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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vodatel Networks Holdings Limited (the “Company”), you should at once hand this circular together with the accompanying form of election to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

THIS CIRCULAR IS NOT AN OFFER FOR, NOR IS IT CALCULATED TO INVITE OFFERS FOR, SECURITIES OF VODATEL NETWORKS HOLDINGS LIMITED OR MEGAINFO HOLDINGS LIMITED OR ANY OTHER BODY AND IS PROVIDED TO THE SHAREHOLDERS OF, OPTION HOLDERS OF, AND THE HOLDER OF THE CONVERTIBLE BOND ISSUED BY VODATEL NETWORKS HOLDINGS LIMITED ONLY. RECIPIENTS OF THIS CIRCULAR AND/OR THE FORM OF ELECTION ARE REMINDED NOT TO MAKE AVAILABLE NOR DISTRIBUTE THIS CIRCULAR AND/OR THE FORM OF ELECTION TO ANY PERSON OTHER THAN THE AFORESAID PERSONS OF VODATEL NETWORKS HOLDINGS LIMITED.



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

**PROPOSAL FOR THE SEPARATE LISTING OF MEGAINFO HOLDINGS LIMITED
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
INVOLVING A
DISTRIBUTION OF SHARES IN
MEGAINFO HOLDINGS LIMITED TO
SHAREHOLDERS OF VODATEL NETWORKS HOLDINGS LIMITED**

Vodatel Shareholders should complete and return the enclosed form of election in accordance with the instructions printed thereon to the Company’s branch share registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later 4:00 p.m. on 12 January 2004.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company at www.vodatelsys.com.

* For identification purpose only

31 December 2003

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

Despatch of prospectus by MegaInfo on or about 31 December 2003

Latest time for receipt of the forms of election

for exercising the Put Option by the Registrar 4:00 p.m. on 12 January 2004

Announcement of results of the Placing and the exercise of the Put Option 15 January 2004

Certificates for the MegaInfo Shares expected to be despatched on 16 January 2004

Cheques for the Cash Payment expected to be despatched on 16 January 2004

Dealings in the MegaInfo Shares expected to commence on 19 January 2004

(Please note that the above timetable is subject to change depending on the prevailing market conditions. If there are changes to the above timetable, the Company will publish an announcement on the GEM website at www.hkgem.com and on the website of the Company at www.vodatelsys.com as soon as practicable thereafter.)

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“Cash Payment”	a cash payment to be paid to (i) the Eligible Vodatel Shareholders who elect to exercise the Put Options; and (ii) Ineligible Vodatel Shareholders in an amount to be determined by reference to the Placing Price net of expenses and the entitlements of the relevant Vodatel Shareholders under the Distribution and to be sold under the Placing (if appropriate)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” or “Vodatel”	Vodatel Networks Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on GEM
“CSC Asia”	CSC Asia Limited, a deemed licensed corporation under the SFO, being the sponsor in respect of the Separate Listing
“Director(s)”	the director(s) of the Company
“Distribution”	the payment of a special interim dividend by the Company to its shareholders by way of a distribution in specie of an aggregate of 13,375,000 MegaInfo Shares (which is pursuant to the power of the Board under the Bye-laws)
“Distribution Record Date”	31 December 2003, being the record date on which entitlements to the Distribution will be determined
“eForce”	eForce Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange

DEFINITIONS

“Eligible Vodatel Shareholders”	Vodatel Shareholders, except the Ineligible Vodatel Shareholders, including the public and the connected persons of the Company as defined under the GEM Listing Rules
“Eve Resources”	Eve Resources Limited, which held approximately 47.80% shareholding interest of the Company as at the Latest Practicable Date, the entire issued share capital of which was held by a company wholly owned by Mr. Santos as a trustee of a discretionary family trust
“Existing Vodatel Vendors”	Mr. Yim, Mr. Kuan and Ms. Nunes, Best Eastern Limited, Back Support Properties Limited and Yat Yi Properties Limited (all of which are held by the nephews of Mr. Santos, the controlling shareholder of the Company). Each of the aforementioned parties held less than 5% of the issued share capital of the Company as at the Latest Practicable Date
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the Council of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Ineligible Vodatel Shareholders”	Vodatel Shareholders who, on the Distribution Record Date, had addresses on the register of members of the Company outside of Hong Kong
“Latest Practicable Date”	23 December 2003, being the latest practicable date for the purpose of ascertaining certain information contained herein
“Listing”	the listing of the MegaInfo Shares on GEM by way of introduction and the Placing
“Macau”	the Macau Special Administrative Region of the People’s Republic of China

DEFINITIONS

“MegaInfo”	MegaInfo Holdings Limited, a company incorporated in Bermuda with limited liability and at present a wholly-owned subsidiary of the Company and 82% and 18% indirectly owned by the Company and eForce respectively immediately following completion of the reorganisation in preparation for the Separate Listing but before the Distribution and the Placing
“MegaInfo Group”	MegaInfo and its subsidiaries, and where the context so requires, in respect of the period before MegaInfo becoming the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of MegaInfo at that time, and in respect of the period before the establishment of all such subsidiaries, the operating division of the Group which previously carried out the business of providing enterprise solutions and applications with an initial focus on self-developed digital image processing management solutions now carried out by the MegaInfo Group
“MegaInfo Prospectus”	a prospectus issued by MegaInfo on 31 December 2003 in connection with the Listing
“MegaInfo Share(s)”	ordinary share(s) of nominal value HK\$0.01 each in the share capital of MegaInfo
“Mr. Kuan”	Mr. Kuan Kin Man, a Director and a non-executive director of MegaInfo
“Mr. Santos”	Mr. José Manuel dos Santos, a Director and the chairman of both the Company and MegaInfo
“Mr. Yim”	Mr. Yim Hong, a Director and a non-executive director of MegaInfo
“Ms. Nunes”	Ms. Monica Maria Nunes, a Director
“Placing”	the conditional placing by the Underwriters of the MegaInfo Shares for cash at the Placing Price, details of which are contained in the MegaInfo Prospectus
“Placing Price”	HK\$0.25, being the price per MegaInfo Share (exclusive of brokerage, SFC transaction levy, investor compensation levy and Stock Exchange trading fee) at which the Placing Shares are to be subscribed, pursuant to the Placing

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Put Option”	an option to be granted to and exercisable by each of the Eligible Vodatel Shareholders to sell pursuant to the Placing, for the Cash Payment, the whole (but not part) of (in the case of HKSCC Nominees Limited, the whole or part of) the MegaInfo Shares under the Distribution to be transferred to him/her pursuant to the Distribution on and subject to the terms and conditions herein and in the forms of election for exercising the Put Option which is despatched together with this circular
“R&D”	research and development
“Registrar”	Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Remaining Group”	the Group other than the MegaInfo Group
“RexCapital”	REXCAPITAL (Hong Kong) Limited, a deemed licensed corporation under the SFO, being the co-sponsor in respect of the Separate Listing
“Separate Listing”	the proposed separate listing of the MegaInfo Shares on GEM in connection with the proposed spin-off of the MegaInfo Group from the Group
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option holders”	holders of options granted by the Company under its share option scheme adopted by the Company on 5 November 2002
“Sponsors”	CSC Asia and RexCapital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriters”	REXCAPITAL Securities Limited, CSC Securities (HK) Limited, Cheer Union Securities Limited, Get Nice Investment Limited and Hung Sing Securities Limited

DEFINITIONS

“Vodatel Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Vodatel Shareholder(s)”	registered holder(s) of Vodatel Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

Note:

1. Certain monetary amounts included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Certain amounts less than HK\$1,000 are rounded to the nearest thousand.

LETTER FROM THE CHAIRMAN



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. José Manuel dos SANTOS (*Chairman*)
Mr. YIM Hong
Mr. KUAN Kin Man
Ms. Monica Maria NUNES

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. CHUI Sai Cheong
Mr. LO King Chiu, Charles

*Head office and principal
place of business:*

No. 74 da Rua da Felicidade
Edif. Vodatel
Taipa
Macau

*Principal place of business
in Hong Kong:*

Unit 1401, 14th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

31 December 2003

*To the Shareholders and, for information only,
the Share Option holders and the holder of
the convertible bond issued by the Company*

Dear Sirs/Madams,

**PROPOSAL FOR THE SEPARATE LISTING OF MEGAINFO HOLDINGS LIMITED
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
INVOLVING A
DISTRIBUTION OF SHARES IN
MEGAINFO HOLDINGS LIMITED TO
SHAREHOLDERS OF VODATEL NETWORKS HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the announcements of the Company dated 30 January 2003, 29 July 2003, 31 July 2003, 4 August 2003, 8 August 2003, 9 December 2003, 19 December 2003 and 22 December

* For identification purpose only

LETTER FROM THE CHAIRMAN

2003 in relation to its proposal for the Separate Listing involving a distribution of MegaInfo Shares to the Vodatel Shareholders. At a board meeting held on 19 December 2003, the Board approved (i) the spin-off of MegaInfo; and (ii) the payment of a special interim dividend as part of the proposal for the spin-off of MegaInfo by way of a distribution in specie in respect of an aggregate of 13,375,000 MegaInfo Shares subject to the Separate Listing becoming unconditional.

On 19 December 2003 and 22 December 2003, the Directors announced the details of the Separate Listing, the Distribution and the Put Option. MegaInfo will be the holding company of the Group's current businesses engaging in the provision of the enterprise solutions with a focus on self-developed digital image processing management solutions. As such, enterprise solutions business can be operated distinctively and independently from the Group's other businesses, the Directors see it as commercially viable and financially beneficial from the perspective of the whole Group to spin-off its interests in such business and, if possible, to seek a separate listing thereof on GEM. The benefits of the Separate Listing are set out in more detail in the paragraph headed "Reasons for and benefits of the Separate Listing" below. CSC Asia and RexCapital are the sponsor and the co-sponsor in respect of the Separate Listing respectively.

The Separate Listing is expected to be implemented by means of, among other things, a distribution in specie of the MegaInfo Shares to Vodatel Shareholders pursuant to the Distribution.

The purpose of this circular is to give Vodatel Shareholders, among other things, details of, the reasons for and benefits of, the Separate Listing, and information on the Distribution and the Put Option.

INFORMATION ON THE MEGAINFO GROUP

MegaInfo is an exempted company incorporated in Bermuda with limited liability on 22 January 2003. The business of the MegaInfo Group originated from within the Group in 1999 and the MegaInfo Group is currently an independent, separate and stand-alone operating unit of the Group. The MegaInfo Group is principally engaged in the provision of enterprise solutions with a focus on self-developed digital image processing management solutions for telecommunications service providers and other enterprises in Macau and the PRC. Following the implementation of a reorganisation, all assets and liabilities of the Group previously engaged in the provision of enterprise solutions with a focus on self-developed digital image processing management solutions have been injected into the MegaInfo Group or subject to contractual arrangements between the Remaining Group and the MegaInfo Group. The solutions, namely *VodaImage* and *VodaMax*, enable the capture and storage of documents and images in motion under a centralised management database for efficient retrieval and further processing of information at multiple locations and remote intelligent monitoring and surveillance respectively. These applications best suit industries that need to deal with significant volumes of documents and/or images in motion.

The audited combined results of the MegaInfo Group for each of the two years ended 30 June 2003, prepared on the basis that the MegaInfo Group structure after the corporate reorganisation in preparation for the Separate Listing was in place throughout the relevant periods under review, are summarised below. The following information is based on the financial information included in the accountants' report in the MegaInfo Prospectus.

LETTER FROM THE CHAIRMAN

	Year ended 30 June	
	2002	2003
	HK\$'000	HK\$'000
Turnover	3,209	3,747
(Loss)/profit attributable to shareholders of MegaInfo	(210)	779

Based on the above financial information, the MegaInfo Group accounted for approximately 0.53% and 0.96% respectively of the consolidated turnover of the Company for the two years ended 30 June 2003. As the MegaInfo Group was loss making for the year ended 30 June 2002, its first contribution to the Group's profit was in the year ended 30 June 2003, which represented 7.35% of the consolidated profit attributable to the Vodatel Shareholders for the year ended 30 June 2003.

INTENDED USE OF PROCEEDS FROM THE PLACING BY MEGAINFO

The MegaInfo Group intends to use the proceeds from the Placing as follows:

- for (i) the expansion of the R&D team with software development engineers to engage in product enhancement, and (ii) recruiting software engineers to support the nationwide service center in the Guangdong Province, the PRC;
- for the expansion of the R&D team with software development engineers to engage in new product development under the MegaInfo Group's own brand name;
- for (i) the expansion of the marketing team with sales representatives; (ii) participation in major information technology exhibitions; and (iii) marketing and promotion of the Group's products to the telecommunications service providers and other enterprises in Macau and the PRC;
- for the setting up of (i) a R&D center and operating entity in the PRC to carry out R&D, to provide installation, integration, commissioning services to customers in the PRC; (ii) a service center to provide nationwide support services; and (iii) representative offices to expand the MegaInfo Group's geographical presence in the PRC;
- for the application of quality assurance certifications for the MegaInfo Group's products;
- for the development of collaboration arrangements with R&D institutes of universities or software companies in the PRC to engage in R&D of new enterprise solutions;
- for the acquisition of a software company to complement the future growth of the MegaInfo Group through strengthening of R&D capability, market penetration and product offerings; and
- for general working capital of the MegaInfo Group.

LETTER FROM THE CHAIRMAN

INFORMATION ON THE BUSINESSES OF THE REMAINING GROUP

The Group is principally engaged in the provision of public and large scale wide area data network solutions in Macau and the PRC, providing integrated services ranging from provision of networking equipment to network planning, design, installation and implementation as well as after-sales maintenance and technical support to public telecommunications service providers.

After the Separate Listing, the Remaining Group will continue to focus on its principal business for the provision of network solutions for telecommunications services providers in the PRC and Macau, while the principal and core business of the MegaInfo Group is the provision of enterprise solutions with a focus on the self-developed digital image processing management solutions and no subsidiary of the Remaining Group will have such principal and core business. The Remaining Group and the MegaInfo Group have different and separate focus in terms of operations, products, markets and business plans.

The unaudited pro forma combined results for the Remaining Group for each of the two years ended 30 June 2003, prepared on the basis as if MegaInfo Group had not been part of the Group are summarised below. The following information may be subject to further adjustments.

	Year ended 30 June	
	2002	2003
	HK\$'000	HK\$'000
Turnover	597,899	385,047
Profit attributable to the Vodatel shareholders	57,202	9,815

REASONS FOR AND BENEFITS OF THE SEPARATE LISTING

The Group commenced the R&D of enterprise solutions with a focus on self-developed digital image processing management solutions for enterprises in 1999. Owing to continuous expansion since then, such business division has grown to a stage that is self-sustaining.

Benefits to both the Group and the MegaInfo Group

The Board believes that there is a need for additional capital for MegaInfo in its future expansion of enterprise solutions business (including the digital image processing management solutions business) and that the respective shareholders of the Company and MegaInfo will benefit from the Separate Listing for the following reasons:

- *Separate and more focused management:* With two completely separate management teams, each of the Remaining Group and the MegaInfo Group can allocate more resources and focus on the future development and business expansion of their respective business areas, and enhance the decision-making process, become more responsive to market changes, improve operational efficiency and expedite business development.

LETTER FROM THE CHAIRMAN

- *Continue to share MegaInfo's future growth:* With MegaInfo remaining as a non wholly-owned subsidiary of the Group upon listing of the MegaInfo Shares, it would still allow the Group to share the future growth of MegaInfo.
- *Separate equity markets evaluation:* Given the difference in products and operating characteristics between the Remaining Group and the MegaInfo Group, the Separate Listing will enhance the transparency of the performance of their respective business operations and provide investors with an opportunity to separately evaluate and invest in the two groups. As an independent listed vehicle, the MegaInfo Group will enable investors to have more information and avenues of communication to interact with and evaluate its business. The MegaInfo Group will have direct access to capital markets to finance the future development and business expansion. At the same time, the Remaining Group will be able to apply its financial resources to its core business in the provision of network solutions for telecommunications service providers.
- *Independent financing and business plans:* As the Remaining Group and the MegaInfo Group are already operating as different stand-alone businesses, they have separate financing needs and business plans. Flexibility in raising capital is particularly important for technology companies in their growth stage of development. After implementation of the Separate Listing, the Remaining Group and the MegaInfo Group will be able to pursue their strategic objectives and implement independent financing and business development plans such as mergers, acquisitions and joint ventures according to their separate needs.

Benefits to the MegaInfo Group

- *Enhance company profile and exposure:* The Separate Listing will allow management of MegaInfo to focus primarily on its enterprise solutions business, particularly, the digital image processing management solutions business, and enhance its company profile and exposure in the business development, thus enhancing its competitiveness and acceptance in the market.
- *New group of shareholders:* Subsequent to the Separate Listing, the MegaInfo Group will in the future be able to attract and establish its own shareholders' base who will be able to directly benefit from any growth of the MegaInfo Group. The MegaInfo Group will be able to allocate their resources into their own line of business and to better serve its customer base, which involve different marketing, products and technical expertise. The MegaInfo Group will have greater access to capital markets as a separately listed company, with the ability to determine independently its capital structure and raise funds to meet its specific capital requirements.

LETTER FROM THE CHAIRMAN

STRUCTURE OF THE SEPARATE LISTING

The structure of the Separate Listing involves the Distribution, the Put Option and the Placing, which would enable MegaInfo to raise capital for further business developments.

The Separate Listing, Distribution and Put Option are conditional upon, among other things, the approval by the Stock Exchange for the Separate Listing and on the Separate Listing proceeding. These conditions include (i) the condition of the Put Option described below under the paragraph headed “Condition of the exercise of the Put Option”; and (ii) the condition for the proposed Placing. If such conditions are not fulfilled or the Separate Listing does not proceed, the Distribution and Put Option will not be implemented. As part of the Separate Listing and as required under the GEM Listing Rules, the Company has undertaken not to dispose of its interest in MegaInfo for a period of 12 months after the Separate Listing.

DISTRIBUTION

On 19 December 2003 the Board declared a special interim dividend to Vodatel Shareholders whose names appear on the register of members of the Company on the Distribution Record Date which will be satisfied wholly by a distribution in specie to such shareholders pro rata to their proportionate shareholdings as at that date of an aggregate 13,375,000 MegaInfo Shares, representing 2.5% of the issued share capital of MegaInfo following completion of the Placing. Based on 613,819,000 Vodatel Shares in issue as at the Latest Practicable Date, the Vodatel Shareholders will receive one MegaInfo Share for approximately every 46 Vodatel Shares held under the Distribution. Fractional entitlements will be disregarded and will be aggregated and sold by the Company under the Placing and the net proceeds will be retained by the Company.

For Ineligible Vodatel Shareholders, if any, who will not be transferred any MegaInfo Shares under the Distribution, the MegaInfo Shares which such shareholders would have been otherwise entitled to receive on the same basis as the Eligible Vodatel Shareholders will be retained by the Company to be offered for sale under the Placing. The net proceeds of the sale of such MegaInfo Shares received by the Company, after deducting his/her shares of expenses related to the Listing, applicable taxes, SFC transaction levy, investor compensation levy, Stock Exchange trading fee, net listing expenses and underwriting commission, if any, will be used to fund cash payments to the Ineligible Vodatel Shareholders pro rata to their respective shareholdings in the Company as at the Distribution Record Date.

The Distribution is conditional upon, among other things, the approval of the Stock Exchange for the Separate Listing and the obligations of the Underwriters under an underwriting agreement entered into between the Company and the Underwriters becoming unconditional and the underwriting agreement not being terminated in accordance with its terms or otherwise, in each case prior to 9:00a.m. on the business day immediately preceding the date on which dealings in the MegaInfo Shares first commence on GEM.

LETTER FROM THE CHAIRMAN

PUT OPTION

To allow each of the Eligible Vodatel Shareholders to have a choice as to whether to retain the MegaInfo Shares to be transferred to him/her pursuant to the Distribution, it is proposed that each of them will be given the Put Option. Pursuant to the Put Option, a cash alternative will be offered to the Eligible Vodatel Shareholders who may not wish to hold the MegaInfo Shares. Eligible Vodatel Shareholders who elect for such cash alternative and the Ineligible Vodatel Shareholders will not be transferred any MegaInfo Shares under the Distribution and the MegaInfo Shares which such shareholders would have been otherwise entitled to receive will be offered for sale under the Placing. It is expected that the cash payment payable to an Eligible Vodatel Shareholder electing to transfer his/her MegaInfo Shares to the Company on a per MegaInfo Share basis will be equal to the Placing Price less his/her share of expenses related to the Listing which is determined by reference to the proportion of the number of the MegaInfo Shares to be transferred to him/her to sum of the new MegaInfo Shares offered by MegaInfo for subscription in cash under the Placing and the number of the MegaInfo Shares to be transferred pursuant to the Distribution, applicable taxes, SFC transaction levy, investor compensation levy, Stock Exchange trading fee, net listing expenses and underwriting commission determined on the basis of the Placing Price.

For the avoidance of doubt, HKSCC Nominees Limited is allowed to sell the whole or part of the MegaInfo Shares transferred to it pursuant to the Distribution. A form of election (the “Form of Election”) is despatched with this circular to Eligible Vodatel Shareholders entitling them to exercise the Put Option.

Conditions of the exercise of the Put Option

Your exercise of the Put Option is conditional upon: (a) your due execution and return of the Form of Election strictly in accordance with the instructions set out herein and on the Form of Election; and (b) your providing the Company with each of the representations and warranties set out below in the section headed “Representations and warranties” and the representations and warranties being true and correct in all material respects at the time when the MegaInfo Shares are sold in the Placing via the Company as contemplated in the Form of Election (the “Time of Sale”).

The Put Option is not granted to Vodatel Shareholders in relation to whom the applicable laws, rules or regulations require additional registrations or compliance with other procedures before the grant and exercise of the Put Option may be effected in relation to such Eligible Vodatel Shareholders which the Company determines to be unduly burdensome or onerous on the Company, or to whom the Company decides in its sole discretion that there are other difficulties in granting the Put Option. **Your exercise of the Put Option is therefore also conditional upon the Company being satisfied that you do not fall within the above category.**

The Company’s decision in relation to whether all of the conditions of the exercise of the Put Option have been fulfilled will be conclusive. If you, in the sole discretion of the Company, do not satisfy all of the conditions of the exercise of the Put Option, but return a Form of Election, your Form of Election will be treated as null and void and you will be deemed not to have elected to re-transfer your MegaInfo Shares to the Company. The Company will use its reasonable endeavours to inform you if you fall within the above category.

LETTER FROM THE CHAIRMAN

Representations and warranties

By signing and returning the Form of Election enclosed, you (for yourself or as agent or nominees and on behalf of each person for whom you act as agent or nominee) warrant and represent to the Company that as at the Time of Sale:

1. you will have the legal right and full power and authority to transfer or sell the MegaInfo Shares, pursuant to the arrangements referred to herein and in the Form of Election, transferred to you pursuant to the Distribution;
2. the transfer or sale of the aforementioned MegaInfo Shares will not result in a breach of any law or regulatory requirement of any agreement, licence or other instrument to which you are a party to or by which you are bound;
3. the MegaInfo Shares to be transferred or sold by you, pursuant to the arrangements referred to herein and in the Form of Election, are free from any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation of other third party rights, retention of title, right of first refusal of security interest of any kind; and
4. no consent or approval from third parties is required for the MegaInfo Shares to be transferred or sold by you, pursuant to the arrangements referred to herein and in the Form of Election.

Each of the representations and warranties set out above shall survive the completion of the transfer or sale of the MegaInfo Shares contemplated by the Form of Election.

Procedure for the exercise of the Put Option

If you wish to exercise the Put Option and receive a Cash Payment from the Company instead, please sign the Form of Election despatched together with this circular and return it at the address and before the date and time set out in the immediately following paragraph. If you wish to receive and retain such MegaInfo Shares, please ignore the Form of Election and take no further action with them.

To be valid, the Form of Election, together with the power of attorney (where applicable) or other authority under which it is signed (where applicable) or a notarially certified copy thereof, must be deposited at the Company's branch share registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on or before 4:00 p.m. on 12 January 2004. No acknowledgement of receipt of the Form of Election will be issued.

If the Registrar does not receive the Form of Election from you by the aforesaid date and time or if the Form of Election is not completed in accordance with the instructions printed herein and thereon, you will be deemed not to have elected to sell your entitlements to MegaInfo Shares under the Distribution as part of the Placing.

LETTER FROM THE CHAIRMAN

PLACING

The proposed Placing is conditional upon the GEM Listing Committee granting listing of, and permission to deal in, the MegaInfo Shares in issue and to be issued and the obligations of the Underwriters under an underwriting agreement entered into between the Company and the Underwriters becoming unconditional (including, if relevant, following the waiver of any condition(s) by or for and on behalf of the Underwriters) and the underwriting agreement not being terminated in accordance with its terms or otherwise, in each case prior to 9:00 a.m. on the business day immediately preceding the date on which dealings in the MegaInfo Shares first commence on GEM.

According to the MegaInfo Prospectus, the Placing Price is HK\$0.25 per MegaInfo Share under the Placing and the dealings in MegaInfo Shares in GEM are expected to commence on 19 January 2004.

The MegaInfo Prospectus is available for collection by the public in Hong Kong on 31 December 2003. An announcement is published on 31 December 2003 on the GEM website and the Company's website which set out where the MegaInfo Prospectus can be collected.

ODD LOT ARRANGEMENT

Under the Distribution, Vodatel Shareholders will receive MegaInfo Shares on a pro rata basis based on the ratio of 13,375,000 MegaInfo Shares divided by the number of Vodatel Shares in issue as at the Distribution Record Date. Based on the number of Vodatel Shares in issue as at the Latest Practicable Date, the Vodatel Shareholders will receive one MegaInfo Share for approximately every 46 Vodatel Shares held under the Distribution. As such, the Vodatel Shareholders who do not elect for the cash alternative under the Put Option and wish to retain the MegaInfo Shares may hold MegaInfo Shares in odd lot size. In order to facilitate the trading of odd lots of the MegaInfo Shares, REXCAPITAL Securities Limited of 34th Floor, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong has been appointed to stand in the market to provide matching services on a best effort basis for the odd lots for the MegaInfo Shares during the period from 19 January 2004 to 16 February 2004 (both dates inclusive).

Vodatel Shareholders who wish to take advantage of this matching services either to dispose of odd lots of MegaInfo Shares or to top up to a board lot of 8,000 MegaInfo Shares may contact Mr. Gary Chu of REXCAPITAL Securities Limited (Telephone number (852) 2532 5998; Fax number (852) 2236 6811). Vodatel Shareholders should note that the matching service is on a best effort basis only and successful matching of the sale and purchase of odd lots of MegaInfo Shares is not guaranteed and will depend on there being adequate amounts of odd lots of MegaInfo Shares available for such matching.

INELIGIBLE VODATEL SHAREHOLDERS

The Company has used its reasonable endeavours to identify the Ineligible Vodatel Shareholders in an effort to ensure that the Form of Election will only be despatched to the Eligible Vodatel Shareholders. However, no assurance is and can be given by the Company that by virtue of having received the enclosed Form of Election, you are an Eligible Vodatel Shareholder.

LETTER FROM THE CHAIRMAN

If you are an Ineligible Vodatel Shareholder and return a Form of Election, your Form of Election will be treated as null and void. The Company will use its reasonable endeavours to inform you should this arise.

Please note that arrangements will be made for the MegaInfo Shares which would otherwise have been distributed to the Ineligible Vodatel Shareholders, if any, to be offered for sale under the Placing. The net proceeds of the sale will be used to fund cash payments to the Ineligible Vodatel Shareholders on the basis of the number of Vodatel Shares which the relevant Ineligible Vodatel Shareholder would otherwise have been entitled to receive under the Distribution at the Placing Price net of expenses.

TAXATION

In view of the individual circumstances of each Vodatel Shareholder, it is inappropriate and impracticable for the Board to advise Vodatel Shareholders on their tax position. Vodatel Shareholders are recommended to consult their own professional advisors as to the tax implications of the Distribution and the Separate Listing. None of the Company, MegaInfo or their respective directors or professional advisers or any other parties involved in the Separate Listing accept any responsibility for any tax effect on, or liabilities of, the Vodatel Shareholders.

LISTING AND DEALINGS

The Vodatel Shares will continue to be listed on the Stock Exchange after the Separate Listing.

Application has been made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the MegaInfo Shares in issue and to be issued. As stated in the announcement of the Company dated 19 December 2003 under the section headed “Expected timetable”, the announcement of results of the Placing and the election for exercising the Put Option was expected to be on 16 January 2004, certificates of the MegaInfo Shares and cheques for the Cash Payment were expected to be despatched on 19 January 2004, and dealings in the MegaInfo Shares were expected to commence on 20 January 2004. The Directors wish to inform the Vodatel Shareholders that according to the latest expected timetable, the announcement of results of the Placing and the election for exercising the Put Option is expected to be on 15 January 2004, certificates of the MegaInfo Shares and cheques for the Cash Payment are expected to be despatched on 16 January 2004, and dealings in MegaInfo Shares are expected to commence on GEM on 19 January 2004. The proposed board lot for trading in MegaInfo Shares is 8,000 shares.

Subject to the granting of the listing of, and permission to deal in, the MegaInfo Shares on GEM and the compliance with the stock admission requirements of HKSCC, MegaInfo Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in MegaInfo Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE CHAIRMAN

ADDITIONAL INFORMATION

CSC Asia and RexCapital have been appointed as the sponsor and the co-sponsor in respect of the Separate Listing respectively. Further details of the business and financial information on MegaInfo have been set out in the MegaInfo Prospectus which is issued on 31 December 2003. Vodatel Shareholders can collect the MegaInfo Prospectus during normal office hours (9:00 a.m. — 5:00 p.m.) for a period of 14 days from 4:00 a.m. on 31st December 2003 until 5:00 p.m. on 13th January 2004 (both days inclusive) at the head office of the Company in Hong Kong at Room 1401, 14/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, at the office of CSC Asia at Unit 3204-07, 32/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong, at the office of RexCapital at 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong, and on the GEM website at www.hkgem.com. Vodatel Shareholders are advised to read carefully the MegaInfo Prospectus and the formal notice of MegaInfo dated 31st December 2003 in connection with the Listing before making any decision in relation to the election of the Put Option.

The Directors like to draw your attention to the section headed "General information" set out in Appendix I to this circular for additional information.

Vodatel Shareholders should note that the Separate Listing may or may not proceed with the Separate Listing in accordance with the terms set out above, or at all. Further announcement(s) will be made as and when appropriate in respect of any material developments of the Listing and/or any material change in connection with the information contained in this circular. The Directors emphasise that the specific terms and timing of the Separate Listing may, after the despatch of this circular, be subject to changes and the approval from the Stock Exchange and such any further conditions that may be imposed by the Stock Exchange, which may or may not be obtained. Vodatel Shareholders of the Company are therefore reminded to exercise caution when dealing in the Vodatel Shares.

Yours faithfully,
For and on behalf of the Board
José Manuel dos Santos
Chairman

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance and the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters, the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular is published in connection with, and solely for the purpose of, the Listing, which is being sponsored by the Sponsors. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this circular or any part thereof in connection with any offering of or solicitation of offers for Vodatel Shares, MegaInfo Shares or other securities of the Company.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the relevant interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 or Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required pursuant to section 352 of the SFO, to be entered in the register referred to therein or will be required, pursuant to rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long and short positions in Vodatel Shares and (in respect of equity derivatives) underlying Vodatel Shares

Name of Director	Long position/ short position	Nature of interest	No of underlying Vodatel Shares (in respect of share option and convertible bond)		Approximate % of the issued share capital of the Company
			No. of Vodatel Shares held	held	
Mr. Santos	Long position	Corporate interest/founder of a discretionary trust (<i>Note 1</i>)	293,388,000	—	47.80%
	Long position	Personal (<i>Note 2</i>)	—	600,000	0.10%
	Short position	Corporate interest (<i>Note 1</i>)	—	22,000,500	3.58%
Mr. Yim	Long position	Personal (<i>Note 3</i>)	7,357,500	900,000	1.35%
Mr. Kuan	Long position	Personal (<i>Note 4</i>)	12,262,500	900,000	2.14%
Ms. Nunes	Long position	Personal (<i>Note 5</i>)	2,452,500	900,000	0.55%

Notes:

- (1) As at the Latest Practicable Date, these Vodatel Shares were held in the name of Eve Resources and the entire issued share capital in Eve Resources was in turn held by a company wholly owned by Mr. Santos, as trustee of a discretionary family trust. Vodatel was under an obligation to issue a total of 22,000,500 Vodatel Shares in respect of the outstanding share options and the convertible bond. Mr. Santos was deemed to be interested in such short position by virtue of his interest in Eve Resources.
- (2) Mr. Santos was the beneficial owner of such interest in Vodatel Shares.
- (3) Mr. Yim was the beneficial owner of such interest in Vodatel Shares.
- (4) Mr. Kuan was the beneficial owner of such interest in Vodatel Shares.
- (5) Ms. Nunes was the beneficial owner of such interest in Vodatel Shares.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which will fall to be disclosed to the Company under the provisions of Division 2 and 3 and Part XV of the SFO, or, who was, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Aggregate long and short positions in Vodatel Shares and (in respect of equity derivatives) underlying Vodatel Shares

Name	Long position/ short position	Nature of interest	No. of Vodatel Shares held	No of underlying Vodatel shares held	Approximate % of the issued share capital of the Company
Lois Resources Limited	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	22,000,500	—	3.58%
Eve Resources	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	22,000,500	—	3.58%
Lei Hon Kin	Long position	Family interest	293,388,000	—	47.80%
	Short position	Corporate interest	22,000,500	—	3.58%

Notes:

1. Lois Resources Limited was deemed to be interested in 293,388,000 Vodatel Shares by virtue of its interest in Eve Resources. Eve Resources held 293,388,000 Vodatel Shares.
2. Madam Lei Hon Kin, the spouse of Mr. José Manuel dos Santos, was deemed to be interested in 293,388,000 Vodatel Shares which were deemed to be interested by Mr. Santos.

LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known by the Directors to be pending or threatened against any member of the Group.

GENERAL

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
2. The head office and the principal place of business of the Company in Macau is at No. 74 da Rua da Felicidade, Edf. Vodatel, Taipa, Macau.
3. The principal place of business of the Company in Hong Kong is at Unit 1401, 14th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
4. The branch share registrar of the Company is Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
5. The company secretary and qualified accountant of the Company is Mr. Foo Chun Ngai Redford.
6. The compliance officer of the Company is Ms. Monica Maria Nunes.
7. The English text of this document shall prevail over the Chinese text.