CEO Statement

This year's annual report covers a nine-month period from 1 April 2003 to 31 December 2003 due to the change of our financial year end.

Amidst the challenging operating environment, the Group has taken a number of initiatives to boost our operational efficiency and financial soundness to make us stronger and more flexible to grasp new opportunities amid the recovering economy.

In line with the Group's continued efforts in adopting stringent accounting measures, the Group has made a number of non-cash provisions including provision for and write-off of bad and doubtful debts, provision for impairment of a long term investment and leasehold land and buildings, unrealised holding losses on other investments, provision for loss on put option and revaluation deficit of investment properties totalling HK$30,371,000. Although such provisions adversely impacted our bottom line, the Group believes that all these are necessary actions to ensure our position for positive future growth.

For the nine-month period under review, the Group faced certain market challenges yet we also seized the opportunity to become more efficient and clearly focused on our core business.

Our business outside China has fared steadily and was profitable for the second consecutive year in a row with new contracts obtained in Hong Kong and Singapore for various industries. In view of the eroding profit margin as a result of competitive market, the Group managed to shift our business attention to focus more on direct client business in pursuit of return on higher margin.

Our operation in China was further rationalised with a view to align our costs with the level of business. During the period, the Group continued to clean out its operation by implementing stringent disciplines and making immense effort in the management of inventories, accounts receivable, taxation and working capital to improve operational efficiency and strengthen our liquidity position and profitability. However, as a company with major business activities in China, we are not immune to the negative effects of SARS on our revenue. Nonetheless, our business activities resumed soon afterwards as evidenced by many contracts that we successfully obtained in the latter part of the financial period.

To achieve the objective of margin improvement, the Group also accelerated its efforts in transforming into a service-driven company providing IT solutions and offering high value-added consultancy services.

All these have resulted in an operation that was optimally efficient, cost-effective and financially sound to gear towards revenue and profitability growth.

A major development of the Group during the period was the exercise of convertible bonds by Hutchison International Limited ("HIL") and DBS Nominees Private Limited ("DBS Private Equity"). This is a significant move underscoring their endorsement of our business and confidence in our prospects. After becoming the major shareholders of the Company, these two corporations will work with Vanda for long term business growth.

Prospects

The management is of the view that following the uptake of economy in 2004, the operating conditions will see great improvement in the coming year. There are a number of factors favourable to the growth of our business.

Our core business of IT services has begun to show improvement with the demise of SARS. New contracts are secured not only in the banking and finance sector, which is our traditional forte but also from multinational corporations. The expanded customer base will boost our revenue.

The cost rationalisation measures have taken effects and begun to deliver enhanced cost and operational efficiency resulting in direct positive impact on our profitability.

With HIL and DBS Private Equity becoming new business shareholders, the Group enjoys new opportunities in new business arena. For example, the Group has begun to provide service support to Hutchison group's 3G initiatives. A major milestone in Hong Kong's telecommunications market, the launch of 3G will bring immense opportunities for Vanda in the area of system development and support. We are confident that Vanda will enjoy greater synergistic benefits from our new shareholders to broaden its business scope and horizon.

In January 2004, the Group proposed an acquisition of the entire issued share capital of Hutchison Global Communications Investments Limited ("HGC") and PowerCom Network Hong Kong Limited ("PowerCom") (the "Acquisition") which was approved by the independent shareholders at the special general meetings of the Company held on 5 March 2004. Upon the completion of the acquisition of HGC and PowerCom which is expected to take place before 13 March 2004, both businesses bringing in advanced broadband access technology, the enlarged Vanda group will be expected to benefit from the tremendous synergies resulted from the association. The enlarged group will be uniquely positioned as a next generation technology services provider in Hong Kong.

With the streamlined operation, increasing source of income, recovering economy, as well as synergies and enhanced cross-product compatibility resulted from the Acquisition, the Group is better equipped to add value for our customers by the delivery of premium and total information and communication technologies ("ICT") services, and to further capture the business opportunities in the ever evolving ICT industry.

Note of Thanks

I would like to take the opportunity to thank the Directors and our shareholders for their immense support and confidence in the management. I must also thank all staff members of the Group for their support in implementing the new business directions and their contribution to laying down the foundation for future growth.

Loh Tiak Koon
Chief Executive Officer

Hong Kong, 8 March 2004