

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Vanda Systems & Communications Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**VANDA GROUP**

**VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**PROPOSED REFRESHMENT OF SHARE OPTION SCHEME LIMIT,  
PROPOSED GENERAL MANDATE TO REPURCHASE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

---

A notice convening an annual general meeting of Vanda Systems & Communications Holdings Limited to be held at Units 625-676, 6/F, Hongkong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 12th September, 2002 at 10:30 a.m or any adjournment thereof to approve the matters referred to in this circular is set out on pages 9 to 12 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the head office of the Company at Units 625-676, 6/F, Hongkong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

Hong Kong, 25th July, 2002

---

# CONTENTS

---

*Page*

**Letter from the Board**

1. Introduction .....	1
2. Refreshment of the General Scheme Limit .....	2
3. General Mandate to Repurchase Shares .....	4
4. Responsibility Statement .....	7
5. Documents available for inspection .....	8
<b>Notice of Annual General Meeting .....</b>	<b>9</b>

---

## LETTER FROM THE BOARD

---



### VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

*Executive Directors:*

LAM Hon Nam *(Co-Chairman)*

*(Also as Alternate to Ma Chun  
Kwong, Edmund)*

MA Chun Kwong, Edmund *(Co-Chairman)*

*(Also as Alternate to Lam Hon Nam)*

WAI Yee Jan

CHING Wan Kwan

LOH Tiak Koon

*Non-executive Directors:*

LAI Kai Ming, Dominic

*(Also as Alternate to Chan Wen Mee, May)*

CHAN Wen Mee, May

*(Also as Alternate to Lai Kai Ming, Dominic)*

Tuan LAM

Stephen INGRAM

WONG Fan Voon

*(Alternate to Tuan Lam)*

YANG Paul Chunyao

*(Alternate to Stephen Ingram)*

*Independent Non-executive Directors:*

WONG Kin Cheung, Francis

LAM Lee G.

*Registered office:*

Clarendon House,  
Church Street,  
Hamilton HM 11,  
Bermuda

*Head office and principal place  
of business:*

Units 625-676, 6/F,  
Hong Kong International Trade &  
Exhibition Centre,  
1 Trademart Drive,  
Kowloon Bay,  
Kowloon,  
Hong Kong

25th July, 2002

*To the Shareholders (and, for information only,  
holders of the convertible bonds of the Company)*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF SHARE OPTION SCHEME LIMIT  
AND  
PROPOSED GENERAL MANDATE TO REPURCHASE SHARES**

**INTRODUCTION**

On 25th July, 2002, the board of directors (the “**Directors**”) of Vanda Systems & Communications Holdings Limited (the “**Company**”) announced the results for the financial

---

## LETTER FROM THE BOARD

---

year ended 31st March, 2002 and proposed to: (i) refresh the 10 per cent. limit in respect of the granting of share options under the share option scheme (the “**Share Option Scheme**”) adopted by the Company on 2nd April, 2002 (the “**Refreshment**”); and (ii) grant to the Directors a general mandate to repurchase shares of HK\$0.10 each in the capital of the Company (each a “**Share**”). This circular sets out the details of and reasons for the Refreshment, and serves as an explanatory statement required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) concerning the regulations of repurchases by companies of their own shares on the Stock Exchange and to provide shareholders of the Company (the “**Shareholders**”) with all the information reasonably necessary for them to make an informed decision in relation to the Refreshment and the share repurchase proposal.

### REFRESHMENT OF THE GENERAL SCHEME LIMIT

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed by the Shareholders in general meeting on 2nd April, 2002. Under the rules of the Share Option Scheme:

- (1) 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 Share Option Scheme and any other share option scheme must not in aggregate exceed 30 per cent. of the Shares in issue from time to time;
- (2) the total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme) to be granted under the Share Option Scheme and any other share option scheme must not in aggregate exceed 10 per cent. of the Shares in issue as at the date of approval of the Share Option Scheme (the “**General Scheme Limit**”); and
- (3) subject to (1) above and without prejudice to (4) below, the Company may seek approval of the Shareholders in general meeting to “refresh” the General Scheme Limit (a circular containing the information required by the Listing Rules to be dispatched to Shareholders for that purpose) provided that the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme must not exceed 10 per cent. of the Shares in issue as at the approval of “refreshed” limit and, for the purpose of calculating the “refreshed” limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme) previously granted under the Share Option Scheme and any other share option scheme will not be counted;

---

## LETTER FROM THE BOARD

---

- (4) subject to (1) above and without prejudice to (3) above, the Company may seek separate approval of the Shareholders in general meeting to grant options beyond the General Scheme Limit or, if applicable, the “refreshed” limit referred to in (3) above to participants specifically identified by the Company before such approval is sought.

Based on the number of Shares in issue on 2nd April, 2002, the General Scheme Limit was 42,097,719 Shares. As at 22nd July, 2002 being the latest practicable date prior to the printing of this circular (the “**Latest Practicable Date**”), 37,100,000 options have been granted under the Share Option Scheme, upon the exercise of which 37,100,000 Shares will be allotted and issued. These options were granted to eligible participants in recognition of their contribution to the Group. The Directors believe that unless the General Scheme Limit is “refreshed”, their ability to grant options to other eligible participants who contributes to the Group would be restricted.

If the General Scheme Limit is “refreshed”, on the basis of 421,607,199 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or repurchased by the Company prior to the forthcoming annual general meeting of the Company to be held at Units 625-676, 6/F, Hongkong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 12th September, 2002 at 10:30 a.m. (the “**AGM**”), the General Scheme Limit will re-set to 42,160,719 Shares and the Company will be allowed to grant further options under the Share Option Scheme and other share option schemes carrying the rights to subscribe for a maximum of 42,160,719 Shares. As at the Latest Practicable Date, the Company has not adopted any share option schemes other than the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in any Shares, representing 10 per cent. of the Shares in issue as at the AGM approving the “refreshed” General Scheme Limit, to be issued upon the exercise of the options granted under the “refreshed” General Scheme Limit.

An ordinary resolution, as special business, will be proposed at the AGM to approve the Refreshment in the terms as set out in Resolution no. 4(A) of the notice of AGM (the “**AGM Notice**”). In order that the Company could continue to grant options to selected participants as incentives or rewards for their contribution to the Company, the Directors recommend that Shareholders vote in favour of Resolution no. 4(A) of the AGM Notice at the AGM. Lam Ma & Wai Limited, a substantial shareholder of the Company, have indicated that they intend to vote in favour of Resolution no. 4 (A) of the AGM Notice to be proposed at the AGM in respect of their holdings of 136,494,800 Shares as at the Latest Practicable Date, representing approximately 32.4 per cent. interests in the Company.

---

## LETTER FROM THE BOARD

---

### GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will be proposed to grant to the Directors a general mandate in the terms set out in Resolution no. 4(B) of the AGM Notice (the “**Buyback Mandate**”), allowing the Company to repurchase its own shares up to a limit of 10 per cent. in aggregate of the Company’s issued share capital at the date of passing the resolution during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required by law to be held and the date upon which such authority is revoked or varied. This will allow the Company to repurchase its own shares, inter alia, on-market in accordance with the Listing Rules.

#### (1) Information on the Stock Exchange’s Listing Rules Relating to Share Repurchase

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

##### *(A) Shareholders’ Approval*

The Listing Rules provide that all on-market repurchases of shares on the Stock Exchange by a company with its primary listing on the Stock Exchange must be of fully paid-up shares and approved in advance by an ordinary resolution, either by way of general mandate or by specific resolution in relation to specific transactions.

##### *(B) Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Company’s Memorandum and Articles of Association and the applicable Laws of Bermuda.

#### (2) Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 421,607,199 Shares. On the basis that no further Shares are issued or repurchased prior to the date of the AGM, exercise in full of the proposed Buyback Mandate can accordingly result in up to 42,160,719 fully paid Shares being repurchased by the Company during the course of the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law and the date upon which such authority is revoked or varied.

---

## LETTER FROM THE BOARD

---

### **(3) Reasons for Repurchases**

The Directors believe that it is in the best interests of the Company and its Shareholders to seek a general authority from Shareholders to enable the Directors to repurchase Shares of the Company in the market. Such repurchases will only be made when the Directors consider that it will benefit the Company and its Shareholders in terms of enhanced net asset value per Share and/or improved earnings per Share.

### **(4) Funding of Repurchases**

Pursuant to the Buyback Mandate, repurchases would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for the purpose in accordance with all applicable laws of Bermuda and the Memorandum of Association and Bye-laws of the Company.

Based on the audited consolidated financial statements of the Company as at 31st March, 2002 (being the date to which the latest published audited financial statements of the Company have been made up), the Directors consider that the exercise in full of the Buyback Mandate to repurchase Shares might have a material adverse impact on the working capital position or gearing position of the Company as compared with its financial position as at 31st March, 2002. No repurchase would be made in circumstances that might have a material adverse impact on the working capital or gearing position of the Company unless the Directors consider that such repurchases are in the best interests of the Company notwithstanding such material adverse impact.

---

## LETTER FROM THE BOARD

---

### (5) Share Prices

The highest and lowest prices at which the Shares of the Company were traded on the Stock Exchange in each of the previous twelve months prior to the Latest Practicable Date were as follows:

	Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2001</b>		
July	1.460	1.000
August	1.260	1.860
September	0.920	0.500
October	1.060	0.730
November	1.140	0.890
December	1.200	0.860
<b>2002</b>		
January	1.040	0.900
February	1.050	0.870
March	0.980	0.870
April	0.930	0.810
May	1.030	0.870
June	0.900	0.730

### (6) Effect of Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")

As at the Latest Practicable Date, Lam Ma & Wai Limited was a substantial shareholder of the Company, holding 136,494,800 Shares, representing approximately 32.4 per cent. of the total issued capital of the Company. If as a result of full exercise of the repurchase mandate by the Company, Lam Ma & Wai Limited's interest in the Company will be increased to 36.0 per cent.. Such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, Lam Ma & Wai Limited and any group of holders of Shares acting in concert, could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. However, the Directors have no present intention to exercise the repurchase of Shares to an extent that would result in such takeover obligations.



---

## LETTER FROM THE BOARD

---

### **(7) Directors and Their Associates and Connected Persons**

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates as defined in the Listing Rules, have any present intention to sell any Shares to the Company or subsidiaries under the Buyback Mandate if the Buyback Mandate is approved by the Shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, if the Buyback Mandate is approved by the Shareholders.

### **(8) Undertaking of the Directors**

The Directors have undertaken to the Stock Exchange that they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

### **(9) Repurchases made by the Company**

The Company has not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

### **(10) Recommendation**

Lam Ma & Wai Limited have indicated that they intend to vote in favour of the resolution on the Buyback Mandate to be proposed at the AGM in respect of their holdings of 136,494,800 Shares as at the Latest Practicable Date, representing approximately 32.4 per cent. interests in the Company.

The Directors recommend the Buyback Mandate proposal to all Shareholders for their favourable consideration and urge them to vote in favour of Resolution no. 4(B) as set out in the AGM Notice at the forthcoming AGM.

## **RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

---

## LETTER FROM THE BOARD

---

### DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the Share Option Scheme is available for inspection at the head office and principal place of business of the Company at Units 625-676, 6/F, Hong Kong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong during normal business hours for a 14-day period immediately preceding the AGM to be held on 12th September, 2002.

Yours faithfully,  
**LAM Hon Nam**  
*Co-Chairman*

---

## NOTICE OF ANNUAL GENERAL MEETING

---



### VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Vanda Systems & Communications Holdings Limited will be held at Units 625-676, 6/F, Hongkong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 12th September, 2002 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as Ordinary Resolutions respectively:

#### ORDINARY RESOLUTIONS

1. To receive and consider the audited financial statements and the reports of the Directors and Auditors for the year ended 31st March, 2002;
2. To re-elect Directors of the Company and to authorise the board of Directors to fix the Directors' remuneration;
3. To re-appoint Ernst & Young as the auditors of the Company and to authorise the Directors to fix their remuneration; and
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:
  - (A) "THAT the maximum limit (the "**General Scheme Limit**") in respect of the granting of share options under the share option scheme adopted by the Company on 2nd April, 2002 (the "**Share Option Scheme**") be refreshed provided that the total number of shares of HK\$0.10 each in the capital of the Company (each a "**Share**") which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not exceed 10 per cent. of the Shares in issue as at the date of approval of the refreshed General Scheme Limit."
  - (B) "THAT
    - (i) the exercise by the Directors during the Relevant Period of all powers of the Company to purchase shares in the capital of the Company be and is hereby generally and unconditionally approved;

---

## NOTICE OF ANNUAL GENERAL MEETING

---

(ii) the respective aggregate amounts of shares which may be purchased on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange pursuant to paragraph (i) of this Resolution during the Relevant Period shall be no more than 10 per cent. of the aggregate nominal amount of the issued share capital at the date of passing of this Resolution;

(iii) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (c) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

(C) “**THAT**

- (i) subject to the limitation mentioned in paragraph (iii) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, which might require the exercise of such powers after the end of the Relevant Period;

---

## NOTICE OF ANNUAL GENERAL MEETING

---

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue, (b) the exercise of options granted under any share option scheme adopted by the Company from time to time, (c) any scrip dividend or similar scheme, and (d) the exercise of subscription or conversion under the terms of any warrants issued by the Company or any securities which can be converted into shares of the Company and from time to time outstanding, shall not exceed the aggregate of (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the Directors are so authorised by separate ordinary resolution of the Company) the nominal amount of share capital repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution) and the said approval shall be limited accordingly; and

(iv) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (c) the revocation or variation of the authority given by this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Company or by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

---

## NOTICE OF ANNUAL GENERAL MEETING

---

- (D) “**THAT** the Directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (i) of the Resolution set out as Resolution 4(C) in the Notice of this Meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (iii) of such Resolution.”

By Order of the Board  
**LAM Hon Nam**  
*Co-Chairman*

Hong Kong, 25th July, 2002

Notes :

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be lodged with the Company at Units 625-676, 6/F, Hongkong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.