Notes to Financial Statements

31st March, 2003

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 (discontinued during the year, see note 6 to the financial statements)

2. CORPORATE UPDATE

The Group sustained a net loss from ordinary activities attributable to shareholders of approximately HK$174 million for the year ended 31st March, 2003 (2002: HK$191 million). As at that date the Group recorded net current assets of approximately HK$56 million (2002: net current liabilities of HK$49 million) and a consolidated deficiency in net assets of approximately HK$199 million (2002: HK$31 million), which included current interest-bearing bank loans, overdrafts and supplier loans of approximately HK$88 million (2002: HK$125 million), non-current interest-bearing bank loans, overdrafts and supplier loans of approximately HK$3 million (2002: HK$5 million) and non-current convertible bonds payable of approximately HK$334 million (2002: non-current convertible bonds payable of HK$198 million and current convertible bonds payable of HK$79 million).

The net loss for the year mainly resulted from the effects of the non-recurring impairment losses in respect of the Group's long term investments and the unrealised holding losses of other investments in the aggregate amount of approximately HK$134 million. Excluding the other operating expenses and finance costs, the Group would have recorded a net profit of approximately HK$7 million for the year ended 31st March, 2003 (2002: net loss of HK$85 million).

Although the Group sustained a further loss during the year, it was successful in reducing its loss through the implementation of a number of cost-cutting measures, which significantly reduced the Group's selling and distribution costs, as well as administrative expenses. Additionally, the Group recorded an improvement in its working capital position as compared to the previous year end after the successful issue of the 2005 Convertible Bonds (as defined in note 34 to the financial statements) of approximately HK$334 million on 3rd April, 2002 (further detailed in note 34 to the financial statements).

2. CORPORATE UPDATE (continued)

The directors consider it appropriate to prepare these financial statements on a going concern basis after taking into consideration various factors including those set out below.

(i) During the financial year ended 31st March, 2003, the Group refocused on its core businesses, which comprise the systems integration of mid-range computers; software development and the provision of related services; and the distribution of computer products. This strategy proved to be successful in reducing the losses of the Group. The directors will continue to review the Group's operations with a view to identifying and exploring those which are the most profitable to the Group, to implement appropriate cost-cutting measures and to strengthen the credit and inventory controls in order to further improve the Group's profitability and cashflows;

(ii) The directors have reviewed the Group's banking and other facilities with its principal banks and a major supplier. Certain facilities were renewed after the balance sheet date. The directors believe that the Group's principal banks and the major supplier will continue to support the on-going operations of the Group;

(iii) As further detailed in note 38 to the financial statements, on the date of approval of these financial statements, the Company entered into two several amendment agreements (the "Amendment Agreements") with Hutchison International Limited ("Hutchison") and DBS Nominees Private Limited ("DBS"), the holders of the 2005 Convertible Bonds, respectively. Pursuant to the Amendment Agreements, (a) the Company will, subject to and with effect from the approval of the shareholders of the Company at a special general meeting, agree to change the conversion price at which the 2005 Convertible Bonds are convertible into new shares of the Company from HK$0.85 per share to the Amended Conversion Price (as defined in note 38); and (b) subject to the fulfilment or waiver of certain conditions contained therein, Hutchison and DBS will convert the whole of the principal amount outstanding under their respective 2005 Convertible Bonds at the Amended Conversion Price; and the Company shall allot and issue to Hutchison and DBS respectively the shares in the Company upon conversion of the 2005 Convertible Bonds. The Amendment Agreements are conditional upon, amongst other things, the granting of the respective Whitewash Waiver (as defined in the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")) by the Executive (as defined in the "Takeovers Code") to Hutchison and if required, to DBS. If such Whitewash Waiver(s) is/are not granted by the Executive, the respective obligations of Hutchison and DBS under the Amendment Agreements to convert the whole of the principal amount outstanding under their respective 2005 Convertible Bonds at the Amended Conversion Price will lapse. The 2005 Convertible Bonds, if not previously converted, are due for redemption in April 2005.

2. CORPORATE UPDATE (continued)

On the basis that the Amendment Agreements are completed and shares are issued by the Company upon conversion of the whole of the principal amount outstanding under the 2005 Convertible Bonds, the proforma financial positions of the Group as at 31st March, 2003 after taking into accounts the adjustment which may arise immediately upon the completion of the Amendment Agreements, would be as follows:

	Audited 31st March, 2003 HK$'000	Adjustment HK$'000	Proforma 31st March, 2003 HK$'000
Non-current assets	95,893		95,893
Current assets	509,405		509,405
Current liabilities	(453,706)		(453,706)
Net current assets	55,699		55,699
Non-current liabilities	(5,559)		(5,559)
	146,033		146,033
Capital and reserves			
Issued capital	42,161	111,477 [1]	153,638
Reserves	(241,534)	222,955 [1]	(18,579)
	(199,373)		135,059
Minority interests	10,974		10,974
	(188,399)		146,033
Convertible bonds	334,432	(334,432) [1]	–
	146,033		146,033

2. CORPORATE UPDATE (continued)

(1) Assuming that the entire aggregate principal amount of the 2005 Convertible Bonds of HK$334,431,638 is converted at the conversion price of HK$0.3 per share and further assuming that a total of 1,114,772,126 ordinary shares of HK$0.10 each in the share capital of the Company were issued accordingly, the Company's share capital and share premium would increase by HK$111,477,213 and HK$222,954,425 (before issue expenses), respectively, and the convertible bonds payable would decrease by HK$334,431,638. Should the Amended Conversion Price be adjusted to other amount in accordance with the terms of the Amendment Agreements, there would be no effect on the overall increase in the Group's shareholders' equity whilst the respective increases in the Company's share capital and share premium may be affected.

These financial statements have been prepared on a going concern basis having regard to the proforma financial positions shown above on the basis of completion of the Amendment Agreements as mentioned in (iii) above and the anticipated future liquidity positions of the Group and after taking into consideration various factors as mentioned in (i) and (ii) above.

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

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 33: "Discontinuing operations"
- SSAP 34: "Employee benefits"

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 adopting these SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 32 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

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

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year reclassifications that have resulted from them are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 4 and in note 35(a) to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinuing operations are now included in the consolidated profit and loss account, consolidated cash flow statement and note 6 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option schemes, as detailed in note 32 to the financial statements. These share option schemes disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of this SSAP.

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 and other 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, 2003. 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.

Minority interests represent the interests of outsider shareholders in the results and net assets of the Company's subsidiaries.

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

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 the consolidated reserves, is included as part of the Group's interests in associates.

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 consolidated balance sheet as an asset and is amortised on the straight-line basis over its estimated useful life of five 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.

SSAP 30 "Business combinations" was adopted as at 1st April, 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1st April, 2001 is treated according to the SSAP 30 goodwill 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

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:

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

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.

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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term investments (continued)

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amounts of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. 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 amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Other investments

Other investments are investments in unlisted 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 values 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 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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;

(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; and

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a financial year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 3 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy however, has had no material effect on the financial statements.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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. 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 independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share options schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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 and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 3 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year reclassification relating to trust receipt loans, further details of which are included in note 35(a) to the financial statements.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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.

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

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

5. CONNECTED AND RELATED PARTY TRANSACTIONS

The Group had the following material connected and/or related party transactions during the year.

(a) During the year, the Company 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 Vanda Systems (Singapore) Pte Ltd ("VSS"), Azure Technologies Pte Ltd ("AT"), Azure Technologies (Malaysia) Sdn. Bhd. ("ATM") and Azure Technologies Phils., Inc. ("ATP"). VSS, AT, ATM and ATP are 91.7% beneficially owned by the Company. A summary of the guarantees given as at 1st April, 2002 is as follows:

Borrower	Lender	Facility amount HK$'000	Guarantee amount HK$'000
VSS	Bank	25,380	25,380
ATM	Supplier	81,895	81,895
ATM	Supplier	7,800	7,800
ATM	Bank	18,678	18,678
AT	Supplier	71,910	71,910
AT	Bank	21,150	21,150
ATP	Supplier	36,660	36,660
ATP	Bank	7,640	7,640

As at 31st March, 2003, the above guarantees were revised as follows:

Borrower	Lender	Facility amount HK$'000	Guarantee amount HK$'000
VSS	Bank	26,459	26,459
ATM	Supplier	37,044	81,887
ATM	Supplier	7,800	7,800
ATM	Bank	20,523	22,780
AT	Supplier	44,850	74,967
AT	Bank	22,049	22,049
ATP	Supplier	14,550	36,660
ATP	Bank	5,820	7,275

5. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

The provision of the guarantees by the Company constituted the granting of financial assistance to non-wholly owned subsidiaries which are subject to the disclosure requirements under the Listing Rules.

(b) On 16th July, 2002, the directors resolved to approve a loan of S$1.5 million made by Vanda (B.V.I.) Limited ("Vanda BVI"), a wholly-owned subsidiary of the Company, to VSS. VSS used the amount of the loan to subscribe for shares in AT, a wholly-owned subsidiary of VSS, which used the proceeds to subscribe shares in ATM, a wholly-owned subsidiary of AT. The loan was made for the purpose of increasing the share capital of AT and ATM and to provide general working capital for ATM.

The loan was made by Vanda BVI to VSS on 19th July, 2002 and remained outstanding as at 31st March, 2003. The loan is unsecured, bears interest at Hong Kong prime rate per annum plus 0.5% and is repayable on demand.

The loan made by Vanda BVI to VSS constituted the granting of financial assistance to non-wholly owned subsidiary which is subject to the disclosure requirements under the Listing Rules.

(c) On 23rd July, 2002, BonVision Technology Limited, a 60% owned subsidiary of the Group, entered into a sale and purchase agreement to transfer its whole 63% equity interest in BonVision Technology (Hong Kong) Limited ("BVHK") to a purchaser (the "Purchaser") at a consideration of HK$1. The Purchaser is a director of and holds 21.6% interest in BVHK.

This transaction constituted a related party transaction and a connected transaction which is subject to the disclosure requirements under the Listing Rules.

6. DISCONTINUED OPERATIONS

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 the 75.1% equity interest in DigiLogistics.com Ltd. ("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% equity interest in DigiLogistics to Empower at HK$1. The call option is exercisable within two years from 29th April, 2002. The DL Agreement was completed on 29th April, 2002. Upon the disposal, Empower has been holding a 19.9% equity interest in DigiLogistics as an other investment.

The Group's business of sub-licensing web-based logistics software (the "e-business") in Hong Kong was conducted through DigiLogistics. The disposal of the 75.1% equity interest in Digilogistics was made following the Group's strategy to divest from its non-core businesses.

6. DISCONTINUED OPERATIONS (continued)

The turnover, other revenue, expenses and results of the e-business operation that have been consolidated into the Group's financial statements for the two years ended 31st March, 2003 were detailed as follows:

	2003 HK$'000	2002 HK$'000
TURNOVER	**168**	17,181
Cost of sales	**(150)**	(1,709)
Gross profit	**18**	15,472
Other revenue	**-**	14
Selling and distribution costs	**-**	(264)
Administrative expenses	**(332)**	(7,087)
Other operating expenses	**(336)**	(11,700)
Gain on disposal of discontinued operations	**2,747**	–
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**2,097**	(3,565)
Share of profits and losses of an associate	**-**	(551)
Amortisation of goodwill on acquisition of associates	**-**	(107)
Impairment of goodwill on acquisition of associates	**-**	(1,179)
PROFIT/(LOSS) BEFORE TAX	**2,097**	(5,402)
Tax	**-**	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**2,097**	(5,402)

The carrying amounts of the total assets and liabilities relating to the discontinued operations as at 31st March, 2003 and 2002, respectively, were as follows:

	2003 HK$'000	2002 HK$'000
Total assets	**-**	1,757
Total liabilities	**-**	(17,975)
Net assets	**-**	(16,218)

7. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

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) Mainland China;

(c) South Asia; and

(d) Corporate and unallocated.

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

(a) the systems integration and software services segment includes the trading of mid-range computers, the provision of related systems integration services and the provision of software customisation services and related technical services;

(b) the distribution of computer products segment engages in the distribution of computer products and the provision of computer support services;

(c) the e-business (discontinued operations) segment is the sub-licensing of web-based logistics software; and

(d) the corporate and unallocated segment comprises corporate income and expenses items.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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		Mainland China		South Asia		Corporate and unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	**170,172**	163,272	**414,954**	526,673	**439,512**	413,141	**-**	-	**1,024,638**	1,103,086
Other revenue	**937**	1,700	**2,057**	7,870	**5,050**	541	**380**	2,600	**8,424**	12,711
Total	**171,109**	164,972	**417,011**	534,543	**444,562**	413,682	**380**	2,600	**1,033,062**	1,115,797
Segment results	**8,438**	(42,835)	**(9,308)**	(29,918)	**23,706**	(42,589)	**(39,361)**	(41,060)	**(16,525)**	(156,402)
Dividend income, unallocated interest and other gains									**2,944**	8,198
Gain/(loss) on disposal of subsidiaries	**246**	-					**(4,936)**	7,339	**(4,690)**	7,339
Gain on disposal of discontinued operations	**2,747**	-							**2,747**	-
Loss on disposal of other investments					**(51)**	-	**-**	(61)	**(51)**	(61)
Impairment of long term investments							**(76,361)**	-	**(76,361)**	-
Unrealised holding losses on other investments							**(57,202)**	(1,091)	**(57,202)**	(1,091)
Impairment of interest in an associate			**-**	(237)					-	(237)
Amortisation of goodwill on acquisition of subsidiaries	**-**	(2,508)							-	(2,508)
Impairment of goodwill on acquisition of subsidiaries	**-**	(9,533)							-	(9,533)
Provision for loss on put option	**-**	(10,000)							-	(10,000)
Loss on disposal of an associate	**(314)**	-							**(314)**	-
Loss on deemed disposal of partial interests in subsidiaries							**-**	(682)	-	(682)

7. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

	Hong Kong and Macau		Mainland China		South Asia		Corporate and unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss from operating activities									**(149,452)**	(164,977)
Finance costs									**(18,757)**	(28,860)
Share of profits and losses of associates			**417**	(1,163)					**417**	(1,163)
Amortisation of goodwill on acquisition of associates	**-**	(107)							**-**	(107)
Impairment of goodwill on acquisition of associates	**-**	(1,179)							**-**	(1,179)
Loss before tax									**(167,792)**	(196,286)
Tax									**(4,713)**	(23)
Loss before minority interests									**(172,505)**	(196,309)
Minority interests									**(1,310)**	5,240
Net loss from ordinary activities attributable to shareholders									**(173,815)**	(191,069)
Segment assets	**140,256**	89,553	**253,069**	197,204	**159,662**	150,169	**-**	-	**552,987**	436,926
Interests in associates	**-**	-	**3,524**	3,107	**-**	-	**-**	-	**3,524**	3,107
Unallocated assets	**-**	-	**-**	-	**-**	-	**48,787**	256,207	**48,787**	256,207
Total assets									**605,298**	696,240
Segment liabilities	**79,678**	47,182	**170,381**	137,160	**85,090**	100,876	**-**	-	**335,149**	285,218
Unallocated liabilities	**-**	-	**-**	-	**-**	-	**458,548**	431,960	**458,548**	431,960
Total liabilities									**793,697**	717,178
Other segment information:										
Depreciation and amortisation	**707**	5,121	**7,326**	9,354	**3,335**	5,004	**1,503**	3,604	**12,871**	23,083
Provisions/(write-back of provisions) for bad and doubtful debts	**1,334**	2,347	**6,386**	4,514	**2,242**	14,707	**(765)**	4,857	**9,197**	26,425
Provisions (write-back of provisions) against inventories	**(4,996)**	9,261	**(1,151)**	142	**(8,301)**	23,532	**-**	-	**(14,448)**	32,935
Impairment losses recognised in the profit and loss account	**-**	10,949	**-**	4,330	**-**	-	**-**	-	**-**	15,279
Capital expenditure	**536**	3,140	**1,682**	20,794	**218**	2,999	**648**	875	**3,084**	27,808

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 services		Distribution of computer products		(Discontinued operations) e-business		Corporate and unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	**670,186**	784,186	**354,284**	301,719	**168**	17,181	**-**	-	**1,024,638**	1,103,086
Segment results	**8,281**	(76,958)	**21,666**	(31,280)	**(336)**	(2,346)	**(46,136)**	(45,818)	**(16,525)**	(156,402)
Other segment information:										
Segment assets	**388,871**	315,184	**137,340**	122,938	**-**	1,757	**-**	-	**526,211**	439,879
Unallocated assets							**79,087**	256,361	**79,087**	256,361
Total assets									**605,298**	696,240
Capital	**2,218**	19,902	**218**	2,999	**-**	4,682	**648**	225	**3,084**	27,808

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, 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:

	Note	Group 2003 HK$'000	Group 2002 HK$'000
Turnover		**1,024,638**	1,103,086
Other revenue			
Interest income		**2,944**	7,708
Gross rental income		**1,569**	1,032
Dividend income from listed investments		**-**	54
Other		**6,855**	9,419
		11,368	18,213
Gains			
Waiver of loan by a minority shareholder		**-**	2,134
Gain on disposal of subsidiaries	35(d)	**-**	7,339
Gain on disposal of an associate		**-**	561
		-	10,034
		11,368	28,247

9. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

		Group	
	Notes	2003	2002
		HK$'000	HK$'000
Cost of inventories sold*		**826,889**	929,891
Cost of services provided		**27,775**	36,255
Depreciation	16	**12,871**	20,027
Staff costs (including directors' remuneration (note 10)):			
Wages and salaries		**108,901**	145,913
MPF scheme contributions		**747**	2,004
Central pension scheme contributions		**3,025**	5,235
		112,673	153,152
Minimum lease payments under operating lease rentals in respect of:			
Land and buildings		**8,658**	8,783
Plant and machinery		**-**	797
		8,658	9,580
Auditors' remuneration		**1,917**	1,780
Exchange losses, net		**530**	325
Loss on deemed disposal of partial interests in subsidiaries**		**-**	682
Loss on disposal of other investments**		**51**	61
Impairment of interest in an associate**		**-**	237
Provisions	27	**8,580**	25,751
Gross rental income		**(1,569)**	(1,032)
Less: Outgoings		**272**	20
Net rental income		**(1,297)**	(1,012)

* The write-back of provisions against inventories and amortisation of deferred development costs for the year included as part of "Cost of inventories sold" amounted to HK$14,448,000 (2002: provisions of HK$32,935,000) and nil (2002: HK$441,000), respectively.

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

10. DIRECTORS' REMUNERATION

	Group 2003 HK$'000	Group 2002 HK$'000
Fees	-	40
Salaries, allowances and benefits in kind	12,584	10,750
MPF scheme contributions	444	446
Central pension scheme contributions	49	–
Bonuses paid and payable	2,808	–
Compensation for loss of office	2,691	–
	18,576	11,236

No directors' emoluments were paid to any independent non-executive director during the year (2002: fees of HK$40,000 were paid to an independent non-executive director, included in the above).

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

	Group 2003 Number of directors	Group 2002 Number of directors
Nil-HK$1,000,000	8	6
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
HK$3,500,001-HK$4,000,000	1	–
HK$4,000,001-HK$4,500,000	1	–
HK$6,000,001-HK$6,500,000	1	–
	13	10

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

During the year, a total of 23,000,000 share options were granted to the directors in respect of their services rendered to the Group, further details of which are set out in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss accounts or is otherwise included in the above directors' remuneration disclosures.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2002: four) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining one (2002: one) non-director, highest paid employee are as follows.

	Group	
	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	1,447	1,587
MPF scheme contributions	659	73
Bonuses paid and payable	68	1,468
	2,174	3,128

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

	Group	
	2003	2002
	Number of employee	Number of employee
HK$2,000,001 - HK$2,500,000	1	–
HK$3,000,001 - HK$3,500,000	-	1
	1	1

During the year, 3,000,000 share options were granted to the non-director, highest paid employee in respect of his service to the Group, further details of which are included in the disclosures in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss accounts or is otherwise included in the above non-director, highest paid employee's remuneration disclosures.

12. FINANCE COSTS

	Group 2003 HK$'000	Group 2002 HK$'000
Interest on:		
Bank loans and supplier loans wholly repayable within five years	**5,214**	12,447
Finance leases	**37**	50
Convertible bonds	**13,506**	16,363
	18,757	28,860

13. TAX

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax was made because the Group had no assessable profits arising in Hong Kong.

Tax on profits of the Group operating outside Hong Kong is calculated at rates prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

13. TAX (continued)

	Group 2003 HK$'000	Group 2002 HK$'000
Current year provision:		
Hong Kong	150	–
Outside Hong Kong	2,959	1,683
	3,109	1,683
Prior year under/(over) provision:		
Hong Kong	4	(4)
Outside Hong Kong	1,426	165
	1,430	161
Deferred tax – note 30	174	(1,821)
Tax charge for the year	4,713	23

14. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31st March, 2003 dealt with in the financial statements of the Company, is HK$147,163,000 (2002: HK$126,268,000). The Group's share of profits retained by the associates for the year amounted to HK$417,000 (2002: losses of HK$1,163,000).

15. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$173,815,000 (2002: HK$191,069,000) and the weighted average of 421,535,000 (2002: 420,214,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31st March, 2003 and 2002 have not been disclosed, as the potential ordinary shares of the Group outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

16. FIXED ASSETS

	Leasehold land and buildings Hong Kong	Leasehold land and buildings Mainland China	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, 2002	17,602	61,660	13,986	64,773	158,021
Additions	–	–	213	2,871	3,084
Disposals	–	–	–	(1,638)	(1,638)
Write off	–	–	(5,430)	(383)	(5,813)
Reclassified to investment properties *(note 17)*	–	(29,964)	–	–	(29,964)
Arising from disposal of subsidiaries *(note 35(d))*	–	–	–	(1,937)	(1,937)
Exchange realignment	–	–	(74)	358	284
At 31st March, 2003	**17,602**	**31,696**	**8,695**	**64,044**	**122,037**
Accumulated depreciation:					
At 1st April, 2002	3,595	6,182	10,804	43,784	64,365
Provided for the year	528	1,309	2,154	8,880	12,871
Disposals	–	–	–	(1,039)	(1,039)
Write off	–	–	(4,794)	(266)	(5,060)
Reclassified to investment properties *(note 17)*	–	(3,497)	–	–	(3,497)
Arising from disposal of subsidiaries *(note 35(d))*	–	–	–	(725)	(725)
Exchange realignment	-	–	(38)	302	264
At 31st March, 2003	**4,123**	**3,994**	**8,126**	**50,936**	**67,179**
Net book value:					
At 31st March, 2003	**13,479**	**27,702**	**569**	**13,108**	**54,858**
At 31st March, 2002	14,007	55,478	3,182	20,989	93,656

16. FIXED ASSETS (continued)

	Leasehold improvements HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Company			
At cost:			
Additions	6	2,368	2,374
Write off	–	(16)	(16)
At 31st March, 2003	**6**	**2,352**	**2,358**
Accumulated depreciation:			
Provided for the year	1	714	715
Write off	–	(1)	(1)
At 31st March, 2003	**1**	**713**	**714**
Net book value:			
At 31st March, 2003	**5**	**1,639**	**1,644**
At 31st March, 2002	–	–	–

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

Certain of the Group's leasehold land and buildings with a net book value of HK$19,386,000 (2002: HK$46,994,000) were pledged as security for banking facilities granted to the Group.

The net book value of the fixed assets held under finance leases included in the total amount of furniture, fixtures, equipment and motor vehicles at 31st March, 2003 amounted to HK$205,000 (2002: HK$79,000) for the Group and HK$205,000 (2002: Nil) for the Company, respectively.

17. INVESTMENT PROPERTIES

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	11,990	9,280
Additions	-	5,340
Reclassified from fixed assets *(note 16)*	26,467	–
Revaluation deficits	(8,157)	(2,630)
At end of year	30,300	11,990

The investment properties are held under medium term leases and are situated in Hong Kong and Mainland China.

Certain investment properties with carrying values of HK$26,000,000 (2002: HK$7,500,000) 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 professionally qualified valuers, as at 31st March, 2003. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

18. GOODWILL

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, 2002	12,041
Written off upon disposal of subsidiaries	(12,041)
At 31st March, 2003	**–**
Accumulated amortisation and impairment:	
At 1st April, 2002	12,041
Written off upon disposal of subsidiaries	(12,041)
At 31st March, 2003	**–**
Net book value:	
At 31st March, 2003	**–**
At 31st March, 2002	–

As detailed in note 4 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to 1st April, 2001, to remain eliminated against consolidated reserves.

As at 31st March, 2003, the amounts of the goodwill remaining in consolidated accumulated losses of the Group, arising from the acquisition of subsidiaries prior to 1st April, 2001, were HK$1,981,000 (2002: HK$6,917,000). The amounts of goodwill are stated at cost less any impairment losses. During the year, goodwill of HK$4,936,000 (2002: Nil) previously remaining in the consolidated accumulated losses of the Group were released to the consolidated profit and loss account upon the disposal of a subsidiary.

19. INTERESTS IN SUBSIDIARIES

	Company 2003 HK$'000	Company 2002 HK$'000
Unlisted shares, at cost	**28,277**	28,277
Due from subsidiaries	**556,693**	531,261
	584,970	559,538
Less: Provision for impairment	**(438,361)**	(379,770)
	146,609	179,768

The balances with subsidiaries are unsecured, not repayable within one year and interest-free except for amounts due from certain subsidiaries of HK$130,389,000 (2002: HK$143,982,000) which bears interest at 5% to 5.125% per annum (2002: 6% 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 2003	Percentage of equity attributable to the Company 2002	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 2003	2002	Principal activities
Vanda Computer Service (Hong Kong) Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Systems integration and distribution of computers
WiseAsia.com Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Systems integration and the provision of related technical services and trading of computer products
Vanda Software Engineering Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Development of software
Janeper Development Limited	Hong Kong	Ordinary HK$2 Deferred HK$300,000	**100**	100	Property investment
BonVision Technology Limited	Hong Kong	Ordinary HK$100	**60**	60	Investment holding
Vanda Computer Service (Macau) Company Limited	Macau	Ordinary MOP$500,000	**100**	100	Systems integration and distribution of computers
WiseAsia Computer Service (Macau) Company Limited	Macau	Ordinary MOP$25,000	**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 2003	2002	Principal activities
Vanda Computer System Integration (Shanghai) Co., Ltd. #	Mainland China	US$1,050,000	**100**	100	Systems integration and trading of computers
Beijing Vanda Yunda IT Services Co., Ltd. #*	Mainland China	RMB31,000,000	**-**	–	Systems integration and trading of computers
Beijing Vanda Suntech Software Engineering Co., Ltd. #	Mainland China	US$500,000	**100**	100	Manufacture and sale of computer software and the provision of related technical consultancy services
Changchun Vanda Software Engineering Co., Ltd. #	Mainland China	US$500,000	**100**	100	Development, design and installation of computer software systems, the provision of consultancy and training services and trading of computers
Changchun Changlian Software Engineering Co., Ltd. #	Mainland China	RMB2,750,000	**60**	60	Development, design and installation of computer software systems, the provision of consultancy and training services and trading 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 2003	2002	Principal activities
Vanda Software Engineering (Shenzhen) Co., Ltd. #	Mainland China	US$300,000	**100**	100	Development, design and installation of computer software systems
Vanda Computer System Integration (Shenzhen) Co., Ltd. #	Mainland China	US$2,100,000	**100**	100	Development, design and installation of computer software systems
Dalian Vanda Software Engineering Co., Ltd. #	Mainland China	RMB996,120	**60**	60	Design and installation of computer software communications networks and industrial control systems
Vanda Systems (Singapore) Pte Ltd	Singapore	Ordinary S$7,200,000	**91.7**	91.7	Investment holding
Vanda Solutions (Singapore) Pte Ltd	Singapore	Ordinary S$652,896	**91.7**	91.7	Provision of information technology consultancy services 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 2003	2002	Principal activities
Azure Technologies Pte Ltd	Singapore	Ordinary S$2,500,000	**91.7**	91.7	Distribution of computer products and the provision of computer support services
Vandacom (Malaysia) Sdn. Bhd. #	Malaysia	RM$500,000	**91.7**	91.7	Provision of technical services and trading of computer products
Azure Technologies (Malaysia) Sdn. Bhd. #	Malaysia	RM$7,700,000	**91.7**	91.7	Distribution of computer products and the provision of computer support services
Azure Technologies Phils., Inc. #	Philippines	Peso27,000,000	**91.7**	91.7	Distribution of computer products and the provision of computer support services

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

* 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)

During the year, the Group disposed of DigiLogistics.com Ltd. and BonVision Technology (Hong Kong) Limited. Further details of these disposals are included in note 35(d) to the financial statements.

All of the above companies are indirectly held by the Company through Vanda (B.V.I.) Limited except for Vanda (B.V.I.) Limited 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. 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	
	2003	2002
	HK$'000	HK$'000
Share of net assets	3,419	1,739
Goodwill on acquisition, net of amortisation and impairment	-	–
Provision for impairment	-	(237)
	3,419	1,502
Amounts due from associates	105	1,605
	3,524	3,107

20. INTERESTS IN ASSOCIATES (continued)

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

Particulars of the principal associate are as follows:

Name of company	Business structure	Country of registration and operations	Percentage of equity attributable to the Group 2003	2002	Principal activities
Beijing Datang-Vanda Systems & Communications Co., Ltd. #	Corporate	Mainland China	25	25	Systems integration

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the associate 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)

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, 2002	1,286
Written off upon disposal of an associate	(1,286)
At 31st March, 2003	**-**
Accumulated amortisation and impairment:	
At 1st April, 2002	1,286
Written off upon disposal of an associate	(1,286)
At 31st March, 2003	**-**
Net book value:	
At 31st March, 2003	**-**
At 31st March, 2002	-

21. LONG TERM INVESTMENTS

	Group 2003 HK$'000	Group 2002 HK$'000
Unlisted equity investments, at cost	**115,330**	115,330
Provisions for impairment	**(111,630)**	(35,269)
	3,700	80,061

21. LONG TERM INVESTMENTS (continued)

Particulars of the investee company under long term investments of the Group are as follows:

Name of company	Country of 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	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Unlisted equity investments, at fair value	**3,511**	28,636	-	25,000
Unlisted debt investments, at fair value	**-**	30,402	-	30,402
	3,511	59,038	-	55,402

Particulars of the principal investee company under other investments of the Company and of the Group are as follows:

Name of company	Country of incorporation	Class of securities held	Proportion of the class of securities held		Carrying value	
			2003	2002	2003 HK$'000	2002 HK$'000
New Tech & Telecom Investment Limited (NT&T)	British Virgin Islands	Ordinary	**9.1%**	9.37%	-	25,000
		Convertible bonds *(note(i))*	**N/A**	N/A	-	30,000
					-	55,000

22. OTHER INVESTMENTS (continued)

(i) on 19th September, 2000, NT&T, an independent third party, issued to the Company the convertible bonds of an aggregate principal amount of HK$30,000,000 due on 19th September, 2002 (the "Original Bonds") on the terms of a bond instrument dated 19th September, 2000 which was subsequently amended on 30th March, 2001 ("Bond Instrument").

Upon maturity of the Original Bonds on 19th September, 2002, the Company, NT&T and South China Communication Holdings Limited, the majority shareholder of NT&T, entered into an agreement (the "Agreement") pursuant to which, inter alia, NT&T executed a supplemental deed to the Bond Instrument ("Amended and Restated Bond Instrument") to extend the maturity date of the Original Bonds of HK$30,000,000 to 18th September, 2006 and to issue new convertible bonds of HK$1,800,000 in respect of interests payable thereon (collectively the "New Bonds") to the Company subject to the terms and conditions of the Amended and Restated Bond Instrument.

The New Bonds bear interest at (i) 4% per annum from 19th September, 2002 to 18th September, 2004, both days inclusive; and (ii) 4% or the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time less 1.125% per annum, whichever is the higher from 19th September, 2004 to 18th September, 2006, both days inclusive. There is no mandatory conversion. The Company has the right to convert, after the issue of the New Bonds, the whole or any part of the outstanding principal amount of the New Bonds held by the Company into such number of shares of NT&T or its substituted listing company (as the case may be) subject to the terms and conditions of the Amended and Restated Bond Instrument. NT&T may at any time redeem all or part of the New Bonds then outstanding in accordance with the terms of the Amended and Restated Bond Instrument. The outstanding principal amount of the New Bonds, if not previously converted or repaid, are repayable in full at par upon maturity.

23. DEFERRED DEVELOPMENT COSTS

	HK$'000
Group	
Cost:	
At beginning and end of year	86,789
Accumulated amortisation and impairment:	
At beginning and end of year	(86,789)
Net book value:	
At 31st March, 2003	**-**
At 31st March, 2002	–

24. ACCOUNTS RECEIVABLE

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

	Group	
	2003	2002
	HK$'000	HK$'000
Current to 30 days	**181,221**	88,971
31 to 90 days	**41,174**	61,275
Over 90 days	**47,905**	30,506
	270,300	180,752

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.

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group	
	2003	2002
	HK$'000	HK$'000
Cash and bank balances	**102,422**	66,728
Time deposits	**67,850**	102,530
	170,272	169,258
Less: Pledged time deposits:		
Pledged for short term bank loans	**(62,112)**	(52,237)
Pledged for bank overdraft facilities	**-**	(200)
	(62,112)	(52,437)
Cash and cash equivalents	**108,160**	116,821

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$30,423,000 (2002: HK$10,491,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. ACCOUNTS PAYABLE

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

	Group	
	2003	2002
	HK$'000	HK$'000
Current to 30 days	**146,402**	81,781
31 to 90 days	**7,677**	18,599
Over 90 days	**17,657**	51,762
	171,736	152,142

27. PROVISIONS

Group

	Product warranty costs HK$'000	Redundancy costs HK$'000	Loss on put option HK$'000	Total HK$'000
At 1st April, 2002	13,555	3,699	10,000	27,254
Additional provision	6,732	1,848	–	8,580
Amounts utilised during the year	(5,900)	(5,547)	–	(11,447)
At 31st March, 2003	**14,387**	**-**	**10,000**	**24,387**
Portion classified as current liabilities	**(12,697)**	**-**	**(10,000)**	**(22,697)**
Long term portion	**1,690**	**-**	**-**	**1,690**

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.

The Group provides for the probable material redundancy payments expected to be made to employees under the Hong Kong Employment Ordinance or the respective local requirements of other jurisdiction. The provision is based on the best estimation of probable future payments which are entitled by the employees upon retrenchment.

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 amounts 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 subsidiaries, at the earlier of 31st December, 2003 or upon the occurrence of any events as specified by the Agreement.

28. FINANCE LEASE PAYABLES

The Group leases certain of its equipment for its systems integration business and general operation. These leases are classified as finance leases and have a remaining lease term of five 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		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable:				
Within one year	**56**	89	**36**	69
In the second to fifth years, inclusive	**188**	58	**159**	49
Total minimum finance lease payments	**244**	147	**195**	118
Future finance charges	**(49)**	(29)		
Total net finance lease payables	**195**	118		
Portion classified as current liabilities	**(36)**	(69)		
Long term portion	**159**	49		

28. FINANCE LEASE PAYABLES (continued)

Company

	Minimum lease payments 2003 HK$'000	Minimum lease payments 2002 HK$'000	Present value of minimum lease payments 2003 HK$'000	Present value of minimum lease payments 2002 HK$'000
Amounts payable:				
Within one year	56	–	36	–
In the second to fifth years, inclusive	188	–	159	–
Total minimum finance lease payments	244	–	195	–
Future finance charges	(49)	–		
Total net finance lease payables	195	–		
Portion classified as current liabilities	(36)	–		
Long term portion	159	–		

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

	Group 2003 HK$'000	Group 2002 HK$'000
Unsecured bank overdrafts	-	165
Trust receipt loans:		
Secured	32,837	56,880
Unsecured	27,860	14,722
Bank loans:		
Secured	20,969	15,553
Unsecured	2,104	31,195
Unsecured supplier loans	7,933	11,893
	91,703	130,408

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

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

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year:		
Overdrafts	**-**	165
Trust receipt loans	**60,697**	71,602
Bank loans	**19,624**	41,417
Supplier loans	**7,933**	11,893
	88,254	125,077
In the second year:		
Bank loans	**1,573**	1,880
In the third to fifth years, inclusive:		
Bank loans	**1,876**	3,451
	91,703	130,408
Portion classified as current liabilities	**(88,254)**	(125,077)
Long term portion	**3,449**	5,331

The secured trust receipt loans and 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 interest-bearing with interest charged at rates ranging from 4.5% to 10.5% (2002: 6.5% to 15.8%) per annum.

30. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	HK$'000
Balance at beginning of year	**87**	1,901
Charge/(credit) for the year – note 13		
Including the effect of the change in rate		
from 16% to 17.5% of HK$15,000 (2002: Nil)	**174**	(1,821)
Exchange realignment	**-**	7
Balance at end of year	**261**	87

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.

31. SHARE CAPITAL

Ordinary shares

	Company	
	2003	2002
	HK$'000	HK$'000
Authorised:		
2,000,000,000 (2002: 1,000,000,000) ordinary shares		
of HK$0.10 each	**200,000**	100,000
Issued and fully paid:		
421,607,199 (2002: 420,977,199) ordinary shares		
of HK$0.10 each	**42,161**	42,098

31. SHARE CAPITAL (continued)

Ordinary shares (continued)

During the year, 630,000 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$413,800.

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

	Number of ordinary shares of HK$0.10 each	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1st April, 2001	420,018,199	42,002	306,902	348,904
Exercise of options	1,591,000	159	1,097	1,256
Repurchase of shares	(632,000)	(63)	(413)	(476)
At 31st March, 2002 and 1st April, 2002	420,977,199	42,098	307,586	349,684
Exercise of options	630,000	63	351	414
At 31st March, 2003	**421,607,199**	**42,161**	**307,937**	**350,098**

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.

Share options

Details of the Company's share option schemes and the share options granted under the schemes are included in note 32 to the financial statements.

32. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, the following detailed disclosures relating to the Group's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Group operates certain option schemes, which were detailed as follows:

(i) Existing Scheme of the Company

Pursuant to an ordinary resolution passed on 22nd March, 1995, the Company adopted a share option scheme (the "Existing Scheme") for the purpose of providing incentive and rewards to eligible participants. On 2nd April, 2002, the Existing Scheme was terminated and replaced by a new option scheme, as detailed below under the heading "New Option Scheme of the Company". Upon the termination of the Existing Scheme, no further options would be offered pursuant to the Existing Scheme, however the Existing Scheme will in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options granted pursuant thereto (the "Outstanding Options"). The Outstanding Options will continue to be valid and exercisable in accordance with the rules of the Existing Scheme.

Eligible participants of the Existing Scheme included employees or executive directors of the Company or any of its subsidiaries (the "Employees"). The directors of the Company (the "Directors") are authorised to invite, at their discretion, eligible participants to take up options to subscribe for shares in the Company (the "Shares"). The options are exercisable for a period to be notified by the board of Directors to each grantee and in any event such period of time should not exceed a period of three years commencing on the expiry of six months after the date on which the option is accepted, provided that no options can be exercised after 21st March, 2005. Unless otherwise cancelled or amended, the Existing Scheme will remain in force for a period of 10 years commencing on 22nd March, 1995.

32. SHARE OPTION SCHEMES (continued)

(i) Existing Scheme of the Company (continued)

The maximum number of Shares in respect of which options may be granted (together with Shares issued pursuant to options exercised and Shares in respect of which any options remain outstanding) under the Existing Scheme and any other share options schemes of the Company may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose Shares issued on exercise of options granted pursuant to the Existing Scheme. At 31st March, 2003, the number of shares issuable under share options granted under the Existing Scheme was 14,824,000, which represented approximately 4% of the Company's shares in issue as at that date. No option may be granted to any one Employee which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued and remaining issuable to him or her under the Existing Scheme, would exceed 25% of the aggregate number of Shares for the time being issued and are issuable under the Existing Scheme.

The offer of a grant of share options could be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The vesting period of the share options was determinable by the Directors.

The subscription price for Shares under the Existing Scheme will be a price determined by the board of Directors and notified to each grantee and will be the higher of: (i) a price being not less than 80% of the average closing price of the Shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option granted to a grantee; and (ii) the nominal value of a Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEMES (continued)

(i) Existing Scheme of the Company (continued)

The following share options were outstanding under the Existing Scheme during the year:

Name or category of participant	Date of grant of share options*	Number of share options held at 1st April, 2002	Granted during the year	Exercised during the year	Expired during the year	Number of share options held at 31st March, 2003	Exercise period of share options	Exercise price of share options** HK$	Price of Company's shares at grant date of share options*** HK$
Directors									
Lam Hon Nam	15.4.1999	400,000	-	-	400,000	**-**	15.10.1999 to 14.10.2002	0.42	0.76
	23.11.1999	1,500,000	-	-	-	**1,500,000**	23.5.2000 to 22.5.2003	0.87	1.21
	12.7.2000	1,000,000	-	-	-	**1,000,000**	12.1.2001 to 11.1.2004	2.20	2.75
	2.5.2001	800,000	-	-	-	**800,000**	2.11.2001 to 1.11.2004	0.81	1.02
Ma Chun Kwong, Edmund	23.11.1999	750,000	-	-	-	**750,000**	23.5.2000 to 22.5.2003	0.87	1.21
	12.7.2000	1,000,000	-	-	-	**1,000,000**	12.1.2001 to 11.1.2004	2.20	2.75
	2.5.2001	800,000	-	-	-	**800,000**	2.11.2001 to 1.11.2004	0.81	1.02
Wai Yee Jan	23.11.1999	750,000	-	-	-	**750,000**	23.5.2000 to 22.5.2003	0.87	1.21
	12.7.2000	1,000,000	-	-	-	**1,000,000**	12.1.2001 to 11.1.2004	2.20	2.75
	2.5.2001	600,000	-	-	-	**600,000**	2.11.2001 to 1.11.2004	0.81	1.02
Ching Wan Kwan	23.11.1999	650,000	-	-	-	**650,000**	23.5.2000 to 22.5.2003	0.87	1.21
	12.7.2000	500,000	-	-	-	**500,000**	12.1.2001 to 11.1.2004	2.20	2.75
	2.5.2001	400,000	-	-	-	**400,000**	2.11.2001 to 1.11.2004	0.81	1.02
		10,150,000	-	-	400,000	**9,750,000**			
Other employees									
In aggregate	15.4.1999	150,000	-	100,000	50,000	**-**	15.10.1999 to 14.10.2002	0.42	0.76
	3.9.1999	250,000	-	250,000	-	**-**	3.3.2000 to 2.3.2003	0.58	0.74
	23.11.1999	2,150,000	-	-	800,000	**1,350,000**	23.5.2000 to 22.5.2003	0.87	1.21
	23.2.2000	240,000	-	-	100,000	**140,000**	23.8.2000 to 22.8.2003	4.05	7.95
	1.3.2000	200,000	-	-	200,000	**-**	1.9.2000 to 31.8.2003	5.30	7.30
	26.4.2000	10,000	-	-	10,000	**-**	26.10.2000 to 25.10.2003	3.20	3.73
	12.7.2000	2,720,000	-	-	1,100,000	**1,620,000**	12.1.2001 to 11.1.2004	2.20	2.75
	2.5.2001	5,067,000	-	280,000	2,823,000	**1,964,000**	2.11.2001 to 1.11.2004	0.81	1.02
		10,787,000	-	630,000	5,083,000	**5,074,000**			
		20,937,000	-	630,000	5,483,000	**14,824,000**			

32. SHARE OPTION SCHEMES (continued)

(i) Existing Scheme of the Company (continued)

Details of share options exercised during the year:

Exercise date	Exercise price of share options **	Price of Company's share at exercise date***	Proceeds received	Number of options
	HK$	HK$	HK$	
29. 4. 2002	0.42	0.83	42,000	100,000
6. 5. 2002	0.58	0.90	145,000	250,000
29. 4. 2002	0.81	0.83	24,300	30,000
6. 5. 2002	0.81	0.90	24,300	30,000
10. 5. 2002	0.81	0.95	72,900	90,000
28. 5. 2002	0.81	0.92	40,500	50,000
1. 6. 2002	0.81	0.90	64,800	80,000
			226,800	280,000
			413,800	630,000

* The vesting period of the above outstanding share options is from the date of the grant until the commencement of the exercise period and only 50% of the options can be exercised within the first year from the date on which the options are accepted.

** The exercise price of the share options is subject to adjustment, in accordance with the provision of the Existing Scheme, in the event of an alteration in the capital structure of the Company.

*** The price of the Shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Shares disclosed as at the date of exercise of the share options is the Stock Exchange closing price on the trading day immediately prior to the exercise date.

32. SHARE OPTION SCHEMES (continued)

(i) Existing Scheme of the Company (continued)

The 630,000 shares options exercised during the year resulted in the issue of 630,000 ordinary shares of the Company and new share capital of HK$63,000 and share premium of HK$351,000, as detailed in note 31 to the financial statements.

At the balance sheet date, the Company had 14,824,000 share options outstanding under the Existing Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 14,824,000 additional ordinary shares of the Company and additional share capital of HK$1,482,400 and share premium of HK$18,395,000 (before issue expenses).

(ii) Share option schemes of subsidiaries

On 21st May, 2001, the Company approved the adoption by certain subsidiaries (the "Subsidiaries") of the respective share option schemes (collectively the "Subsidiaries' Scheme"). The purpose of the adoption of the Subsidiaries' Scheme is to provide greater incentive to the Subsidiaries' employees, thereby improving their productivity and helping to retain key staff. The board of directors of the Subsidiaries may, at their discretion, offer to grant options to subscribe for shares in the respective Subsidiaries to employees and any executive directors of the Subsidiaries. Subject to any earlier termination by the respective Subsidiaries, the Subsidiaries' Scheme shall be valid and effective for a period of 10 years from 21st May, 2001. The issue of the shares in the respective Subsidiaries pursuant to the exercise of an option by the grantee shall be conditional upon the unconditional completion of the listing of the shares of the respective Subsidiaries ("Subsidiary Shares") on any internationally recognised stock exchange. Subject to the above, an option may be exercised in accordance with the terms of the Subsidiaries' Scheme, but in any event shall not exceed 10 years commencing from the date of grant of the option.

32. SHARE OPTION SCHEMES (continued)

(ii) Share option schemes of subsidiaries (continued)

The total number of Subsidiary Shares which can be subscribed through exercising all options granted under the Subsidiaries' Scheme and any other share option scheme of the respective Subsidiaries shall in aggregate not exceed 10% of the total number of the Subsidiary Shares in issue from time to time (excluding any Subsidiary Shares issued pursuant to the Subsidiaries' Scheme). No option may be granted to any one person which if exercised in full would result in the total number of the Subsidiary Shares already issued and issuable to the grantee under all the options previously granted to him, and the proposed option, exceeding 25% of the total number of Subsidiary Shares subject to the Subsidiaries' Scheme.

The offer of a grant of share options may be accepted upon payment of a nominal consideration by the grantee of HK$1 for the respective Subsidiaries incorporated in Hong Kong, or an appropriate amount in the currency of the jurisdiction, if not in Hong Kong, in which the respective Subsidiaries have their principal place of business.

The minimum exercise price for the options granted under the Subsidiaries' Scheme shall be the higher of (i) the par value per the respective Subsidiary Shares; or (ii) 80% of the net asset value of the respective Subsidiaries, as stated in the latest audited financial statements or, if audited financial statements are not available, the latest management accounts of the respective Subsidiaries, divided by the number of the respective Subsidiary Shares in issue at the date of the latest audited financial statements or latest management accounts (as the case may be).

Up to the date of this report, no option has been granted under the Subsidiaries' Scheme.

32. SHARE OPTION SCHEMES (continued)

(iii) New Option Scheme of the Company

Following the amendments made to Chapter 17 of the Listing Rules which came into effect on 1st September, 2001, no option may be granted under the Existing Scheme unless such grant is made in compliance with the amended rules. To enable the Company to reward and provide incentives to, and to strengthen the Group's business relationship with the prescribed classes of participants who may contribute to the growth and development of the Group (who now became classes of potential grantees of the share options as expanded by the Listing Rules), a new option scheme (the "New Option Scheme") was adopted by the Company on 2nd April, 2002 and at the same time the Existing Scheme was terminated. The New Option Scheme will remain in force for 10 years commencing on 2nd April, 2002.

Under the New Option Scheme, the eligibility of the participants for the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and the Directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options for Shares:

(a) any employee/consultant or proposed employee/consultant (including executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which a member of the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

32. SHARE OPTION SCHEMES (continued)

(iii) New Option Scheme of the Company (continued)

(f) any shareholder of any member of the Group or any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any other group or class of participants who has contributed or may contribute by way of a joint venture, business alliance or other business arrangement to the development and growth of the Group; and

(h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not in aggregate exceed 30% of the relevant class of shares of the Company (or its subsidiaries) in issue from time to time.

The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the New Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the relevant class of shares of the Company in issue at the date of approval of the limit by the Company in general meeting.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the New Option Scheme and any other share option scheme of the Group, including both exercised or outstanding option, to each participant in any 12-month period, shall not exceed 1% of the issued share capital of the Company for the time being unless approved by the shareholders in a general meeting.

32. SHARE OPTION SCHEMES (continued)

(iii) New Option Scheme of the Company (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. Where any grant of option to a substantial shareholder or an independent non-executive director of the Company, or any of their associates would result in the Shares issued and to be issued upon the exercise of all options already granted and be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the Shares in issue; and (b) having an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK$5 million, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive director, or any of their associates must be approved by the shareholders in a general meeting.

An option may be accepted by a participant by the payment of a nominal value of HK$1. An option may be exercised in accordance with the terms of the New Option Scheme at any time during a period to be determined on the date of offer of grant of option and notified by the Directors to each grantee. The exercise period may commence once the offer of the grant is accepted by the grantee within the prescribed time from the date of its offer and shall end in any event not later than 10 years from the date on which the offer of the grant of the options was made, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the New Option Scheme for the holding of an option before it can be exercised.

The exercise price of the Shares under the New Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares on the date of the offer of the grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

32. SHARE OPTION SCHEMES (continued)

(iii) New Option Scheme of the Company (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the New Option Scheme during the year:

Name or category of participant	Date of grant of share options *	Number share options held at 1st April, 2002	Granted during the year	Exercised during the year	Expired during the year	Number of share options held at 31st March, 2003	Exercise price of share options** HK$	Price of Company's shares at grant date of share options *** HK$
Directors								
Loh Tiak Koon #	2.4.2002	-	20,000,000	-	-	20,000,000	0.886	0.88
Ching Wan Kwan	2.5.2002	-	3,000,000	-	-	3,000,000	0.94	0.93
		-	23,000,000	-	-	23,000,000		
Other employees								
In aggregate	2.5.2002	-	14,100,000	-	4,500,000	9,600,000	0.94	0.93
		-	37,100,000	-	4,500,000	32,600,000		

The number of share options granted during the year to Loh Tiak Koon, a director of the Company, exceeded the individual limit of 1% of the Shares then in issue, and was approved by the shareholders at the Company's special general meeting on 2nd April, 2002.

At the balance sheet date, the Company had 32,600,000 share options outstanding under the New Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 32,600,000 additional ordinary shares of the Company and an additional share capital of HK$3,260,000 and share premium of HK$26,304,000 (before issue expenses).

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

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.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against consolidated accumulated losses, as explained in note 18 to the financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April, 2001	306,902	28,077	(287,560)	47,419
Premium on exercise of options	1,097	–	–	1,097
Repurchase of shares	(413)	–	–	(413)
Net loss for the year	–	–	(126,268)	(126,268)
At 31st March, 2002 and 1st April, 2002	307,586	28,077	(413,828)	(78,165)
Premium on exercise of options	351	–	–	351
Net loss for the year	–	–	(147,163)	(147,163)
At 31st March, 2003	**307,937**	**28,077**	**(560,991)**	**(224,977)**

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

	2003 HK$'000	2002 HK$'000
2002 Convertible Bonds	–	277,153
2005 Convertible Bonds	334,432	–
	334,432	277,153
Portion classified as current liabilities	–	(79,187)
Long term portion	334,432	197,966

On 18th February, 2000, the Company entered into a conditional agreement with 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 Bond") 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 bore interest at a rate of 6% per annum payable every six months in arrears and matured on the second anniversary of their issue date. 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 under the Options 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.

34. CONVERTIBLE BONDS (continued)

The outstanding principal of the I3P Bond of HK$79,186,656 was fully repaid at its maturity on 8th April, 2002. The Options were not exercised and accordingly lapsed on 7th April, 2002. The 2002 HIL Bond were surrendered by Hutchison on 3rd April, 2002, as settlement of the consideration for the subscription of the 2005 HIL Bond (defined below), as further detailed below.

On 15th February, 2002, the Company entered into two several investor agreements (the "Investor Agreements") with Hutchison and DBS, respectively. Under the respective Investor Agreements, the Company agreed (i) to issue convertible bonds in the principal sum of HK$197,966,638 to Hutchison (the "2005 HIL Bond") and HK$136,465,000 to DBS (the "DBS Bond"), respectively, and (ii) to 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 "DBS Option").

The 2005 HIL Bond and the DBS 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 2005 HIL Bond and DBS Bond are repayable by the Company upon their maturity on the third anniversary of the 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 the initial conversion price of HK$0.85 per share, 232,901,927 and 160,547,058 new shares will be issued to Hutchison and DBS, respectively.

Upon completion of the issue of the 2005 Convertible Bonds, the HIL Option and the DBS 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.

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

Further details on the post balance sheet event relating to the 2005 Convertible Bonds, the HIL Option and the DBS Option were included in note 38 to the financial statements.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year reclassifications

SSAP 15 (Revised) was adopted during the current year, as detailed in note 3 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid and interest element on finance lease rental payments are now included in cash flows from operating activities, interest and dividends received are now included in cash flows from investing activities, and interest paid, except for interest element on finance lease rental payments, are now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 4 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31st March, 2002 has been adjusted to remove trust receipt loans and time deposits with original maturity of less than three months when acquired, pledged as security for trust receipt loans amounting to HK$34,672,000, and HK$36,723,000, respectively, previously included at that date. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative consolidated cash flow statement has been changed accordingly.

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

(b) Major non-cash transactions

(i) As detailed in note 34 to the financial statements, during the year, the 2002 HIL Bond was surrendered as settlement of the consideration for the subscription of the 2005 HIL Bond.

(ii) On 4th October, 2001, VSS acquired a 12.5% interest in AT, and a 25% interest in Vanda Solutions (Singapore) Pte Ltd ("VS") from iWave Holdings Pte. Ltd. ("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)

(c) Acquisition of subsidiaries

	Group	
	2003	2002
	HK$'000	HK$'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

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	Group	
	2003	2002
	HK$'000	HK$'000
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 in the prior year contributed HK$2,376,000 to consolidated turnover and HK$13,852,000 to the consolidated loss after tax and before minority interests for the year ended 31st March, 2002.

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

(d) Disposal of subsidiaries

	Group 2003 HK$'000	Group 2002 HK$'000
Net liabilities disposed of:		
Fixed assets	**1,212**	791
Accounts receivable	**377**	14,474
Inventories	**-**	280
Prepayments, deposits and other receivables	**439**	3,662
Cash and cash equivalents	**1,048**	107
Accounts payable	**(1,285)**	(8,106)
Deposits received, accruals and other payables	**(4,865)**	(9,764)
Due to the Group	**-**	(6,889)
Contributed surplus	**-**	(5)
Exchange realignment	**-**	(209)
	(3,074)	(5,659)
Goodwill released upon disposal of subsidiaries	**4,936**	–
Gain/(loss) on disposal of subsidiaries	**(1,943)**	7,339
	(81)	1,680
Satisfied by:		
Cash received from the purchaser	**-**	1,680
Disposal expenses paid by the Group	**(81)**	–
Net cash consideration	**(81)**	1,680

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

(d) Disposal of subsidiaries (continued)

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries:

	2003 HK$'000	2002 HK$'000
Net cash consideration received/(paid)	**(81)**	1,680
Cash and cash equivalents disposed of	**(1,048)**	(107)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**(1,129)**	1,573

The subsidiaries disposed of in the year and prior year had no significant impact on the Group's consolidated turnover or loss after tax for these years.

36. CONTINGENT LIABILITIES

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

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Guarantees given to banks and suppliers in connection with:				
Facilities granted to subsidiaries	**-**	–	**545,402**	617,413
Bank guarantees issued by banks	**25,842**	16,907	**-**	–
	25,842	16,907	**545,402**	617,413

At the balance sheet date, the facilities of HK$25,842,000 (2002: HK$16,907,000) in respect of bank guarantees had been utilised by the Group.

At the balance sheet date, HK$191,226,000 (2002: HK$215,903,000) had been utilised of the facilities granted to subsidiaries which were guaranteed by the Company.

36. CONTINGENT LIABILITIES (continued)

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with an estimated maximum possible amount of HK$3,832,000 as at 31st March 2003, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as the directors considered it not probable that the situation will result in a material future outflow of resources from the Group.

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 three 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, 2003, the Company had no future lease receivables under non-cancellable operating leases whilst the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	1,060	835
In the second to fifth years, inclusive	1,264	–
	2,324	835

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 five years, and those for office equipment for terms ranging between one and two years.

At 31st March, 2003, 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	
	2003	2002
	HK$'000	HK$'000
Within one year	4,211	6,953
In the second to fifth years, inclusive	3,365	11,111
	7,576	18,064

38. POST BALANCE SHEET EVENT

On 23rd July, 2003, the Company entered into two several Amendment Agreements with Hutchison and DBS (the holders of the 2005 Convertible Bonds), respectively. Pursuant to the Amendment Agreements:

i. the Company will, subject to and with effect from the approval of the shareholders of the Company in a special general meeting, agree to change the conversion price at which the 2005 Convertible Bonds are convertible into new shares of the Company from HK$0.85 per share to HK$0.30 per share or, if lower, the average closing price of each share in the Company on the Stock Exchange for the ten Stock Exchange trading days immediately following 23rd July, 2003, the date of announcement the Company made for this event ("Amended Conversion Price");

ii. Subject to the fulfilment or waiver of certain conditions contained therein, Hutchison and DBS will convert the whole of the principal amount outstanding under their respective 2005 Convertible Bonds at the Amended Conversion Price; and the Company will allot and issue to Hutchison and DBS respectively the new conversion shares in the Company upon conversion of the 2005 Convertible Bonds.

38. POST BALANCE SHEET EVENT (continued)

It was also agreed that the HIL Option and the DBS Option shall lapse and cease to be of any further effect upon allotment of the new conversion shares by the Company to Hutchison and DBS, respectively, pursuant to the conversion of the 2005 Convertible Bonds in full.

Immediately after full conversion of the 2005 Convertible Bonds at the Amended Conversion Price (assuming determined at HK$0.30 per share), the shareholdings of Hutchison and DBS in the Company would be approximately 43.0% and 29.6%, respectively, of the issued share capital of the Company as enlarged by the new conversion shares. In the absence of the Whitewash Waiver(s) being issued to Hutchison and if required, to DBS also, Hutchison or DBS would be obliged under the Takeovers Code to make an unconditional general offer for all the issued shares in the Company not already owned or agreed to be acquired by them.

An application will be made by the Company to the Executive for the Whitewash Waiver(s) which, if granted, would be subject to the approval of the independent shareholders of the Company on a vote taken by way of a poll. The Executive may or may not grant the Whitewash Waiver(s).

The Amendment Agreements are conditional upon, amongst other things, the granting of the Whitewash Waiver(s) by the Executive to Hutchison and if required, to DBS. If the Whitewash Waiver(s) is/are not granted by the Executive, the respective obligations of Hutchison and DBS (as the case may be) under the Amendment Agreements to convert the whole of the principal amount outstanding under their respective 2005 Convertible Bonds at the Amended Conversion Price will lapse.

If the Whitewash Waiver(s) is/are approved by the independent shareholders of the Company and granted by the Executive, no general offer will be required to be made by Hutchison or DBS upon full conversion of the 2005 Convertible Bonds.

39. 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.

Certain items included under other operating expenses are either significant to this year's consolidated profit and loss account or of an unique one-off nature. Accordingly, the directors consider it more appropriate to separately disclosed these items on the face of the consolidated profit and loss account and consequently the comparative amounts have been reclassified to conform with the current year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23rd July, 2003.