

**José Manuel dos Santos**  
*Chairman*



# CHAIRMAN'S STATEMENT

## **FINANCIAL RESULTS**

On behalf of the Board of Directors (the "Board"), I am pleased to present Vodatel's annual results for the financial year ended 30th June 2002 and to report that for seven consecutive years, we have announced an unbroken profit-making record. We recorded turnover of HK\$601.1 million (2001: HK\$546.9 million) with net profit amounting to HK\$57.0 million (2001(restated): HK\$54.1 million) and earnings per share of 9.37 HK cents (2001(restated): 8.84 HK cents). We delivered a return on equity of 17.3%, with net asset value of HK\$0.54 per share.

## **DIVIDEND**

The Board proposed a final dividend of 0.5 HK cent per share for the fiscal year ended 30th June 2002 (2001: 2.0 HK cents). Together with the interim dividend of 1.0 HK cent, total dividends per share for the year will amount to 1.5 HK cents (2001: 2.0 HK cents).

## INDUSTRY OVERVIEW

In line with the gradual opening of the market after the PRC's accession to the World Trade Organisation and the mandate of the Chinese Government to increase competition and improve level of services among market players, the telecommunications industry has been undergoing restructuring under the administration of the Ministry of Information Industry. During the period under review, the fixed-line operator, China Telecom, is split into two telecommunications giants, China Telecom, governing the southern part of the PRC, and China Network Communications, covering 10 provinces in the northern part of the PRC and to merge with China Netcom and China Jitong. Due to the restructuring and merger among players of the industry, capital expenditures by telecommunications service providers have resulted in a temporary lag. We believe that as the impact of the restructuring and integration settles, infrastructure spending will impel.

## BUSINESS REVIEW

The fiscal year 2001/2 presented challenges and opportunities for Vodatel. Despite a difficult year as a result of the restructuring of the telecommunications industry during the year, we are able to well manage these changes and achieve stable gross margins and solid results in our core networking business.

Building on our experience, market knowledge and well-established relationships with our customers, we successfully extended our customer installation base to Guangxi Zhuang Autonomous Region in the west and Hebei in the north, marking Vodatel's footprints in 18 provinces, municipalities and autonomous regions.

We have continued to identify equipment and technology that are best-of-the-breed for our customers. In addition to taking up carrier-class equipment from technology front-runners to enrich our array of data networking products and services, we have also made investment into mobile data solutions to better position ourselves in the wireless communications arena.

Our diversification into research and development of self-branded products to create a new revenue stream reaped us rewards. During the year under review, we successfully promoted VodaImage to Guangdong China Mobile, completed the development of VodaMax and commenced selling of VCMS in the PRC.







## PROSPECTS

This year marked the 10th anniversary of Vodatel. Looking back, we were one of the pioneers to move into the telecommunications market in the PRC. With the launch of the PRC's first public DDN in Shanghai in 1992, we are proud that over 10 years, Vodatel has built the public data networks in 18 provinces, municipalities and autonomous regions in the PRC and working in collaboration with the local telecommunications service providers to support their public data networks.

We have all along put our prime focus in the carriers' market and constantly drive ourselves to better understand the ever-changing market, listening to our customers, identifying best-of-the-breed products, providing prompt and quality services and strengthening our own technical know-how. We have used these qualities as building blocks to lay a solid foundation and bring Vodatel to where we are today – a trusted technical partner and a reputable network solutions provider in the industry.

Our ultimate goal to increase shareholders' value remains our top priority. Our greatest opportunity, which is also our biggest challenge, is to capitalize on the gradual liberation of the telecommunications market, using our proven track records to continue to build a successful story and to achieve solid performance. First, increasing revenue per customer and expanding our customer base. Through an expanded product offerings, diversification into areas that complement our core networking business and by capitalizing our strong market knowledge, on-the-ground experience and nationwide footprints, Vodatel is well positioned to be selected as the network solutions provider by our existing customers and by other local and foreign telecommunications service providers as they excel their growth

in the PRC. Second, managing our margins. We will cautiously invest into research and development of self-branded products and select good quality business opportunities that will generate new sources of revenue and strengthen our bottom-line. Third, controlling cost. We will undergo exercises to combine and realign resources to achieve cost savings, yet quality services will not be compromised.

### APPRECIATION

Finally, I would like to thank our valued customers, business partners and reputable suppliers for their unrelenting support towards Vodatel throughout all these years. I would like to extend my appreciation to our staff for their diligence, dedication and teamwork to our remarkable achievements and the shareholders for their supporting during the year.

**José Manuel dos Santos**

Chairman

Hong Kong, 27th September 2002

