



VANDA GROUP

## Vanda Systems & Communications Holdings Limited

(incorporated in Bermuda with limited liability)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2003

#### FINAL RESULTS

The Board of Directors (the “Directors”) of Vanda Systems & Communications Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2003 together with the comparative figures for the previous year as follows:

	<i>Notes</i>	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover		<b>1,024,638</b>	1,103,086
Cost of sales		<b>(854,664)</b>	(966,146)
Gross profit		<b>169,974</b>	136,940
Other revenue and gains		<b>11,368</b>	28,247
Selling and distribution costs		<b>(29,555)</b>	(52,191)
Administrative expenses		<b>(139,019)</b>	(201,173)
Other operating expenses:			
Loss on disposal/write off of fixed assets		<b>(987)</b>	(14,488)
Provisions for and write off of bad and doubtful debts		<b>(9,197)</b>	(26,425)
Unrealised holding losses on other investments		<b>(57,202)</b>	(1,091)
Impairment of long term investments		<b>(76,361)</b>	–
Revaluation deficit of investment properties		<b>(8,157)</b>	(2,630)
Surrender fee paid for termination of tenancy agreement		<b>(3,469)</b>	–
Loss on disposal of subsidiaries		<b>(4,690)</b>	–
Gain on disposal of discontinued operations	5	<b>2,747</b>	–
Loss on disposal of an associate		<b>(314)</b>	–
Compensation for loss of office to directors		<b>(2,691)</b>	–
Redundancy costs		<b>(1,848)</b>	(4,815)
Provisions for impairment of deferred development costs		–	(4,330)
Amortisation of goodwill on acquisition of subsidiaries		–	(2,508)
Impairment of goodwill on acquisition of subsidiaries		–	(9,533)
Provision for loss on put option		–	(10,000)
Other expenses		<b>(51)</b>	(980)
Loss from operating activities	1	<b>(149,452)</b>	(164,977)
Finance costs		<b>(18,757)</b>	(28,860)
Share of profits and losses of associates		<b>417</b>	(1,163)
Amortisation of goodwill on acquisition of associates		–	(107)
Impairment of goodwill on acquisition of associates		–	(1,179)
Loss before tax			
Continuing operations		<b>(169,889)</b>	(190,884)
Discontinued operations	5	<b>2,097</b>	(5,402)
		<b>(167,792)</b>	(196,286)
Tax	2	<b>(4,713)</b>	(23)

Loss before minority interests		(172,505)	(196,309)
Minority interests		<u>(1,310)</u>	<u>5,240</u>
Net loss from ordinary activities attributable to shareholders		<u><u>(173,815)</u></u>	<u><u>(191,069)</u></u>
Loss per share	3		
Basic		<u><u>(41.2 cents)</u></u>	<u><u>(45.5 cents)</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

## CONSOLIDATED BALANCE SHEET

At 31st March, 2003

	2003	2002
	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>		
Fixed assets	54,858	93,656
Investment properties	30,300	11,990
Interests in associates	3,524	3,107
Long term investments	3,700	80,061
Other investments	3,511	59,038
	<u>95,893</u>	<u>247,852</u>
<b>CURRENT ASSETS</b>		
Accounts receivable	270,300	180,752
Inventories	39,847	71,092
Tax recoverable	3	155
Prepayments, deposits and other receivables	28,983	27,131
Pledged bank deposits	62,112	52,437
Cash and cash equivalents	108,160	116,821
	<u>509,405</u>	<u>448,388</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	171,736	152,142
Provisions for product warranty costs, redundancy costs and loss on put option	22,697	10,555
Deposits received, accruals and other payables	167,741	127,916
Tax payable	3,242	2,100
Finance lease payables	36	69
Interest-bearing bank loans, overdrafts and supplier loans	88,254	125,077
Convertible bonds	–	79,187
	<u>453,706</u>	<u>497,046</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<u><b>55,699</b></u>	<u><b>(48,658)</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>151,592</b>	199,194
<b>NON-CURRENT LIABILITIES</b>		
Provisions for product warranty costs and loss on put option	(1,690)	(16,699)
Finance lease payables	(159)	(49)
Interest-bearing bank loans, overdrafts and supplier loans	(3,449)	(5,331)
Deferred tax	(261)	(87)
	<u><b>(5,559)</b></u>	<u><b>(22,166)</b></u>

	<b><u>146,033</u></b>	<b><u>177,028</u></b>
<b>CAPITAL AND RESERVES</b>		
Issued capital	<b>42,161</b>	42,098
Reserves	<b>(241,534)</b>	(72,736)
	<b>(199,373)</b>	(30,638)
<b>MINORITY INTERESTS</b>	<b><u>10,974</u></b>	<u>9,700</u>
	<b>(188,399)</b>	(20,938)
<b>CONVERTIBLE BONDS</b>	<b><u>334,432</u></b>	<u>197,966</u>
	<b><u>146,033</u></b>	<b><u>177,028</u></b>

Notes:

**1. Loss from operating activities**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
This is arrived at after (charging) and crediting:		
Interest income	2,944	7,708
Dividend income from listed investments	–	54
Gain on disposal of subsidiaries	–	7,339
Gain on disposal of an associate	–	561
Loss on disposal of other investments	(51)	(61)
Impairment of interest in an associate	–	(237)
Loss on deemed disposal of partial interests in subsidiaries	–	(682)
Cost of inventories sold	(826,889)	(929,891)
Depreciation	<b><u>(12,871)</u></b>	<b><u>(20,027)</u></b>

**2. Tax**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Current year provision:		
Hong Kong	150	–
Outside Hong Kong	<b><u>2,959</u></b>	<u>1,683</u>
	<b><u>3,109</u></b>	<u>1,683</u>
Prior year under/(over) provision:		
Hong Kong	4	(4)
Outside Hong Kong	<b><u>1,426</u></b>	<u>165</u>
	<b><u>1,430</u></b>	<u>161</u>
Deferred tax	<b><u>174</u></b>	<u>(1,821)</u>
Tax charge for the year	<b><u>4,713</u></b>	<b><u>23</u></b>

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax was made because the Group had no assessable profits arising in Hong Kong.

Tax on profits of the Group operating outside Hong Kong is calculated at rates prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

### 3. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$173,815,000 (2002: HK\$191,069,000), and the weighted average of 421,535,000 (2002: 420,214,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31st March, 2003 and 2002 have not been disclosed, as the potential ordinary shares of the Group outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

### 4. Segmental information

An analysis of the Group's turnover and operating profit/(loss) by geographical segments and business segments, respectively, is as follows:

*By geographical segments:*

	Hong Kong and Macau		Mainland China		South Asia		Corporate and unallocated		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:										
Sales to external customers	170,172	163,272	414,954	526,673	439,512	413,141	-	-	1,024,638	1,103,086
Other revenue	937	1,700	2,057	7,870	5,050	541	380	2,600	8,424	12,711
<b>Total</b>	<b>171,109</b>	<b>164,972</b>	<b>417,011</b>	<b>534,543</b>	<b>444,562</b>	<b>413,682</b>	<b>380</b>	<b>2,600</b>	<b>1,033,062</b>	<b>1,115,797</b>
Segment results	8,438	(42,835)	(9,308)	(29,918)	23,706	(42,589)	(39,361)	(41,060)	(16,525)	(156,402)
Dividend income, unallocated interest and other gains									2,944	8,198
Gain/(loss) on disposal of subsidiaries	246	-					(4,936)	7,339	(4,690)	7,339
Gain on disposal of discontinued operations	2,747	-							2,747	-
Loss on disposal of other investments					(51)	-	-	(61)	(51)	(61)
Impairment of long term investments							(76,361)	-	(76,361)	-
Unrealised holding losses on other investments							(57,202)	(1,091)	(57,202)	(1,091)
Impairment of interest in an associate			-	(237)					-	(237)
Amortisation of goodwill on acquisition of subsidiaries	-	(2,508)							-	(2,508)
Impairment of goodwill on acquisition of subsidiaries	-	(9,533)							-	(9,533)
Provision for loss on put option	-	(10,000)							-	(10,000)
Loss on disposal of an associate	(314)	-							(314)	-
Loss on deemed disposal of partial interests in subsidiaries							-	(682)	-	(682)
<b>Loss from operating activities</b>									<b>(149,452)</b>	<b>(164,977)</b>
Finance costs									(18,757)	(28,860)
Share of profits and losses of associates			417	(1,163)					417	(1,163)
Amortisation of goodwill on acquisition of associates	-	(107)							-	(107)
Impairment of goodwill on acquisition of associates	-	(1,179)							-	(1,179)
<b>Loss before tax</b>									<b>(167,792)</b>	<b>(196,286)</b>
Tax									(4,713)	(23)
<b>Loss before minority interests</b>									<b>(172,505)</b>	<b>(196,309)</b>
Minority interests									(1,310)	5,240

Net loss from ordinary activities  
attributable to shareholders

(173,815) (191,069)

By business segments:

	Systems integration and software services		Distribution of computer products		(Discontinued operations-note 5) e-business		Corporate and unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>670,186</u>	<u>784,186</u>	<u>354,284</u>	<u>301,719</u>	<u>168</u>	<u>17,181</u>	<u>-</u>	<u>-</u>	<u>1,024,638</u>	<u>1,103,086</u>
Segment results	<u>8,281</u>	<u>(76,958)</u>	<u>21,666</u>	<u>(31,280)</u>	<u>(336)</u>	<u>(2,346)</u>	<u>(46,136)</u>	<u>(45,818)</u>	<u>(16,525)</u>	<u>(156,402)</u>

## 5. Discontinued operations

On 29th April, 2002, the Group disposed of its 75.1% equity interest in DigiLogistics.com Ltd. ("DigiLogistics") which was a 95% owned subsidiary of the Group prior to the disposal. The Group's business of sub-licensing web-based logistics software (the "e-business") in Hong Kong was conducted through DigiLogistics. The disposal was made following the Group's strategy to divest from its non-core businesses. The disposal was completed on 29th April, 2002 and since then DigiLogistics ceased to be a subsidiary of the Group. The results of DigiLogistics were consolidated into the Group's financial statements up to the date of disposal.

## 6. Share capital

During the year, 630,000 ordinary shares of HK\$0.10 each were issued pursuant to the exercise of the Company's share options by the holders at various exercise prices with total proceeds received of HK\$413,800.

## 7. Contingent liabilities

	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in connection with		
bank guarantees issued by banks for the Group	<u>25,842</u>	<u>16,907</u>

At the balance sheet date, the facilities of HK\$25,842,000 (2002: HK\$16,907,000) in respect of bank guarantees had been utilised by the Group.

## 8. Capital commitment

The Group had no significant capital commitments as at 31st March, 2003 (2002: Nil).

## 9. Pledge of assets

As at 31st March, 2003, certain leasehold land and buildings with a net book value of HK\$19,386,000 (2002: HK\$46,994,000), certain investment properties with carrying values of HK\$26,000,000 (2002: HK\$7,500,000) and certain bank deposits of HK\$62,112,000 (2002: HK\$52,437,000) were pledged to banks as security for banking facilities granted to the Group.

## 10. Comparative amounts

Certain items included under other operating expenses are either significant to this year's consolidated profit and loss account or of a unique one-off nature. Accordingly the Directors consider it more appropriate to disclose these items by separate line disclosure on the face of the consolidated profit and loss account and the comparative amounts have been reclassified to conform with the current year's presentation.

## 11. Approval of the audited financial statements

The audited financial statements were approved and authorized for issue by the Board of Directors on 23rd July, 2003.

## **DIVIDEND**

No interim dividend was paid during the year (2002: Nil) and the Directors do not recommend the payment of any final dividend in respect of the year ended 31st March, 2003 (2002: Nil).

## **OPERATIONAL AND FINANCIAL PERFORMANCE REVIEW**

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.

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.

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.

## BUSINESS REVIEW

### Systems Integration and Software Services

The turnover from systems integration and software services business has recorded a decline of 14.5% year on year to HK\$670,186,000 accounting for 65.4% of the Group's total turnover. The systems integration and software services business recorded a segment profit of HK\$8,281,000. (2002: segment loss of HK\$76,958,000).

The drop in turnover can be attributed to numerous factors including the overall difficult business environment in Asia and a slower IT spending in the PRC, our disposal of non-core companies including Janko Electornics (Beijing) Co., Ltd., plus our proactive approach in upholding a stringent inventory and account receivable discipline and focusing on obtaining higher margin business.

During the year, we see increasing demand in applications solutions and services for maintenance, storage and high security. In line with the Group's strategy in transforming from a traditional systems integrator to a solution based IT service provider, the Group has been actively enhancing its software and applications capabilities and offering value-add services to our clients. As a result, significant income growth in service revenue has been made during the period and gross profit margin was greatly improved when compared with the corresponding period.

In Mainland China, during the period under review, the Group has successfully secured numerous sizeable contracts from both new and repeated customers. They included the People's Bank of China Headquarters Payment System and Network Revamping Project, Agricultural Bank of China Headquarters National Backbone Network Project, Industrial and Commercial Bank of China Shanxi Branch ATM Project, China Construction Bank Pledge Assets Management Information System, China Foreign Exchange Trade Centre, and China Government Securities Depository Trust & Clearing Co., Ltd.

As for our software business, apart from further upgrading our proprietary banking solutions "VisionBanking Suite", the Group has successfully launched several new solutions to tap the fast growing non-banking market. These solutions included "Vision TAIS" for taxation, "Vision PSM" for the energy sector and "Vision HIS" for hospital management.

Furthermore, to cope with the increasing demand of data storage and information security, the Group also launched customized and advanced storage solutions as well as high quality security services. Our customized, advanced solutions comprise of data backup and recovery solution, disaster recovery solution, SAN storage solution, and network storage solution service.

In Hong Kong, Macau and Southeast Asia, against sluggish business environment in the region, the Group was able to achieve moderate growth in revenue and profit. The operations were able to secure notable names and reputed clients. They included Agricultural Bank of China Hong Kong Branch, Monetary Authority of Macau, ABN Amro Asia Pacific Pte Ltd of Singapore and Kumpulan Wang Simpanan Pekerja of Malaysia.

During the period under review, the Group forged strategic partnerships with various global IT franchisers to enhance its competitiveness in providing a wider spectrum and high value products and solutions for our customers. New partners acquired included NCR, Wincor Nixdorf GmbH & Co., Odysys Science & Technology Ltd. and StorageTek. Furthermore, the Group also set up its own "Total Storage Solution Centres" in Hong Kong, Singapore and the Philippines to deliver one-stop services for storage hardware, software solutions, and consulting services and offer customers test driving IBM's latest products.

We are proud to report that Vanda China was awarded by IBM as the "Top Industry Solutions Provider" 2002. The award recognized the Group's achievement and contribution in creating and developing solutions and applications in China. During the year under review, Vanda China has developed a total of 17 software solutions. The operation has provided solutions and systems software services for various finance organizations including China Development Bank, Rural Credit Cooperative Union in Zhanjing and Zhaoqing, Dalian Housing Provident Fund Management Centre, Changchun Power Supply Company and Tianjin Local Taxation Bureau.

The achievement of Vanda Group was further reflected by winning numerous awards outside China including "RSA Top Achiever 2002", "Singapore 1000 Companies" in Singapore and "IBM Top Contributor for iSeries products" in Hong Kong.

## **Mid-range Computer Systems Distribution in South Asia**

The Group's distribution arm, Azure Technologies with operations in Singapore, Malaysia and the Philippines has achieved solid growth in revenue during the reporting period. Its aggregated turnover was amounted to HK\$354,284,000 representing 34.6% of the Group's total turnover, an increase of approximately 17.4% as compared to the same period last year. The distribution business recorded a segment profit of HK\$21,666,000. (2002: segment loss of HK\$31,280,000).

Over the years, Azure Technologies in the Asean region has established a strong position as a reseller and is IBM top partner. In addition to distributing powerful high-end computer systems, Azure Technologies has been actively expanding the breadth and depth of its business by forming partnership alliances with the world's leading IT vendors to provide technologies and value-add services to our clients. Last year, we have added ARCAD, ePLDT and VMWare on the list.

During the year, Azure Technologies has successfully secured numerous contracts from reputable organizations by providing hardware, solutions, consultancy, implementation, server migration and consolidation and system upgrading services. These contracts were awarded by enterprises including Danone Asia Pte Ltd and Sony in Singapore, Bank Pertanian Malaysia Berhad and Kumpulan Wang Simpanan Pekerja in Malaysia, Super Value, Inc. and Government Service Insurance System in the Philippines.

Azure Technologies has also scooped an impressive number of awards for its growing business and outstanding achievements in the region during the period. The company has received 10 IBM awards in Singapore. They included the Overall Top Performing Business Partner for 2002, Top IBM Business Partner 2002-pSeries Server, Storage and Software, Significant Contributor Award 2002-iSeries Server. In Malaysia and the Philippines, Azure Technologies was awarded the IBM Platinum Club Award 2002 and Distributor of the Year for pSeries and Storage products respectively.

## **LIQUIDITY AND CAPITAL RESOURCES**

On 3rd April, 2002, the Company issued convertible bonds bearing interest at 4% per annum maturing on 3rd April, 2005 to Hutchison International Limited and DBS Nominees Private Limited in the principal amounts of HK\$197,966,638 ("2005 HIL Bond") and HK\$136,465,000 ("FI Bond") respectively. The consideration for the issue of the 2005 HIL Bond was settled by the surrender of the bond of the same amount maturing on 8th April, 2002. The consideration for the issue of the FI Bond was settled by cash of which HK\$78 million was used for the repayment of the bond issued to an independent third party of HK\$79,186,656 matured on 8th April, 2002 ("I3P Bond") and the balance of HK\$58 million was used for working capital of the Group. The I3P Bond was fully settled on 8th April, 2002.

As at 31st March, 2003, the Group's total bank balances and bank deposits (including pledged bank deposits) amounted to HK\$170 million (31st March, 2002: HK\$169 million) and the Group's interest-bearing bank and other borrowings (excluding convertible bonds) was HK\$92 million (31st March, 2002: HK\$131 million). HK\$88 million of the amounts of the interest-bearing bank and other borrowings were repayable within one year and the remaining portion were repayable within a period of 2 to 5 years. Gearing ratio has not been shown as the Group recorded a net deficiency in assets position.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group employed a total of approximately 616 employees as at 31st March, 2003 (31st March, 2002: 805 employees). Pay rates for employees are maintained at competitive level, salary and bonuses are rewarded on a performance related basis. Other staff benefits include a medical scheme, provident fund and share option schemes.

## **PROSPECTS**

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.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year.

#### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

Throughout the year and up to the date of this announcement, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

#### **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board  
**Loh Tiak Koon**  
*Chief Executive Officer*

Hong Kong, 23rd July, 2003

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Vanda Systems & Communications Holdings Limited will be held at Harbour Plaza Hong Kong at 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 10th September, 2003 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, 2003;
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 or 75,000,000 Shares, whichever is the lower.”
  - (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;
    - (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;
- (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.

“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).”

- (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**  
*Chairman*

Hong Kong, 23rd July, 2003

*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 Lincoln House 408, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.

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