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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

Further to the announcements of the Company dated 30 January 2003, 29 July 2003, 31 July 2003, 4 August 2003, 8 August 2003 and 9 December 2003, the Board wishes to announce that 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. A circular regarding the proposal for the Separate Listing involving a distribution of MegaInfo Shares to the Vodatel Shareholders will be despatched to the Vodatel Shareholders as soon as practicable.

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

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 and 9 December 2003 in relation to its proposal for the Separate Listing involving a distribution of MegaInfo Shares to the Vodatel Shareholders. The Board wishes to announce that 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.

SEPARATE LISTING PROPOSAL

Under the proposed transactions, MegaInfo will be the holding company of the Group's current business engaging in the provision of enterprise solutions with a focus on self-developed digital image processing management solutions. As such, enterprise solutions business of the Group can be operated distinctively and independently from the other businesses of the Group, 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. CSC Asia Limited and REXCAPITAL (Hong Kong) Limited have been appointed as the sponsor and the co-sponsor to the Separate Listing respectively.

STRUCTURE OF THE SEPARATE LISTING

The exact structure of the Separate Listing (subject to finalisation) may involve:

- a distribution of the MegaInfo Shares to the Vodatel Shareholders whose names appear on the register of members of the Company on the Distribution Record Date by way of a special interim dividend, 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, such that one MegaInfo Share for every 50 Vodatel Shares in issue on the Distribution Record Date provided that fractional entitlements will be disregarded and not allotted and issued.
- for Ineligible Vodatel Shareholders, if any, the MegaInfo Shares which such shareholders would have been otherwise entitled to receive on the same basis as the Eligible Vodatel Shareholders will not be transferred to them and will be retained by the Company to be offered for sale under the Placing. The net proceeds of the sale of such MegaInfo Shares 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; and
- an issue of new MegaInfo Shares by way of placing, which will enable MegaInfo to raise additional capital for further business developments.

It is currently proposed that following implementation of the Separate Listing, MegaInfo will become a non wholly-owned subsidiary of the Company. As part of the Separate Listing and as required under the GEM Listing Rules, the Company will undertake not to dispose of its interests in MegaInfo for a period of 12 months after such listing.

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. Further details will be provided in the Circular. A form of election will also be despatched, as soon as practicable together with the Circular, to the Eligible Vodatel Shareholders entitling them to exercise the Put Option upon and subject to the terms and conditions set out therein.

ODD LOT ARRANGEMENT

Under the Distribution, Vodatel Shareholders will receive one MegaInfo Share for every 50 Vodatel Shares held on the Distribution Record Date provided that fractional entitlements will be disregarded and will not be transferred. As such, Vodatel Shareholders who do not elect for the cash alternative and wish to retain the MegaInfo Shares may hold MegaInfo Shares in odd lots size. In order to facilitate the trading of odd lots of the MegaInfo Shares, an agent will be appointed to provide a “matching service” to those Vodatel Shareholders. Further details will be provided in the Circular.

PLACING PRICE

The Placing Price will be subject to the terms of an underwriting agreement which the Directors expect to be signed nearer the time of issue of the MegaInfo Prospectus in connection with the Placing. It is currently expected that the Placing Price will be HK\$0.25 per MegaInfo Share (subject to finalisation) and the MegaInfo Prospectus will be issued on or about 31 December 2003.

INFORMATION ON MEGAINFO

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 1998 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 solution for telecommunications services providers and other enterprises in Macau and the PRC. Following the implementation of a reorganization, all assets and liabilities of the Group previously engaged in the provision of enterprise solutions with a focus on the self-developed digital image processing management solution 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, allowing efficient retrieval and further processing of information at multiple locations and remote intelligent monitoring and surveillance. This application best suits industries that need to deal with significant volumes of documents and/or images emotion.

The pro forma 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 draft accountants' report in the draft MegaInfo Prospectus submitted to the Stock Exchange and may be subject to further adjustments.

	Year ended 30 June	
	2002	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3,209	3,747
(Loss)/profit attributable to shareholders	(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 to the telecommunication service providers and 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, distribution and system integration activities 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.

INFORMATION ON THE 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. 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 the continuous expansion since then, such business division has grown to a stage that is self-sustaining.

After the Separate Listing, save for the businesses carried out by the MegaInfo Group, the Remaining Group will continue to focus on its principal business for the provision of network solutions to telecommunications service providers in the PRC and Macau.

BENEFITS OF THE SEPERATE LISTING

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, more responsive to market changes, improve operational efficiency and expedite business development.
- *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 businesses. The MegaInfo Group will have direct access to capital markets to finance its future development and business expansion. At the same time, the Remaining Group will be able to apply its financial resources to its core business for 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, MegaInfo will be able to attract and establish its own shareholder base who will be able to directly benefit from any growth of the MegaInfo Group. The MegaInfo Group will be able to allocate its resources into its 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.

DESPATCH OF CIRCULAR

The Circular regarding the proposal for the Separate Listing and the Distribution will be despatched to Vodatel Shareholders as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

Reference is made to the announcement of the Company dated 9 December 2003. The register of members of the Company will be closed on 31 December 2003 to 1 January 2004, both days inclusive, for the purpose of determining the entitlements of the Vodatel Shareholders under the Distribution. No transfer of the Vodatel Shares may be registered during such period. In order to qualify for the Distribution, all transfers must be lodged with the Registrar at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 30 December 2003. The register of members of the Company will be re-opened on 2 January 2004.

EXPECTED TIMETABLE

Last day of dealings in Vodatel Shares cum entitlement to the Distribution	24 December 2003
First day of dealings in Vodatel Shares ex-entitlement to the Distribution	29 December 2003
Latest time for lodging transfers of Vodatel Shares cum entitlement to the Distribution	4:00 p.m. on 30 December 2003
Register of members of the Company closes on	31 December 2003
Record Date for determining the entitlement to the Distribution	31 December 2003
Despatch of the forms of election for exercising the Put Option and the Circular	31 December 2003
Issue of the MegaInfo Prospectus on or about	31 December 2003
Register of members of the Company re-opens on	2 January 2004
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 election for exercising the Put Option	16 January 2004
Certificates for the MegaInfo Shares expected to be despatched on	19 January 2004
Cheques for the Cash Payment expected to be despatched on	19 January 2004
Dealings in the MegaInfo Shares expected to commence on	20 January 2004

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. Based on the expected timetable, dealings in MegaInfo Shares are expected to commence on 20 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 on GEM 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.

GENERAL INFORMATION

CSC Asia Limited and REXCAPITAL (Hong Kong) Limited have been appointed as the sponsor and co-sponsor respectively in respect of the Separate Listing. Further details of the business and financial information on MegaInfo will be set out in the MegaInfo Prospectus which is expected to be issued on or about 31 December 2003 and will be available to, among others, the Vodatel Shareholders.

Vodatel Shareholders and investors should note that the Separate Listing may or may not proceed in accordance with the terms set out in this announcement, or at all. Further announcement will be made as and when appropriate in respect of any material developments in connection with the Separate Listing and/or any material change in the information contained in this announcement. The Directors emphasise that the specific terms and timing of the Separate Listing may 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 and investors are therefore reminded to exercise caution when dealing in the Vodatel Shares.

DEFINITIONS

Terms used in this announcement shall have the following meaning unless the context otherwise requires.

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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 and the entitlements of the relevant Ineligible 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
“Circular”	the circular of the Company in relation to the Separate Listing and the Distribution
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Vodatel Networks Holdings Limited, a company incorporated in Bermuda, whose shares are listed on GEM
“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 of the Company)
“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 on 7 March 1997, whose shares are listed on the Main Board of the Stock Exchange
“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
“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 whose addresses on the register of members of the Company on the Distribution Record Date will be outside Hong Kong and in relation to whom the applicable laws, rules or regulations require additional registrations or compliance with other procedures before the Distribution may be effected in relation to such Vodatel Shareholders are determined by the Company to be unduly burdensome or onerous on the Company
“Macau”	the Macau Special Administrative Region of the People’s Republic of China

“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 of such subsidiaries, the operating division of the Group which previously carried on the business of providing enterprise solutions and applications with an initial focus on self-developed digital image processing management solutions now carried on by the MegaInfo Group
“MegaInfo Prospectus”	a prospectus to be issued by MegaInfo on or about 31 December 2003 in connection with the Placing
“MegaInfo Shares”	the ordinary shares of nominal value HK\$0.01 each in the capital of MegaInfo
“Placing”	the conditional placing of the MegaInfo Shares for cash at the Placing Price, details of which will be set out in the MegaInfo Prospectus
“Placing Price”	the price per MegaInfo Share to be sold/issued pursuant to the Placing and which is to be determined by MegaInfo (for itself and on behalf of Eligible Vodatel Shareholders who exercise the Put Option and Ineligible Vodatel Shareholders) and the Sponsors (for themselves and on behalf of the underwriters of the Placing)
“PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference only, excludes Taiwan, Macau and Hong Kong

“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 in the Circular and in the forms of election for exercising the Put Option
“R&D”	research & development
“Registrar”	Abacus Share Registrars Limited
“Remaining Group”	the Group other than the MegaInfo Group
“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
“Sponsors”	CSC Asia Limited, being the sponsor in respect of the Separate Listing, and REXCAPITAL (Hong Kong) Limited, being the co-sponsor in respect of the Separate Listing, both of them are deemed licensed corporations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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.

By order of the Board
José Manuel dos Santos
Chairman

Hong Kong, 19 December 2003

This announcement for which the directors of the Company 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 the Company. 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 will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the day of its posting and on the Company’s website at www.vodatelsys.com.

** For identification purpose only*