 (2001: HK$4,251,000) in respect of bank guarantees had been utilised by the Group.

At the balance sheet date, HK$215,903,000 (2001: HK$285,074,000) had been utilised of the facilities granted to subsidiaries which are guaranteed by the Company.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31st March, 2002, the Company had no future lease receivables (2001: Nil) whilst the Group had total future minimum lease receivables of HK$835,000 (2001: HK$178,000) under non-cancellable operating leases with its tenants falling due within one year.

37. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years, and those for office equipment for terms ranging between one to two years.

At 31st March, 2002, the Company had no future lease payments under non-cancellable operating leases whilst the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
		(Restated)
Within one year	**6,953**	8,749
In the second to fifth years, inclusive	**11,111**	5,134
	18,064	13,883

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	HK$'000
Capital commitments - contracted for	–	14,671

The Company had no material commitments as at 31st March, 2002 (2001: Nil).

There are no significant capital commitments authorised but not contracted for by the Company or the Group as at 31st March, 2002 (2001: Nil).

39. POST BALANCE SHEET EVENTS

(a) On 15th February, 2002, the Company entered into two several investor agreements (the "Investor Agreements") with Hutchison and DBS Nominees Private Limited ("DBS"), respectively. Under the respective Investor Agreements, the Company has agreed (i) to issue convertible bonds in the principal sum of HK$197,966,638 to Hutchison (the "HIL Bond") and HK$136,465,000 to DBS (the "FI Bond"), respectively and (ii) grant an option to subscribe for up to 42,097,719 shares in the Company to each of Hutchison (the "HIL Option") and DBS (the "FI Option").

The HIL Bond and the FI Bond (collectively the "2005 Convertible Bonds") each bears interest at a rate of 4% per annum payable every six months in arrears. The outstanding principal amounts of the HIL Bond and FI Bond are repayable by the Company upon their maturity on the third anniversary of their date of issue, subject to the extension by the respective holders of the 2005 Convertible Bonds for up to two periods of one year each, if not previously converted by the holders. The 2005 Convertible Bonds are convertible into shares of the Company at any time after the date of issue but before maturity, at an initial conversion price of HK$0.85 per share, subject to adjustment.

Upon full conversion of the 2005 Convertible Bonds at HK$0.85 per share, assuming that there is no adjustment to the initial conversion price, 232,901,927 and 160,547,058 new shares will be issued to Hutchison and DBS, respectively.

39. POST BALANCE SHEET EVENTS (continued)

Upon completion of the issue of the 2005 Convertible Bonds, the HIL Option and the FI Option are exercisable in whole or in part by Hutchison and DBS, respectively, at any time from the date of completion of the issue of the 2005 Convertible Bonds until their respective maturity dates. The initial exercise price is HK$0.86 per share, subject to adjustment.

On 2nd April, 2002, the issue of the 2005 Convertible Bonds was approved by the shareholders of the Company and the issue was completed on 3rd April, 2002.

(b) On 29th April, 2002, Empower International Limited ("Empower"), a wholly-owned subsidiary of the Company, entered into an agreement (the "DL Agreement") with Innovative Logistics Limited (the "Purchaser"), to dispose of a 75.1% interest in DigiLogistics to the Purchaser for a consideration of HK$1. Upon the completion of the DL Agreement, a call option was granted by the Purchaser to Empower under which Empower is entitled to require the Purchaser to sell a 30% interest in DigiLogistics to Empower at HK$1. The call option is exercisable within 2 years from 29th April, 2002. The DL Agreement was completed on 29th April, 2002 and subsequent to the disposal, Empower has been holding a 19.9% interest remaining in DigiLogistics as an other investment.

(c) On 16th July, 2002, the directors resolved to approve a loan of S$1.5 million to be made by Vanda (BVI), a wholly-owned subsidiary of the Group, to VSS, a then 91.7% owned subsidiary of the Group. VSS will use the amount of the loan to subscribe for shares in AT, a wholly-owned subsidiary of VSS, which will then use the proceeds to subscribe shares in ATM, a wholly-owned subsidiary of AT. The loan is made for the purpose of increasing the share capital of AT and ATM and to provide general working capital for ATM.

The principal amount of the loan is S$1.5 million (the "VSS Loan"). It is unsecured, bears interest at Hong Kong prime rate plus 0.5% per annum and is repayable on demand.

The granting of the VSS Loan constituted the granting of financial assistance by the Group to its non wholly-owned subsidiary and is a connected transaction which is subject to the disclosure requirements under the Listing Rules.

39. POST BALANCE SHEET EVENTS (continued)

(d) On 23rd July, 2002, BonVision, a 60% owned subsidiary of the Group, entered into a sale and purchase agreement to transfer its whole 63% interest in BonVision Technology (Hong Kong) Limited ("BVHK") to a purchaser (the "BVHK Purchaser") at a consideration of HK$1. The BVHK Purchaser is a director and the holder of 26% interest in BVHK.

40. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25th July, 2002.