

CEO

S T A T E M E N T

The year in review saw Vanda Group at an important stage of our strategy to focus resources towards strengthening our core businesses and bring costs in line with business level, thereby improving performance.

The initiatives undertaken have three pronged: First, focus on core business of systems integration and divest all non-core businesses. Second, merge the systems integration and software operations and lower selling and administration costs and third, strengthen operational disciplines in project delivery and working capital management.

OPERATIONAL & FINANCIAL PERFORMANCE REVIEW

The above specific, but inter-linked initiatives pave the way for efficient operations and formed the base for a cost competitive operating structure for year 2002/03 from which to improve our business performance.

These structural and operational changes have been implemented successfully last year and have brought immediate benefits. During the period under review, the Group reported satisfactory top-line performance with consolidated turnover of HK\$1,024,638,000, a drop of 7.1% as compared to the same period last year of HK\$1,103,086,000 in light of:

- Weak IT spending across Asia Pacific
- Disposal of non-core business
- A more selective approach in bidding projects to improve our profit margin and working capital management

Excluding other operating expenses, the Group achieved positive profit from operating activities of

HK\$12,768,000. Other operating expenses constitute of namely one time restructuring cost and investment impairment. The achievements in our operating profit were attributable to:

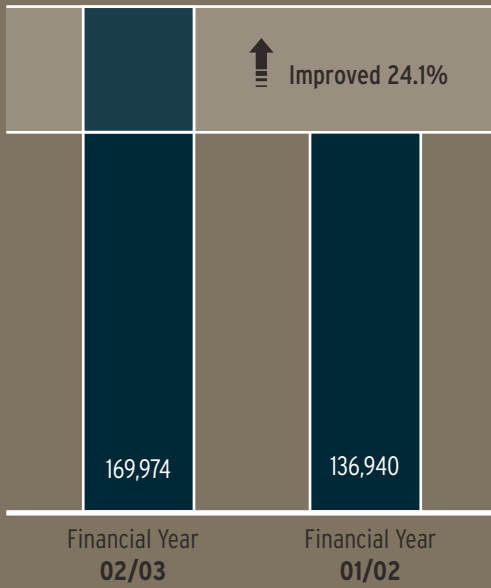
- A significant improvement in our gross profit by 24.1% to HK\$169,974,000.
- Gross margin was greatly improved by 4.2% to 16.6% as a result of our strategic measure to shift our offerings from hardware sales to more service provision and pursue higher margin business.
- Selling, general and administrative cost was reduced by 33.5%.
- Productivity in both revenue per head and gross profit per head improved significantly by 27.1% and 69.8% respectively as compared to the year 2001/02.

Group consolidated net loss from ordinary activities attributable to shareholders for the year 2002/03 was HK\$173,815,000. As part of the Group's continuous effort to evaluate our investments and assets, the Group has made a substantial non-cash provision on its non-core and non-performing investments and recorded a deficit on re-evaluation of its investment properties totaling HK\$141,720,000. We firmly believe that this is necessary in order for us to refocus on our core strength and will put the Group in a much stronger position to move forward.

The Group also successfully implemented stringent discipline on inventory and accounts receivable and working capital management. As a result, our accounts receivable turnover days were able to reduce by 10 days to 80 days, inventory turnover days improved by 17 days to 24 days and our cash flow position is positive.

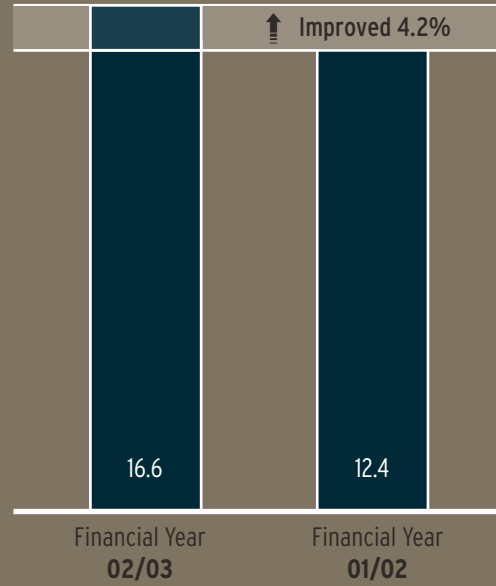
Gross Profit

HK\$'000



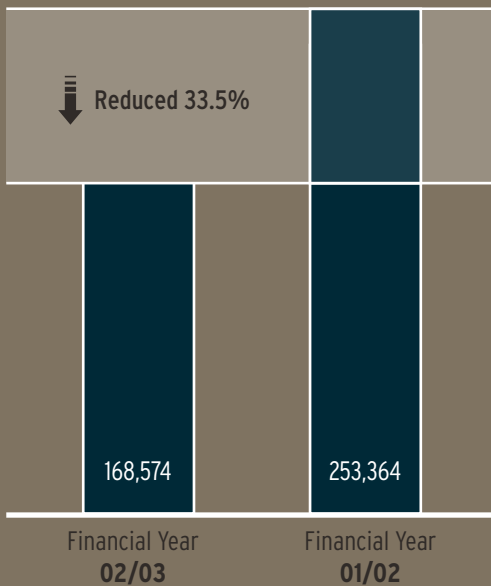
Gross Margin

Percentage



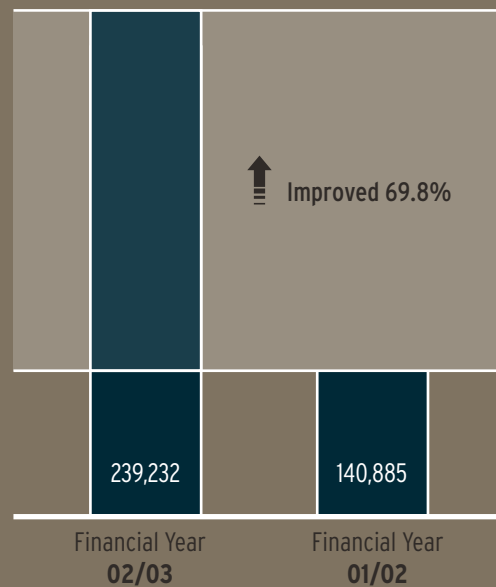
Selling, General & Administrative Expenses

HK\$'000



Gross Profit Per Head

HK\$



These figures reflect that our strategy in bringing our cost structure in line with business and optimizing operating costs and productivity have taken effect. These measures have since become an integral part of the Group operational discipline and will be given consistent implementation throughout.

PROSPECT

In the coming months, Vanda Group will be actively moving towards transformation.

For the new financial year, we believe that the macro business environment will remain difficult with moderate effect of the SARS epidemic in the region in the first half year. However, a likely world recovery should support better growth prospects for Asia as a whole.

Market data shows that there will be a shift of IT investment from hardware to applications and IT related services, especially in China, as customers buying preference have become more towards full solutions in order to extract greater value. This has reinforced our commitment in driving towards greater value creation, to become more customers focus, to transform into a solution based IT service provider in satisfying our customers' needs.

The Group believes that there is a strong demand in applications and related IT services in China and the region and will continue to focus on its core strength, especially in the banking and finance sector, to improve competencies and capture opportunities. With that in mind, moving ahead, the Group will devote much of its efforts in accelerating the transformation of the Group's revenue portfolio to higher value-add business.

The initiatives undertaken last year and the efforts on transformation provide us with the basis to be confident that we can reach our goals, which include being a high performance company and a dynamic organization with healthy financial returns. The current year will see the continuation of the programme to reduce costs and improve cash flow.

We firmly believe that only by driving deeper values in our offerings that the Group can be transformed and is able to achieve sustainable profitability. We will continue to expand our breadth and depth in our capabilities, pursue annuity and quality business and improve our profit margin.

With our commitment in our transformation and the strong continuing support from our stakeholders including Hutchison International Limited and DBS Private Equity, we are confident that the Group will emerge as an even stronger organization with improved business performance in the coming years.

NOTE OF THANKS

I would like to take this opportunity to thank the Board of Directors and our shareholders for their commitment and support. Members have been extremely generous with their time and advice in assisting to formulate the direction and policies of the Group. On behalf of Vanda, I would also like to take this opportunity to express my appreciation and thanks to all staff of the Group for their efforts during the year.

Loh Tiak Koon
Chief Executive Officer

Hong Kong, 23rd July, 2003