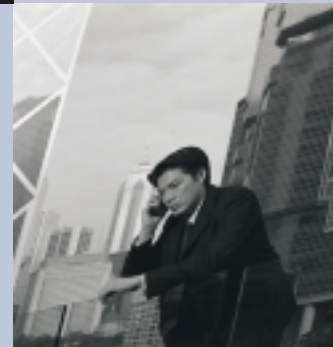


# Chairman's Statement



## BUSINESS REVIEW

For the year ended 31st March, 2002, the Group recorded a total revenue of HK\$1,103,086,000, a moderate drop from the previous year of HK\$1,165,033,000; the Group reported a net loss attributable to shareholders of HK\$191,069,000 (2001: HK\$188,769,000).

A solid growth was reported in our Mainland China operation with a total revenue amounted to HK\$526,673,000, representing an increase of about 68% as compared to the same period last year of HK\$313,964,000. This significant increase is attributed to the winning of several major contracts against keen competitors.

The Group's business performance in Hong Kong, Macau and South Asia, however, was adversely affected by the weak global economy, which was further aggravated by the US 911 incident. Total turnover of HK\$576,413,000 in these locations dropped by about 32% as compared to the same period last year.



## Chairman's Statement

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Against the backdrop of slow economy and fierce competition, the Group continued to rationalize by streamlining operation expenses and optimizing cost structure. However, during the year under review, a significant loss was recorded which was mainly due to a number of large provisions. Based on our consistent prudent accounting principles, a sizable provision was made for inventories and accounts receivable incurred in China and South Asia. Provisions were also made for divestment of a number of non-core businesses within the Group to align with our new development strategy. In addition, as part of the measures to reduce operational costs, the Group has streamlined its workforce by 20% during the financial year. All these are necessary measures and actions to ensure our future delivery of more promising returns for investors.

### Systems Integration

The Group continues to be the leading systems integrator in the banking sector in Mainland China. China's entry into WTO has stimulated a strong demand for various industries to speed up their technology capabilities. During the period under review, the Group's systems integration business in the region has recorded significant growth over the corresponding period. The Group was pleased to have secured several major contracts in the Mainland China during the year. They included provision of services for the Construction Bank of China, the Agricultural Bank of China, Check-Clearing Centre for the People's Bank of China and branches of the Rural Credit Cooperative Unions in Zhejiang, Shunde and Tianjin. Our services offered to these banks included integrating and upgrading their banking systems as well as revamping their networks.

Whereas in Hong Kong, Macau and South Asia, many of our clients' IT budgets were trimmed and plans for procurement were deferred due to the global economic downturn. Major projects completed in the regions including data centre consolidation for ABN Amro and banking applications for BNP Paribas in Singapore; the supply of hardware and managed availability solution to the Hong Kong and Shanghai Banking Corporation Limited in Malaysia; implemented Enterprise Data Warehouse and Business Intelligence applications for the Country's Employee Provident Fund; and in Hong Kong, implemented mid-range computer systems for Sema Hong Kong.

### Software Business

The Group has made substantial investment on software products development in the past, in particular, banking software. A series of banking application solutions have been developed and launched throughout the years. Our flagship product, VisionBanking CoreSys was specially designed to cater for the requirements by the domestic banks in China to meet the imminent challenges when the country enters into the WTO.

The Group has, over the years, built a very impressive client base in the banking sector. VisionBanking CoreSys has been customized and widely adopted by our clients in China including the Construction Bank of China, Agricultural Bank of China, City Commercial Banks and Rural Credit Cooperative Unions.

To enhance its competitiveness, in March 2002, the Group's systems integration and software business in Mainland China were merged into one business unit to optimize cost.

### Mid-range Computer Systems Distribution in South Asia

Business for high-end computer systems distribution in South Asia was adversely affected by the weak consumer demand and slow-down of business activities. Azure Technologies, the Group's subsidiaries in distribution, recorded substantial revenue decline. Moreover, many of the corporations were struggling for existence; the Group has accordingly made provisions for account receivable and inventory to truly reflect the difficult trading conditions.

In view of this, the Group has determined to adopt a more stringent discipline in the areas of inventory and collection of accounts receivable. Such measure will allow our operations to be more cost efficient and better adapt in a rapid changing market place.

### e-Business

To realign our focus, the Group has disposed part of its interest in an e-business operation, DigiLogistics.com Ltd. shortly after the balance sheet date so that its shareholding in that company was reduced from 95% to 19.9%.



## Chairman's Statement

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### Liquidity and Financial Resources

As at 31st March, 2002, the total of bank balances and bank deposits and the total bank and other borrowing (excluding convertible bonds) of the Group was HK\$169 million (2001: HK\$202 million) and HK\$131 million (2001: HK\$210 million) respectively. Gearing ratio as at 31st March, 2002 has not been shown as the Group recorded a net liability position as at that date. As at 31st March, 2001, the Group's gearing ratio, calculated based on the consolidated net assets value (including those shared by minority interests) of HK\$176 million and the consolidated net borrowings (including the convertible bonds and net of cash, bank balances and bank deposits) of HK\$286 million was 1.63.

As at 31st March, 2002, the outstanding convertible bonds amounted to HK\$277 million which comprise convertible bond of HK\$197,966,637 issued to Hutchison International Limited ("2002 HIL Bond") and convertible bond of HK\$79,186,656 issued to an independent third party ("I3P Bond"). On 3rd April, 2002, the Company issued convertible bonds bearing interest at 4% per annum maturing on 3rd April, 2005 to Hutchison International Limited and DBS Nominees Private Limited in the principal amounts of HK\$197,966,637 ("2005 HIL Bond") and HK\$136,465,000 ("FI Bond") respectively. The consideration for the issue of the 2005 HIL Bond was settled by the surrender of 2002 HIL Bond. The consideration for the issue of FI Bond was settled by cash of which HK\$78 million was used for the repayment of I3P Bond and the balance of HK\$58 million was used for working capital of the Group. The I3P Bond was fully settled on 8th April, 2002.

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

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

The financial statements have been prepared on a going concern basis having regard to the current financial position and future anticipated liquidity positions of the Group and after taking into consideration various factors mentioned above.

## PROSPECTS

### New Strategic Development

Following the strategic partnerships with Hutchison International Limited and DBS Private Equity in April 2002, the Group went through a corporate restructure in a bid to improve business performance as well as operational efficiency. A new Chief Executive Officer, Mr. Loh Tiak Koon was appointed and the management team was reorganized to put the new strategy in place.

Under the new leadership, the Group will focus on:

- Strengthen our core business of systems integration services and divest all non-core business
- Merge the systems integration and software operations and drive down selling and administration costs.
- Improve operational disciplines including project delivery and working capital management
- Improve profit margins by driving deeper values through software solutions and services.
- Increase annuity based and repeated business.

Over the years, Vanda has laid solid foundation and established itself as a leading systems solution provider. Our fundamentals have not changed; our extensive network and client base in China and South Asia, in-depth knowledge in the banking sector, technical know-how and close relationship with our business partners. All remain strong and will enable us to move forward.

Mainland China will remain as the Group's primary geographical market. We will capitalize our strengths in the banking and financial sectors to provide solutions and services and maximize potential. In addition, we will leverage our extensive partners network in South Asia to deliver a broader range of synergetic solutions and technologies to fulfill customers' requirements.

With a clear business focus and a new management team, the Group is now poised to meet the challenges and opportunities ahead. We are committed to pursuing market competitiveness, creating long-term value for our shareholders, building strong partnerships with our customers, helping them with the best and value added solutions, and maximizing their IT investment.



## Chairman's Statement

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### **APPRECIATION**

On behalf of the Board of Directors, I would like to express my appreciation to our shareholders for their continued support and trust towards the development of the Group. I would also like to extend my sincere gratitude to all our dedicated employees for their contribution and hard work.

### **CLOSURE OF REGISTERS OF MEMBERS**

The Registers of Members will be closed from 4th September, 2002 to 11th September, 2002, both days inclusive. In order to qualify for attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tengis Limited, 401 Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 3rd September, 2002.

**Lam Hon Nam**

*Co-Chairman*

Hong Kong, 25th July, 2002