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VANDA GROUP

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 AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Circular containing details in relation to, amongst others, the Amendment Agreements, the Whitewash Waiver, a letter from the Independent Board Committee, a letter from the independent financial adviser to the Independent Board Committee, a notice of the SGM and a proxy form was despatched to the Shareholders on 13th August, 2003.

The proforma statement of unaudited adjusted consolidated net tangible asset value and indebtedness of the Group are set out below.

DESPATCH OF CIRCULAR

Reference is made to the announcement of the Company dated 23rd July, 2003 in relation to, amongst others, the Amendment Agreements and the Whitewash Waiver. Terms used in this announcement shall have the same meanings as those defined in the Circular (as defined below) unless the context requires otherwise.

The Directors announce that the circular (the “**Circular**”) containing details in relation to, amongst others, the Amendment Agreements, the Whitewash Waiver, a letter from the Independent Board Committee, a letter from the independent financial adviser to the Independent Board Committee, a notice of the SGM and a proxy form was despatched to the Shareholders on 13th August, 2003.

Shareholders’ attention is drawn to the letter from the Independent Board Committee and the letter from the independent financial adviser to the Independent Board Committee in relation to the Whitewash Waiver contained in the Circular. Shareholders are advised to review the Circular carefully before deciding to vote in favour of or against the resolutions to be proposed at the SGM.

PROFORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSET VALUE OF THE GROUP

Set out below is a statement of the unaudited proforma adjusted consolidated net tangible asset value of the Group based on the audited consolidated net tangible asset value of the Group as at 31st March, 2003 and adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated negative net tangible assets of the Group as at 31st March, 2003	(199,373)
<i>Add:</i> Capitalisation of the Bonds	<u>334,432</u>
Unaudited proforma adjusted consolidated net tangible assets of the Group immediately upon full conversion of the Bonds	<u>135,059</u>
Unaudited adjusted net tangible asset value of the Group per Share after the full conversion of the Bonds (based on 1,536,379,325 Shares as enlarged by the Conversion Shares)	<u>HK\$0.09</u>

INDEBTEDNESS

At the close of business on 30th June, 2003, being the latest practicable date of this indebtedness statement prior to the printing of the Circular, other than the Bonds outstanding of HK\$334.4 million, the Group had outstanding borrowings of approximately HK\$64.3 million which comprised of long term secured bank loan of approximately HK\$3.0 million, short term secured bank loan of approximately HK\$17.5 million, unsecured supplier loans of approximately HK\$4.3 million, trust receipts of approximately HK\$39.3 million and obligations under finance leases of approximately HK\$0.2 million. The secured borrowings are secured by charges over certain properties of the Group with an aggregate carrying value of approximately HK\$45.2 million and pledged bank deposits of approximately HK\$70.0 million.

At the close of business on 30th June, 2003, the Group had contingent liabilities of approximately HK\$22.4 million in respect of guarantees given to banks in connection with guarantees issued by banks and approximately HK\$3.8 million in respect of possible future long service payments to employees under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

Save as aforesaid, and apart from the intra-group liabilities and normal trade debts payable, the Group did not have any outstanding mortgages, charges, debentures, loan capital or overdrafts, or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30th June, 2003.

By order of the Board
Vanda Systems & Communications Holdings Limited
LAM Hon Nam
Chairman

Hong Kong, 13th August, 2003

The Directors 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 the announcement, the omission of which would make any statement in this announcement misleading.

“Please also refer to the published version of this announcement in China Daily”