

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 period from 1 April 2003 to 31 December 2003 (the "Period").

Change of financial year end date

The Group changed its financial year end from 31 March to 31 December with effect from 17 December 2003. The current accounting period covers a period of nine months from 1 April 2003 to 31 December 2003.

Principal activities

The principal activities of the Company are investment holding and the provision of software services. 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. There were no significant changes in the nature of the Group's principal activities during the Period.

Results and dividends

The Group's loss for the Period and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 32 to 107.

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

Fixed assets and investment properties

Details of movements in the fixed assets of the Company and the Group and investment properties of the Group during the Period are set out in notes 15 and 16, respectively, to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the Period, together with the reasons therefor, are set out in notes 28 and 29, respectively, to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the Period are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively. As at 31 December 2003, the Company did not have any reserves available for cash distribution and/or distribution in specie (31 March 2003: Nil).

Convertible bonds

Details of the convertible bonds of the Company at the balance sheet date are set out in note 31 to the financial statements.

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Major customers and suppliers

In the Period under review, sales to the Group's five largest customers accounted for approximately 27% (year ended 31 March 2003: 34%) of the total sales for the Period and sales to the largest customer included therein accounted for approximately 10% (year ended 31 March 2003: 17%).

In the Period under review, the five largest suppliers accounted for approximately 70% (year ended 31 March 2003: 66%) of the Group's total purchases and the largest supplier of the Group accounted for approximately 59% (year ended 31 March 2003: 48%) of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Directors

The directors of the Company during the Period were:

Executive directors:

FOK Kin-ning, Canning (Chairman)	(Appointed on 3 September 2003)
LAI Kai Ming, Dominic (Deputy Chairman)	(Note 1)
CHOW WOO Mo Fong, Susan	(Appointed on 3 September 2003)
CHAN Wen Mee, May	(Note 2)
LAM Hon Nam	(Note 3)
LOH Tiak Koon	
MA Chun Kwong, Edmund	(Resigned on 3 September 2003) (Note 4)
WAI Yee Jan	(Resigned on 3 September 2003) (Note 5)
CHING Wan Kwan	(Resigned on 3 September 2003)

Non-executive directors:

Tuan LAM	
Stephen INGRAM	
YANG Paul Chunyao	(Note 6)
WONG Fan Voon	(alternate director to Tuan Lam and resigned on 16 July 2003)

Independent non-executive directors:

LAM Lee G.	
CHEONG Ying Chew, Henry	(Appointed on 23 April 2003)
WONG Kin Cheung, Francis	(Resigned on 23 April 2003)

Report of the Directors

Directors (continued)

Note 1: On 3 September 2003, Lai Kai Ming, Dominic was redesignated from non-executive director to executive director and was appointed as the Deputy Chairman of the Company and the alternate director to Fok Kin-ning, Canning. Lai Kai Ming, Dominic is also the alternate director to Chan Wen Mee, May.

Note 2: On 3 September 2003, Chan Wen Mee, May was redesignated from non-executive director to executive director and was appointed as the alternate director to Chow Woo Mo Fong, Susan. Chan Wan Mee, May is also the alternate director to Lai Kai Ming, Dominic.

Note 3: On 1 June, 2003, Lam Hon Nam ceased to be the alternative director of Ma Chun Kwong, Edmund. On 3 September, 2003, Lam Hon Nam resigned as the Chairman and President of the Company and remained as an executive director.

Note 4: On 1 June, 2003, Ma Chun Kwong, Edmund resigned as the Co-Chairman and an executive director of the Company and was appointed as the non-executive director of the Company. On 3 September 2003, Ma Chun Kwong, Edmund resigned as a director of the Company and ceased to be the alternative director of Lam Hon Nam.

Note 5: On 1 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. On 3 September 2003, Wai Yee Jan resigned as a director of the Company.

Note 6: Yang Paul Chunyao is the alternate director to Stephen Ingram. On 16 July 2003, Yang Paul Chunyao was also appointed as the alternative director to Tuan Lam.

In accordance with the Company's bye-laws, Lam Hon Nam will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting. Chow Woo Mo Fong, Susan and any directors appointed after the report date up to the next annual general meeting will hold office until the forthcoming annual general meeting and offer themselves for re-election.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 16 of the annual report.

Report of the Directors

Directors' interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2003, the interests and short positions of the directors in the equity or debt securities of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in the ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Approximate percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Lam Hon Nam	400,000	–	124,226,000 (i)	124,626,000	8.11

(i) The above 124,226,000 shares are held by Lam Ma & Wai Limited, a company incorporated in the British Virgin Islands, which is owned as to 45.94% by Mr. Lam Hon Nam as at 31 December 2003.

The interests of the directors in the share options of the Company are separately disclosed in note 29 to the financial statements.

Report of the Directors

Directors' interests and short positions in the securities of the Company and its associated corporations (continued)

(b) Long positions in the shares and underlying shares of the associated corporations

Name of associated corporation	Name of director	Number of non-voting deferred shares held	Approximate percentage of associated corporation's issued share capital
Vanda Computer & Equipment Company Limited@	Lam Hon Nam	918,800#	45.94
Vanda Instrument & Equipment Company Limited@	Lam Hon Nam	229,700#	45.94
Janeper Development Limited@	Lam Hon Nam	150,000#	50

@ All these associated corporations are subsidiaries of the Group.

All interests are directly beneficially owned by Mr. Lam Hon Nam.

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. Loh Tiak Koon also holds one ordinary share of Peso100 in Azure Technologies Phils., Inc. in trust for Vanda Systems (Singapore) Pte Ltd.

Save as disclosed above, as at 31 December 2003, none of the directors had interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Report of the Directors

Directors' rights to acquire shares or debentures

Save as disclosed in the share option scheme disclosures in note 29 to the financial statements, at no time during the Period 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 minor children, 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 scheme

Concerning the share options granted during the Period to directors and employees, as detailed in note 29 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options because the cost associated thereto outweighs the benefits of such information to the shareholders.

Directors' interests in contracts

Except as disclosed under the section "Directors service contracts" below and in note 4 to the financial statements, no director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

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

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

Report of the Directors

Substantial shareholders

As at 31 December 2003, so far as is known to the directors, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any subsidiary of the Company or had any options in respect of such capital:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Substantial shareholders:				
Hutchison International Limited ("HIL")	1	Beneficial owner	569,888,793	37.09
Hutchison Whampoa Limited ("HWL")	1	Interest of a controlled corporation	569,888,793	37.09
Cheung Kong (Holdings) Limited ("CKH")	2	Interest of controlled corporations	569,888,793	37.09
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	3	Trustee	569,888,793	37.09
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	4	Trustee and beneficiary of a trust	569,888,793	37.09
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	4	Trustee and beneficiary of a trust	569,888,793	37.09
Li Ka-shing ("Mr. Li")	5	Founder of discretionary trusts and interest of controlled corporations	569,888,793	37.09
DBS Bank Ltd.	6	Beneficial owner	394,883,333	25.70
DBS Group Holdings Limited	6	Interest of a controlled corporation	394,883,333	25.70
Other person:				
Lam Ma & Wai Limited	7	Beneficial owner	124,226,000	8.09

Report of the Directors

Substantial shareholders (continued)

Notes:

- (1) HIL is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL is deemed to be interested in the 569,888,793 Shares held by HIL.
- (2) Certain subsidiaries of CKH together hold one third or more of the issued share capital of HWL. By virtue of the above, CKH is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL as a substantial shareholder of the Company under the SFO.
- (3) TUT1, as trustee of The Li Ka-Shing Unity Trust (“UT1”), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one third or more of the voting power at their general meetings (“related companies”), hold more than one third of the issued share capital of CKH. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares of CKH, TUT1 as trustee of UT1 is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL as a substantial shareholder of the Company under the SFO.
- (4) Each of TDT1 as trustee of a discretionary trust (“DT1”) and TDT2 as trustee of another discretionary trust (“DT2”) holds units in UT1. By virtue of the above and its interest of holding units in UT1, each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL as a substantial shareholder of the Company under the SFO.
- (5) Mr. Li is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. Mr. Li is also interested in one third of the entire issued share capital of a company owning the entire issued share capital of TUT1, TDT1 and TDT2. By virtue of the above, Mr. Li is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by HIL as a substantial shareholder of the Company under the SFO.
- (6) DBS Bank Ltd. is a wholly owned subsidiary of DBS Group Holdings Limited.
- (7) Lam Ma & Wai Limited is owned as to 45.94% by Mr. Lam Hon Nam and 45.46% by Mr. Ma Chun Kwong, Edmund. By virtue of the above, each of Mr. Lam and Mr. Ma is taken to have a duty to disclose in relation to the interest in the relevant share capital of the Company held by Lam Ma & Wai Limited as a substantial shareholder of the Company under the SFO. Mr. Ma also holds as beneficial owner 100,000 shares in the Company and 1,800,000 share options convertible into ordinary shares of the Company. Each of Ms. Chan Yuk Mee (Mrs. Lam) and Ms. Wong Wai Ning (Mrs. Ma) is also taken to have a duty to disclose in relation to the interest in the relevant share capital of the Company held by Mr. Lam and Mr. Ma respectively under the SFO. Mrs. Ma also holds as beneficial owner 300,000 shares in the Company.

Save as disclosed above, the directors are not aware of any person, other than the director whose interests are set out in the section “Directors’ interests and short positions in the securities of the Company and its associated corporations” above, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any subsidiary of the Company or had any options in respect of such capital.

Report of the Directors

Directors' interests in competing business

During the Period and up to the date of this report, the directors of the Company have interests in companies the businesses of which compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Listing Rules, by virtue of their directorships in the following companies or a number (in excess of 100) of associated companies of the following companies or other companies in which the following companies have less than 20% shareholding interest, as a result of their nomination by the following companies to the board of such companies:

Name	Name of company	Nature of competing business
Fok Kin-ning, Canning	Hutchison Whampoa Limited Cheung Kong (Holdings) Limited Cheung Kong Infrastructure Holdings Limited	– distribution and sale of computer products – information technology and new technology – information technology and new technology
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited TOM Group Limited	– distribution and sale of computer products – information technology and new technology – systems integration, development of software and computer network systems
Lai Kai Ming, Dominic	Hutchison Whampoa Limited	– distribution and sale of computer products

Save as disclosed above, none of the directors is(was) interested in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company during the Period and up to the date of this report.

Directors' emoluments

Directors' emoluments for the Period, disclosed pursuant to Appendix 16 of the revised Listing Rules (with effect from 31 March 2004), are as follows:

Name	Fees HK\$'000	Salaries, allowances and benefits	MPF scheme	Total HK\$'000
		in kind HK\$'000	contributions HK\$'000	
Lam Hon Nam	–	1,521	76	1,597
Loh Tiak Koon	–	2,570	36	2,606
Ma Chun Kwong, Edmund	–	423	17	440
Wai Yee Jan	–	369	14	383
Ching Wan Kwan	–	837	31	868
Lam Lee G.	65	–	–	65
Cheong Ying Chew, Henry	65	–	–	65
	130	5,720	174	6,024

Save as disclosed above, none of the Directors received any other emoluments during the Period.

Report of the Directors

Directors' service contracts

Mr. Lam Hon Nam and Mr. Loh Tiak Koon have entered into service contracts with the Company which may be terminated by either party by notice with a period ranging from three to six months.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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 Period 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.

Disclosure under practice note 19 of the Listing Rules

On 19 September 2002, the Company, New Tech & Telecom Investment Limited ("NT&T"), an investee in which the Group holds a 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 19 September 2000 to 18 September 2006 and (ii) NT&T issued new convertible bonds to the Group, which also mature on 18 September 2006, to settle the interest payable to the Group of HK\$1,800,000 on 19 September 2002. The interest rate of the convertible bonds of NT&T is 4% per annum for the period from 19 September 2002 to 18 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 19 September 2004 to 18 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 31 December 2003, the outstanding convertible bonds issued by NT&T and held by the Group amounted to HK\$31,800,000 which were fully written off in the consolidated profit and loss account in the prior year.

Connected transactions

Details of connected transactions of the Group are set out in note 4 to the financial statements.

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

Report of the Directors

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange throughout the Period covered by the annual report, 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

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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

Loh Tiak Koon

Chief Executive Officer and Executive Director

Hong Kong

8 March 2004