

# Report of the Directors

The directors herein present their annual report together with the audited financial statements of the Company and the Group for the year ended 31st March, 2003.

## Principal activities

The principal activity of the Company is investment holding. The principal activities of the Group are the systems integration of mid-range computers; software development and the provision of related services; and the distribution of computer products. Other than the discontinuance of the Group's e-business as further detailed in note 6 to the financial statements, there were no significant changes in the nature of the Group's principal activities during the year.

## Major suppliers and customers

During the year, the largest supplier of the Group accounted for approximately 48% (2002: 67%) of the Group's total purchases and the five largest suppliers accounted for approximately 66% (2002: 78%) of the Group's total purchases.

During the year, the largest customer of the Group accounted for approximately 17% (2002: 12%) of the Group's total sales and the five largest customers accounted for approximately 34% (2002: 33%) of the Group's total sales.

None of the directors, their associates, nor those shareholders, who to the best knowledge of the directors own more than 5% of the Company's share capital, had any beneficial interest in the Group's five largest suppliers and customers.

## Financial results

The Group's loss for the year ended 31st March, 2003 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 28 to 111.

## Dividends

No interim dividend was paid during the year (2002: Nil) and the directors do not recommend the payment of any final dividend in respect of the year ended 31st March, 2003 (2002: Nil).

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## Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 16 and 17, respectively, to the financial statements.

## Share capital and share options

Details of movements in the Company's share capital and share options, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively. As at 31st March, 2003, the Company did not have any reserves available for cash distribution and/or distribution in specie (2002: Nil).

## Convertible bonds

Details of the convertible bonds of the Company at the balance sheet date are set out in note 34 to the financial statements.

## Directors

The directors of the Company during the year were:

### Executive directors:

LAM Hon Nam (Co-Chairman)	(Note 1)
MA Chun Kwong, Edmund (Co-Chairman)	(Note 1)
WAI Yee Jan	(Note 2)
LOH Tiak Koon	(Appointed on 3rd April, 2002)
CHING Wan Kwan	

### Non-executive directors:

LAI Kai Ming, Dominic	(Note 3)
CHAN Wen Mee, May	(Appointed on 3rd April, 2002) (Note 4)
Tuan LAM	(Appointed on 3rd April, 2002)
Stephen INGRAM	(Appointed on 3rd April, 2002)
YANG Paul Chunyao	(Appointed as alternate director to Stephen Ingram on 3rd April, 2002) (Note 5)
WONG Fan Voon	(Appointed as alternate director to Tuan Lam on 3rd April, 2002) (Note 5)

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## Directors (continued)

### Independent non-executive directors:

LAM Lee G.	(Appointed on 26th June, 2002)
WONG Kin Cheung, Francis	(Note 6)

Note 1: Lam Hon Nam and Ma Chun Kwong, Edmund are directors of the Company and were appointed as the alternate director to each other on 3rd April, 2002. Subsequent to the year end date on 1st June, 2003, Ma Chun Kwong, Edmund resigned as chairman and an executive director of the Company, and was appointed as the non-executive director of the Company; and Lam Hon Nam ceased to be alternate director to Ma Chun Kwong, Edmund.

Note 2: Subsequent to the year end date on 1st June, 2003, Wai Yee Jan resigned as an executive director of the Company and was appointed as the non-executive director of the Company and the alternate director to Ma Chun Kwong, Edmund.

Note 3: Lai Kai Ming, Dominic was appointed as the alternate director to Chan Wen Mee, May on 3rd April, 2002.

Note 4: Chan Wen Mee, May is also the alternate director to Lai Kai Ming, Dominic.

Note 5: Subsequent to the year end date on 16th July, 2003, Wong Fan Voon resigned as the alternate director to Tuan Lam and Yang Paul Chunyao was appointed as the alternate director to Tuan Lam.

Note 6: Subsequent to the year end date on 23rd April, 2003, Wong Kin Cheung, Francis resigned as the independent non-executive director. On the same day, Cheong Ying Chew, Henry was appointed as the independent non-executive director.

In accordance with the Company's bye-laws, Ma Chun Kwong, Edmund and Cheong Ying Chew, Henry will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

# Report of the Directors

## Directors' interests in shares

At the balance sheet date, the interests of the directors in the share capital of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or as otherwise known to the directors, were as follows:

### (a) Interests in the Company's shares

Name of director	Personal	Number of shares held		Total
		Family	Corporate	
Lam Hon Nam	400,000	-	136,494,800(i)	136,894,800
Ma Chun Kwong, Edmund	100,000	300,000	136,494,800(i)	136,894,800
Wai Yee Jan	1,500,000	-	-	1,500,000
Ching Wan Kwan	<u>1,020,000</u>	<u>-</u>	<u>-</u>	<u>1,020,000</u>

- (i) The above 136,494,800 shares are held by Lam Ma & Wai Limited, a company incorporated in the British Virgin Islands, which is owned as to 45.94%, 45.46% and 8.60% by Mr. Lam Hon Nam, Mr. Ma Chun Kwong, Edmund and Mr. Wai Yee Jan, respectively.

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## Directors' interests in shares (continued)

### (b) Interests in associated corporations

Name of company	Name of director	Number of non-voting deferred shares held/ Percentage of equity interest held - Personal interest
Vanda Computer & Equipment Company Limited	Lam Hon Nam	918,800
	Ma Chun Kwong, Edmund	909,200
	Wai Yee Jan	172,000
Vanda Instrument & Equipment Company Limited	Lam Hon Nam	229,700
	Ma Chun Kwong, Edmund	227,300
	Wai Yee Jan	43,000
Janeper Development Limited	Lam Hon Nam	150,000
	Ma Chun Kwong, Edmund	150,000
Beijing New Generation Computer Graphics Co., Ltd.	Wai Yee Jan	15%

Mr. Lam Hon Nam also holds one ordinary share of HK\$1 in each of Vanda Computer & Equipment Company Limited, Vanda Instrument & Equipment Company Limited, Janeper Development Limited and Azure Technology Limited in trust for Vanda (B.V.I.) Limited; one ordinary share of HK\$1 in Vanda Software Engineering Company Limited in trust for Vandasoft Technology Holdings Limited; one ordinary share of HK\$1 in Vanda Information Technology Limited in trust for Vanda Software Engineering Company Limited; and one ordinary share of HK\$1 in WiseAsia.com Limited in trust for Interactive Technology Limited. Mr. Ma Chun Kwong, Edmund also holds one ordinary share of Peso100 in Azure Technologies Phils., Inc. in trust for Vanda Systems (Singapore) Pte Ltd.

Mr. Wai Yee Jan holds capital of MOP\$1,000 in Vanda Computer Service (Macau) Company Limited and WiseAsia Computer Service (Macau) Company Limited, respectively, in trust for Interactive Technology Limited; one ordinary share of HK\$1 in BonVision Technology Limited in trust for Automatic Associates Limited; and one ordinary share of HK\$1 in Vanda Computer Service (Hong Kong) Company Limited in trust for Interactive Technology Limited.

# Report of the Directors

## **Directors' interests in shares (continued)**

The interests of the directors in the share options of the Company are separately disclosed in note 32 to the financial statements.

Save as disclosed above, none of the directors has or has had any interest, either directly or indirectly, in the equity securities of the Company or its associated corporations, which requires notification to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which requires, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

## **Directors' rights to acquire shares or debentures**

Apart from as disclosed in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **Share option schemes**

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" issued by Hong Kong Society of Accountants during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 32 to the financial statements.

The directors do not consider it appropriate to disclose a theoretical value of the options with regard the share options granted during the year to the directors and employees, as detailed in note 32 to the financial statements, because the cost associated thereto outweighs the benefits of such information to the shareholders.

## **Directors' interests in contracts**

Except as disclosed under the section "Service contracts of directors" below and in note 5 to the financial statements, no director had a material beneficial interest in any contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party during the year.

# Report of the Directors

## **Purchase, sale or redemption of the Company's listed securities**

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

## **Substantial shareholders**

At the balance sheet date, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance, showed that no person, other than those disclosed under the section "Directors' interests in shares" above, had a beneficial interest in 10% or more of the Company's issued share capital.

## **Service contracts of directors**

Mr. Lam Hon Nam, Mr. Ma Chun Kwong, Edmund, Mr. Wai Yee Jan, Mr. Loh Tiak Koon and Ms. Ching Wan Kwan have entered into service contracts with the Company which may be terminated by either party to the contract by notice with a period ranging from three to six months.

Save as disclosed above, during the year, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than the statutory obligation.

## **Management contracts**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company, between the Company and its controlling shareholder or any of the controlling shareholder's subsidiaries, was entered into during the year or existed at the balance sheet date.

## **Pre-emptive rights**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

# Report of the Directors

## **Approval of de-minimis concession under the guidelines for issuers with negative or negligible net tangible assets (the "De-minimis Concession")**

On 20th September, 2002, the Stock Exchange approved the Company's application for the De-minimis Concession (as described in the Stock Exchange's announcement dated 3rd May, 2001) for the purposes of determining the "assets test" and the "consideration test" (the "Relevant Tests") under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for classifying notifiable transactions (other than connected transactions).

The De-minimis Concession is such that each transaction carried out in the ordinary course of business of the Group, which is entered into on normal commercial terms, and where the aggregate consideration or value of the transaction does not exceed HK\$1 million, would be considered to be de-minimis. The Relevant Tests for the purpose of classifying notifiable transactions (other than connected transactions) will not apply.

The Stock Exchange's approval for the use of the De-minimis Concession described above remained valid from 20th September, 2002 until the publication or the due date of publication of this annual report, whichever is earlier.

## **Disclosure under practice note 19 of the Listing Rules**

On 19th September, 2002, the Company, New Tech & Telecom Investment Limited ("NT&T"), an investee in which the Group holds 9.1% interest, and South China Communication Holdings Limited, the majority shareholder of NT&T, entered into an agreement pursuant to which: (i) NT&T extended the maturity date of the original 2-year HK\$30,000,000 convertible bonds issued on 19th September, 2000 to 18th September, 2006 and (ii) NT&T issued new convertible bonds to the Group, which also mature on 18th September, 2006, to settle the interests payable to the Group of HK\$1,800,000 on 19th September, 2002. The interest rate of the convertible bonds of NT&T is 4% per annum for the period from 19th September, 2002 to 18th September, 2004, both days inclusive and 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 for the period from 19th September, 2004 to 18th September, 2006, both days inclusive.

NT&T is an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

As at 31st March, 2003, the outstanding convertible bonds issued by NT&T and held by the Group amounted to HK\$31,800,000.



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## **Post balance sheet event**

Details of the significant post balance sheet event of the Group are set out in note 38 to the financial statements.

## **Compliance with the Code of Best Practice**

Throughout the year and up to the date of this report, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

## **Audit committee**

Pursuant to an ordinary resolution passed on 12th February, 2000, an audit committee (the "Committee") was established in accordance with the requirements of the Listing Rules. The scope of authority and responsibility of the Committee is defined according to the guidance issued by the Hong Kong Society of Accountants. The Committee's principal duties are to assist the directors of the Company in providing an independent review of the effectiveness of the financial reporting process and internal controls of the Group.

## **Auditors**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

*Chairman*

Hong Kong  
23rd July, 2003