

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Vodatel Networks Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Vodatel Networks Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Vodatel Networks.



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*
(incorporated in Bermuda with limited liability)

PROPOSED CONVERTIBLE BOND ISSUE

On February 28, 2002, Vodatel Networks (the “Issuer”) and Riverstone Networks (the “Bondholder”) entered into a Subscription Agreement whereby Riverstone Networks will subscribe an aggregate principal amount of US\$3.5 million (equivalent to approximately HK\$27.3 million) convertible bonds due proposed to be issued by the Issuer on the terms and conditions set out in the Subscription Agreement.

It is at present proposed that the Convertible Bonds will be convertible into Shares in whole, of which US\$1.5 million (equivalent to approximately HK\$11.7 million) at the option of either the Issuer or the Bondholder, and US\$2.0 million (equivalent to approximately HK\$15.6 million) at the option of the Bondholder, at any time during the Conversion Period at the initial Conversion Price of HK\$2.00, subject to adjustment. The proposed

initial Conversion Price of HK\$2.00 represents approximately 247% of the closing price of the Shares on the latest date of trading prior to this announcement and approximately 227% of the average of the closing prices of the Shares on the Stock Exchange for the 10 trading days ended on the latest date of trading prior to this announcement. Upon full conversion of the Convertible Bonds by Riverstone Networks, Riverstone Networks will hold approximately 2.20% of the enlarged share capital of Vodatel Networks. No application will be made for the listing of the Convertible Bonds on any stock exchange.

Riverstone Networks will subscribe 100% of the principal amount of the Convertible Bonds. Subscription for all the Convertible Bonds will be conditional on the granting by the Listing Committee of the Stock Exchange the listing of, and permission to deal in, the Shares to be issued on conversion of the Convertible Bonds.

At the request of the Issuer, trading of the Shares were suspended with effect from 10:00 a.m. on March 1, 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares from 10:00 a.m. on March 4, 2002.

PROPOSED PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Under the present proposal, the principal terms of the Convertible Bonds, which are subject to finalization, are intended to be as follows:

Issue Size

The aggregate principal amount of the Convertible Bonds will be US\$3.5 million (equivalent to approximately HK\$27.3 million), divided into three tranches — Tranche A of US\$1.5 million (equivalent to approximately HK\$11.7 million); Tranche B of US\$0.75 million (equivalent to approximately HK\$5.8 million); and Tranche C of US\$1.25 million (equivalent to approximately HK\$9.8 million), all of which will be 100% subscribed by Riverstone Networks.

Issue Price

The Convertible Bonds will be issued at par, i.e. HK\$0.10 per share.

Maturity

Tranche A and Tranche B of the Convertible Bonds will mature on the first anniversary from the Issue Date of the Convertible Bonds.

Tranche C of the Convertible Bonds will mature on the second anniversary from the Issue Date of the Convertible Bonds.

Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed in US dollars at 100% of their principal amount, plus accrued interest on the respective maturity date of each tranche.

Interest

The Convertible Bonds will bear interest from the Issue Date at the rate of 1.90875%, the 3 months' US LIBOR as quoted on February 5, 2002 for US dollar loans, payable annually in arrears.

Conversion Rights

Under Tranche A, either the Issuer and the Bondholder will have the right at any time during the Conversion Period to convert, in whole, of the Convertible Bonds into new Shares at the Conversion Price.

Under Tranche B and Tranche C, the Bondholder will have the right at any time during the respective Conversion Period to convert, in whole, of the Convertible Bonds into new Shares at the Conversion Price.

Shares to be issued by Vodatel Networks upon the exercise of the Conversion Rights by Riverstone Networks in respect of the Convertible Bonds will rank pari passu in all respects with the Shares in issue as at the conversion date.

Conversion Price

The Convertible Bonds will be convertible into Shares at an initial Conversion Price of HK\$2.00 at the option of the Bondholder, or at the option of either the Issuer or the Bondholder in the case of the Convertible Bonds under Tranche A, at any time during the respective Conversion Period of each tranche. Upon full conversion of the Convertible Bonds by Riverstone Networks, Riverstone Networks will hold 13,650,000 shares of Vodatel

Networks, representing 2.20% of the enlarged share capital of Vodatel Networks. The shares to be issued upon conversion of the Convertible Bonds are issued under the General Mandate of the Issuer. The initial Conversion Price of HK\$2.00 represents approximately 247% of the closing price of the Shares of HK\$0.81 on the latest date of trading prior to this announcement and approximately 227% of the average of the closing prices of the Shares of HK\$0.88 on the Stock Exchange for the 10 trading days ended on the latest date of trading prior to this announcement. The Conversion Price has been determined after arm's length negotiation with the Bondholder and has been determined on the basis of the average price earnings ratio of similar companies trading on the Hong Kong Stock Exchange.

The initial Conversion Price will be subject to adjustment in certain circumstances (including, among other things, consolidation or sub-division of the Shares, capitalization of profits or reserves, capital distribution and rights issue).

Voting

Bondholder of the Convertible Bonds will not be entitled to attend or vote at general meetings of the Issuer.

Listing

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued upon the conversion of the Convertible Bonds.

Transfer

The Convertible Bonds will be transferable subject to the approval of the board of directors of the Issuer. The Issuer will undertake:

- 1) that prompt notice will be given to the Exchange specifying the number of new Shares to be issued, the name of the holder, and the Conversion Price thereof upon conversion of the Convertible Bonds and the proper allotment and issue of the relevant new Shares to the Convertible Bonds holder; and
- 2) that prompt notice will be given by the Issuer to the Exchange of any dealings, such as sold, assigned or otherwise transferred, in the Convertible Bonds by any of the substantial shareholders and directors of the Issuer and their respective associates from time to time immediately upon the Issuer becoming aware of such dealings.

Conditions

It is proposed that the Bond Issue will be conditional upon, among other things, the Listing Committee of the Stock Exchange granting listing of and permission to deal in any new Shares arising on conversion of the Convertible Bonds.

Completion of Issue

If the conditions of the issue have not been fulfilled within 21 business days, i.e. April 2, 2002 (or such other date as the parties may agree), the Subscription Agreement will lapse.

USE OF PROCEEDS

It is intended that the entire net proceed from the issue of the Convertible Bonds of approximately HK\$27.0 million will be used to strengthen the working capital of the Issuer and for business expansion. The Issuer has approximately HK\$170.0 million cash or its equivalents, which is sufficient to support the Issuer's current business expansion. This transaction is an opportunity to enhance the relationship between the Issuer and Riverstone Networks. The Issuer has no immediate need for fund raising.

SHAREHOLDING STRUCTURE

The following table sets out the changes in the shareholdings in the Issuer as a result of the full conversion of the Convertible Bonds at the price of HK\$2.00 per Share:

	Existing		Upon Full Conversion of the Convertible Bonds	
	Number of Shares Held	%	Number of Shares Held	%
Eve Resources Limited (Note)	293,388,000	48.26	293,388,000	47.20
Executive directors (other than Eve Resources Limited)	22,072,500	3.63	22,072,500	3.55
Riverstone Networks	—	—	13,650,000	2.20
Public (other than Riverstone Networks)	<u>292,523,500</u>	<u>48.11</u>	<u>292,523,500</u>	<u>47.05</u>
	<u>607,984,000</u>	<u>100.00</u>	<u>621,634,000</u>	<u>100.00</u>

Note: Eve Resources Limited is a company wholly-owned by Mr. José Manual dos Santos, the Chairman of the Issuer.

PARTICULARS OF VODATEL NETWORKS AND RIVERSTONE NETWORKS

Principal Activities of Vodatel Networks

The Issuer is engaged in the construction of public data networks for telecommunications services providers and enterprises in Macau and the PRC.

Principal Activities of Riverstone Networks

Listed on NASDAQ, Riverstone Networks builds routers for the construction of public Metropolitan Area Networks for telecommunications services providers.

Relationship of Vodatel Networks and Riverstone Networks

Riverstone Networks, a third party independent of the directors, chief executive, substantial shareholders or management shareholders of the Issuer and their respective associates, has been one of the suppliers of Vodatel Networks for three months in the construction of public broadband IP Metropolitan Area Networks for telecommunications services providers in the PRC. A distributor agreement between Vodatel Networks and Riverstone Networks was entered into after arm's length negotiation during November 2001. This transaction is an opportunity to enhance the relationship between the two companies. Vodatel Networks will be able to benefit from Riverstone Networks' market reputation, increasing the company profile of Vodatel Networks, especially in the US.

Currently, Riverstone Networks has no intention to acquire further shares in Vodatel Networks.

SUSPENSION AND RESUMPTION OF TRADING OF SHARES

At the request of the Issuer, trading of the Shares were suspended with effect from 10:00 a.m. on March 1, 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares from 10:00 a.m. on March 4, 2002.

DEFINITIONS

“Bondholder(s)”	holder(s) of the Convertible Bonds
“Bond Issue”	the proposed issue of the Convertible Bonds pursuant to terms and conditions of the Subscription Agreement(s)
“Convertible Bonds”	the convertible bonds proposed to be issued by the Issuer
“Conversion Period”	the period commencing on the Issue Date and ending on the Maturity Date (both days inclusive)
“Conversion Price”	the price per Share at which the Convertible Bonds are to be convertible to Shares, the proposed initial Conversion Price is HK\$2.00 (subject to adjustment)
“Conversion Rights”	the rights to be attached to the Convertible Bonds to convert all or a part thereof into new Shares
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$” or “HK dollars”	Hong Kong dollars
“Issue Date”	the date on which the Convertible Bonds are issued in accordance with the terms of the Subscription Agreements, i.e. no later than April 2, 2002
“Issuer”	Vodatel Networks Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, listed on GEM
“LIBOR”	London InterBank Offered Rate

“Maturity Date”	the date on which the Convertible Bonds to be matured in accordance with the terms of the Subscription Agreements
“Riverstone”	Riverstone Networks, Inc., a company incorporated under the laws of the State of Delaware, the shares of which are listed on NASDAQ in the United States
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share(s)”	ordinary shares of HK\$0.10 each (or such other denomination in the event of any alteration of the capital structure of Vodatel Networks) in the share capital of the Issuer
“Subscription Agreement(s)”	the conditional subscription agreement(s) entered into between the Issuer and Riverstone Networks in connection with the issue of the Convertible Bonds by the Issuer
“US\$” or “US dollars”	United States dollars

By Order of the Board
Vodatel Networks Holdings Limited
José Manuel dos Santos
Chairman

Hong Kong, March 1, 2002

This announcement will remain on the GEM Web Site on the “Latest Company Announcement” page for at least 7 days from the date of its posting.

** For identification purpose only*