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**VANDA GROUP**

## **VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **ON-GOING CONNECTED TRANSACTIONS AND CHANGE OF FINANCIAL YEAR END DATE**

#### **ON-GOING CONNECTED TRANSACTIONS**

The Board announces that the Company entered into the Agreements with H3GUK and HWITS on 15 July 2003 and 7 July 2003 respectively, pursuant to which the basis upon which the Company may provide certain computer software application services to H3GUK and HWITS respectively was agreed.

Following conversion of the convertible bond issued by the Company to HIL on 3 September 2003, HIL became the controlling shareholder of the Company. As at the date of this announcement, HIL owns approximately 37% of the issued share capital of the Company. As H3GUK and HWITS are both indirect subsidiaries of HIL, the execution of any transactions contemplated under each of the Agreements has become on-going connected transaction for the Company under the Listing Rules since 3 September 2003.

For the period from 3 September 2003 to the date of this announcement, the total value of the transactions executed pursuant to the H3GUK Agreement is US\$156,768 (equivalent to approximately to HK\$1,222,790) and no transaction is executed under the HWITS Agreement. As the aggregated value of such transactions under the H3GUK Agreement is within the de-minimus exemption in respect of connected transactions under Rule 14.25(1) of the Listing Rules, details of the H3GUK Agreement and the transactions executed thereunder are required to be disclosed in this announcement and will be included in the Company's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules. In anticipation of transactions which may be executed under the HWITS Agreement in the future with aggregated value within the de-minimus exemption in respect of connected transactions under Rule 14.25(1) of the Listing Rules, details of the HWITS Agreement are also disclosed in this announcement and any future transactions executed thereunder will be included in the Company's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

As transactions under each of the Agreements are of an on-going nature, the Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under the Listing Rules to issue separate announcements on each and every occasion that such requirements arise subject to the conditions as set out below.

## **CHANGE OF FINANCIAL YEAR END DATE**

The Board further announces that the Company's financial year end date has been changed from 31 March to 31 December. The purpose of the change is to align the Company's financial year end with Hutchison, the holding company of the Company's controlling shareholder.

The Company has announced its unaudited interim results for the six months ended 30 September 2003 on 29 December 2003 and will announce its audited final results for the nine months ended 31 December 2003 on or before 30 April 2004.

## **ON-GOING CONNECTED TRANSACTIONS**

### **H3GUK AGREEMENT**

#### **Parties**

- (i) H3GUK
- (ii) the Company

#### **Date**

15 July 2003

#### **Main terms**

The H3GUK Agreement is a framework agreement which sets out the basis upon which certain software application services may be provided by the Company upon request of H3GUK. According to the H3GUK Agreement, any requisition for provision of services by the Company will be effected by the issue of purchase orders which shall contain, among others, a description of the services required to be provided and the amount of fees and expenses payable by H3GUK to the Company for the performance of such services. The amount of fees is determined on a case by case basis by reference to, inter alia, the personnel and the man-hour required at the rates set out in the H3GUK Agreement which were determined with reference to the costs of the Company and the relevant market rate of the services required.

### **HWITS AGREEMENT**

#### **Parties**

- (i) HWITS
- (ii) the Company

#### **Date**

7 July 2003

#### **Main terms**

The HWITS Agreement is a framework agreement which sets out the basis upon which certain software application services may be provided by the Company upon request of HWITS. According to the HWITS

Agreement, any requisition for provision of services by the Company will be effected by the issue of purchase orders which shall contain, among others, a description of the services required to be provided and the amount of fees and expenses payable by HWITS to the Company for the performance of such services. The amount of fees is determined on a case by case basis by reference to, inter alia, the personnel and the man-hour required at the rates set out in the HWITS Agreement which were determined with reference to the costs of the Company and the relevant market rate of the services required.

## **REASONS FOR ENTERING INTO THE AGREEMENTS AND THE ON-GOING CONNECTED TRANSACTIONS**

The services contemplated to be provided to H3GUK and HWITS under each of Agreements represent one of the Group's core services which it has been providing since inception and which the Group believes it excels in. The Company sees the entering into of the Agreements as an opportunity for the Group to exploit its area of strength and enhance the Company's revenue growth. The directors of the Company, including the independent non-executive directors, consider that the Agreements and the transactions contemplated thereunder to be upon normal commercial terms, which are and, as the case may be, will be arrived at after arm's length negotiations between the parties and are fair and reasonable insofar as the shareholders of the Company are concerned.

## **GENERAL**

The principal activities of the Group are the provision of systems infrastructure and application solutions services in Hong Kong, Macau, PRC and various Southeast Asian countries.

As HIL has become the controlling shareholder of the Company since 3 September 2003, and both H3GUK and HWITS are indirect subsidiaries of HIL, the Agreements constituted connected transactions and the transactions contemplated thereunder constituted on-going connected transactions for the Company under the Listing Rules since that date. As at the date of this announcement, HIL owns approximately 37% of the issued share capital of the Company.

For the period from 3 September 2003 to the date of this announcement, the total value of the transactions executed pursuant to the H3GUK Agreement is US\$156,768 (equivalent to approximately to HK\$1,222,790) and no transaction is executed under the HWITS Agreement. As the aggregated value of such transactions under the H3GUK Agreement is within the de-minimus exemption in respect of connected transactions under Rule 14.25(1) of the Listing Rules, details of the H3GUK Agreement and the transactions executed thereunder are required to be disclosed in this announcement and will be included in the Company's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules. In anticipation of transactions which may be executed under the HWITS Agreement in the future with aggregated value within the de-minimus exemption in respect of connected transactions under Rule 14.25(1) of the Listing Rules, details of the HWITS Agreement are also disclosed in this announcement and any future transactions executed thereunder will be included in the Company's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

## **APPLICATION FOR ON-GOING CONNECTED TRANSACTIONS WAIVER**

Given the on-going nature of transactions under each of the Agreements, the directors of the Company are of the view that it would be impracticable and unduly burdensome for the Company to make separate announcements on each and every occasion that such requirements arise. The directors of the Company expect that the total value of the transactions under each of the Agreements will be less than HK\$10,000,000

or 3% of the net tangible assets of the Group. An application has been made to the Stock Exchange for a waiver from strict compliance with the disclosure requirement under Rule 14.25(1) of the Listing Rules to issue separate announcements on each and every occasion that such requirements arise from the next financial year of the Company starting 1 January 2004 subject to the following conditions:

- (1) the transactions under each of the Agreements must be:
  - (a) entered into in the ordinary and usual course of the Group's business;
  - (b) conducted either on normal commercial terms or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
  - (c) entered into in accordance with the terms of each of the Agreements governing such transactions;
- (2) the aggregate annual amount of the transactions under each of the Agreements for each financial year of the Company must not exceed the higher of HK\$10,000,000 or 3% of the audited consolidated net tangible asset value of the Group as disclosed in the latest published annual report;
- (3) the independent non-executive directors of the Company shall review the transactions under each of the Agreements annually and confirm in the Company's next and each successive annual reports and accounts that the transactions have been conducted in the manner as stated in paragraphs (1) and (2);
- (4) the Company's auditors must review the transactions under each of the Agreements annually and confirm in a letter (the "**Auditors' Letter**") to the board of directors of the Company (a copy of the Auditors' Letter will also be provided to the Stock Exchange) stating whether:
  - (a) the transactions have received the approval of the board of directors of the Company;
  - (b) the transactions have been entered into in accordance with the terms of the agreements governing the transactions or, if there is no such agreement, on terms no less favourable than those available to or from independent third parties; and
  - (c) the transactions have not exceeded the higher of HK\$10,000,000 or 3% of the net tangible asset value of the Group as disclosed in the latest published financial statements.

Where, for whatever reason, the auditors decline to accept the engagement or is unable to provide the Auditors' Letter, the directors of the Company must contact the Stock Exchange immediately; and

- (5) details of the transactions in each financial year must be disclosed pursuant to Rule 14.25 (1)(A) to (D) of the Listing Rules in the annual report and accounts of the Company for that financial year with a statement of opinion of the independent non-executive directors of the Company as referred to in paragraph (3) above.

If any terms of any of the Agreements as mentioned above are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must comply with the provisions of Chapter 14 of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of this announcement on transactions of the kind to which the transactions under the Agreements belong including, but not limited to, a requirement that such transactions be made conditional on approval by the independent shareholders of the Company, the Company must take reasonable steps to ensure compliance with such requirements within a reasonable time.

## **CHANGE OF FINANCIAL YEAR END DATE**

The Board has resolved to change the Company's financial year end date from 31 March to 31 December. The reason for the change is to align the Company's financial year end with that of Hutchison, the holding company of its controlling shareholder. The Board considers that there will not be any material financial impact on the Company resulting from such change of financial year end date.

The Company has announced its unaudited interim results for the six months ended 30 September 2003 on 29 December 2003 and will announce its audited final results for the nine months ended 31 December 2003 on or before 30 April 2004.

## **DEFINITIONS**

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

“Agreements”	the H3GUK Agreement and the HWITS Agreement
“Board”	board of directors of the Company
“Company”	Vanda Systems & Communications Holdings Limited, a company whose securities are listed on the Stock Exchange
“controlling shareholder”	shall have the meaning ascribed to it in the Listing Rules
“Group”	the Company and its subsidiaries
“H3GUK”	Hutchison 3G UK Limited, a company incorporated under the laws of England and Wales and an indirect non-wholly owned subsidiary of HIL
“H3GUK Agreement”	the agreement dated 15 July 2003 between H3GUK and the Company in relation to the basis for provision of certain computer software application services by the Company to H3GUK
“HIL”	Hutchison International Limited, a company incorporated in Hong Kong and the controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hutchison”	Hutchison Whampoa Limited, the holding company of HIL and whose securities are listed on the Stock Exchange

“HWITS”	Hutchison Whampoa IT Services S.à.r.l., a company incorporated in Luxembourg and an indirect non-wholly owned subsidiary of HIL
“HWITS Agreement”	the agreement dated 7 July 2003 between HWITS and the Company in relation to the basis for provision of certain computer software application services by the Company to HWITS
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“PRC”	People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Vanda Systems & Communications Holdings Limited**  
**Loh Tiak Koon**  
*Chief Executive Officer*

Hong Kong, 31 December 2003

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