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**HUTCHISON
WHAMPOA LIMITED**
和記黃埔有限公司

(incorporated in Hong Kong with limited liability)



**CHEUNG KONG
(HOLDINGS) LIMITED**
長江實業(集團)有限公司

(incorporated in Hong Kong with limited liability)



**VANDA SYSTEMS &
COMMUNICATIONS
HOLDINGS LIMITED**

中聯系統控股有限公司

(incorporated in Bermuda with limited liability)

**PROPOSED ACQUISITION BY VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED
OF THE ENTIRE ISSUED SHARE CAPITAL OF
HUTCHISON GLOBAL COMMUNICATIONS INVESTMENTS LIMITED
AND
POWERCOM NETWORK HONG KONG LIMITED**

**MAJOR AND CONNECTED TRANSACTION AND MAJOR TRANSACTION
FOR VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED**

CONNECTED TRANSACTION FOR CHEUNG KONG (HOLDINGS) LIMITED

**APPLICATION FOR WHITEWASH WAIVERS
FROM THE OBLIGATION**

TO MAKE A MANDATORY GENERAL OFFER

TO ACQUIRE SHARES IN VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED

EXECUTIVE SUMMARY

Vanda has conditionally agreed to purchase all of the issued shares in HGC from the HGC Vendor, a wholly-owned subsidiary of HWL.

Vanda has conditionally agreed to purchase all of the issued shares in PowerCom from the PowerCom Vendors.

The aggregate consideration for the HGC Sale Shares, which amounts to HK\$7,100 million, will be satisfied:

- i) as to HK\$3,900 million, by the issue and allotment of 4,875,000,000 new Vanda Shares to the HGC Vendor (or as it may direct) credited as fully paid at an issue price of HK\$0.80 per share; and
- ii) as to the remaining HK\$3,200 million, by the issue of the HGC Consideration Convertible Note by Vanda to the HGC Vendor (or another subsidiary of HWL as it may direct).

The aggregate consideration for the PowerCom Sale Shares, which amounts to approximately HK\$391 million, will be satisfied by the issue and allotment of an aggregate of 488,572,636 new Vanda Shares to the PowerCom Vendors (as to 395,743,835 Vanda Shares to CKE (or as it may direct) and 92,828,801 Vanda Shares to CLPT (or as it may direct)) credited as fully paid at an issue price of HK\$0.80 per share.

The HWL Group, through HWL's wholly-owned subsidiary HIL, currently holds approximately 37.06% of the issued share capital of Vanda. Neither the CKH Group nor the CLP Group currently holds any Vanda Shares. Immediately after the issue of the HGC Consideration Shares at HGC Completion but before exercise of any conversion rights under the HGC Convertible Notes and the issue of the PowerCom Consideration Shares pursuant to PowerCom Completion, and on the assumption that there are no other changes in Vanda's issued share capital since the date of this announcement, the aggregate shareholding of the HWL Group in Vanda is expected to increase to approximately 84.91% of the issued share capital of Vanda as enlarged by the issue of the HGC Consideration Shares. As a result, an obligation to make a mandatory general offer will arise under the Takeovers Code following HGC Completion unless the Share Whitewash Waiver is obtained. After the date of this announcement, the HGC Vendor, CKE and CLPT may enter into agreements to effect a placing of part of the HGC Consideration Shares and part of the PowerCom Consideration Shares conditional upon HGC Completion and PowerCom Completion respectively. The terms of the Placing have yet to be finalised. If the Placing were to be effected, it is possible that

the aggregate shareholding of the HWL Group and its Concert Parties would decrease to 50% or below but above 30% of the issued share capital of Vanda. Upon the issue and allotment of Vanda Shares pursuant to a partial or full exercise of the conversion rights under any of the HGC Convertible Notes, the aggregate shareholding of the HWL Group and its Concert Parties in Vanda may increase by more than 2% from their lowest collective percentage shareholding (as determined or deemed for this purpose under the Takeovers Code) in the then preceding 12 month period. In such event, and if such lowest collective percentage shareholding is at or above 30% but is 50% or below, an obligation to make a mandatory general offer will arise as a result unless the Convertible Note Whitewash Waiver is obtained. It is one of the conditions precedent of HGC Completion that each of the Whitewash Waivers be obtained. If either of the Whitewash Waivers is not available for any reason, the HGC Transaction will not become unconditional and will not proceed. In that event the PowerCom Transaction will not become unconditional and will not proceed either.

The PowerCom Consideration Shares will be issued at PowerCom Completion. Immediately after the issue of the HGC Consideration Shares at HGC Completion and the PowerCom Consideration Shares at PowerCom Completion, but before exercise of any conversion rights under the HGC Convertible Notes, and on the assumption that there are no other changes in Vanda's issued share capital since the date of this announcement, the aggregate shareholding of the HWL Group, the CKH Group and the CLP Group in Vanda is expected to be approximately 85.97% of the issued share capital of Vanda as enlarged by the issue of the HGC Consideration Shares and the PowerCom Consideration Shares. As a result, an obligation to make a mandatory general offer will arise unless the Share Whitewash Waiver is obtained. It is one of the conditions precedent of PowerCom Completion that the Whitewash Waivers be obtained. If either of the Whitewash Waivers is not available for any reason, the PowerCom Transaction will not become unconditional and will not proceed.

An application is intended to be made to the Executive for the Whitewash Waivers under Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code. If the Whitewash Waivers are granted by the Executive, they will be subject to approval by independent Shareholders on a vote taken by way of a poll.

Under the Listing Rules, the HGC Transaction constitutes a major and connected transaction for Vanda, which requires independent Shareholders' approval. The PowerCom Transaction constitutes (a) a major transaction for Vanda which requires Shareholders' approval; and (b) a connected transaction for CKH within the de-minimis exemption under Rule 14.25(1) of the Listing Rules and details of the PowerCom Transaction are required to be disclosed in this announcement and in CKH's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules. A circular, providing further details of the Transactions, and a notice of the SGM will be despatched to the Shareholders by Vanda as soon as possible. HWL is issuing this announcement voluntarily to provide information regarding the HGC Transaction to its shareholders and the public.

An independent board committee of Vanda has been established (subject to confirmation by the Executive of the independence of the Vanda Directors forming such committee) to advise the independent Shareholders in relation to the HGC Transaction and the Whitewash Waivers. An independent financial adviser will advise the independent board committee of Vanda in relation to the HGC Transaction and the Whitewash Waivers, and an announcement will be made by Vanda in respect of the appointment of the independent financial adviser as soon as practicable.

The Vanda Board proposes that with effect immediately after HGC Completion, Mr. Frank John Sixt, Mr. Wong King Fai, Peter and Mr. Kan Ka Wing, Frankie will be appointed to the Vanda Board.

Shareholders of HWL, CKH and Vanda and potential investors should note that the Transactions, which are subject to a number of conditions precedent, may or may not be completed. In particular, the HGC Transaction is subject to, among others, a condition precedent that the Whitewash Waivers be obtained, and thus if either of such waivers is not available and a mandatory general offer is required to be made following HGC Completion or PowerCom Completion or following exercise of the conversion rights under the HGC Convertible Notes, the HGC Transaction will not proceed. In the circumstances, a mandatory general offer will not be made by the HGC Vendor or its Concert Parties. Further, the PowerCom Transaction is also subject to, among others, a condition precedent that the Whitewash Waivers be obtained, and thus if either of such waivers is not available and a mandatory general offer is required to be made following PowerCom Completion, the PowerCom Transaction will not proceed. In the circumstances, a mandatory general offer will not be made by the PowerCom Vendors, the HGC Vendor or the other Concert Parties of the HGC Vendor, if any. Shareholders of HWL, CKH and Vanda and potential investors are reminded to exercise caution when dealing in the securities of these three listed issuers.

THE HGC ACQUISITION AGREEMENT

Date:

28 January 2004

Parties:

HGC Vendor (as the vendor of the HGC Sale Shares)

HIL (as the guarantor for the HGC Vendor)

Vanda (as the purchaser of the HGC Sale Shares)

Subject matter of sale and purchase:

The HGC Sale Shares, representing the entire issued share capital of HGC.

The HGC Sale Shares are warranted by the HGC Vendor to be free from any mortgage, lien, pledge, charge, encumbrance or other security.

Consideration:

The consideration for the sale and purchase of the HGC Sale Shares is HK\$7,100,000,000, which will be satisfied as to HK\$3,900,000,000 by the issue and allotment of the HGC Consideration Shares at an issue price of HK\$0.80 per share (credited as fully paid) by Vanda to the HGC Vendor (or as it may direct) and as to the remaining HK\$3,200,000,000 by the issue of the HGC Consideration Convertible Note, credited as fully paid at its full face value, by Vanda to the HGC Vendor (or another subsidiary of HWL as the HGC Vendor may direct) at HGC Completion. The consideration was determined after arm's length negotiations based on the competitive positioning of HGC in the industry, including the quality of HGC's fibre optic network. The issue price of the HGC Consideration Shares of HK\$0.80 per share represents:

- (i) a discount of approximately 27.9% from HK\$1.11, the closing price of the Vanda Shares on the Stock Exchange on 13 January 2004, the day on which the trading of Vanda Shares was suspended prior to the issue of this announcement;
- (ii) a discount of approximately 29.8% from HK\$1.14, the closing price of the Vanda Shares on the Stock Exchange on 12 January 2004, the last complete trading day before the suspension of trading of Vanda Shares prior to the issue of this announcement;
- (iii) a discount of approximately 15.8% from HK\$0.95, the average closing price of Vanda Shares on the Stock Exchange during the period of the last 10 full trading days before the suspension of trading of Vanda Shares prior to the issue of this announcement;
- (iv) a discount of approximately 12.1% from HK\$0.91, the average closing price of Vanda Shares on the Stock Exchange during the period of the last 30 full trading days before the suspension of trading of Vanda Shares prior to the issue of this announcement; and
- (v) a premium of approximately 1477.91% to the latest audited consolidated net tangible assets of Vanda of HK\$0.0507 per share as at 30 September 2003.

A summary of the terms of the HGC Consideration Convertible Note is set out in the section "Summary of the Terms and Conditions of the HGC Consideration Convertible Note".

Conditions precedent:

HGC Completion is subject to, among others, a number of conditions precedent, the principal ones are summarised as follows:

1. the passing of a resolution by the Shareholders at a general meeting approving the increase in the authorised share capital of Vanda from HK\$400,000,000 to HK\$3,000,000,000 by the creation of an additional 26,000,000,000 Vanda Shares;
2. approval by the independent Shareholders of (a) the acquisition by Vanda of the HGC Sale Shares; (b) the issue and allotment of the HGC Consideration Shares to the HGC Vendor (or as it may direct); (c) the issue of the HGC Consideration Convertible Note to the HGC Vendor (or to another subsidiary of HWL as it may direct); (d) the entering into of the agreement for the provision of the Facility with HIL, if required under the Listing Rules or otherwise required by the Stock Exchange; (e) the issue of the Facility Convertible Note to HIL (or to another subsidiary of HWL as HIL may direct), if required under the Listing Rules or otherwise required by the Stock Exchange; (f) the issue and allotment of Vanda Shares which may be issued upon exercise of conversion rights under the HGC Convertible Notes; and (g) all other transactions contemplated under the HGC Acquisition Agreement at a general meeting of Vanda;
3. the passing of an ordinary resolution by an independent vote (within the meaning of Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code or as may be required by the Executive) of the Shareholders approving the Share Whitewash Waiver, and the Executive granting such a waiver;
4. the passing of an ordinary resolution by an independent vote (within the meaning of Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code or as may be required by the Executive) of the Shareholders approving the Convertible Note Whitewash Waiver, and the Executive granting such a waiver;
5. the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the HGC Consideration Shares and the Vanda Shares which may be issued upon exercise of conversion rights under the HGC Convertible Notes;
6. (a) the compliance with announcement and shareholders' approval requirements under the Listing Rules or otherwise of the Stock Exchange in relation to present and future transactions contemplated at present with HWL and/or any of its subsidiaries and/or their respective associates (both present and immediately after HGC Completion) which will constitute connected transactions for Vanda following HGC Completion, including, if required, the approval by the independent Shareholders in respect of the connected transactions and in respect of any waivers relating thereto as referred to in paragraph 6(b) below; and
(b) the granting by the Stock Exchange of such waivers relating to the connected transactions mentioned in 6(a) above as may be reasonably acceptable to both the HGC Vendor and Vanda;
7. the compliance with any other requirements of the Stock Exchange in relation to the sale and purchase of the HGC Sale Shares, the issue of the HGC Consideration Shares, the issue of the HGC Convertible Notes and the other transactions contemplated under the HGC Acquisition Agreement;
8. (where required) the Bermuda Monetary Authority granting its permission to the issue of the HGC Convertible Notes, the issue and allotment of the HGC Consideration Shares and shares of Vanda which may be issued upon exercise of conversion rights under the HGC Convertible Notes; and

9. the obtaining of all Consents from government or regulatory authorities or third parties which are necessary or desirable in connection with the execution and performance of the HGC Acquisition Agreement and any of the transactions contemplated under the HGC Acquisition Agreement.

The HGC Vendor and Vanda may jointly waive the condition precedent in item 9 above at any time if it is agreed that the Consents which have not been obtained are not material to the business of the Vanda Group and the HGC Group taken as a whole, and such waiver may be subject to such terms and conditions determined by the HGC Vendor and Vanda jointly. All the other conditions precedent above cannot be waived unless all the parties to the HGC Acquisition Agreement so agree, but the conditions precedent in items 3 and 4 will not be waived in any event.

HGC Completion:

HGC Completion is to take place on the fourth business day after all the conditions precedent have either been fulfilled or waived. It is expected that HGC Completion would take place before 13 March 2004. If any of the conditions precedent to HGC Completion has not been fulfilled (or waived by the relevant parties) by 13 March 2004 (or such other date as the parties to the HGC Acquisition Agreement may agree), the HGC Acquisition Agreement shall lapse and be terminated and thereafter all rights, obligations and liabilities of all parties shall cease and determine except for antecedent breaches.

SUMMARY OF THE TERMS AND CONDITIONS OF THE HGC CONSIDERATION CONVERTIBLE NOTE

The principal terms of the HGC Consideration Convertible Note are summarised below:

- Issuer:** Vanda.
- Principal amount:** HK\$3,200,000,000, credited as fully paid at its face value as satisfaction in part of the consideration for the HGC Sale Shares.
- Maturity date:** Unless previously converted, the outstanding principal amount of the HGC Consideration Convertible Note (together with all unpaid and accrued interest) will be repaid by Vanda upon its maturity on the fifth anniversary of the date of issue of the HGC Consideration Convertible Note. The HGC Consideration Convertible Note will not be redeemable before the maturity date unless an event of default occurs.
- Coupon:** The HGC Consideration Convertible Note will bear a coupon from its date of issue at the rate of 1.0% per annum, which will be payable once every six months in arrears on the principal amount of the HGC Consideration Convertible Note outstanding from time to time.
- Security:** None.
- Conversion rights:** The outstanding principal amount of the HGC Consideration Convertible Note or any part thereof may be converted into shares of Vanda to be issued to the holder of the HGC Consideration Convertible Note (or as it may direct) at any time and from time to time on or after the first anniversary of the date of issue but on or prior to the maturity date at the relevant conversion price (which is initially HK\$0.96 per share, subject to adjustment). No fraction of a share of Vanda will be issued on conversion but (except in cases where any such cash payment would amount to less than HK\$10) a cash payment will be made to the holder of the HGC Consideration Convertible Note in respect of such fraction. Assuming that the entire principal amount of the HGC Consideration Convertible Note is converted at the initial conversion price of HK\$0.96 per share, a total of 3,333,333,333 new Vanda Shares will be issued. These new Vanda Shares represent approximately 48.30% of the issued share capital of Vanda as enlarged by the issue of the HGC Consideration Shares and the PowerCom Consideration Shares but before the exercise of any conversion rights under the HGC Consideration Convertible Note and assuming that there are no changes in Vanda's issued share capital since the date of this announcement. These new Vanda Shares represent approximately 32.57% of the issued share capital of Vanda as enlarged by the issue of the HGC Consideration Shares and the PowerCom Consideration Shares and the exercise of all of the conversion rights under the HGC Consideration Convertible Note and assuming that there are no changes in Vanda's issued share capital since the date of this announcement.
- Ranking of shares to be issued upon conversion:** Shares of Vanda to be issued by Vanda upon exercise of the conversion rights under the HGC Consideration Convertible Note will rank pari passu in all respects with all other shares of Vanda in issue on the date of the conversion notice and will be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of the conversion notice.
- Conversion price:** The initial conversion price of HK\$0.96 per Vanda Share, subject to adjustment in accordance with the terms of the HGC Consideration Convertible Note, was determined after arm's length negotiations. The initial conversion price of HK\$0.96 represents:
- (i) a discount of approximately 13.5% from HK\$1.11, the closing price of the Vanda Shares on the Stock Exchange on 13 January 2004, the day on which the trading of Vanda Shares was suspended prior to the issue of this announcement;
 - (ii) a discount of approximately 15.8% from HK\$1.14, the closing price of the Vanda Shares on the Stock Exchange on 12 January 2004, being the last complete trading day before the suspension of trading of Vanda Shares before the issue of this announcement;
 - (iii) a premium of approximately 1.1% from HK\$0.95, the average closing price of Vanda Shares on the Stock Exchange during the period of the last 10 full trading days before the suspension of trading of Vanda Shares prior to the issue of this announcement;

- (iv) a premium of approximately 5.5% over HK\$0.91, the average closing price of the Vanda Shares on the Stock Exchange during the period of the last 30 full trading days before the suspension of trading of Vanda Shares prior to the issue of this announcement; and
- (v) a premium of approximately 1793.49% to the latest audited consolidated net tangible assets of Vanda of HK\$0.0507 per share as at 30 September 2003.

The terms of the HGC Consideration Convertible Note contain provisions relating to adjustments to the conversion price to achieve, among other things, anti-dilution protection. Further details of the adjustment provisions will be included in the circular to the Shareholders.

Voting: The holder of the HGC Consideration Convertible Note will not be entitled to receive notice, attend or vote at general meetings of Vanda by reason only of its being holder of the HGC Consideration Convertible Note.

Transferability: Subject to the relevant rules, laws, regulations, requirements and Consents, the HGC Consideration Convertible Note may be transferred to any Affiliates of the noteholder. However, the HGC Consideration Convertible Note may not be transferred to a connected person (as defined in the Listing Rules) of Vanda except with the prior approval of Vanda and (if required) the Stock Exchange, other than to an Affiliate of the noteholder. The outstanding principal amount of the HGC Consideration Convertible Note may be transferred in full or in part (but only in multiples of HK\$1,000,000 if in part).

If the HGC Consideration Convertible Note or any part thereof has been transferred to a transferee who is an Affiliate of the noteholder and the transferee subsequently ceases to be an Affiliate of the noteholder, the transferee is required to transfer the HGC Consideration Convertible Note (and the original holder of the HGC Consideration Convertible Note shall procure that the HGC Consideration Convertible Note is transferred) to an Affiliate of the noteholder.

No application will be made for the listing of the HGC Consideration Convertible Note. An application will be made for the listing of and permission to deal in the shares of Vanda to be issued upon exercise of conversion rights under the HGC Consideration Convertible Note.

SUMMARY OF THE TERMS AND CONDITIONS OF THE FACILITY

Under the HGC Acquisition Agreement, HIL and Vanda will at HGC Completion enter into an agreement for the provision of an interest-bearing Facility by HIL to Vanda or its subsidiaries. The interest rate will be based on normal commercial terms with reference to inter-bank market lending rates. The principal terms of the Facility can be summarised as follows:

Principal amount: Up to HK\$1,000,000,000

Availability: Within 2 years from the date of HGC Completion

Conversion right: At each of the first and second anniversary dates of the date of HGC Completion, Vanda will repay the principal amount drawn as at, and pay all accrued (but not paid) interest up to, such anniversary date under the Facility by the issue of a Facility Convertible Note of a principal amount equal to the aggregate of such outstanding principal amount and accrued (but not paid) interest under the Facility. The terms and conditions of the Facility Convertible Note are in all material respects identical to those of the HGC Consideration Convertible Note summarised under the section headed "Summary of the Terms and Conditions of the HGC Consideration Convertible Note" of this announcement, with the conversion period of each Facility Convertible Note to be calculated from the date of issue; the initial conversion price under the Facility Convertible Note issued on the first anniversary of the date of HGC Completion being equal to the conversion price then in force under the HGC Consideration Convertible Note; and the initial conversion price under the Facility Convertible Note issued on the second anniversary of the date of HGC Completion being equal to the conversion price then in force under the first Facility Convertible Note. If the conversion rights under the first Facility Convertible Note have been exercised in full by then, the conversion price under the second Facility Convertible Note will be equal to the conversion price under the first Facility Convertible Note, taking into account all adjustments thereto as if it had not been fully converted.

No application will be made for the listing of the Facility Convertible Notes. An application will be made for the listing of and permission to deal in the shares of Vanda to be issued upon exercise of conversion rights under the Facility Convertible Notes. No security will be provided by Vanda for the issue of the Facility Convertible Notes and the said notes will not be redeemable before the maturity date unless an event of default under the note arises.

SUMMARY OF THE TERMS AND CONDITIONS OF EXISTING FACILITIES

Loan provided by HWL Group

An interest bearing unsecured loan facility of up to HK\$4,000,000,000 was made available by HIL to HGCL, of which a principal amount of approximately HK\$3,400,000,000 was drawn and outstanding as at 31 December 2003. Upon HGC Completion and the entering into of the agreement relating to the Facility, such facility of a revised facility amount of up to HK\$3,400,000,000 will continue to be made available by HIL to HGCL after HGC Completion up to the maturity date of 17 July 2008, on normal commercial terms.

In the event Vanda becomes a subsidiary of HWL immediately upon the occurrence of HGC Completion, HWL will take such steps as are required to comply with the then prevailing connected transaction requirements of the Listing Rules as they apply to the continuous provision of such facility.

Loan provided by CKH Group

A loan in the principal amount of approximately HK\$16,800,000 is owed and outstanding by PowerCom to the CKH Group as at the date of this announcement. At present, such loan is unsecured, interest-free and not repayable before August 2010. Such loan will continue to subsist after PowerCom Completion but on revised terms. At PowerCom Completion, a subsidiary of the CKH Group and PowerCom will enter into a written agreement to govern such loan on revised terms which are normal commercial terms. The revised terms of such agreement shall take effect from the date of PowerCom Completion.

For as long as the shareholding of HWL held directly or indirectly through its subsidiaries in Vanda after HGC Completion and PowerCom Completion equals to or is in excess of 30% or more of Vanda's then enlarged issued share capital, Vanda will remain a connected person of CKH and thus the continuous provision of such loan by the CKH Group will become a connected transaction for CKH, in which event, CKH will take such steps as are required to comply with the then prevailing connected transaction requirements of the Listing Rules as they apply to the continuous provision of such loan.

THE POWERCOM ACQUISITION AGREEMENT

Date

28 January 2004

Parties

CKE (as vendor of CKE PowerCom Sale Shares)

CKH (as guarantor for CKE)

CLPT (as vendor of CLPT PowerCom Sale Shares)

Vanda (as purchaser of the PowerCom Sale Shares)

Subject matter of sale and purchase

The PowerCom Sale Shares, representing the entire issued share capital of PowerCom.

CKE warranted the CKE PowerCom Sale Shares and CLPT warranted the CLPT PowerCom Sale Shares to be free from any mortgage, lien, pledge, charge, encumbrance or other security.

Consideration

The consideration for the sale and purchase of the PowerCom Sale Shares is HK\$390,858,108.80, which will be satisfied by the issue and allotment of 488,572,636 new Vanda Shares to the PowerCom Vendors as to 395,743,835 Vanda Shares to CKE (or as it may direct) and 92,828,801 Vanda Shares to CLPT (or as it may direct) credited as fully paid at an issue price of HK\$0.80 per share.

The consideration for the sale and purchase of the PowerCom Sale Shares was determined after arm's length negotiations based on the judgment of Vanda's management of the competitiveness of the combined HGC-PowerCom solutions in the broadband market in Hong Kong and the uniqueness of the PowerCom Technology. The issue price of PowerCom Consideration Shares of HK\$0.80 per share represents:

- (i) a discount of approximately 27.9% from HK\$1.11, the closing price of the Vanda Shares on the Stock Exchange on 13 January 2004, the day on which the trading of Vanda Shares was suspended prior to the issue of this announcement;
- (ii) a discount of approximately 29.8% from HK\$1.14, the closing price of the Vanda Shares on the Stock Exchange on 12 January 2004, the last complete trading day before the suspension of trading of Vanda Shares prior to the issue of this announcement;
- (iii) a discount of approximately 15.8% from HK\$0.95, the average closing price of Vanda Shares on the Stock Exchange during the period of the last 10 full trading days before the suspension of trading of Vanda Shares prior to the issue of this announcement;
- (iv) a discount of approximately 12.1% from HK\$0.91, the average closing price of the Vanda Shares on the Stock Exchange during the period of the last 30 full trading days before the suspension of trading of Vanda Shares prior to the issue of this announcement; and
- (v) a premium of approximately 1477.91% to the latest audited consolidated net tangible assets of Vanda of HK\$0.0507 per share, as at 30 September 2003.

Conditions precedent

PowerCom Completion is subject to, among others, a number of conditions precedent, the principal ones are summarised as follows:

1. the passing of a resolution by the Shareholders at a general meeting approving the increase in the authorised share capital of Vanda from HK\$400,000,000 to HK\$3,000,000,000 by the creation of an additional 26,000,000,000 Vanda Shares;
2. approval by the Shareholders (with such Shareholders, if any, as the Stock Exchange may require abstaining from voting) of (a) the acquisition by Vanda of the PowerCom Sale Shares; and (b) the issue and allotment of the PowerCom Consideration Shares to CKE and CLPT (or as they may respectively direct); and (c) all other transactions contemplated under the PowerCom Acquisition Agreement at a general meeting of Vanda;
3. the passing of an ordinary resolution by an independent vote (within the meaning of Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code or as may be required by the Executive) of the Shareholders approving the Whitewash Waivers, and the Executive granting such waivers;
4. the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the PowerCom Consideration Shares;

5. the compliance with any other requirements of the Stock Exchange in relation to the sale and purchase of the PowerCom Sale Shares, the issue of the PowerCom Consideration Shares and the other transactions contemplated under the PowerCom Acquisition Agreement;
6. (where required) the Bermuda Monetary Authority granting its permission to the issue and allotment of the PowerCom Consideration Shares;
7. the obtaining of all Consents from government or regulatory authorities or other parties which are necessary or desirable in connection with the execution and performance of the PowerCom Acquisition Agreement and any of the transactions contemplated under the PowerCom Acquisition Agreement;
8. the HGC Acquisition Agreement having become unconditional and having been completed in accordance with its terms.

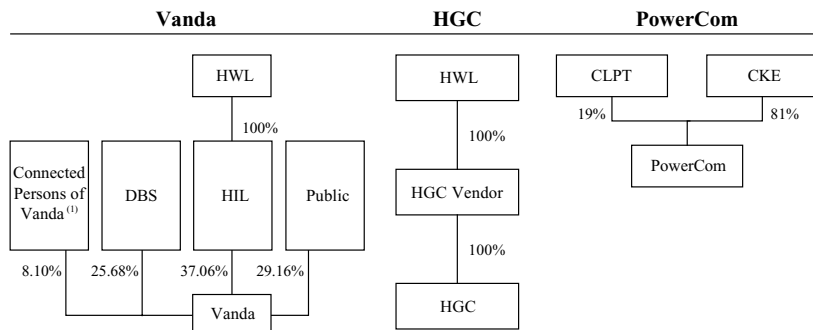
The PowerCom Vendors and Vanda may jointly waive the condition precedent set out in item 7 above at any time if it is agreed that the Consents which have not been obtained are not material to the business of the Vanda Group and the PowerCom Group taken as a whole, and such waiver may be subject to such terms and conditions determined by the PowerCom Vendors and Vanda jointly. All the other conditions precedent above cannot be waived unless all the parties to the PowerCom Acquisition Agreement so agree but the condition precedent in item 3 will not be waived in any event.

PowerCom Completion:

PowerCom Completion is expected to take place after all the conditions precedent have either been fulfilled or waived and immediately after HGC Completion (or where HGC Completion shall take place earlier than the date on which all the other conditions precedent have either been fulfilled or waived, on the fourth business day after the date on which all such other conditions precedent have either been fulfilled or waived). It is expected that PowerCom Completion would take place before 13 March 2004. If any of the conditions precedent to PowerCom Completion has not been fulfilled (or waived by the relevant parties) by 13 March 2004 (or such other date as the parties to the PowerCom Acquisition Agreement may agree), the PowerCom Acquisition Agreement shall lapse and be terminated and all rights, obligations and liabilities of all parties shall cease and determine except for antecedent breaches.

SHAREHOLDING STRUCTURE PRIOR TO AND AFTER HGC COMPLETION AND POWERCOM COMPLETION

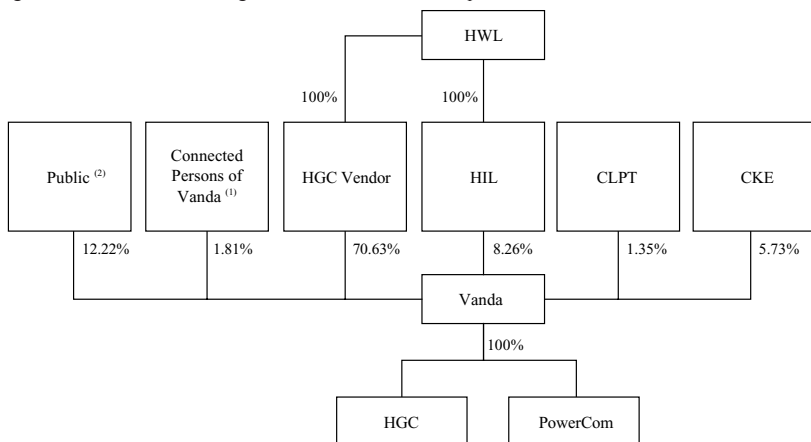
The following charts show the respective shareholding structures of HGC, Vanda and PowerCom immediately prior to HGC Completion and PowerCom Completion:



(1) Includes Mr. Lam Hon Nam (an executive director of Vanda) and Lam Ma & Wai Limited. Mr. Lam Hon Nam is the controlling shareholder of Lam Ma & Wai Limited.

* The percentage figures shown in the chart above are approximate percentages rounded to 2 decimal places.

The following chart shows the shareholding structures of HGC, Vanda and PowerCom immediately following HGC Completion and PowerCom Completion but before exercise of any conversion rights under the HGC Convertible Note and assuming that there are no other changes in Vanda's issued share capital:

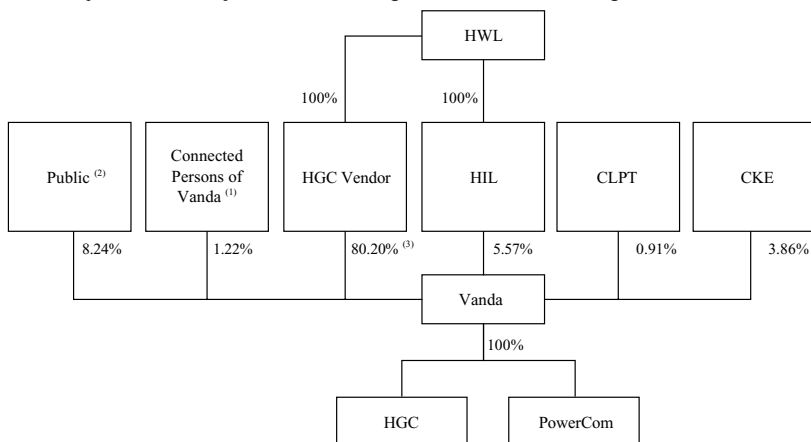


(1) Includes Mr. Lam Hon Nam (an executive director of Vanda) and Lam Ma & Wai Limited. Mr. Lam Hon Nam is the controlling shareholder of Lam Ma & Wai Limited.

(2) Includes DBS, which will hold 5.72% of the issued share capital of Vanda as enlarged by the issue of HGC Consideration Shares and the PowerCom Consideration Shares.

* The percentage figures shown in the chart above are approximate percentages rounded to 2 decimal places.

The following chart shows the proforma shareholding structures of HGC, Vanda and PowerCom immediately following HGC Completion and PowerCom Completion, as if the HGC Consideration Convertible Note is fully converted at the initial conversion price of HK\$0.96 per share and assuming that there are no other changes in Vanda's issued share capital:



(1) Includes Mr. Lam Hon Nam (an executive director of Vanda) and Lam Ma & Wai Limited. Mr. Lam Hon Nam is the controlling shareholder of Lam Ma & Wai Limited.

(2) Includes DBS, which will hold 3.86% of the issued share capital of Vanda as enlarged by the issue of HGC Consideration Shares and the PowerCom Consideration Shares, and exercise of all conversion rights under the HGC Consideration Convertible Note.

(3) This assumes that all the Vanda Shares on conversion of the HGC Consideration Convertible Note are issued, allotted and held by the HGC Vendor. The shareholding of the HWL Group in Vanda is expected to increase from approximately 85.77% to approximately 87.08% if the principal amount of HK\$1,000,000,000 is fully drawn down against the Facility and fully converted into Vanda Shares at the conversion price of HK\$0.96 per share and on the assumption that there is no other changes in shareholdings in Vanda. The other parties' shareholding in Vanda will decrease accordingly.

* The percentage figures shown in the chart above are approximate percentages rounded to 2 decimal places.

If the Placing were to be effected, the shareholdings of the parties upon completion of the Transactions noted in the shareholding structure charts set out above would be subject to material changes. Once the terms of the Placing are finalised, full implications on the parties' shareholdings as a result of the Placing, will be disclosed in the relevant Placing Announcement.

CONNECTION AMONG THE PARTIES

HWL, through its wholly-owned subsidiary HIL, currently holds approximately 37.06% of the issued share capital of Vanda, and certain directors on the board of directors of HIL or the HGC Vendor are also directors of Vanda and of some of the existing subsidiaries of Vanda. As HWL is a controlling shareholder (as such term is defined under the Listing Rules) of Vanda; and HIL and the HGC Vendor are wholly-owned subsidiaries of HWL, HIL and the HGC Vendor are connected persons of Vanda under the Listing Rules.

HWL is issuing this announcement voluntarily to provide information regarding the HGC Transaction to its shareholders and the public. In the event Vanda becomes a subsidiary of HWL immediately upon the occurrence of HGC Completion, HWL will take such steps as are required to comply with the then prevailing connected transaction requirements of the Listing Rules as they apply to the continuous provision of the HK\$3,400,000,000 facility to HGCL and the provision of the Facility to Vanda.

HWL is a connected person of CKH by virtue of it being a substantial shareholder of a CKH's subsidiary. As HWL is, through HIL, interested in approximately 37.06% of the existing issued share capital of Vanda, Vanda is an associate of HWL within the meaning of the Listing Rules and thus Vanda is a connected person of CKH. After HGC Completion and PowerCom Completion, Vanda will remain a connected person of CKH for as long as HWL's interest, held directly or indirectly through its subsidiaries, in Vanda equals or is in excess of 30% of Vanda's then enlarged issued share capital, in which event, CKH will take such steps as are required to comply with the then prevailing connected transaction requirements of the Listing Rules as they apply to the continuous provision of the approximately HK\$16,800,000 loan to PowerCom.

INFORMATION ON HGC

Business Overview

The global telecommunications industry is experiencing rapid growth as a result of the continued increase in international Internet and telecommunications traffic, global deregulation and technological advances in fibre optic transmission.

With effect from 1 January 2003, the local fixed network market in Hong Kong has been fully liberalised. The Office of the Telecommunications Authority ("OFTA") no longer limits the number of FTNS or Fixed Carrier licence to be issued. Currently, there are nine local wireline-based FTNS, one local wireline-based FTNS over HFC cable and two local wireless FTNS licensees in Hong Kong, including five new local wireline-based licences issued after full liberalisation on 1 January 2003.

HGC is one of the leading providers of a wide range of voice and data communication services in Hong Kong. The directors of HGC intend to increase HGC's market share and in particular to capture new opportunities arising from any growth in the telecommunications industry. HGC currently operates a fibre optic network that is amongst the largest in Hong Kong. The directors of HGC believe that HGC's fibre optic network is of a higher standard in terms of speed, capacity, transmission quality, stability and scalability than that of other networks deploying traditional transmission technology.

HGC intends to build on its existing position to:

- increase its market share for the provision of voice and data communication services in Hong Kong
- increase its market share as a carrier of bandwidth to and from Mainland China
- become one of the top Asian players in the international bandwidth market

Competitive Strengths

HGC's key strengths can be summarised as follows:

- Fully fibre optic network in Hong Kong that allows the deployment of leading technology and high speed broadband services
- Extensive network coverage in Hong Kong covering all major business areas and with a household penetration of approximately one million
- Completed backbone infrastructure rendering further significant network investment, other than for "last mile" connections, unnecessary
- Active business relationships with major local and international carriers both within and outside Hong Kong
- Ability to capitalise extensive business diversity opportunities and business contacts of the CKH Group and the HWL Group
- Integrated international and local services under common management
- A growing regional presence as a carrier of international bandwidth
- No inherited cost structure and an experienced management team

HGC plans to use its competitive strengths to increase its market share through offering high value added services for both wholesale and retail markets.

With the full liberalisation of the Hong Kong telecommunications market in January 2003, new entrants are likely to enter the market. These new entrants will find it difficult to build a network comparable in size and quality to that of HGC's. HGC's extensive network infrastructure therefore presents additional wholesale opportunities for HGC to offer its services to these new entrants. This is a natural extension of HGC's wholesale business.

Network Overview

HGC has an extensive state-of-the-art network with a fully fibre optic backbone in key business and residential districts in

Hong Kong Island, Kowloon, Lantau Island and the New Territories. HGC's network is over 4,000 kilometres in duct length (one way equivalent) and over 700,000 kilometres in terms of core fibre optic cable, making it the largest fully-fibre optic building-to-building network in Hong Kong. In addition, HGC's Hong Kong network is interconnected with all local carriers in Hong Kong and with major networks in Mainland China. HGC's network is also connected directly to many major networks overseas.

HGC's backbone network is designed to handle high volume of traffic and can be readily upgraded for increased volumes. The network further supports a very high-speed transmission for Internet and data communications. Currently the network spans Hong Kong along a number of major fibre routes, including:

- a fibre route inside tunnels of Hong Kong's Mass Transit Railway;
- fibre routes along major roads and expressways in Hong Kong;
- a fibre link to the Hong Kong International Airport at Chek Lap Kok;
- fibre rings linking most major districts in Hong Kong; and
- a submarine cable connecting Chek Lap Kok and Tuen Mun.

The backbone is within 50 metres of most residential structures of at least 30 storeys and of most commercial structure of at least 20 storeys with 10,000 sq. feet/storey. HGC has installed direct connections to over 4,000 buildings and has block-wired over 1,400 buildings. In addition, HGC continues to expand its "last mile" local access (the last 50 metres).

Products and Services

The following is the revenue breakdown by key products for the years ended 31 December 2002 and 2003:

<i>Amount in HK\$ million</i>	2002 (unaudited)		2003 (unaudited)	
	Total	%	Total	%
Data Services	597.1	48%	683.4	43%
Local Voice Services	301.8	25%	446.8	28%
International Direct Dialing	144.6	12%	204.3	13%
Residential Broadband Services	121.8	10%	164.6	10%
International Bandwidth	88.2	7%	126.8	8%
Intercompany Eliminations	(21.8)	(2)%	(24.8)	(2)%
Total Revenue	<u>1,231.7</u>	<u>100%</u>	<u>1,601.1</u>	<u>100%</u>

HGC provides products and services to retail end users (residential consumers, multinational corporations ("MNCs") and small and medium size enterprises ("SMEs")) as well as to wholesale customers (other telecommunications carriers and operators). The following is a summary of the products and services, which HGC provides:

Data services

This line of business consists of:

- 1) Connectivity for mobile operators
- 2) Leased lines for telecommunications carriers, other fixed network operators, Internet Service Providers (ISPs) and other wholesale customers
- 3) Connectivity for large corporations, including many major financial institutions, government and quasi-government bodies and corporates
- 4) Business broadband service to SMEs
- 5) Broadband services to schools

Data services provided by HGC include products such as DWDM, CWDM, Gigabit Ethernet, Fast Ethernet, STM, T1/E1, ATM, Frame Relay and other products.

Local voice services

HGC offers basic voice and fax services to residential customers covered by its PSTN network. Some value added services such as call waiting and call forwarding are also offered. As at 31 December 2003, HGC had approximately 212,000 residential subscribers.

HGC also offers a wide range of voice connectivity services for business customers, including high-capacity digital connections for PABX, keyline system and other devices at customers' premises.

International Direct Dialing (IDD)

HGC provides IDD voice and fax services, international calling card accounts, pre-paid phone cards and personal number services to both residential and business customers.

In the wholesale market, HGC provides voice interconnection and local termination to international voice carriers.

The total handled voice minutes were approximately 502 million for the year ended 31 December 2003.

HGC intends to continue growing its wholesale IDD traffic volume because the increased aggregated volume handled should enable HGC to achieve more competitive rates with international carriers for the delivery of IDD traffic.

Residential Broadband services

HGC offers broadband Internet access under two product options: (i) “last mile” transmission through telecommunication cables and (ii) electric power grids. HGC’s residential broadband services are often bundled with other value added services. HGC also offers users high-quality connections for their video telephone devices (for example, Vphones). As at 31 December 2003, HGC had approximately 120,000 broadband subscribers compared with approximately 67,000 as at 31 December 2002, an increase of approximately 79%.

International bandwidth

The services provided by HGC include International Private Leased Circuit (IPLC), IP-Transit and Indefeasible Rights of Use (IRU) sales to MNCs, international voice telephony resellers, international carriers and ISPs both in Hong Kong and overseas.

HGC intends to increase its international bandwidth revenues through building up its sales channels for promoting business with local carriers and entering into direct dealings with selective customers. HGC plans to establish more points of presence (“POPs”) in specific countries to provide the necessary service platforms, as well as to develop more products that can meet end customer requirements. Planned POPs to be established include Singapore, Korea, Malaysia and Indonesia.

HGC’s local optic fibre network has been directly connected to China Telecom’s Synchronous Digital Hierarchy Ring since 2000. HGC has also established interconnection arrangements with other major carriers in Mainland China.

HGC intends to continue to develop its relationships with China Telecom, China Netcom and other major carriers in Mainland China, as HGC believes there are many collaboration and referral opportunities arising from such relationships.

Data centre business

Hutchison GlobalCenter offers data centre facilities, managed hosting solutions, operations outsourcing and disaster recovery solutions to both local corporations and MNCs. As at 31 December 2003, over 80% of its hosting capacity was occupied. Its customers include major financial institutions, shipping companies, ISPs, content delivery service providers and media and entertainment companies. Hutchison GlobalCenter’s total revenues in the year ended 31 December 2003 were approximately HK\$43 million and it has achieved positive operating cashflows before interest payments for the past two financial years. In recognition of the business synergy which can be gained through integrating the data centre facilities and business of Hutchison GlobalCenter with the wide range of telecommunication services being provided by HGC, Hutchison GlobalCenter was acquired by HGC in December 2003.

Equipment Suppliers

In order to provide the highest level of service to its customers, HGC sources its equipment needs from a variety of suppliers including Huawei, Cisco, RiverStone, Siemens, Ericsson, HP, IBM and Sun Microsystems.

Competitive Landscape

The key competitors for HGC in its respective business lines are as follows:

- Data services and local voice and data – PCCW, WTT, NWT, HKBN
- IDD – PCCW, CTL, NWT, WTT
- Residential broadband services – PCCW, HKBN, i-CABLE
- International bandwidth – FLAG, ANC, Reach

Summary Financial Information

The following financial information, except for the financial ratios, is extracted from the audited financial statements of HGC for financial years ended 31 December 2001, 2002 and 2003.

Summary Historical Financial Data

	For the years ended 31 December		
	2001	2002	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Historical Income Statement Data			
Turnover	1,075,165	1,231,712	1,601,130
Cost of services ⁽¹⁾	(874,642)	(828,841)	(805,341)
Gross profit ⁽²⁾	200,523	402,871	795,789
Operating expenses ⁽³⁾	(446,758)	(807,697)	(750,356)
Profit/(loss) from operations	(246,235)	(404,826)	45,433
Other income	21,573	10,248	7,407
Profit/(loss) before taxation	(224,662)	(394,578)	52,840
Taxation	–	–	–
Profit/(loss) attributable to shareholders	<u>(224,662)</u>	<u>(394,578)</u>	<u>52,840</u>

	As at 31 December		
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Historical Balance Sheet Data			
Cash and cash equivalents	71,731	18,474	8,446
Other current assets	231,764	199,340	237,326
Fixed assets	4,057,057	5,098,734	6,045,145
Other assets	1,607,503	1,388,062	1,403,507
Total assets	5,968,055	6,704,610	7,694,424
Current liabilities	(784,149)	(935,282)	(963,796)
Long-term liabilities	(1,550,174)	(2,530,174)	(3,438,634)
Total liabilities	(2,334,323)	(3,465,456)	(4,402,430)
Total shareholders' equity	3,633,732	3,239,154	3,291,994

	For the years ended 31 December		
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Other Historical Financial Data			
Depreciation of fixed assets	(220,736)	(296,534)	(376,700)
Amortisation of prepaid capacity	(6,693)	(20,672)	(35,568)
Capital expenditure	1,048,082	1,339,826	1,255,639

Financial Ratios

Gross profit margin	19%	33%	50%
Operating profit margin	-23%	-33%	3%
Net profit margin	-21%	-32%	3%

- (1) Cost of services is exclusive of depreciation of fixed assets and amortisation of prepaid capacity.
- (2) Gross profit is defined as revenue minus cost of services exclusive of depreciation of fixed assets and amortisation of prepaid capacity, which are included in operating expenses.
- (3) Operating expenses include depreciation of fixed assets and amortisation of prepaid capacity.

Risks related to HGC's business

HGC faces competition from existing and new fixed line providers when providing fixed line telecommunications services. Following the deregulation of the telecommunications business in Hong Kong, significant competitors have emerged that supply local and international telecommunications services. Some of these licensees are subsidiaries of major foreign telecommunications service providers.

Increasing liberalisation of the telecommunications markets in Hong Kong may further attract new local and foreign entrants to the market, which may introduce new products and services, thereby increasing the level of competition in the industry. Increased competition could result in price reductions, reduced gross margins or loss of market share, any of which could impact the HGC Group's profitability.

The Hong Kong telecommunications industry operates under licences granted by OFTA. HGC's operations could be adversely affected by any revocation or amendment of its existing licences or the granting of new licences to other service providers. There can be no assurance that the existing regulatory and licensing framework will remain unchanged. The effect of any future regulatory changes on the viability or competitiveness of the HGC's business cannot be accurately predicted.

Some of the specific risks which HGC is subject to in such competitive environment include competition from different types of service providers (such as other FTNS operators, cable communications companies, telecommunications resellers and website hosting providers), additional costs to implement new technologies as the industry is subject to rapid and significant changes in that respect, intensive competition for highly-skilled personnel in the industry and limited availability of persons with the requisite knowledge and experience.

HGC is also relying on obtaining rights from various parties (including its competitors, government and private parties) in order to build, expand and operate its network. If HGC cannot obtain such rights on favourable terms or at all, HGC may not be able to implement its network development and provide its services on a commercial basis. Further, HGC's ability to provide viable communications services depends upon its ability to secure and maintain interconnection arrangements with other operators, and there is no assurance that such arrangements can be agreed on favourable terms.

The reliability of HGC's network has historically been consistently good. However, any future large-scale or frequent failures of HGC's network might significantly hinder the ability of HGC to attract and retain customers.

CONFIRMATION BY HGC'S DIRECTORS

The directors of HGC confirm that as at the date of this announcement, no member of the HGC Group is engaged in any litigation, arbitration or claim which is of material importance, and no litigation, arbitration or claim which is of material importance is pending or threatened against any member of the HGC Group.

INFORMATION ON POWERCOM

Business Overview

PowerCom was incorporated in 2000. In August 2002, CLPT became a strategic investor and PowerCom is currently owned as to 19% by CLPT and the remaining 81% by CKE.

PowerCom provides broadband services that can be accessed by the users through power sockets. For many Internet users, this new technology has resolved many hassles that they may have encountered before. Computers no longer need to be located next to a TV socket or a telephone socket and computers can now be connected online virtually anywhere inside an apartment.

From the perspective of a telecommunication operator, the PowerCom Technology offers two competitive advantages for the residential market. First, the PowerCom Technology makes use of existing in-building electrical cables, which means that the installation of the PowerCom Technology equipment inside a building is much simpler when compared to traditional means. Through the PowerCom Technology, an Internet access service can be made available to a building and its residents through the power lines in approximately 3 days. Secondly, the PowerCom Technology is a lower cost “last mile” solution for telecommunication operators with an estimated cost of approximately HK\$35,000 to “broadband-enable” all the households inside a 30-storey residential building.

PowerCom entered into a strategic partnership with HGC in July 2002. PowerCom’s broadband technology combined with HGC’s state-of-the-art fibre optic network backbone offers users a high level of performance and convenience at a competitive price. The HGC-PowerCom Broadband Service is currently offered to residential estates, hotels and serviced apartments in Hong Kong. As at 31 December 2003, PowerCom had approximately 21,000 paying subscribers after approximately 15 months of operation.

Summary Financial Information

The following financial information is extracted from the audited financial statements of PowerCom for the period from the date of incorporation to 31 December 2001 and the financial years ended 31 December 2002 and 2003. PowerCom recorded turnover of approximately HK\$0.1 million for the period from the date of incorporation to 31 December 2001 and approximately HK\$0.9 million and HK\$6.7 million for the years ended 31 December 2002 and 2003, respectively. Its net loss was approximately HK\$16.1 million for the period from the date of incorporation to 31 December 2001 and approximately HK\$18.7 million and HK\$9.0 million for the years ended 31 December 2002 and 2003, respectively. It had net liabilities of approximately HK\$16.1 million, HK\$21.7 million and HK\$30.6 million as at 31 December 2001, 2002 and 2003, respectively.

Risks related to PowerCom’s business

In terms of broadband Internet service provided by PowerCom alone or in co-operation with HGC, PowerCom faces competition from existing and new broadband service providers and “last mile” technology providers. Following the deregulation of the telecommunications business in Hong Kong, significant competitors have emerged and there is currently intense competition amongst all the players in the market.

Increasing liberalisation of the telecommunications markets in Hong Kong may further attract new local and foreign entrants to the market, which may introduce new types of access technologies, products and services, thereby increasing the level of competition in the industry. Increased competition could result in price reductions, reduced gross margins or loss of market share, any of which could impact PowerCom’s profitability.

The Hong Kong telecommunications industry operates under licences granted by the OFTA. PowerCom’s operations could be adversely affected by any revocation or amendment of HGC’s or PowerCom’s existing licences or the granting of new licences to other service providers. There can be no assurance that the existing regulatory and licensing framework will remain unchanged. The effect of any future regulatory changes on the viability or competitiveness of PowerCom’s business cannot be accurately predicted.

Some of the specific risks which PowerCom is subject to in such competitive environment include competition from different types of service providers (such as other FTNS operators, cable communications companies, and telecommunications resellers), additional costs to implement new technologies from existing or new partners as PowerCom related technology is subject to rapid and significant changes in that respect, intensive competition for highly-skilled personnel in the industry and limited availability of persons with the requisite knowledge and experience.

PowerCom is also relying on obtaining rights from various parties (including property management companies, competitors, technology partners, government and equipment suppliers) in order to build, expand and operate its network. If PowerCom cannot obtain such rights on favourable terms or at all, PowerCom may not be able to implement its technology and service development plan and provide its services on a commercial basis.

The reliability of PowerCom’s network has historically been good. However, any future large-scale or frequent failures of PowerCom’s network might significantly hinder the ability of PowerCom to attract and retain customers.

CONFIRMATION BY POWERCOM’S DIRECTORS

The directors of PowerCom confirm that as at the date of this announcement, no member of the PowerCom Group is engaged in any litigation, arbitration or claim, which is of material importance and no litigation, arbitration or claim, which is of material importance is pending or threatened against any member of the PowerCom Group.

INFORMATION ON VANDA

Business Overview

Vanda engages in the business of trading of computers and peripherals, systems integration, development and sale of

software for the finance and banking industry, distribution of telecommunication products, and e-commerce solutions, mainly in Mainland China.

Vanda was founded in 1982, with its shares listed on the Main Board of the Stock Exchange since 1995. Headquartered in Hong Kong, Vanda has an extensive geographical coverage with operations spanning Mainland China, Hong Kong, Macau and Southeast Asian countries, including Singapore, Malaysia and the Philippines, to the United Kingdom. In Mainland China, Vanda has a strong presence, operating eight offices in key cities including Beijing, Changchun, Chengdu, Dalian, Guangzhou, Shanghai, Shenzhen and Wuhan.

Vanda is one of the market leaders in Mainland China in the provision of systems integration and software applications services in the banking and finance sector. Vanda has a client base that includes the biggest five domestic banks in Mainland China. Vanda has a reseller network of over 300 companies, distributing high-end computer products in Singapore, Malaysia and the Philippines.

Vanda is a premier IT service provider in Asia and is one of IBM's largest three business partners in Asia. Vanda's diverse client base includes major banks, financial institutions, postal and telecommunications companies, utility companies and government departments. In addition to utilising its own resources and expertise, Vanda collaborates with leading IT partners, including IBM and Cisco, to provide quality systems integration services.

Summary Financial Information

The following summary audited historical financial data should be read in conjunction with Vanda's audited financial statements, the notes thereto, included elsewhere in this announcement. The historical financial data summarised below, except for the financial ratios, are extracted from the Vanda's 2001, 2002 and 2003 annual reports and the financial statements of Vanda for the period from 1 April 2003 to 30 September 2003.

	For the years ended			For the period from 1 April 2003 to 30 September 2003
	31 March 2001	31 March 2002	31 March 2003	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Historical Income Statement Data				
Turnover	1,165,033	1,103,086	1,024,638	420,990
Cost of sales	(1,018,050)	(966,146)	(854,664)	(353,563)
Gross profit	146,983	136,940	169,974	67,427
Operating expenses	(131,986)	(226,280)	(156,789)	(76,346)
Profit/(loss) from operations	14,997	(89,340)	13,185	(8,919)
Other expenses	(201,538)	(106,946)	(180,977)	(34,508)
Loss before tax	(186,541)	(196,286)	(167,792)	(43,427)
Income tax expense	(10,375)	(23)	(4,713)	(12,013)
Loss after tax	(196,916)	(196,309)	(172,505)	(55,440)
Minority interests	8,147	5,240	(1,310)	(145)
Net loss attributable to shareholders	(188,769)	(191,069)	(173,815)	(55,585)
Historical Balance Sheet Data				
	As at 31 March 2001	As at 31 March 2002	As at 31 March 2003	As at 30 September 2003
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Cash and cash equivalents	(1)	158,971	106,330	77,737
Restricted cash		–	10,491	30,423
Pledged time deposits		42,725	52,437	62,112
Other current assets		557,890	279,130	339,133
Net property and equipment		106,964	105,646	85,158
Other assets		173,748	142,206	10,735
Total assets		1,040,298	696,240	605,298
Current liabilities		(582,413)	(497,046)	(453,706)
Long-term liabilities		(282,259)	(220,132)	(339,991)
Total liabilities		(864,672)	(717,178)	(793,697)
Minority interests		(11,950)	(9,700)	(10,974)
		(876,622)	(726,878)	(804,671)
Total shareholders' equity/(deficit)		163,676	(30,638)	(199,373)

	For the years ended			For the period from
	31 March	31 March	31 March	1 April 2003 to
	2001	2002	2003	30 September
	HK\$'000	HK\$'000	HK\$'000	2003
				HK\$'000
Other Historical Financial Data				
Depreciation	16,567	20,027	12,871	4,741
Amortisation	11,768	3,056	—	—
Capital expenditure	31,225	27,808	3,084	2,782
Financial Ratios				
Gross profit margin	13%	12%	17%	16%
Operating profit margin	1%	-8%	1%	-2%
Net profit margin	-16%	-17%	-17%	-13%

(1) Owing to the adoption of the revised Statement of Standard Accounting Practice No.2.115 "Cash flow statements" ("SSAP15"), financial periods beginning on or after 1 January 2002 should follow the revised SSAP15 in the preparation of financial statements in which the definition of cash equivalents has been revised. The historical financial data summarised above for 2001 has not been adjusted as per the requirements of the revised SSAP 15.

CONFIRMATION BY VANDA'S DIRECTORS

The directors of Vanda confirm that as at the date of this announcement, no member of the Vanda Group is engaged in any litigation, arbitration or claim, which is of material importance and no litigation, arbitration or claim, which is of material importance is pending or threatened against any member of the Vanda Group.

PROFORMA CAPITALISATION TABLE

(As of 9 January 2004 except for reserves – see notes below)

	Vanda unaudited HK\$'000	HGC unaudited HK\$'000	PowerCom unaudited HK\$'000	HGC	PowerCom	Proforma HK\$'000
				Transaction Adjustments Notes (2), (4) HK\$'000	Transaction Adjustments Notes (3), (4) HK\$'000	
Short-term debts	79,298	1,239	42,334	—	—	122,871
Long-term debts	2,269	3,423,834	16,808	—	—	3,442,911
Convertible note	—	—	—	3,200,000	—	3,200,000
Shareholders' equity						
Issued capital	153,702	78	2	487,422	48,855	690,059
Reserves – Note (1)	(75,136)	3,291,916	(30,636)	120,584	372,637	3,679,365
Total shareholders' equity	78,566	3,291,994	(30,634)	608,006	421,492	4,369,424
Total Capitalisation	160,133	6,717,067	28,508	3,808,006	421,492	11,135,206

Notes

- Vanda's reserves are stated as at 30 September 2003 adjusted for the increase in share premium of HK\$456,000 arising upon the exercise of certain share options by option holders during the period between 1 October 2003 and 9 January 2004. The reserves of the HGC Group and PowerCom are stated as at 31 December 2003.
- The HGC Transaction adjustments reflect:
 - the issue of 4,875,000,000 Vanda Shares with par value of HK\$0.10 at HK\$0.80 per share;
 - the issue of the HK\$3,200 million HGC Consideration Convertible Note to acquire all the issued shares in HGC; and
 - consolidation adjustments for the proposed acquisition of HGC by Vanda.
- The PowerCom Transaction adjustments reflect:
 - the issue of 488,572,636 Vanda Shares with par value of HK\$0.10 at HK\$0.80 per share to acquire all the issued shares in PowerCom; and
 - consolidation adjustments for the proposed acquisition of PowerCom by Vanda.
- Adjustments to reserves are stated before share issue expenses.

PROFORMA FINANCIAL INFORMATION**Proforma Balance Sheet After Completion**

The following table is a statement of the proforma balance sheet of the enlarged Vanda Group after completion of the Transactions based on the audited consolidated balance sheet of Vanda as at 30 September 2003, the audited consolidated balance sheet of the HGC Group as at 31 December 2003 and the audited consolidated balance sheet of PowerCom as at 31 December 2003.

	Vanda as at 30 September 2003	HGC as at 31 December 2003	PowerCom as at 31 December 2003	Adjustments (Note)	Proforma Combined Balance Sheet
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	75,390	8,446	2,058	–	85,894
Restricted cash	12,841	–	–	–	12,841
Pledged time deposits	58,172	–	–	–	58,172
Other current assets	263,736	237,326	8,286	–	509,348
Net property and equipment	70,787	6,045,145	22,178	–	6,138,110
Goodwill	–	–	–	4,229,498	4,229,498
Other assets	3,591	1,403,507	–	–	1,407,098
Total assets	484,517	7,694,424	32,522	4,229,498	12,440,961
Current liabilities	(390,611)	(963,796)	(46,348)	–	(1,400,755)
Long-term liabilities	(4,741)	(3,438,634)	(16,808)	(3,200,000)	(6,660,183)
Total liabilities	(395,352)	(4,402,430)	(63,156)	(3,200,000)	(8,060,938)
Minority interests	(11,119)	–	–	–	(11,119)
	(406,471)	(4,402,430)	(63,156)	(3,200,000)	(8,072,057)
Proforma Net Assets/ (Liabilities)	78,046	3,291,994	(30,634)	1,029,498	4,368,904
Shareholders' equity					
Issued capital	153,638	78	2	536,277	689,995
Reserves	(75,592)	3,291,916	(30,636)	493,221	3,678,909
	78,046	3,291,994	(30,634)	1,029,498	4,368,904

Note:

The adjustments reflect aggregate consideration for all the issued shares in HGC and PowerCom, which amounts to approximately HK\$7,491 million satisfied:

- i) as to HK\$4,291 million by the issuance of 5,364 million new Vanda Shares, par value HK\$0.10, at an issue price of HK\$0.80 per share; and
- ii) as to the remaining HK\$3,200 million by the issuance of the HGC Consideration Convertible Note.

Proforma Statement of Net Tangible Assets After Completion

Set out below is a proforma statement of unaudited combined net tangible assets of the enlarged Vanda Group after the Transactions based on the audited consolidated balance sheet of Vanda Group at 30 September 2003:

	<i>HK\$'000</i>
Audited consolidated net tangible assets of Vanda as at 30 September 2003	78,046
Value of 5,363,572,636 shares of Vanda at HK\$0.80 per share	4,290,858
	<u>4,368,904</u>
Less: estimated goodwill arising on consolidation of the HGC Group and the PowerCom Group (Note)	(4,229,498)
Adjusted unaudited combined net tangible assets of the enlarged Vanda Group after the Transactions	<u>139,406</u>

Note:

The amount of goodwill on consolidation will be determined on the date of completion of the Transactions and a further review of the value of the underlying assets of the HGC Group and the PowerCom Group. The adjusted unaudited combined net tangible assets of the enlarged Vanda Group will be increased by the amount of goodwill so allocated to the underlying assets of the HGC Group and the PowerCom Group.

Goodwill

The Transactions will result in Vanda recognising a goodwill amount of HK\$4,229 million on its balance sheet, assuming no allocation of the estimated goodwill to the underlying assets of the HGC Group and the PowerCom Group. The table below shows the calculation of goodwill:

	HGC <i>HK\$ million</i>	PowerCom <i>HK\$ million</i>	Total <i>HK\$ million</i>
Aggregate Considerations	7,100	391	7,491
Less: net assets (liabilities) as at 31 December 2003	<u>3,292</u>	<u>(30)</u>	<u>3,262</u>
Goodwill	<u><u>3,808</u></u>	<u><u>421</u></u>	<u><u>4,229</u></u>

Under HKGAAAP, goodwill is amortised over its useful life, a period normally not exceeding 20 years.

Impact on earnings

The future earnings of Vanda will be impacted by the 1% interest on the HGC Consideration Convertible Note, depreciation on goodwill allocated to the underlying assets of the HGC Group and the PowerCom Group and amortisation of the remaining unallocated amount of goodwill.

The above statement should not be interpreted to mean that the future earnings per share of Vanda would necessarily be greater than those for the preceding financial periods.

FUTURE CONNECTED TRANSACTIONS

Each of HGC and PowerCom and their respective subsidiaries have entered into, and are expected to continue to enter into, certain transactions with the HWL Group. After HGC Completion and PowerCom Completion, such transactions will constitute connected transactions for Vanda under the Listing Rules for so long as HWL's interest, held directly or indirectly through its subsidiaries, in Vanda shall equal to or exceed 10% of the then issued share capital of Vanda. These transactions will also constitute connected transactions for HWL if Vanda becomes a subsidiary of HWL after HGC Completion and PowerCom Completion. In such event, HWL will take such steps as are required to comply with the then prevailing connected transaction requirements of the Listing Rules as they apply to these transactions.

These transactions include, among others, the following:

Telecommunications services

HGC, through its wholly-owned subsidiaries, provide telecommunications services to the HWL Group including, among others, local fixed line telecommunications services, IDD services, leased line services, Internet access bandwidth and related value added services, mobile interconnection services and mobile number portability (MNP) porting and dipping services.

Lease and licence arrangements

The HGC Group has entered into lease and licence arrangements with the HWL Group for renting of premises and spaces in Hong Kong.

Others

The HWL Group also provides mobile telecommunication services, bill collection services and administrative services, to the HGC Group and licenses the use of certain trademarks and domain names to the HGC Group. The HGC Group also provides data centre services to the HWL Group. PowerCom has also entered into agreements with the HWL Group for the provision of Internet access service to certain residential estates and hotels and service apartments.

A separate announcement in relation to ongoing connected transactions requiring disclosure by way of press announcement and/or shareholders' approval will be made by Vanda. Vanda will make an application to the Stock Exchange for a waiver from strict compliance with the disclosure and/or shareholders' approval requirements in relation to such ongoing connected transactions on each occasion that they arise. Vanda will also seek the approval of Shareholders at the SGM for the relevant connected transactions if and when required.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Vanda and HGC participate in two distinct but related segments of the Information Communication Technology market. Vanda is engaged primarily in the provision of systems integration and software application services while the HGC Group is engaged in the provision of network and Internet access services. Increasingly as network and system infrastructure converge, clients are looking to total solution providers that can provide a full spectrum of integrated services to better optimise their investment in information technology and communications infrastructure and to achieve a competitive advantage for their business.

Vanda and HGC operate across a number of common markets and both companies have a strong set of corporate clients. The Vanda Directors believe that the HGC Transaction will enable Vanda to grow its business through cross-selling and bundling of HGC's services while reducing incremental administrative and selling costs.

Vanda Directors believe that PowerCom's unique access technology in Hong Kong combined with HGC's fibre optic network will offer a compelling value proposition to the customers enabling the broadband business unit of the combined entity to gain market share more effectively. With the acquisition of HGC and PowerCom, both bringing in advanced broadband access technology, Vanda would be uniquely positioned as a next generation technology services provider in Hong Kong that is able to differentiate itself with the breadth of its service offerings and geographical coverage and the depth of expertise ranging from system and network infrastructure to software development.

Based on the above reasons, Vanda Directors believe that the Transactions will be beneficial to Vanda.

TAKEOVERS CODE IMPLICATIONS OF THE TRANSACTIONS

Immediately after the issue of the HGC Consideration Shares at HGC Completion but before issue of any PowerCom Consideration Shares or exercise of any conversion rights under the HGC Convertible Notes, the aggregate shareholding of the HWL Group in Vanda will increase from the current level of approximately 37.06% to approximately 84.91% of the issued share capital of Vanda as enlarged by the issue of the HGC Consideration Shares (the precise aggregate shareholding percentages of the HWL Group and its Concert Parties in Vanda will be disclosed in the circular to be issued and dispatched to the Shareholders), assuming that there are no other changes in shareholding in Vanda since the date of this announcement. As a result, under the Takeovers Code, the HGC Vendor and its Concert Parties will have an obligation to make a mandatory general offer following HGC Completion to acquire all the Vanda Shares other than those already owned or agreed to be acquired by the HGC Vendor and/or its Concert Parties, unless the Share Whitewash Waiver is obtained. Even if the percentage shareholding of the HGC Vendor and its Concert Parties at HGC Completion is lower than that level because of any other changes in shareholding in Vanda (including the Placing and any transactions to maintain the public float of Vanda Shares as referred to in the paragraph "Maintenance of the Listing of Vanda" below), as long as the aggregate percentage shareholding in Vanda held by the HWL Group and its Concert Parties (if any) is above approximately 39.06% (that is, more than 2% from the current level), that obligation to make a mandatory general offer will still arise under the Takeovers Code following HGC Completion, unless the Share Whitewash Waiver is obtained.

After the date of this announcement, the HGC Vendor, CKE and CLPT may enter into agreements to effect a placing of part of the HGC Consideration Shares and part of the PowerCom Consideration Shares conditional upon HGC Completion and PowerCom Completion respectively. The terms of the Placing have yet to be finalised. If the Placing were to be effected, it is possible that the aggregate shareholding of the HWL Group and its Concert Parties in Vanda would decrease to 50% or below but above 30% of the issued share capital of Vanda. Upon the issue and allotment of Vanda Shares to the HGC Vendor and its Concert Parties pursuant to a partial or full exercise of the conversion rights under the HGC Convertible Notes, the shareholding of the HGC Vendor and its Concert Parties in Vanda may increase by more than 2% from their lowest collective percentage shareholding (as determined or deemed for this purpose under the Takeovers Code) in the then preceding 12 month period. In such event, and if such lowest collective percentage shareholding is at or above 30% but is 50% or below, under the Takeovers Code, the HGC Vendor and its Concert Parties will have an obligation to make a mandatory general offer to acquire all the Vanda Shares other than those already owned or agreed to be acquired by the HGC Vendor and/or its Concert Parties, unless the Convertible Note Whitewash Waiver is obtained.

It is one of the conditions precedent of HGC Completion that the Whitewash Waivers be obtained. **If either of the Whitewash Waivers is not available for any reason, the HGC Transaction will not become unconditional and will not proceed. In that event the PowerCom Transaction will not become unconditional and will not proceed either. In the circumstances, a mandatory general offer for Vanda Shares will not be made by the HGC Vendor or its Concert Parties.**

The PowerCom Consideration Shares will be issued at PowerCom Completion. Immediately after the issue of the HGC Consideration Shares at HGC Completion and PowerCom Consideration Shares at PowerCom Completion, but before exercise of any conversion rights under the HGC Convertible Notes, and on the assumption that there are no other changes in Vanda's issued share capital since the date of this announcement, the aggregate shareholding of the HWL Group, the CKH Group and the CLP Group in Vanda is expected to be approximately 85.97% of the issued share capital of Vanda as enlarged by the issue of the HGC Consideration Shares and the PowerCom Consideration Shares. As a result, an obligation to make a mandatory general offer to acquire all the Vanda Shares other than those already owned or agreed to be acquired by such parties will arise unless the Share Whitewash Waiver is obtained. It is one of the conditions precedent of PowerCom Completion that the Whitewash Waivers be obtained. **If either of the Whitewash Waivers is not available for any reason, the PowerCom Transaction will not become unconditional and will not proceed. In the circumstances, a general mandatory offer for Vanda Shares will not be made by the PowerCom Vendors, the HGC Vendor or the other Concert Parties of the HGC Vendor, if any.**

An application is intended to be made to the Executive for the Whitewash Waivers under Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code. If the Whitewash Waivers are granted by the Executive, they will be subject to approval by independent Shareholders on a vote taken by way of a poll.

MAINTENANCE OF THE LISTING OF VANDA SHARES

The HWL Group, through HIL, currently holds approximately 37.06% of the issued share capital of Vanda. Immediately after the issue of the HGC Consideration Shares at HGC Completion and the issue of the PowerCom Consideration Shares but before exercise of any conversion rights under the HGC Convertible Notes, and assuming that there have been no other changes in the issued share capital of Vanda since the date of this announcement, the HWL Group will hold approximately 78.9% of Vanda's issued share capital as enlarged by the issue and allotment of the HGC Consideration Shares and the PowerCom Consideration Shares. Accordingly, in the absence of other changes in shareholding in Vanda since the date of this announcement, Vanda will become a subsidiary of HWL immediately after HGC Completion and PowerCom Completion and before exercise of any conversion right under the HGC Convertible Notes.

It is the intention of Vanda to maintain the listing of the Vanda Shares on the Stock Exchange after HGC Completion and PowerCom Completion. Vanda currently also intends to continue its current principal business after HGC Completion and PowerCom Completion.

Accordingly, the HGC Vendor and Vanda have each undertaken to the Stock Exchange that they will use reasonable endeavour to ensure that the public float of Vanda will not be less than 25% (or such lower percentage as may be allowed under the Listing Rules) immediately after HGC Completion. After the date of this announcement, the HGC

Vendor, CKE and CLPT may enter into agreements to effect a placing of part of the HGC Consideration Shares and part of the PowerCom Consideration Shares, in connection with the restoration of the public float of Vanda, or otherwise, conditional upon HGC Completion and PowerCom Completion respectively. The Placing would seek to be properly underwritten and would be announced as soon as possible thereafter. The terms of the Placing have yet to be finalised. If the Placing were to be effected, Vanda will be informed of the Placing for the purpose of releasing the Placing Announcement.

The Stock Exchange has stated that if, at the date of completion of the Transactions, less than 25% (or such lower percentage as may be allowed under the Listing Rules) of the Vanda Shares are held by the public or if the Stock Exchange believes that:-

- a false market exists or may exist in the trading in the Vanda Shares; or
 - there are too few Vanda Shares in public hands to maintain an orderly market;
- then it will consider exercising its discretion to suspend trading in the Vanda Shares until a sufficient public float is attained. In this connection, it should be noted that upon the completion of the Transactions, there may be insufficient public float for the Vanda Shares and therefore trading in the Vanda Shares may be suspended until sufficient level of public float is attained.**

If Vanda remains a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by Vanda. The Stock Exchange has indicated that it has the discretion to require Vanda to issue an announcement and a circular to its Shareholders irrespective of the size of the proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of Vanda. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of transactions of Vanda and any such transactions may result in Vanda being treated as if it were a new listing applicant as set out in the Listing Rules.

INCREASE IN VANDA AUTHORISED SHARE CAPITAL

The authorised share capital of Vanda consists of 4,000,000,000 Vanda Shares, of which 1,537,871,325 Vanda Shares are in issue as at the date of this announcement. The directors of Vanda propose to increase the authorised share capital of Vanda from HK\$400,000,000 to HK\$3,000,000,000 by the creation of an additional 26,000,000,000 Vanda Shares.

APPOINTMENT OF NEW DIRECTORS TO THE VANDA BOARD

The HGC Acquisition Agreement provides that with effect immediately after HGC Completion, Mr. Frank John Sixt, Mr. Wong King Fai, Peter and Mr. Kan Ka Wing, Frankie will be appointed to the Vanda Board. The biography and information of each of the new Vanda executive directors to be appointed is set out below:

Frank John SIXT, has been an executive director of HWL since 1991 and group finance director since 1998. He is the chairman of TOM.COM LIMITED. He is also an executive director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited and a director of CKH, Hutchison Telecommunications (Australia) Limited, Husky Energy Inc. and Partner Communications Company Ltd.. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

Wong King Fai, Peter, is the Chief Executive Officer of HGCL. Mr. Wong has a wealth of experience in telecommunications and computing industries in USA, Canada and Southeast Asia. In his current capacity, Mr. Wong oversees the business development of HGC and leads the company to develop into a leading optical fibre network and service provider in Hong Kong, which offers a wide array of fixed telecommunications services including local and international voice, data, broadband and multimedia services. Mr. Wong has been appointed to his current role since HGC was spun off from Hutchison Telecommunications (Hong Kong) Limited ("Hutchison Telecom") in January 2000. Prior to this appointment, Mr. Wong was Fixed Network Director of Hutchison Telecom since he joined the company in 1996, responsible for the establishment of infrastructure, service and market development of its fixed network business. Before joining Hutchison Telecom, Mr. Wong gained extensive telecommunications experience with Cable & Wireless Hongkong Telecom through his responsibilities in various senior roles. Mr. Wong holds a Master's degree in Telecommunications from the University of Birmingham, UK and is a Fellow of the Hong Kong Institute of Engineers.

KAN Ka Wing, Frankie, is the Chief Financial Officer of HGCL and has many years of finance experience in industries as diverse as property, media, telecommunications, banking, fund management and securities. He initially joined companies closely affiliated with HWL Group in the late eighties and spent four years there assuming different senior roles. Just prior to joining HGC, Mr. Kan was the Director responsible for the establishment of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Kan re-joined the HWL Group, with HGCL, in May 2000. He is a Chartered Accountant with an economics degree earned in the UK.

GENERAL

For Vanda, the HGC Transaction constitutes a major transaction (but not a very substantial acquisition, as the assets to be purchased by Vanda are all listed assets) and a connected transaction under the Listing Rules, which requires independent Shareholders' approval (with HIL and other persons so required under the Listing Rules or otherwise by the Stock Exchange abstaining from voting), and the PowerCom Transaction constitutes a major transaction under the Listing Rules, which requires approval by Shareholders.

An independent board committee of Vanda has been established (subject to confirmation by the Executive of the independence of the Vanda Directors forming such committee) to advise the independent Shareholders in relation to the HGC Transaction and the Whitewash Waivers. An independent financial adviser will advise the independent board committee of Vanda in relation to the HGC Transaction and the Whitewash Waivers, and an announcement will be made by Vanda in respect of the appointment of the independent financial adviser as soon as practicable.

For CKH, the PowerCom Transaction constitutes a connected transaction within the de-minimis exemption in respect of connected transactions under Rule 14.25(1) of the Listing Rules, details of the PowerCom Transaction are required to be disclosed in this announcement and in CKH's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules. The directors of CKH (including the independent non-executive directors of CKH) consider that the PowerCom Acquisition Agreement is on normal commercial terms; and on terms which are fair and reasonable and the PowerCom Transaction is in the interest of the shareholders of CKH taken as a whole.

HWL is issuing this announcement voluntarily to provide information regarding the HGC Transaction to its shareholders and the public.

A circular giving details of, among others, the Transactions, the Whitewash Waivers, notice of the SGM, letters from the independent board committee of Vanda to the independent Shareholders and the independent financial adviser to the independent board committee in relation to the HGC Transaction and the Whitewash Waivers, is expected to be despatched to the Shareholders by Vanda as soon as practicable in accordance with the Listing Rules and Takeovers Code. Resolutions will also be proposed at the SGM for the grant of a general mandate to issue new Vanda Shares and the grant of a general mandate to repurchase Vanda Shares.

Trading in Vanda Shares was suspended at its request with effect from 2:30 p.m. on 13 January 2004 pending release of this announcement. It is currently intended that an application will be made for trading to resume on 29 January, 2004.

Shareholders of HWL, CKH and Vanda and potential investors should note that the Transactions, which are subject to a number of conditions precedent, may or may not be completed. In particular, the HGC Transaction is subject to, among others, a condition precedent that the Whitewash Waivers be obtained, and thus if either of such waivers is not available and a mandatory general offer is required to be made following HGC Completion, PowerCom Completion or following exercise of the conversion rights under the HGC Convertible Notes, the HGC Transaction will not proceed. In the circumstances, a mandatory general offer will not be made by the HGC Vendor or any of its Concert Parties. Further, the PowerCom Transaction is also subject to, among others, a condition precedent that the Whitewash Waivers be obtained, and thus if either of such waivers is not available and a mandatory general offer is required to be made following PowerCom Completion, the PowerCom Transaction will not proceed. In the circumstances, a mandatory general offer will not be made by the PowerCom Vendors, the HGC Vendor or other Concert Parties of the HGC Vendor, if any. Shareholders of HWL, CKH and Vanda and potential investors are reminded to exercise caution when dealing in the securities of these three listed issuers.

HUTCHISON GLOBAL COMMUNICATIONS INVESTMENTS LIMITED AND SUBSIDIARIES

(incorporated in the British Virgin Islands with limited liability)

CONSOLIDATED FINANCIAL INFORMATION

"Set out below is a summary of the results of HGC extracted and compiled from the audited consolidated financial statements for the years ended 31 December 2001, 2002 and 2003."

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

FOR THE YEARS ENDED 31 DECEMBER 2001, 31 DECEMBER 2002, AND 31 DECEMBER 2003

	Note	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Turnover	2	1,075,165	1,231,712	1,601,130
Cost of services, exclusive of depreciation and amortisation shown below		(874,642)	(828,841)	(805,341)
		200,523	402,871	795,789
Other revenue	2	21,573	10,248	7,407
Selling, general and administrative expenses		(143,934)	(167,186)	(212,917)
Depreciation of fixed assets		(220,736)	(296,534)	(376,700)
Amortisation of prepaid capacity		(6,693)	(20,672)	(35,568)
Prepaid capacity and maintenance written off	8	–	(225,714)	–
Provision for doubtful accounts		(15,122)	(9,855)	(10,941)
Operating profit/(loss)		(164,389)	(306,842)	167,070
Finance costs	8	(60,273)	(87,736)	(114,230)
Profit/(loss) for the year		(224,662)	(394,578)	52,840

See accompanying notes to the consolidated financial information which are an integral part of the consolidated financial information.

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER 2001, 31 DECEMBER 2002, AND 31 DECEMBER 2003

	<i>Note</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
ASSETS				
Non-current assets				
Fixed assets	3	4,057,057	5,098,734	6,045,145
Prepaid capacity and maintenance	4	1,541,509	1,287,633	1,277,627
Other prepayments		65,994	97,120	125,458
Pension asset		–	3,309	422
		<u>5,664,560</u>	<u>6,486,796</u>	<u>7,448,652</u>
Current assets				
Cash and cash equivalents		71,731	18,474	8,446
Trade accounts receivable		97,737	139,782	177,492
Other receivables and prepaid costs		28,571	31,765	22,087
Due from affiliates		105,456	–	–
Due from fellow subsidiaries		–	27,793	37,554
Due from the immediate holding company		–	–	193
		<u>303,495</u>	<u>217,814</u>	<u>245,772</u>
LIABILITIES				
Current liabilities				
Trade accounts payable and accrued liabilities		(611,000)	(646,260)	(590,134)
Deferred income		(160,555)	(276,749)	(355,790)
Due to affiliates		(12,594)	–	–
Due to intermediate holding companies		–	(11,247)	(16,401)
Due to fellow subsidiaries		–	(1,026)	(232)
Other long term loan – current portion		–	–	(1,239)
		<u>(784,149)</u>	<u>(935,282)</u>	<u>(963,796)</u>
Net current liabilities		(480,654)	(717,468)	(718,024)
Non-current liabilities				
Long term loan from a fellow subsidiary		(174)	(174)	–
Long term bank loan, secured	5	(1,550,000)	(2,530,000)	–
Long term loan from an intermediate holding company	6	–	–	(3,423,981)
Other long term loan		–	–	(14,653)
		<u>(1,550,174)</u>	<u>(2,530,174)</u>	<u>(3,438,634)</u>
Net assets		<u>3,633,732</u>	<u>3,239,154</u>	<u>3,291,994</u>
	<i>Note</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
CAPITAL AND RESERVES				
Share capital		78	78	78
Contributed surplus		5,278,286	5,278,286	5,278,286
Accumulated losses		(1,644,632)	(2,039,210)	(1,986,370)
Shareholders' funds		<u>3,633,732</u>	<u>3,239,154</u>	<u>3,291,994</u>

See accompanying notes to the consolidated financial information which are an integral part of consolidated financial information.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION**1. SIGNIFICANT ACCOUNTING POLICIES**

Certain significant accounting policies adopted by HGC are summarised as follows:

(a) Fixed assets

Fixed assets other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less.

Depreciation of telecommunications equipment and other assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at annual rates from 4% to 33.33%.

Leasehold improvements which are included in telecommunications equipment and other assets, are depreciated over the unexpired period of the lease or 15%, whichever is the greater. The period of the lease includes the period of which a right of renewal is attached.

Construction in progress, which includes direct expenditure for construction of a network, is stated at cost. Capitalised costs include costs incurred during the construction phase which directly relates to the asset under construction. Once all the activities necessary to prepare an asset to be available for its use are substantially completed, the construction in progress is transferred to fixed assets. No depreciation is provided in respect of construction in progress.

(b) Prepaid capacity and maintenance

Telecommunications capacity leased on an infeasible right of use ("IRU") basis and related maintenance services are amortised on a straight line basis from the date that the related capacity is activated over the shorter of the term of the IRU agreement or estimated useful life.

(c) Borrowing costs

Borrowing costs are accounted for on an accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets which are capitalised as part of the cost of that asset up to the date when substantially all activities necessary to prepare the asset for its intended use are complete.

Prepaid finance costs represent the fees paid for the arrangement of syndicated loan facilities and are deferred and amortised on a straight line basis over the period of the loan. The prepaid finance costs are written off to the profit and loss account when the loan is fully repaid.

(d) Revenues

Revenues in respect of international services, local fixed network services, and multimedia services are recognised when the services are rendered.

Interest income is recognised on an accrual basis.

2. TURNOVER

With its terrestrial fibre optic network in Hong Kong which has links to major undersea cable networks and networks in Mainland China, HGC has turnover which comprises local fixed telecommunications network services, international services and multimedia services. Total turnover and total revenues of HGC are as follows:

	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover			
Network revenue	1,075,165	1,231,712	1,601,130
Other revenues			
Bank interest income	15,952	2,387	433
Roadwork design fee and maintenance income	3,483	4,588	3,926
Project income	2,138	3,273	3,048
	<u>21,573</u>	<u>10,248</u>	<u>7,407</u>
Total revenues	<u><u>1,096,738</u></u>	<u><u>1,241,960</u></u>	<u><u>1,608,537</u></u>

3. FIXED ASSETS

	2001 Total HK\$'000	2002 Total HK\$'000	2003 Total HK\$'000	Land & building HK\$'000	Telecom- munication equipment & other assets HK\$'000	Construction in progress HK\$'000
Cost						
At 1 January	3,554,888	4,594,443	5,929,820	66,208	4,928,362	935,250
Additions	1,048,082	1,339,826	1,255,639	–	942,764	312,875
Disposals	(8,527)	(4,449)	(2,457)	–	(2,457)	–
Relating to subsidiaries acquired	–	–	106,953	–	106,847	106
Transfer from construction in progress	–	–	–	–	496,606	(496,606)
At 31 December	<u>4,594,443</u>	<u>5,929,820</u>	<u>7,289,955</u>	<u>66,208</u>	<u>6,472,122</u>	<u>751,625</u>
Accumulated depreciation						
At 1 January	318,734	537,386	831,086	5,944	825,142	–
Charge for the year	220,736	296,534	376,700	2,061	374,639	–
Disposals	(2,084)	(2,834)	(2,014)	–	(2,014)	–
Relating to subsidiaries acquired	–	–	39,038	–	39,038	–
At 31 December	<u>537,386</u>	<u>831,086</u>	<u>1,244,810</u>	<u>8,005</u>	<u>1,236,805</u>	<u>–</u>
Net book value at 31 December	<u>4,057,057</u>	<u>5,098,734</u>	<u>6,045,145</u>	<u>58,203</u>	<u>5,235,317</u>	<u>751,625</u>

4. PREPAID CAPACITY AND MAINTENANCE

	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Prepaid capacity and maintenance			
Activated – capacity	241,425	476,882	473,831
Unactivated – capacity	809,026	394,251	403,812
Activated – maintenance	117,527	230,102	217,265
Unactivated – maintenance	373,531	186,398	182,719
	<u>1,541,509</u>	<u>1,287,633</u>	<u>1,277,627</u>

5. LONG TERM BANK LOAN, SECURED

On 26 September 2001, HGC was granted a long term syndicated loan facility amounting to HK\$4.4 billion, secured by, inter alia, mortgages of HGC's shares and shares of its subsidiaries and debentures over HGC's and its subsidiaries' undertakings and assets including real property, certain tangible movable properties and certain material contracts. Tranche A, HK\$2.2 billion of the loan, bears interest at HIBOR plus 1.45% while Tranche B, the remaining HK\$2.2 billion of the loan, bears interest at HIBOR plus 1.80%.

During 2003, the long term bank loan was repaid and replaced by advances from an intermediate holding company. On 30 July 2003, the facility was cancelled.

	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Repayable within 2 years	–	396,000	–
Repayable within 3 to 5 years	1,550,000	2,134,000	–
	<u>1,550,000</u>	<u>2,530,000</u>	<u>–</u>

6. LONG TERM LOAN FROM AN INTERMEDIATE HOLDING COMPANY

Long term loan from an intermediate holding company represents the loan advanced to Hutchison Global Communications Limited, a member of the HGC Group. The loan is unsecured, bears interest at prevailing market rates and is repayable on 17 July 2008.

7. CAPITAL COMMITMENTS

Outstanding commitments not provided for in the accounts are as follows:

	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Contracted but not provided for	<u>1,540,835</u>	<u>1,469,604</u>	<u>1,128,950</u>

8. PREPAID CAPACITY AND MAINTENANCE AND FINANCE COSTS WRITTEN OFF

During 2002, Asia Global Crossing Limited filed for Chapter 11 protection in the United States and subsequently entered into a share and asset purchase agreement with Asia Netcom Corporation Limited ("ANC") whereby ANC has the right to assume Asia Global Crossing Limited's rights and obligations under a capacity agreement.

In early 2003, HGC signed an agreement with ANC and Asia Global Crossing Limited whereby HGC agreed that it shall have no further claims against Asia Global Crossing Ireland Limited, a wholly owned subsidiary of Asia Global Crossing Limited, in respect of the provision of certain IRU capacity, together with the related maintenance services totalling US\$29 million. As a result of the release of prepaid capacity and maintenance, HGC incurred a loss of HK\$225,714,000 for the year ended 31 December 2002.

During 2003, the unamortised prepaid finance costs amounting to HK\$51,150,000 were written off to the profit and loss account when the related loan was fully repaid.

POWERCOM NETWORK HONG KONG LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Period from 8 September 2000 (date of incorporation) to 31 December 2001
Years ended 31 December 2002 and 2003

The following are the extracts of consolidated profit and loss accounts and balance sheets for the respective period/year as extracted from the audited accounts of PowerCom for the period ended 31 December 2001 and years ended 31 December, 2002 and 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Period from 8 September 2000 (date of incorporation) to 31 December 2001 <i>Note</i>	Year ended 31 December 2002	Year ended 31 December 2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
TURNOVER	(3) 59,425	853,917	6,741,675
Other revenue and gains	601	1,518,444	420,956
Depreciation	(134,860)	(513,777)	(3,038,219)
Staff costs	(7,566,747)	(8,221,383)	(8,402,874)
Other operating expenses:			
Operating lease charges in respect of renting of premises	(971,510)	(1,249,547)	(935,693)
Management fee	(5,639,421)	(8,295,175)	(1,633,000)
Loss on disposal of fixed assets	—	(279)	(9,336)
Other expenses	(1,849,553)	(2,835,164)	(1,912,952)
LOSS FROM OPERATING ACTIVITIES	<u>(16,102,065)</u>	<u>(18,742,964)</u>	<u>(8,769,443)</u>
Finance costs	—	—	(209,412)
LOSS FOR THE PERIOD/YEAR	<u>(16,102,065)</u>	<u>(18,742,964)</u>	<u>(8,978,855)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December		
		2001 <i>HK\$</i>	2002 <i>HK\$</i>	2003 <i>HK\$</i>
NON-CURRENT ASSETS				
Fixed assets	(4)	1,208,904	5,621,239	22,177,744
CURRENT ASSETS				
Accounts receivable, deposits and prepayment		26,121	2,619,465	8,285,969
Cash at bank		75,923	150,777	2,057,949
		102,044	2,770,242	10,343,918
CURRENT LIABILITIES				
Amounts due to fellow subsidiaries		(196,711)	(640,069)	(9,833,742)
Amounts due to immediate holding company		(14,967,269)	(14,074,784)	–
Creditors and accruals		(2,249,025)	(3,053,717)	(4,014,432)
Short-term bank loan		–	–	(32,500,000)
		(17,413,005)	(17,768,570)	(46,348,174)
NET CURRENT LIABILITIES		(17,310,961)	(14,998,328)	(36,004,256)
As at 31 December				
	<i>Note</i>	2001 <i>HK\$</i>	2002 <i>HK\$</i>	2003 <i>HK\$</i>
NON-CURRENT LIABILITIES				
Loan from immediate holding company	(5)	–	(12,278,717)	(16,808,149)
NET LIABILITIES		(16,102,057)	(21,655,806)	(30,634,661)
CAPITAL AND RESERVES				
Issued capital		8	1,560	1,560
Share premium		–	13,187,663	13,187,663
Accumulated losses		(16,102,065)	(34,845,029)	(43,823,884)
		(16,102,057)	(21,655,806)	(30,634,661)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared on a going concern basis as the shareholders have agreed to provide adequate funds for PowerCom to meet its liabilities as they fall due.

The financial statements have been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

Certain principal accounting policies adopted by PowerCom are as follows:

(a) Fixed assets

Fixed assets are stated at cost less depreciation or provision for diminution in value where appropriate.

Depreciation is provided to write off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Powerline equipment and installation	10% – 20%
Computer equipment	33 $\frac{1}{3}$ %
Leasehold improvement	20%
Furniture and fixtures	20%

(b) Revenue recognition

Internet access service income and consultancy service income are recognised when services are provided.

(c) Operating leases charges

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessors are accounted for as operating leases. Operating lease charges are dealt with in the income statement over the terms of the respective leases.

3. TURNOVER

	2001 HK\$	2002 HK\$	2003 HK\$
Internet access service income	–	486,727	6,311,675
Consultancy service income	59,425	367,190	430,000
	<u>59,425</u>	<u>853,917</u>	<u>6,741,675</u>

4. FIXED ASSETS

	2001 HK\$	2002 HK\$	2003 HK\$	Powerline equipment and installation HK\$	Computer equipment HK\$	Leasehold improvement HK\$	Furniture and fixtures HK\$
Cost							
As at 1 January/ date of incorporation	–	1,343,764	6,269,105	4,071,303	1,735,331	108,637	353,834
Additions	1,343,764	4,930,891	19,636,028	18,799,970	777,297	–	58,761
Disposals	–	(5,550)	(69,836)	(13,592)	(56,244)	–	–
As at 31 December	<u>1,343,764</u>	<u>6,269,105</u>	<u>25,835,297</u>	<u>22,857,681</u>	<u>2,456,384</u>	<u>108,637</u>	<u>412,595</u>
Accumulated depreciation							
As at 1 January/ date of incorporation	–	134,860	647,866	141,969	364,344	31,101	110,452
Charge for the year	134,860	513,777	3,038,219	2,212,781	731,617	21,727	72,094
Eliminated on disposals	–	(771)	(28,532)	(584)	(27,948)	–	–
As at 31 December	<u>134,860</u>	<u>647,866</u>	<u>3,657,553</u>	<u>2,354,166</u>	<u>1,068,013</u>	<u>52,828</u>	<u>182,546</u>
Net book value							
As at 31 December	<u><u>1,208,904</u></u>	<u><u>5,621,239</u></u>	<u><u>22,177,744</u></u>	<u><u>20,503,515</u></u>	<u><u>1,388,371</u></u>	<u><u>55,809</u></u>	<u><u>230,049</u></u>

5. LOAN FROM IMMEDIATE HOLDING COMPANY

Loan from immediate holding company is unsecured, interest-free and not repayable before August 2010.

EXTRACTS OF HISTORICAL FINANCIAL DATA**VANDA SYSTEMS & COMMUNICATIONS HOLDINGS LIMITED**
(Incorporated in Bermuda with limited liability)

Years ended 31 March 2001, 2002 and 2003 and Period from 1 April 2003 to 30 September 2003

The following are the extracts of audited consolidated profit and loss accounts, balance sheets, and cash flow statements for the respective periods as extracted from the annual reports of Vanda in 2001, 2002 and 2003 (the "Annual Reports") and the financial statements of Vanda for the period from 1 April 2003 to 30 September 2003 (the "Accounts"). The financial years ended 31 March 2002 and 2003 together with the six months period from 1 April 2003 to 30 September 2003 (the "Six Months") were presented in column format below because the presentation for 2001 was different from 2002, 2003 and the Six Months. There are numbers of new and revised statements of accounting practice adopted in 2002, 2003 and the Six Months in the preparation of the financial statements of which no further amendments were made for 2001 figures while preparing this extract. In this regard, the financial information for 2001 was separately disclosed.

In connection with the details of all the disclosure notes of these financial data, the details of which were clearly set out in the Annual Reports and the Accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31 March 2002 HK\$ '000	Year ended 31 March 2003 HK\$ '000	Period from 1 April 2003 to 30 September 2003 HK\$ '000
TURNOVER	1,103,086	1,024,638	420,990
Cost of sales	(966,146)	(854,664)	(353,563)
Gross profit	136,940	169,974	67,427
Other revenue and gains	28,247	11,368	3,417
Selling and distribution costs	(52,191)	(29,555)	(10,701)
Administrative expenses	(201,173)	(139,019)	(69,129)
Other operating expenses:			
Loss on disposal/write-off of fixed assets	(14,488)	(987)	–
Provisions for and write-off of bad and doubtful debts	(26,425)	(9,197)	(4,027)
Unrealised holding loss on other investments	(1,091)	(57,202)	(3,266)
Impairment of long term investments	–	(76,361)	(3,700)
Impairment of leasehold land and buildings	–	–	(12,161)
Revaluation deficit of investment properties	(2,630)	(8,157)	–
Surrender fee paid for termination of a tenancy agreement	–	(3,469)	–
Loss on disposal of subsidiaries	–	(4,690)	–
Gain on disposal of discontinued operation	–	2,747	–
Loss on disposal of an associate	–	(314)	–
Compensation for loss of office to directors	–	(2,691)	–
Redundancy expenses	(4,815)	(1,848)	–
Provision for loss on put option	(10,000)	–	(1,500)
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)	–	–
Other expenses	(980)	(51)	(2,110)
LOSS FROM OPERATING ACTIVITIES	(164,977)	(149,452)	(35,750)
Finance costs	(28,860)	(18,757)	(7,744)
Share of profits and losses of associates	(1,163)	417	67
Amortisation of goodwill on acquisition of associates	(107)	–	–
Impairment of goodwill on acquisition of associates	(1,179)	–	–
LOSS BEFORE TAX	(190,884)	(169,889)	(43,427)
Continuing operations	(190,884)	(169,889)	(43,427)
Discontinued operations	(5,402)	2,097	–
Tax	(23)	(4,713)	(12,013)
LOSS BEFORE MINORITY INTERESTS	(196,309)	(172,505)	(55,440)
Minority interests	5,240	(1,310)	(145)
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	(191,069)	(173,815)	(55,585)
LOSS PER SHARE			
Basic	(45.5 cents)	(41.2 cents)	(9.39 cents)
Diluted	N/A	N/A	N/A

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31 March 2001 <i>HK\$ '000</i>
TURNOVER	
Continuing operations	1,157,136
Discontinued operations	7,897
	<hr/> 1,165,033
Cost of sales	(1,018,050)
	<hr/> 146,983
Gross profit	146,983
Other revenue	105,455
Selling and distribution costs	(43,709)
Administrative expenses	(189,451)
Other operating expenses	(156,565)
Loss on disposal of discontinued operations	(20,954)
	<hr/>
LOSS FROM OPERATING ACTIVITIES	(148,379)
Continuing operations	(9,862)
Discontinued operations	(9,862)
	<hr/> (158,241)
Finance costs	(24,019)
Share of profits and losses of associates	(4,281)
	<hr/> (186,541)
LOSS BEFORE TAX	(186,541)
Tax	(10,375)
	<hr/> (196,916)
LOSS BEFORE MINORITY INTERESTS	(196,916)
Minority interests	8,147
	<hr/> (188,769)
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	<hr/> <hr/> (188,769)
LOSS PER SHARE	
Basic	<hr/> <hr/> (45.8 cents)
Diluted	<hr/> <hr/> N/A

CONSOLIDATED BALANCE SHEET

	31 March 2002 HK\$'000	31 March 2003 HK\$'000	30 September 2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	93,656	54,858	40,487
Investment properties	11,990	30,300	30,300
Interests in associates	3,107	3,524	3,591
Long term investments	80,061	3,700	–
Other investments	59,038	3,511	–
	<u>247,852</u>	<u>95,893</u>	<u>74,378</u>
CURRENT ASSETS			
Accounts receivable	180,752	270,300	187,636
Inventories	71,092	39,847	42,027
Tax recoverable	155	3	3,142
Prepayments, deposits and other receivables	27,131	28,983	30,931
Pledged bank deposits	52,437	62,112	58,172
Cash and cash equivalents	116,821	108,160	88,231
	<u>448,388</u>	<u>509,405</u>	<u>410,139</u>
CURRENT LIABILITIES			
Accounts payable	152,142	171,736	124,223
Provisions	10,555	22,697	24,197
Deposits received, accruals and other payables	127,916	167,741	171,293
Tax payable	2,100	3,242	13,324
Finance lease payables	69	36	38
Interest-bearing bank loans, overdrafts and supplier loans	125,077	88,254	57,536
Convertible bonds	79,187	–	–
	<u>497,046</u>	<u>453,706</u>	<u>390,611</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>(48,658)</u>	<u>55,699</u>	<u>19,528</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	199,194	151,592	93,906
NON-CURRENT LIABILITIES			
Provisions	16,699	1,690	1,881
Finance lease payables	49	159	141
Interest-bearing bank loans, overdrafts and supplier loans	5,331	3,449	2,458
Deferred tax	87	261	261
	<u>22,166</u>	<u>5,559</u>	<u>4,741</u>
	<u>177,028</u>	<u>146,033</u>	<u>89,165</u>
CAPITAL AND RESERVES			
Issued capital	42,098	42,161	153,638
Reserves	(72,736)	(241,534)	(75,592)
	<u>(30,638)</u>	<u>(199,373)</u>	<u>78,046</u>
MINORITY INTERESTS	9,700	10,974	11,119
	<u>(20,938)</u>	<u>(188,399)</u>	<u>89,165</u>
CONVERTIBLE BONDS	197,966	334,432	–
	<u>177,028</u>	<u>146,033</u>	<u>89,165</u>

CONSOLIDATED BALANCE SHEET31 March 2001
HK\$ '000**NON-CURRENT ASSETS**

Fixed assets	97,684
Investment properties	9,280
Interests in associates	5,152
Long term investments	140,076
Long term deposit	28,520
	<hr/>
	280,712

CURRENT ASSETS

Accounts receivable	365,958
Inventories	140,309
Tax recoverable	984
Prepayments, deposits and other receivables	46,199
Short term investments	4,440
Pledged bank deposits	42,725
Cash and cash equivalents	158,971
	<hr/>
	759,586

CURRENT LIABILITIES

Accounts payable	243,350
Deposits received, accruals and other payables	122,946
Tax payable	8,851
Finance lease payables	351
Interest-bearing bank loans, overdrafts and other loans	206,915
	<hr/>
	582,413

NET CURRENT ASSETS

177,173

TOTAL ASSETS LESS CURRENT LIABILITIES

457,885

NON-CURRENT LIABILITIES

Finance lease payables	527
Interest-bearing bank loans, overdrafts and other loans	2,678
Deferred tax	1,901
	<hr/>
	5,106
	<hr/>
	452,779

CAPITAL AND RESERVES

Issued capital	42,002
Reserves	121,674
	<hr/>
	163,676

MINORITY INTERESTS

11,950

CONVERTIBLE BONDS

175,626

277,153

452,779

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March 2002 HK\$'000	Year ended 31 March 2003 HK\$'000	Period from 1 April 2003 to 30 September 2003 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(196,286)	(167,792)	(43,427)
Adjustments for:			
Provisions for and write-off of bad and doubtful debts	26,425	9,197	4,027
Provision for loss on put option	—	—	1,500
Provisions for impairment of deferred development costs	4,330	—	—
Provisions/(write-back of provisions) against inventories	32,935	(14,448)	(2,946)
Unrealised holding loss on other investments	1,091	57,202	3,266
Impairment of leasehold and buildings	—	—	12,161
Impairment of long term investments	—	76,361	3,700
Impairment of interest in an associate	237	—	—
Impairment of goodwill	10,712	—	—
Amortisation of goodwill	2,615	—	—
Amortisation of deferred development costs	441	—	—
Revaluation deficit of investment properties	2,630	8,157	—
Loss on disposal/write-off of fixed assets	14,488	987	34
Loss/(gain) on disposal of subsidiaries	(7,339)	4,690	—
Gain on disposal of discontinued operation	—	(2,747)	—
Loss/(gain) on disposal of an associate	(561)	314	—
Loss on deemed disposal of partial interests in subsidiaries	682	—	—
Loss on disposal of other investments	61	51	—
Depreciation	20,027	12,871	4,741
Finance costs	28,860	18,757	7,744
Share of losses/(profits) of associates	1,163	(417)	(67)
Waiver of loan by a minority shareholder	(2,134)	—	—
Interest income	(7,708)	(2,944)	(690)
Dividend income from listed investments	(54)	—	—
Operating profit/(loss) before working capital changes	(67,385)	239	(9,957)
Decrease/(increase) in accounts receivable	152,184	(99,955)	79,484
Decrease in inventories	33,753	45,496	766
Decrease/(increase) in prepayments, deposits and other receivables	10,196	(3,056)	(2,550)
Increase/(decrease) in accounts payable	(80,879)	22,599	(47,513)
Increase/(decrease) in provisions	22,254	(2,867)	191
Increase in deposits received, accruals and other payables	11,433	46,247	10,112
Cash generated from operations	81,556	8,703	30,533
Interest element on finance lease rental payments	(50)	(37)	—
Hong Kong profits tax refunded	77	—	—
Overseas taxes refunded	747	161	—
Overseas taxes paid	(8,519)	(3,456)	(5,070)
Net cash inflow/(outflow) from operating activities			
Continuing operations	67,042	5,683	25,463
Discontinued operations	6,769	(312)	—
	73,811	5,371	25,463

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	7,684	2,125	690
Dividend received from listed investments	54	–	–
Purchases of fixed assets	(27,808)	(2,889)	(2,782)
Purchases of investment properties	(714)	–	–
Payments for deferred development costs	(4,771)	–	–
Proceeds from disposal of fixed assets	2,329	365	217
Acquisition of interests in associates	(1,839)	–	–
Repayment from associates	1,198	–	–
Net proceeds/(outflow) from disposal of an associate	561	(314)	–
Acquisition of subsidiaries	16,493	–	–
Proceeds/(outflow) from disposal of subsidiaries	1,573	(1,129)	–
Acquisition of long term investments	(136)	–	–
Proceeds from disposal of other investments	4,379	72	–
Decrease/(increase) in pledged time deposits	(9,512)	(9,875)	3,940
Net cash inflow/(outflow) from investing activities			
Continuing operations	(4,003)	(11,662)	2,065
Discontinued operations	(6,506)	17	–
	<u>(10,509)</u>	<u>(11,645)</u>	<u>2,065</u>
Net cash inflow/(outflow) after investing activities	<u>63,302</u>	<u>(6,274)</u>	<u>27,528</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares on exercise of share options	1,256	414	(1,430)
Net proceeds from issue of convertible bonds	–	136,465	–
Repurchases of shares	(476)	–	–
Repayment of convertible bonds	–	(79,187)	–
New loans	93,682	50,844	–
Repayment of bank loans	(147,756)	(86,739)	(29,348)
Repayment of supplier loans	(24,404)	(3,786)	(4,956)
Capital element of finance lease payments	(757)	(118)	(26)
Advances from minority interests	3,240	–	–
Interest paid on bank, supplier and other loans	(12,447)	(5,214)	(2,017)
Interest paid on convertible bonds	(16,584)	(14,873)	(12,277)
Net cash outflow from financing activities			
Continuing operations	(104,246)	(2,194)	(50,054)
Discontinued operations	–	–	–
	<u>(104,246)</u>	<u>(2,194)</u>	<u>(50,054)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

	(40,944)	(8,468)	(22,526)
Cash and cash equivalents at beginning of year/period	158,971	116,856	108,160
Effect of foreign exchange rate changes	(1,171)	(228)	2

CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD

	<u>116,856</u>	<u>108,160</u>	<u>85,636</u>
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	66,728	102,422	73,082
Non-pledged time deposits with original maturity of less than three months when acquired	50,093	5,738	15,149
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdrafts	200	–	–
Bank overdrafts	(165)	–	(2,595)
	<u>116,856</u>	<u>108,160</u>	<u>85,636</u>

CONSOLIDATED CASH FLOW STATEMENTFor the year ended
31 March 2001
HK\$ '000

NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(146,216)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	15,240
Interest paid on bank, supplier and other loans	(7,641)
Interest element of finance lease payments	(256)
Interest paid on bonds	(9,538)
Dividend received from listed investments	47
Net cash outflow from returns on investments and servicing of finance	(2,148)
TAXATION	
Taxes paid outside Hong Kong	(8,024)
Taxes paid	(8,024)
INVESTING ACTIVITIES	
Purchases of fixed assets	(31,225)
Proceeds from disposal of fixed assets	357
Payments for deferred development costs	(23,144)
Increase in interests in associates	(1,250)
Advances to associates	(2,950)
Proceeds from disposal of an associate	581
Capital return from an associate	115
Proceeds from disposal of a subsidiaries	7,549
Acquisition of long term investments	(74,724)
Acquisition of other investments	(4,875)
Long term deposit	(28,520)
Net cash outflow from investing activities	(158,086)
NET CASH OUTFLOW BEFORE FINANCING	(314,474)
FINANCING	
Proceeds from issue of shares on exercise of share options	5,795
Repurchases of shares	(1,899)
Net proceeds from issue of convertible bonds	277,153
New loans	27,600
Repayments of bank loans	(6,875)
Repayments of other loans	(6,010)
Capital element of finance lease payments	(1,481)
Increase in bank deposits pledged	(34,432)
Advances from minority interests	4,268
Net cash inflow from financing	264,119
DECREASE IN CASH AND CASH EQUIVALENTS	(50,355)
Cash and cash equivalents at beginning of year	93,530
Effect of foreign exchange rate changes	(363)
CASH AND CASH EQUIVALENTS AT END OF YEAR	42,812
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash, bank balances and banks deposits	201,696
Trust receipt loans with maturity within three months from the date of advance	(116,159)
Less: Pledged bank deposits	(42,725)
	42,812

DEFINITIONS

“Affiliate(s)”	in respect of a company, means any subsidiaries or holding companies of such company or any subsidiaries of any of the holding companies of such company;
“CKE”	Cheung Kong Enterprises Limited, an indirect wholly-owned subsidiary of CKH;
“CKE PowerCom Sale Shares”	162 shares in PowerCom held by CKE, representing 81% of the entire issued share capital in PowerCom;
“CKH Group”	CKH and its subsidiaries;
“CKH”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong and the ultimate holding company of CKE, whose shares are listed on the Main Board of the Stock Exchange;
“CLP”	CLP Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange;
“CLP Group”	CLP and its subsidiaries;
“CLPT PowerCom Sale Shares”	38 shares in PowerCom held by CLPT, representing 19% of the entire issued share capital in PowerCom;
“CLPT”	CLP Telecommunications Limited, a wholly-owned subsidiary of CLP;
“Concert Parties”	in respect of a person, means parties acting in concert (within the meaning as ascribed to that term under the Takeovers Code) with such person in relation to holding of shares in Vanda;
“Consent”	licences, consents, approvals, authorisations, permissions, waivers, orders or exemptions;
“Convertible Note Whitewash Waiver”	a waiver by the independent Shareholders of the obligation of HGC Vendor and its Concert Parties (if any) to make a mandatory offer for all the Vanda Shares under Rule 26 of the Takeovers Code as a result of the issue of shares in Vanda to the HWL Group (or as it may direct) pursuant to a partial or full exercise of the HGC Convertible Notes or any of them;
“DBS”	DBS Nominees (Private) Limited;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate for the time being of the Executive Director;
“Facility Convertible Note”	each of the convertible notes to be issued by Vanda entitling the holder thereof to convert the outstanding principal amount thereof into new shares of Vanda, which is to be issued by Vanda to HIL (or as it may direct) pursuant to the terms of the Facility; and “Facility Convertible Notes” shall be construed accordingly;
“Facility”	an unsecured loan facility of a principal amount of HK\$1,000 million to be made available by HIL to the Vanda Group at HGC Completion, the terms of which will include a conversion of the outstanding principal amount thereof into a Facility Convertible Note at each of the first and second anniversary of HGC Completion;
“FTNS”	Fixed Telecommunications Network Services;
“HGC”	Hutchison Global Communications Investments Limited, currently a wholly-owned subsidiary of the HGC Vendor and, where the context requires, includes a reference to all or any of its subsidiaries and partnership;
“HGC Acquisition Agreement”	the agreement dated 28 January 2004 made among the HGC Vendor, Vanda and HIL under which Vanda has conditionally agreed to acquire the HGC Sale Shares from the HGC Vendor;
“HGC Completion”	completion of the sale and purchase of the HGC Sale Shares in accordance with the HGC Acquisition Agreement;
“HGC Consideration Convertible Note”	a convertible note, with a face value of HK\$3,200 million, to be issued by Vanda entitling the holder thereof to convert the principal amount thereof into new Vanda Shares, which is to be issued by Vanda to the HGC Vendor (or another subsidiary of HWL as it may direct) to satisfy in part the consideration for the sale of HGC Sale Shares;
“HGC Consideration Shares”	4,875 million new Vanda Shares to be allotted and issued credited as fully paid at HK\$0.80 per Vanda Share to the HGC Vendor (or as it may direct) to satisfy in part the consideration for the sale of HGC Sale Shares;

Hutchison Whampoa Limited/ Cheung Kong (Holdings) Limited/ Vanda Systems & Communications Holdings Limited	
“HGC Convertible Notes”	the HGC Consideration Convertible Note and the Facility Convertible Notes;
“HGC Group”	HGC and its subsidiaries;
“HGC Sale Shares”	the entire issued share capital of HGC;
“HGC Transaction”	the transactions contemplated under the HGC Acquisition Agreement;
“HGC Vendor”	Hutchison Global Communications Holdings Limited, a wholly-owned subsidiary of HWL;
“HGCL”	Hutchison Global Communications Limited, a wholly-owned subsidiary of HGC and holder of an FTNS licence;
“HIL”	Hutchison International Limited, a wholly-owned subsidiary of HWL;
“HKGAAP”	generally accepted accounting principles in Hong Kong;
“HK\$”	the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong and whose shares are listed on the Main Board of the Stock Exchange;
“HWL Group”	HWL and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Placing”	the possible placing of part of the HGC Consideration Shares and part of the PowerCom Consideration Shares by the HGC Vendor, CKE and CLPT;
“Placing Announcement”	one or more announcements to be made by Vanda disclosing the details and progress of the Placing;
“PowerCom”	PowerCom Network Hong Kong Limited, currently a 81% held subsidiary of CKH and, where the context requires, includes a reference to all or any of its subsidiaries;
“PowerCom Acquisition Agreement”	the agreement dated 28 January 2004 made among CKE, CKH, Vanda and CLPT under which Vanda has conditionally agree to acquire the PowerCom Sale Shares from CKE and CLPT;
“PowerCom Completion”	completion of the sale and purchase of the PowerCom Sale Shares in accordance with the PowerCom Acquisition Agreement;
“PowerCom Consideration Shares”	488,572,636 new Vanda Shares to be allotted and issued at HK\$0.80 per Vanda Share credited as fully paid as to 395,743,835 Vanda Shares to CKE and as to 92,828,801 Vanda Shares to CLPT (or as they may respectively direct) to satisfy the consideration for the sale of PowerCom Sale Shares;
“PowerCom Group”	PowerCom and its subsidiaries;
“PowerCom Sale Shares”	200 shares in PowerCom, representing its entire issued share capital;
“PowerCom Technology”	the technology adopted by PowerCom whereby broadband services can be accessed by the users through power sockets;
“PowerCom Transaction”	the transactions contemplated under the PowerCom Acquisition Agreement;
“PowerCom Vendors”	CKE and CLPT;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of Vanda to be held to seek, among other things, the independent Shareholders’ approval of the HGC Transaction, Shareholder’s approval of the PowerCom Transaction and independent Shareholders’ approval of the Whitewash Waivers;
“Share Whitewash Waiver”	a waiver by the independent Shareholders of the obligation of HGC Vendor and its Concert Parties (if any) to make a mandatory offer for all the Vanda Shares under Rule 26 of the Takeovers Code as a result of the issue of the HGC Consideration Shares to the HGC Vendor (or as it may direct) and/or issue of the PowerCom Consideration Shares to CKE and CLPT (or as they may respectively direct);
“Shareholder(s)”	holder(s) of Vanda Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Transactions”	the HGC Transaction and PowerCom Transaction;

Hutchison Whampoa Limited/ Cheung Kong (Holdings) Limited/ Vanda Systems & Communications Holdings Limited	
“UK”	the United Kingdom;
“USA”	the United States of America;
“Vanda”	Vanda Systems & Communications Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange and, where the context requires, includes a reference to all or any of its subsidiaries;
“Vanda Board”	the board of Vanda Directors;
“Vanda Directors”	the directors of Vanda;
“Vanda Group”	Vanda and its subsidiaries;
“Vanda Shares”	shares in the share capital of Vanda with a par value of HK\$0.10 each; and
“Whitewash Waivers”	the Share Whitewash Waiver and the Convertible Note Whitewash Waiver.

By Order of the Board
Hutchison Whampoa Limited

Edith Shih
Company Secretary

By Order of the Board
Cheung Kong (Holdings) Limited

Eirene Yeung
Company Secretary

By Order of the Board
Vanda Systems & Communications Holdings Limited

Loh Tiak Koon
Chief Executive Officer

Hong Kong, 28 January 2004

The Vanda Directors jointly and severally accept full responsibility for the accuracy of all the information contained in this announcement (other than information relating to the HWL Group and the CKH Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, their 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 of their statements in this announcement misleading.

The directors of HWL (save and except Mr. Simon Murray who is overseas and is not contactable) jointly and severally accept full responsibility for the accuracy of all the information contained in this announcement (other than information relating to the Vanda Group and the CKH Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, their 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 of their statements in this announcement misleading.

The directors of CKH (save and except Mr. Simon Murray who is overseas and is not contactable) jointly and severally accept full responsibility for the accuracy of all the information contained in this announcement (other than information relating to the Vanda Group and the HWL Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, their 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 of their statements in this announcement misleading.

Please also refer to the published version of this announcement in The Standard dated on 29-1-2004.