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## **Vanda Systems & Communications Holdings Limited**

*(incorporated in Bermuda with limited liability)*

### **PROPOSED AMENDMENT TO THE CONVERSION PRICE AND CONVERSION OF CONVERTIBLE BONDS ISSUED BY THE COMPANY, APPLICATION FOR THE GRANTING OF WHITEWASH WAIVER(S) AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The Directors announce that on 23 July, 2003, the Company entered into two Amendment Agreements with Hutchison and DBS Private Equity respectively.

#### **THE AMENDMENT AGREEMENTS**

Pursuant to the Amendment Agreements, (a) the Company will, subject to and with effect from the Shareholders' approval being obtained at the SGM, agree to change the conversion price at which the Bonds are convertible into new Conversion Shares from HK\$0.85 per Share to the Amended Conversion Price; and (b) subject to the fulfilment or waiver of certain conditions contained therein, Hutchison and DBS Private Equity will convert the whole of the principal amount outstanding under their respective Bonds at the Amended Conversion Price; and the Company will allot and issue to Hutchison and DBS Private Equity respectively the new Conversion Shares upon conversion of the Bonds.

#### **IMPLICATIONS UNDER THE TAKEOVERS CODE**

Immediately after full conversion of the Bonds at the Amended Conversion Price, if assuming determined at HK\$0.30, the shareholdings of Hutchison and DBS Private Equity in the Company would be approximately 43.0% and 29.6% respectively of the issued share capital of the Company as enlarged by the issue and allotment of the new Conversion Shares. In the absence of the HIL Whitewash Waiver, Hutchison and its Concert Parties would be obliged under the Takeovers Code to make a mandatory general offer as required under the Takeovers Code for all the issued Shares not already owned or agreed to be allotted to them. An application will be made to the Executive for the HIL Whitewash Waiver which, if granted, would be subject to the approval of the Independent Shareholders on a vote taken by way of a poll. The Executive may or may not grant the HIL Whitewash Waiver.

If immediately after full conversion of the Bonds at the Amended Conversion Price, the shareholding of DBS Private Equity and its Concert Parties in the Company would be 30.0% or more of the issued share capital of the Company as enlarged by the issue and allotment of new Conversion Shares, DBS Private Equity and its Concert Parties would be obliged under the Takeovers Code to make a mandatory general offer as required under the Takeovers Code for all the issued Shares not already owned or agreed to be allotted to them. In such case, an application will be made to the Executive for the DBS Whitewash Waiver which, if granted, would be subject to the approval of the Independent Shareholders on a vote taken by way of a poll. The Executive may or may not grant the DBS Whitewash Waiver.

The proposed conversion of the Bond under each of the Amendment Agreements is conditional upon, amongst other things, the granting by the Executive of the HIL Whitewash Waiver or the DBS Whitewash Waiver (if required). If such Whitewash Waiver(s) is/are not granted by the Executive, the respective obligations of Hutchison and DBS Private Equity (as the case may be) under the Amendment Agreements to convert the whole of the principal amount outstanding under their respective Bonds at the Amended Conversion Price will lapse.

If the HIL Whitewash Waiver and the DBS Whitewash Waiver (if required) are approved by the Independent Shareholders and granted by the Executive, no general offer will be required to be made by Hutchison or DBS Private Equity and their respective Concert Parties upon full conversion of the HIL Bond and/or the DBS Bond (as the case may be).

#### **MAINTAINING THE LISTING OF THE COMPANY**

Immediately after the full conversion of the Bonds at the Amended Conversion Price, if assuming determined at HK\$0.30, the Shares held by the public will represent approximately 18.7% of the issued share capital of the Company as enlarged by the issue and allotment of the new Conversion Shares and will be below the public float requirement of not less than 25% of the issued share capital of the Company being held by the public under Rule 8.08(1) of the Listing Rules. Hutchison and DBS Private Equity have indicated to the Company their intention to maintain the listing of the Company on the Stock Exchange and that actions will be taken to restore the public float of the Shares to comply with the relevant requirements under the Listing Rules as soon as practicable after full conversion of the Bonds. Each of Hutchison, DBS Private Equity, the Directors and the proposed Directors to be nominated by Hutchison will undertake to the Stock Exchange that actions will be taken to restore the public float of the Shares to comply with the relevant requirements under the Listing Rules as soon as practicable after full conversion of the Bonds.

**If the Stock Exchange believes that a false market exists or may exist in the Shares or there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.**

**The Stock Exchange has further stated that, if the Company remains listed on the Stock Exchange, any asset disposal or acquisitions by the Group will be subject to the provisions of the Listing Rules. The Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to the Shareholders irrespective of the size of the proposed transactions. The Stock Exchange also has the power to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new applicant for listing and subject to the requirements for new listing applicants as set out in the Listing Rules.**

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY**

The Amendment Agreements are also conditional upon, amongst other things, the increase of the authorised share capital of the Company from HK\$200,000,000 to HK\$400,000,000 by the creation of an additional 2,000,000,000 Shares. Such condition is waivable by Hutchison or DBS Private Equity, if not fulfilled.

### **SGM**

Approvals are required from the Shareholders in relation to, amongst other things, the transactions contemplated under the Amendment Agreements, the Whitewash Waiver(s) and the proposed increase in the authorised share capital of the Company. The SGM will be convened as soon as possible to approve these matters.

A circular containing, amongst other things, information on the Amendment Agreements, the Whitewash Waiver(s) and the proposed increase in the authorised share capital of the Company, the recommendation of the Independent Board Committee in relation to the Whitewash Waiver(s), the letter of the independent financial adviser in relation to the terms of the Whitewash Waiver(s) and the notice of SGM, will be despatched to the holders of the Shares as soon as practicable.

### **SUSPENSION AND RESUMPTION OF TRADING**

The Shares have been suspended from trading on the Stock Exchange from 9:30 a.m. on 11 July, 2003 at the request of the Company. The Company has made an application to the Stock Exchange to resume trading of the Shares on the Stock Exchange from 9:30 a.m. on 24 July, 2003.

## **INTRODUCTION**

The Directors refer to the announcement of the Company dated 15 February, 2002, in which it was announced that the Company had entered into the Investor Agreements to issue to Hutchison and DBS Private Equity the HIL Bond and the DBS Bond in the principal amounts of HK\$197,966,637.98 and HK\$136,465,000 respectively.

The HIL Bond and the DBS Bond were issued to Hutchison and DBS Private Equity respectively, on 3 April, 2002.

## **AMENDMENT AGREEMENTS**

### **1. Principal terms**

The Directors are pleased to announce that the Amendment Agreements were entered into on 23 July, 2003.

Pursuant to the Amendment Agreements, (a) the Company will, subject to and with effect from the Shareholders' approval being obtained at the SGM, agree to change the conversion price at which the Bonds are convertible into new Conversion Shares from HK\$0.85 per Share to the Amended Conversion Price; and (b) subject to the fulfilment or waiver of the conditions contained therein, Hutchison and DBS Private Equity will convert the whole of the principal amount outstanding under their respective Bonds at the Amended Conversion Price; and the Company will allot and issue to Hutchison and DBS Private Equity respectively the new Conversion Shares upon conversion of the Bonds.

The Amendment Agreements also provide that the HIL Option and the DBS Option shall lapse and cease to be of any further effect upon allotment of the new Conversion Shares by the Company to Hutchison and DBS Private Equity respectively at the Amended Conversion Price pursuant to the conversion of the Bonds in full.

Hutchison and DBS Private Equity and their respective ultimate holding companies are independent third parties and are not connected with the Chairman, directors, any substantial shareholder or chief executive of the Company, any of its subsidiaries or their respective associates (all as defined under the Listing Rules) of the Company.

## **2. Conversion Price**

The Amended Conversion Price of HK\$0.30, or, if lower, the average closing price of each Share (rounded down to the nearest two decimal points) on the Stock Exchange for the ten (10) Stock Exchange trading days immediately following the date of this announcement is below HK\$0.30, (subject to adjustments in accordance with the terms of the Bonds), was determined after arm's length negotiations between the Company, Hutchison and DBS Private Equity. The Company will issue an announcement if the Amended Conversion Price is lower than HK\$0.30.

The Amended Conversion Price, if assuming determined at HK\$0.30 and no adjustment represents:

- (i) a discount of approximately 41.2 per cent. to the closing price of the Shares of HK\$0.51 as stated in the Stock Exchange's daily quotations sheet on 10 July, 2003, being the last trading day preceding the suspension in trading of the Shares; and
- (ii) a discount of approximately 29.6 per cent. to the average closing price of the Shares of HK\$0.426 as stated in the Stock Exchange's daily quotations sheet for the 10 consecutive trading days ended on 10 July, 2003 (inclusive).

As set out in the section headed "Reasons for the Amendment Agreements" below, the Company's audited results as at 31 March, 2003 shows a negative net asset value of approximately HK\$199 million. Therefore no comparison of the Amended Conversion Price to the Company's net asset value can be made.

Assuming that the entire aggregate principal amount of the Bonds of HK\$334,431,637.98 is converted at the Amended Conversion Price of HK\$0.30, (a) under the HIL Bond, a total of 659,888,793 new Shares will be issued, representing approximately 156.5% of the existing issued share capital of the Company and approximately 43.0% of the issued share capital of the Company as enlarged by the issue of the new Conversion Shares pursuant to the full conversion of the Bonds; and (b) under the DBS Bond, a total of 454,883,333 new Shares will be issued, representing approximately 107.9% of the existing issued share capital of the Company and approximately 29.6% of the issued share capital of the Company as enlarged by the issue of the new Conversion Shares pursuant to the full conversion of the Bonds.

## **3. Conditions to the Amendment Agreements**

Completion of each of the HIL Amendment Agreement and the DBS Amendment Agreement is conditional upon, amongst others, the following having taken place on or before the Long Stop Date:

- (a) if required, the Listing Committee of the Stock Exchange granting (either unconditionally or subject only to conditions to which the Company and Hutchison or DBS Private Equity (as the case may be) have no reasonable objection) listing of and permission to deal in the new Conversion Shares;
- (b) if required, the Bermuda Monetary Authority having approved the issue of the new Conversion Shares;
- (c) any other conditions as may be required under the Listing Rules and/or by the Stock Exchange;
- (d) all the conditions under the DBS Amendment Agreement (in the case of the HIL Amendment Agreement) or the HIL Amendment Agreement (in the case of the DBS Amendment Agreement) (other than such condition(s) relating to the fulfilment of all of the conditions of the subject Amendment Agreement) having been fulfilled or waived in accordance with the provisions thereof;
- (e) the passing of all necessary resolutions, on a poll where necessary, by the Shareholders (being, where required by the Stock Exchange or the Securities and Futures Commission, the Independent Shareholders) at the SGM approving:
  - (i) the transactions contemplated by the Amendment Agreement;
  - (ii) increasing the authorised share capital of the Company to HK\$400,000,000 comprising 4,000,000,000 Shares;
  - (iii) authorising the allotment and issue of the new Conversion Shares upon conversion of the relevant Bond in full at the Amended Conversion Price;
- (f) the effective variation of the Conversion Price to the Amended Conversion Price by the passing of the necessary resolution of the Shareholders at the SGM;
- (g) the HIL Whitewash Waiver (in the case of the HIL Amendment Agreement) or the DBS Whitewash Waiver (if so required, in the case of the DBS Amendment Agreement) having been obtained and not having been revoked or amended and, where the relevant Whitewash Waiver is subject to conditions, such conditions being reasonably acceptable to Hutchison (in the case of the HIL Amendment Agreement) or DBS Private Equity (in the case of the DBS Amendment Agreement) and, to the extent that any such conditions are required to be fulfilled before the relevant Whitewash Waiver becomes effective, they are so fulfilled;
- (h) the continued listing and trading of the Shares on the Stock Exchange, save for any temporary suspension and no notice being received from the relevant authority to the effect that the listing of the Shares on the Stock Exchange will be withdrawn (or conditions will be attached thereto except those Hutchison (in the case of the HIL Amendment Agreement) or DBS Private Equity (in the case of the DBS Amendment Agreement) shall reasonably accept) as a result of the Amendment Agreement;

- (i) if so required, all the consents, licences and other approvals necessary in connection with the implementation of the HIL Amendment Agreement or the DBS Amendment Agreement (as the case may be) having been obtained from appropriate governments, courts or other third parties on terms reasonably satisfactory to the Company, Hutchison (in the case of the HIL Amendment Agreement ) or DBS Private Equity (in the case of the DBS Amendment Agreement) and remaining in full force and effect;
- (j) certain warranties given by the Company on, amongst others, the financial condition, business and affairs of the Group remaining true and accurate in all material respects and not misleading in any material respect;
- (k) none of the undertakings given by the Company in respect of certain activities which shall not be undertaken by any member of the Group pending completion of the HIL Amendment Agreement or the DBS Amendment Agreement (as the case may be) having been breached; and
- (l) there being no occurrences of circumstances which, in the reasonable opinion of Hutchison or DBS Private Equity (as the case may be), will have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of the Group.

If the conditions are not fulfilled or waived as provided for in the respective Amendment Agreements on or before the Long Stop Date, the Amendment Agreements will be immediately terminated and none of the parties to the Amendment Agreements shall have any claim against the other in respect thereof (other than in respect of any prior breaches and without affecting the validity of any acts or steps done or taken).

#### **4. Completion**

Subject to and with effect from the Shareholders' approval being obtained at the SGM, the Company will agree to change the conversion price at which the Bonds are convertible into new Conversion Shares from HK\$0.85 per Share to the Amended Conversion Price.

Subject to all the conditions prescribed under the respective Amendment Agreements being satisfied (or, as the case may be, waived), on the third business day immediately after the date on which the last of such conditions is fulfilled (or, as the case may be, waived) or such other date as the Company and Hutchison or DBS Private Equity (as the case may be) may agree, Hutchison and DBS Private Equity will convert the whole of the principal amount outstanding under their respective Bonds at the Amended Conversion Price and the Company will allot and issue to Hutchison and DBS Private Equity the new Conversion Shares upon conversion of the Bonds at the Amended Conversion Price.

## CHANGES IN THE COMPANY'S SHAREHOLDING STRUCTURE UPON FULL CONVERSION OF THE BONDS AT THE AMENDED CONVERSION PRICE

The following table sets out the existing shareholding structure of the Company and the changes thereto as a result of the full conversion of the Bonds at the Amended Conversion Price, if assuming determined at HK\$0.30:

Name of Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the full conversion of the Bonds	
	Number of Shares	%	Number of Shares	%
The Controlling Shareholder ( <i>Note</i> ) Mr. Lam Hon Nam, Mr Ma Chun Kwong, Edmund, Mr Wai Yee Jan and their respective spouses	130,000,000	30.8%	130,000,000	8.5%
Other Directors	2,300,000	0.6%	2,300,000	0.1%
Hutchison	1,020,000	0.2%	1,020,000	0.1%
DBS Private Equity	Nil	Nil	659,888,793	43.0%
Public	Nil	Nil	454,883,333	29.6%
	288,287,199	68.4%	288,287,199	18.7%
<b>Total</b>	<b>421,607,199</b>	<b>100%</b>	<b>1,536,379,325</b>	<b>100%</b>

*Note:* The issued share capital of the Controlling Shareholder 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. Mr Lam Hon Nam is an executive Director, and each of Mr Ma Chun Kwong, Edmund and Mr Wai Yee Jan is a non-executive Director.

## REASONS FOR THE AMENDMENT AGREEMENTS

Reference is made to the preliminary announcement of today of the Company's audited results as at 31 March, 2003 showing a share capital of approximately HK\$42 million, total long-term debt of approximately HK\$338 million including convertible bonds of approximately HK\$334 million, and negative net asset value of approximately HK\$199 million. A conversion of the Bonds in full at the Amended Conversion Price will improve the Company's capital structure and enhance its financial flexibility. After the conversion of the Bonds in full, the Company will have no convertible debt outstanding, no significant long-term debt, a stronger capital base and a net asset value position of approximately HK\$135 million. With a much improved balance sheet, the Company expects to be in a strong position to capitalise on growth opportunities in the technology sector across Asia.

Immediately after full conversion of the Bonds at the Amended Conversion Price, if assuming determined at HK\$0.30, Hutchison and DBS Private Equity will become Shareholders holding approximately 43.0% and 29.6% respectively of the Company's issued share capital as enlarged by the issue and allotment of the new Conversion Shares. The Company expects to benefit from its relationships with these two Shareholders to expand its local as well as overseas business in particular in Asia. The Company's core business of providing systems integration and software development services will be of great synergistic value to Hutchison's 3G worldwide and much diversified group business. The Company believes that the acquisition of Shares by these Shareholders through the conversion of the Bonds will enhance the Company's revenue growth potential by strategically positioning the Company to capture the vast business opportunities which such Shareholders may present.

After arm's length negotiations between the Company, Hutchison and DBS Private Equity, the Amended Conversion Price was determined at which Hutchison and DBS Private Equity have agreed to convert the whole of the principal amount outstanding under their respective Bonds subject to fulfilment or waiver of the conditions as set out above.

## **TAKEOVERS CODE IMPLICATIONS**

Immediately after full conversion of the Bonds at the Amended Conversion Price, if assuming determined at HK\$0.30, the shareholdings of Hutchison and DBS Private Equity in the Company would be approximately 43.0% and 29.6% respectively of the issued share capital of the Company as enlarged by the issue and allotment of the new Conversion Shares. In the absence of the HIL Whitewash Waiver, Hutchison and its Concert Parties would be obliged under the Takeovers Code to make a mandatory general offer as required under the Takeovers Code for all the issued Shares not already owned or agreed to be allotted to them. An application will be made by the Company to the Executive for the HIL Whitewash Waiver which, if granted, would be subject to the approval of the Independent Shareholders on a vote taken by way of a poll. The Executive may or may not grant the HIL Whitewash Waiver.

If immediately after full conversion of the Bonds at the Amended Conversion Price, the shareholding of DBS Private Equity and its Concert Parties in the Company would be 30.0% or more of the issued share capital of the Company as enlarged by the issue and allotment of the new Conversion Shares, DBS Private Equity and its Concert Parties would be obliged under the Takeovers Code to make a mandatory general offer as required under the Takeovers Code for all the issued Shares not already owned or agreed to be allotted to them. In such case, an application will be made to the Executive for the DBS Whitewash Waiver which, if granted, would be subject to the approval of the Independent Shareholders on a vote taken by way of a poll. The Executive may or may not grant the DBS Whitewash Waiver.

The commitment of each of Hutchison and DBS Private Equity to convert the Bond at the Amended Conversion Price under its Amendment Agreement is conditional upon, amongst other things, the granting by the Executive of the HIL Whitewash Waiver or the DBS Whitewash Waiver (if required). If such Whitewash Waiver(s) is/are not granted by the Executive, the respective obligations of Hutchison and DBS Private Equity (as the case may be) under the Amendment Agreements to convert the whole of the principal amount outstanding under their respective Bonds at the Amended Conversion Price will lapse.

If the HIL Whitewash Waiver and the DBS Whitewash Waiver (if required) are approved by the Independent Shareholders and granted by the Executive, no general offer will be required to be made by Hutchison or DBS Private Equity (as the case may be) and their respective Concert Parties upon full conversion of the HIL Bond and/or the DBS Bond (as the case may be).

## **INTENTION ON THE GROUP**

### **1. Business**

Hutchison and DBS Private Equity have indicated to the Company that following full conversion of the Bonds, it is their intention that the Group will continue the existing business of systems integration of mid-range computers, software development and related services and distribution of computer products. Each of Hutchison and DBS Private Equity has further indicated to the Company that it does not have any intention to inject any of its assets into the Group or to dispose of any of the Group's assets.



## **2. Board of Directors**

The board of Directors currently consists of 11 Directors, comprising three executive Directors, six non-executive Directors and two independent non-executive Directors. Upon completion of the Amendment Agreements, Mr Ma Chun Kwong, Edmund, Mr Wai Yee Jan and Ms Ching Wan Kwan, three of the existing Directors, will resign, Hutchison will nominate Mr Canning Fok Kin-ning and Mrs Susan Chow Woo Mo Fong as additional Directors and DBS Private Equity will not nominate any additional Director.

### **MAINTAINING THE LISTING OF THE COMPANY**

Immediately after the full conversion of the Bonds at the Amended Conversion Price, if assuming determined at HK\$0.30, the shareholdings of Hutchison and DBS Private Equity in the Company would be approximately 43.0% and 29.6% respectively, and the Shares being held by them will not be considered as being held by the public. As shown in the table under the section headed “Changes in the Company’s shareholding structure upon full conversion of the Bonds at the Amended Conversion Price” above, the Shares being held by the public will represent approximately 18.7% of the issued share capital of the Company as enlarged by the issue and allotment of the new Conversion Shares and will be below the public float requirement of not less than 25% of the issued share capital of the Company being held by the public under Rule 8.08(1) of the Listing Rules.

Hutchison and DBS Private Equity have indicated to the Company their intention to maintain the listing of the Shares on the Stock Exchange and that actions will be taken to restore the public float of the Shares to comply with the relevant requirements under the Listing Rules as soon as practicable after full conversion of the Bonds. Each of Hutchison, DBS Private Equity, the Directors and the proposed Directors to be nominated by Hutchison will undertake to the Stock Exchange that actions will be taken to restore the public float of the Shares to comply with the relevant requirements under the Listing Rules as soon as practicable after full conversion of the Bonds.

**If the Stock Exchange believes that a false market exists or may exist in the Shares or there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.**

**The Stock Exchange has further stated that, if the Company remains listed on the Stock Exchange, any asset disposal or acquisitions by the Group will be subject to the provisions of the Listing Rules. The Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to the Shareholders irrespective of the size of the proposed transactions. The Stock Exchange also has the power to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new applicant for listing and subject to the requirements for new listing applicants as set out in the Listing Rules.**

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY**

Each of the Amendment Agreements is also conditional upon, amongst other things, the increase of the authorised share capital of the Company from HK\$200,000,000 to HK\$400,000,000 by the creation of an additional 2,000,000,000 Shares. Such condition is waivable by Hutchison or DBS Private Equity (as the case may be) under the terms of the respective Amendment Agreements, if not fulfilled.

The Directors consider that the proposed increase in the authorised share capital is in the interests of the Company as it will provide flexibility and assist in the future development of the Group. The Directors have no intention to issue any part of its share capital other than the new Conversion Shares to be issued upon exercise of the Bonds in full pursuant to the Amendment Agreements and the Shares to be issued upon exercise of the options granted or to be granted under the Company's share option scheme.

## **SGM**

Approvals are required from Shareholders in relation to, amongst other things, the transactions contemplated by the Amendment Agreements and the proposed increase in the authorised share capital of the Company. Approval is required from Independent Shareholders in relation to the Whitewash Waiver(s). The SGM will be convened as soon as possible to approve these matters.

A circular containing, amongst other things, information on the Amendment Agreements, the Whitewash Waiver(s), the proposed increase in the authorised share capital of the Company, the recommendation of the Independent Board Committee in relation to the Whitewash Waiver(s), the letter of the independent financial adviser in relation to the terms of the Whitewash Waiver(s) and the notice of SGM, will be despatched to the holders of the Shares as soon as practicable.

Somerley Limited, an independent financial adviser, has been appointed to advise the Independent Board Committee whether the terms of the Whitewash Waiver(s) are fair and reasonable so far as the Independent Shareholders are concerned.

## **GENERAL**

Both Hutchison and DBS Private Equity are independent of the Chairman, directors, chief executive or substantial shareholder of the Company, any of its subsidiaries or their respective associates (as defined under the Listing Rules).

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Conversion Shares to be issued upon exercise of the Bonds at the Amended Conversion Price.

## **SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES**

The trading of the Shares has been suspended on the Stock Exchange from 9:30 am on 11 July, 2003 at the request of the Company. The Company has made an application to the Stock Exchange to resume trading of the Shares on the Stock Exchange from 9:30 am on 24 July, 2003.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Adjustment Price” the average closing price of one Share (rounded down to the nearest two decimal points) on the Stock Exchange for the ten (10) Stock Exchange trading days immediately after the date of this announcement;

“Amended Conversion Price”	HK\$0.30 per Share or, if lower, the Adjustment Price, (subject to adjustments in accordance with the terms and conditions of the Bonds)
“Amendment Agreements”	the HIL Amendment Agreement and the DBS Amendment Agreement and “Amendment Agreement” means any of them
“Bonds”	the HIL Bond and the DBS Bond and “Bond” means any of them
“Bondholder(s)”	the person(s) who is/are for the time being the registered holder(s) of the Bond(s)
“Company”	Vanda Systems & Communications Holdings Limited, the shares of which are listed on the Stock Exchange
“Concert Parties”	of a person means parties acting in concert with that person as defined in the Takeovers Code
“Controlling Shareholder”	Lam Ma & Wai Limited, holder of approximately 30.8% of the existing issued share capital of the Company
“Conversion Shares”	the Shares to be issued by the Company upon exercise by any of the Bondholders of its conversion rights under the Bonds
“DBS Agreement”	the agreement in respect of the issue of the DBS Bond and the grant of the DBS Option between the Company and DBS Private Equity dated 15 February, 2002
“DBS Amendment Agreement”	the agreement dated 23 July, 2003 between the Company and DBS Private Equity in relation to the proposed amendments to the terms of the DBS Bond
“DBS Bond”	the convertible bond in the principal sum of HK\$136,465,000 issued by the Company to DBS Private Equity on 3 April, 2002 pursuant to the DBS Agreement
“DBS Option”	the option granted to DBS Private Equity to subscribe for 42,097,719 Shares to be issued by the Company pursuant to the DBS Agreement
“DBS Private Equity”	DBS Nominees Private Limited, which holds the DBS Bond for the venture capital and private equity unit of DBS Bank Ltd. Each of DBS Bank Ltd. and DBS Nominees Private Limited is a company incorporated in Singapore and a wholly-owned subsidiary of DBS Group Holdings Ltd, a company whose securities are listed on the Stock Exchange of Singapore

“DBS Whitewash Waiver”	(in the event that the shareholding of DBS Private Equity and its Concert Parties in the Company would be 30.0% or more of the issued share capital of the Company after full conversion of the DBS Bond and, if Hutchison is one such Concert Party, the HIL Bond at the Amended Conversion Price), a waiver to be granted by the Executive pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code in relation to the obligation to make a mandatory general offer of Shares not already held or agreed to be allotted to DBS Private Equity and its Concert Parties as a result of the issue of the new Conversion Shares upon full conversion of the DBS Bond and, if Hutchison is one such Concert Party, the HIL Bond
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HIL Agreement”	the agreement in respect of the issue of the HIL Bond and the grant of the HIL Option between the Company and Hutchison dated 15 February, 2002
“HIL Amendment Agreement”	the agreement dated 23 July, 2003 between the Company and Hutchison in relation to the proposed amendments to the terms of the HIL Bond
“HIL Bond”	the convertible bond in the principal sum of HK\$197,966,637.98 issued by the Company to Hutchison on 3 April, 2002 pursuant to the HIL Agreement
“HIL Option”	the option granted to Hutchison to subscribe for 42,097,719 Shares to be issued by the Company pursuant to the HIL Agreement
“HIL Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code in relation to the obligation to make a mandatory general offer of Shares not already held or agreed to be allotted to Hutchison and its Concert Parties as a result of the issue of the new Conversion Shares upon full conversion of the HIL Bond and, if DBS Private Equity is one such Concert Party, the DBS Bond
“Hutchison”	Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, a company whose securities are listed on the Stock Exchange

“Independent Board Committee”	an independent committee of the board of Directors comprising Mr Lee G Lam and Mr Henry Cheong Ying Chew, both being independent non-executive Directors, appointed to consider and make recommendations to the Independent Shareholders in relation to the terms of the Whitewash Waiver(s)
“Independent Shareholders”	Shareholders who are not involved in, or interested in, the transactions contemplated under the Amendment Agreements including but not limited to conversion of the Bonds
“Investor Agreements”	the HIL Agreement and the DBS Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September, 2003 or such later date as may be agreed between the respective parties to the respective Amendment Agreements in writing from time to time
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, amongst other things, the transactions contemplated by the Amendment Agreements, the Whitewash Waiver(s) and the proposed increase in the authorised share capital of the Company
“Share(s)”	shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver(s)”	the HIL Whitewash Waiver and/or the DBS Whitewash Waiver (as the case may be)

By order of the Board  
**LAM Hon Nam**  
*Chairman*

Hong Kong, 23 July, 2003

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

“Please also refer to the published version of this announcement in The Standard”