



Hutchison Global Communications Merges With Vanda Systems & Communications And PowerCom

Next-generation technology powerhouse is formed offering total solutions to customers in Greater China and Asia

(Hong Kong, 28 January 2004) Vanda Systems & Communications Holdings Limited (Vanda), a Hong Kong publicly listed information technology solutions company and an associate of Hutchison Whampoa Limited (HWL), has conditionally agreed to purchase 100% of Hutchison Global Communications Investments Limited (HGC), which wholly owns Hutchison Global Communications Limited (HGCL), a leading Hong Kong fixed line telecommunications operator. HGC is an indirect wholly-owned subsidiary of HWL.

Vanda has also conditionally agreed to buy 100% of PowerCom Network Hong Kong Limited (PowerCom), an innovative provider of broadband services that can be accessed through power sockets. PowerCom is a joint venture between Cheung Kong Enterprises Limited, an indirect wholly owned subsidiary of Cheung Kong (Holdings) Limited (CKH), and CLP Telecommunications Limited, a wholly owned subsidiary of CLP Holdings Ltd. HWL is an associate of CKH.

The proposed merger of HGC, Vanda and PowerCom will create an integrated telecommunications and IT company offering a wide range of innovative and advanced information technology and telecommunications services. HGCL is a leading provider of a wide range of voice and data communications services in Hong Kong with the largest building-to-building fully optical fibre network in the territory and is a significant player in the provision of bandwidth to and from Mainland China. The new entity, leveraging Vanda's standing as a leading supplier of systems infrastructure and application solutions services in China and Southeast Asia, will offer complete solutions to customers. PowerCom will also be acquired to provide the enlarged company with a synergistic competitive advantage in providing one of the most convenient, alternative "last mile" access technologies.

“We have decided to merge the three companies because of the synergies which arise from their strong positions in both the telecommunications and IT sector,” said HWL Group Managing Director and Vanda Chairman Canning Fok.

“HGC brings to the enlarged Vanda a strong customer base. HGC’s successful fixed-line operations in Hong Kong also connect to major international and Mainland China cable networks, providing quality bandwidth and IP-based connectivity services,” said Mr Fok.

“Vanda is a premier IT service provider in Asia and a market leader in China for the provision of systems integration and software applications services in the banking and finance sector. We are fusing those successful elements together to create a technology powerhouse,” added Mr Fok.

CKH Executive Director Edmond Ip said, “PowerCom has had a strategic partnership with HGCL for the past 18 months, providing cost-effective last mile technology for installing broadband service in residential estates, hotels and service apartments. The inclusion of PowerCom into this transaction further strengthens the merged HGC and Vanda company with a powerful competitive advantage by providing Internet access to buildings and occupants using existing power cables.”

Vanda Group CEO Loh Tiak Koon said, “With the acquisition of HGC and PowerCom, both bringing in advanced broadband access technology, Vanda will be uniquely positioned as a next generation technology services provider that is able to differentiate itself with the breadth of its services offerings and geographical coverage in Hong Kong, Mainland China and Southeast Asia and the depth of expertise ranging from system and network infrastructure to software development.”

“These acquisitions will reinvigorate Vanda and propel it into a new growth mode to take advantage of the strengthening economic recovery in Hong Kong and Asia while providing new opportunities in our major market of Mainland China where we are a leading IT player.”

“We believe that the combination of Vanda’s computer hardware and software related expertise with HGC’s and PowerCom’s networking and telecommunications expertise will give Vanda an edge as a telecoms and systems integration company in order to capture the growing demand from clients for total solutions packages” said Mr Loh.

Vanda has conditionally agreed to purchase all the shares of HGC for a total amount of HK\$7.1 billion which will be satisfied by the issuing of new Vanda shares worth HK\$3.9 billion (issue price: HK\$0.8 per share) and convertible notes valued at HK\$3.2 billion (initial conversion price: HK\$0.96 per share) to wholly-owned HWL subsidiaries. The HWL Group will also make available to Vanda from completion of the transaction an unsecured interest bearing loan facility with a principal amount of HK\$1 billion. The amount drawn and outstanding against the facility on the first and second anniversaries of the date of completion of the transaction will be repaid by Vanda by the further issuance of convertible notes with a principal amount equal to the amount outstanding on each of the two dates (“convertible note facility”).

Vanda has also conditionally agreed to acquire all of the shares of PowerCom for approximately HK\$390.9 million which will be satisfied by the issue of new Vanda shares of equivalent value (issue price: HK\$0.8 per share) to CKH and CLP Holdings subsidiaries.

Approval of the proposed acquisitions will increase the stake of HWL in Vanda from approximately 37.06% to approximately 78.89% of the enlarged share capital base of Vanda, and thereafter to approximately 85.77% assuming the full conversion of the HK\$3.2 billion convertible notes. If the convertible note facility is fully drawn by Vanda, and assuming full conversion of the additional HK\$1 billion convertible notes, HWL’s stake in Vanda will increase to approximately 87.08%.

The agreements are conditional on Vanda shareholders approving an increase in the company’s share capital from HK\$400 million to HK\$3 billion, Vanda shareholders approving the transactions at a special general meeting and HWL obtaining whitewash waivers exempting it from the obligation to make a mandatory general offer for Vanda shares not owned or agreed to be acquired by HWL. The waivers require the approval of the Securities and Futures Commission.

HWL became a major shareholder in Vanda in September last year. At the time, independent shareholders and the SFC granted a whitewash waiver exempting HWL from having the obligation to make a mandatory general offer.

At completion of the acquisition Mr Frank Sixt, HWL Group Finance Director, Mr Peter Wong King Fai, HGCL Chief Executive Officer, and Mr Frankie Kan Ka Wing, HGCL Chief Financial Officer will be appointed to the Vanda board.

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