

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 in order to obtain up-to-date information on GEM-listed issuers.

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This document, 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the Three-Month Period amounted to HK\$197.1 million, representing an increase of 13.8% over the corresponding period last year. Net profit for the Period reached HK\$20.1 million;
- Payment of an interim dividend of HK1.0 cent;
- Submission of an application for the separate listing of MegaInfo's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong; and
- Healthy financial standing with cash on hand amounting to HK\$225.5 million as at 31st December 2002

INTERIM RESULTS

On behalf of the Board of the Directors (the “Board”) of Vodatel Networks Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months (“Three-Month Period”) and six months (“Six-Month Period”) ended 31st December 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st December		Six months ended 31st December	
		2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Turnover	2	197,067	173,110	283,960	384,069
Cost of sales	3	(149,420)	(127,006)	(213,387)	(287,844)
Gross profit		47,647	46,104	70,573	96,225
Other revenue		728	3,391	1,433	5,383
Selling and administrative expenses		(24,632)	(24,162)	(41,313)	(44,481)
Profit from operations		23,743	25,333	30,693	57,127
Finance cost		(42)	—	(172)	—
Share of losses of associated companies		(465)	(681)	(740)	(768)
Profit before tax		23,236	24,652	29,781	56,359
Taxation	5	(3,675)	(3,883)	(4,707)	(8,877)
Profit after tax		19,561	20,769	25,074	47,482
Minority interest		497	(685)	683	(397)
Profit attributable to shareholders		20,058	20,084	25,757	47,085
Dividends	6	6,080	6,080	6,080	6,080
Earnings per share (HK cents)	7				
— Basic		3.3	3.3	4.2	7.7
— Diluted		3.3	3.3	4.2	7.7

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER 2002

		As at 31st December 2002 (unaudited) HK\$'000	As at 30th June 2002 HK\$'000
	Notes		
Fixed assets		6,696	3,227
Investments in associated companies		11,029	6,591
Non-trading securities		20,182	16,450
Current assets			
Inventories		127,941	110,812
Trade and bills receivables	8	214,463	191,357
Other receivables, deposits and prepayments		11,263	10,478
Bank balances and cash		225,512	213,360
		<u>579,179</u>	<u>526,007</u>
Current liabilities			
Trade and bills payables	9	118,439	98,465
Other payables and accruals		45,647	43,651
Convertible bonds		17,505	17,505
Taxation payable		55,823	51,263
Bank loan		12,150	—
		<u>249,564</u>	<u>210,884</u>
Net current assets		<u>329,615</u>	<u>315,123</u>
Total assets less current liabilities		<u>367,522</u>	<u>341,391</u>
Financed by:			
Share capital	10	60,798	60,798
Reserves	11	284,843	265,198
Proposed dividends	11	<u>6,080</u>	<u>3,040</u>
Shareholders' funds		351,721	329,036
Minority interests		6,076	2,630
Convertible bonds		9,725	9,725
		<u>367,522</u>	<u>341,391</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31st December 2002 (unaudited) <i>HK\$'000</i>	For the six months ended 31st December 2001 (unaudited) <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	5,866	(13,105)
Net cash outflow from investing activities	(5,864)	(5,845)
Net cash inflow/(outflow) from financing	12,150	(157)
Increase/(decrease) in cash and cash equivalents	12,152	(19,107)
Cash and cash equivalents at the beginning of the period	213,360	225,448
Cash and cash equivalents at the end of the period	225,512	206,341
Analysis of balances of cash and cash equivalents		
Bank balances and cash	225,512	206,341

CONDENSED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 31st December 2002 (unaudited) HK\$'000	For the six months ended 31st December 2001 (unaudited) HK\$'000
Total equity balance at the beginning of the period	<u>329,036</u>	<u>292,811</u>
Exchange differences arising on translation of accounts of overseas subsidiaries and an associated company	<u>(32)</u>	<u>(87)</u>
Net gains and losses not recognised in the consolidated income statement	<u>(32)</u>	<u>(87)</u>
	329,004	292,724
Profit attributable to shareholders	25,757	47,085
2000/2001 Final dividends paid	—	(12,160)
2001/2002 Final dividends paid	<u>(6,080)</u>	<u>—</u>
Total equity balance at the end of the period	<u><u>348,681</u></u>	<u><u>327,649</u></u>

NOTES TO ACCOUNTS

1. Significant accounting policies

The combined results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

The accounting policies in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30th June 2002.

2. Segment information

Business segments

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 31st December 2002			Six months ended 31st December 2001		
	Design, sale and implementation of data networking systems and provision of related engineering services	Sale of goods	Group	Design, sale and implementation of data networking systems and provision of related engineering services	Sale of goods	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	232,132	51,828	283,960	317,529	66,540	384,069
Segment results	27,927	10,170	38,097	41,211	12,633	53,844
Unallocated income			1,433			5,383
Unallocated cost			(8,837)			(2,100)
Operating profit			30,693			57,127
Finance cost			(172)			—
Share of losses of associated companies			(740)			(768)
Profit before taxation			29,781			56,359
Taxation			(4,707)			(8,877)
Profit after taxation			25,074			47,482
Minority interest			683			(397)
Profit attributable to shareholders			25,757			47,085

There are no significant sales or other transactions between the business segments.

Geographical segments

More than 90% of the Group's turnover and operating profit were derived from China market.

3. **Cost of sales**

At 31st December 2002, there were no inventories (2001: nil) carried at net realisable value.

4. **Depreciation**

During the period, depreciation of HK\$1.3 million (2001: HK\$1.1 million) was charged in respect of the Group's fixed assets.

5. **Taxation**

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any estimated assessable Hong Kong profits for the periods under review.

Macau complimentary profits tax has been calculated at 15.75% on the estimated assessable profits of group companies operating in Macau for the periods under review.

The amount of taxation charged to the consolidated income statements represent:

	Three months ended		Six months ended	
	31st December		31st December	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	—	—	—	—
Macau complimentary profits tax	3,675	3,883	4,707	8,877
	<u>3,675</u>	<u>3,883</u>	<u>4,707</u>	<u>8,877</u>

There was no material unprovided deferred taxation for the period (2001: Nil).

6. **Dividends**

The Board have determined that an interim dividend of HK1.0 cent per share should be paid to shareholders of the Company whose names appear in the Register of Members on 7th March 2003 (2001: HK1.0 cent per share).

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended 31st December		Six months ended 31st December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings				
Earnings for the purpose of basic and diluted earnings per share	20,058	20,084	25,757	47,085
Effect of dilutive potential ordinary shares:				
Interest on convertible loan notes	110	—	219	—
	<u>20,168</u>	<u>20,084</u>	<u>25,976</u>	<u>47,085</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	607,984	607,984	607,984	607,984
Effect of dilutive potential ordinary shares:				
Share option	—	193	—	—
Convertible loan notes	<u>10,658</u>	<u>—</u>	<u>10,658</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>618,642</u>	<u>608,177</u>	<u>618,642</u>	<u>607,984</u>

8. Trade and bills receivables

The following is an aged analysis of trade and bills receivables at the reporting date:

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
0-6 months	120,180	115,238
7-12 months	54,172	54,752
Over 12 months	62,515	43,309
	<hr/>	<hr/>
	236,867	213,299
Less: provision	(22,404)	(21,942)
	<hr/>	<hr/>
	214,463	191,357
	<hr/> <hr/>	<hr/> <hr/>

The credit terms granted to customers vary and are generally the result of negotiations between the individual customers and the Group. Customers are generally required to pay at various intervals over the life of the projects.

9. Trade and bills payables

The following is an aged analysis of trade and bills payables at the reporting date:

	As at 31st December 2002 HK\$'000	As at 30th June 2002 HK\$'000
0-6 months	95,554	71,351
7-12 months	22,885	1,407
Over 12 months	—	25,707
	<hr/>	<hr/>
	118,439	98,465
	<hr/> <hr/>	<hr/> <hr/>

10. Share capital

	Authorised Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st December 2002 and 30th June 2002	2,000,000,000	200,000
	<u>2,000,000,000</u>	<u>200,000</u>
	Issued and fully paid Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st December 2002 and 30th June 2002	607,984,000	60,798
	<u>607,984,000</u>	<u>60,798</u>

Old Share Option Scheme

Under the Old Share Option Scheme adopted by the Company on 10th February 2000 and terminated on 5th November 2002, the directors of the Company may, at their discretion, invite full-time employees including executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the share option scheme).

On 16th August 2000, share options to subscribe for 1,450,000 and 4,466,000 shares were granted to the directors of the Company and certain employees of the Group respectively. None of the share options granted have been exercised as at 31st December 2002.

On 1st August 2001, share options to subscribe for 2,088,000 and 11,378,000 shares were granted to certain directors of the Company and certain employees of the Group respectively. None of the share options granted have been exercised as at 31st December 2002.

Details of the outstanding share options which have been granted to the directors of the Company and certain employees of the Group are as follows:

Date of share options granted	Number of share options outstanding as at	Number of share options lapsed during	Number of share options outstanding as at 31st December	Exercise period	Exercise price per share HK\$
	1st July 2002	the period	2002		
16th August 2000	5,626,000	(164,000)	5,462,000	16th February 2001 - 15th February 2004	1.19
1st August 2001	13,466,000	(200,000)	13,266,000	1st February 2002 - 31st January 2005	0.79
	<u>19,092,000</u>	<u>(364,000)</u>	<u>18,728,000</u>		

At the Special General Meeting of the Company held on 5th November 2002, the independent shareholders of the Company approved, subject to the agreement of the holders of the options granted under the Old Share Option Scheme, to cancel all the outstanding options. As at 31st December 2002, none of the share options granted have been cancelled.

New Share Option Scheme

The Company by shareholders' resolutions passed at its Special General Meeting held on 5th November 2002, has adopted the New Share Option Scheme and terminated the Old Share Option Scheme. No further options may be offered under the Old Share Option Scheme. However, the outstanding options granted under the Old Share Option Scheme, as mentioned in the preceding paragraphs, shall continue to be subject to the provisions of the Old Share Option Scheme and the provisions of Chapter 23 of the GEM Rules.

Pursuant to the New Share Option Scheme, the Company may grant, for a consideration of HK\$1 for each grant, options to subscribe for shares to (i) any employees of the Group; (ii) any independent non-executive directors; and (iii) any consultants, suppliers or customers of the Group, as absolutely determined by the Board. The options to subscribe for shares aggregated with shares to be granted under any other share option schemes of the Company (including the Old Share Option Scheme), represent up to 10% of the total number of shares in issue at the date of adoption of the New Share Option Scheme unless further approval of shareholders has been obtained.

The subscription price of the shares under the New Share Option Scheme shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation on the date of the offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares on the date of grant of the option.

The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the New Share Option Scheme and other share option schemes must not, in aggregate, exceed 30% of the shares in issue from time to time.

The exercise period of any option granted under the New Share Option Scheme shall be determined by the Board and such period shall expire not later than 10 years after the date of grant of the option. No option shares for New Share Option Scheme were granted to any person since its adoption as required to be disclosed under the GEM Listing Rules.

11. Movement of reserve

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st July 2002	86,590	702	(2,372)	35,549	(10)	147,779	268,238
Profit for the period retained	—	—	—	—	—	25,757	25,757
Translation of financial statements of PRC operations	—	—	—	—	(32)	—	(32)
2001/2002 Final dividend paid	—	—	—	—	—	(3,040)	(3,040)
At 31st December 2002	<u>86,590</u>	<u>702</u>	<u>(2,372)</u>	<u>35,549</u>	<u>(42)</u>	<u>170,496</u>	<u>290,923</u>
Company and subsidiaries	86,590	702	(2,372)	35,549	(42)	171,236	291,663
Associated companies	—	—	—	—	—	(740)	(740)
At 31st December 2002	<u>86,590</u>	<u>702</u>	<u>(2,372)</u>	<u>35,549</u>	<u>(42)</u>	<u>170,496</u>	<u>290,923</u>
Representing:							
2002/2003 Interim dividend proposed							6,080
Reserves at 31st December 2002							<u>284,843</u>
							<u>290,923</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

As at 31st December 2002, the Group's financial position remained strong. The return on equity (profit attributable to shareholder/shareholder's fund) yielding at 7.3% and gearing ratio (bank loan/shareholder's fund) standing at 3.5%. As at 31st December 2002, the Group had net current assets of approximately HK\$329.6 million with bank balances and cash amounted to approximately HK\$225.5 million. The liquidity of the Group is demonstrated by current ratio (current assets/current liabilities) which was 2.3 times. The liquidity position, at the directors' opinion, was sufficient to support the working capital requirement of the Group and to finance the Group's future operations, capital expenditure and other capital requirements.

Capital commitments and significant investments

As at 31st December 2002, the Group did not have any significant capital commitments and significant investments.

Material acquisition/disposals

The Group had no material acquisitions or disposals during the reporting period.

Employee information

As at 31st December 2002, the Group had 224 employees spreading in Hong Kong, Macau and the PRC. Total remuneration of all employees amounted to HK\$17.2 million.

The Group's remuneration and bonus policies are basically determined by the performance of individual employees.

The Group had adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares.

The Group also provides various training programs and product orientation for the technical employees and marketing employees so as to improve their overall qualification and to continuously keep them abreast of industry changes.

Charges on group assets

As at 31st December 2002, the Group did not have any charges on group assets.

Details of future plans for material investment or capital assets

The directors do not have any future plans for material investment or capital assets.

Foreign exchange exposure

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Macau dollars, US dollars and Renminbi. The directors consider that the impact of foreign exchange exposure of the Group is minimal.

Contingent liabilities

As at 31st December 2002, the Group did not have any contingent liabilities.

BUSINESS REVIEW

Data Network Infrastructure

The restructuring of the telecommunications industry in the PRC during 2002 has been a great challenge for market players. Although the restructuring has been completed, lagging effects of such restructuring have yet to be settled. Supported by robust economic activities in the PRC, telecommunications service providers have continued to invest into network infrastructure, though pace of capital expenditure has been affected.

Attributable to steady recurring business from the Company's strong installation base, the Company has able to achieve steady results for the Period. During the Three-Month Period, we have completed aggregate contracts of HK\$121.5 million for Guangdong China Telecom, Liaoning China Telecom and Henan China Telecom to upgrade and expand their Digital Data Networks and broadband data networks in the provinces of Guangdong, Liaoning and Henan respectively.

During the Three-Month Period, we have deepened our geographical reach in the PRC. With the completion of the HK\$8.7 million contract for Anhui China Telecom and the HK\$4.8 million contract for Heilongjiang China Telecom, the installation base of Vodatel now spans in 20 provinces, municipalities and autonomous regions.

We have also witnessed increasing activities from new market forces, such as cable TV operators (“CATV”) to roll out data services, and governmental authorities constructing data networks for cyberports, education and e-government. In addition to the completion of the HK\$1.9 million contract for Shanxi CATV for the construction of an IP Metropolitan network, we have also secured and completed the HK\$3.0 million contract for the construction of a data network for the Education Department of the Government of Anhui.

Leveraging on our knowledge and experience in the construction of large-scale public data networks, we have commenced to extend our market coverage to other regions in the Asia Pacific Region. During the Six-Month Period, we engaged in various marketing programs to penetrate into the Hong Kong market and successfully secured aggregate contracts exceeding HK\$9.0 million. We have also been actively exploring opportunities in selected countries in the Asia Pacific Region, using our experience and technical know-how and working in collaboration with local partners to explore into bidding of data networks projects.

Spin-off of MegalInfo Holdings Limited

On 30th January 2003, the Group made an application to the Stock Exchange to spin-off the shares of MegalInfo Holdings Limited (“MegalInfo”) on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Originated in 1998, MegalInfo is principally engaged in the provision of enterprise solutions, with a focus on the self-developed digital image processing management solutions, namely VodalImage and VodaMax, for selected vertical markets such as telecommunications, medical and finance sectors. These image processing management solutions enable the capture and storage of documents and images in motion under a centralized management database, allowing efficient retrieval and further processing of information at multiple locations. The Company believes that the separate listing of MegalInfo will enhance the availability of resources and a more focus on the future development and business expansion of the business of MegalInfo.

FINANCIAL REVIEW

Supported by our strong installation base, which allowed the Company to enjoy stable recurring business, turnover for the Three-Month Period amounted to HK\$197.1 million, representing an increase of 13.8% over the same corresponding period last year. Nevertheless, hampered by the non-seasonal nature of our business and lagging effects from the restructuring of the telecommunications industry, we registered turnover of HK\$284.0 million for the Six-Month Period as compared to HK\$384.1 million during the same period last year. Despite increasing market competition, we are able to maintain steady gross profit margin of approximately 24% for both the Three-Month Period and the Six-Month Period.

Due to low interest rates, hence reducing interest income for the Three-Month Period, net profit reached HK\$20.1 million, leveling the net profit for the same period last year.

During the Three-Month Period, in addition to the convertible loans, the Company raised total short-term loans of RMB13 million to facilitate the increasing operating activities of our subsidiary in the PRC. Cash on hand remained strong, with cash balance standing at HK\$225.5 million as at 31st December 2002.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31st December 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of directors	Number of shares	Nature of interest
Mr. José Manuel dos Santos	293,388,000	Corporate (<i>Note</i>)
Mr. Yim Hong	7,357,500	Personal
Mr. Kuan Kin Man	12,262,500	Personal
Ms. Monica Maria Nunes	2,452,500	Personal

Note: These shares are held in the name of Eve Resources Limited. The entire issued share capital in Eve Resources Limited is in turn held by a company wholly-owned by Mr. José Manuel dos Santos, as trustee of a discretionary family trust.

Under a share option scheme approved by the shareholders of the Company, the Board of directors of the Company may, at its discretion, grant options to eligible employees of the group, including executive directors, to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company from time to time.

The directors of the Company have been granted the following share options to subscribe for shares in the Company which were all outstanding as at 31st December 2002:

	Grant date	Number of shares options granted	Exercisable from	Exercisable until	Exercise price HK\$
Mr. José Manuel dos Santos	16th August 2000	290,000	16th February 2001	15th February 2004	1.19
	1st August 2001	522,000	1st February 2002	31st January 2005	0.79
Mr. Yim Hong	16th August 2000	290,000	16th February 2001	15th February 2004	1.19
	1st August 2001	522,000	1st February 2002	31st January 2005	0.79
Mr. Kuan Kin Man	16th August 2000	290,000	16th February 2001	15th February 2004	1.19
	1st August 2001	522,000	1st February 2002	31st January 2005	0.79
Ms. Monica Maria Nunes	16th August 2000	290,000	16th February 2001	15th February 2004	1.19
	1st August 2001	522,000	1st February 2002	31st January 2005	0.79

Notes:

- (1) At the date before the options of exercise price of HK\$1.19 were granted, which was 15th August 2000, the market value per share was HK\$1.16
- (2) At the date before the options of exercise price of HK\$0.79 were granted, which was 31st July 2001, the market value per share was HK\$0.78.

As at 31st December 2002, none of the options being granted to the directors under the Old Share Option Scheme have been exercised or cancelled. Save as disclosed above, none of the directors or their associates had any interests in the share capital of the Company or its associated corporations (as defined in the SDI Ordinance). The interests of the management shareholders (as defined in the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") in the share capital of the company are the same as disclosed above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the periods under review was the Company or its subsidiaries a party to any arrangements to enable the directors (including their spouses or children under 18 years of age) or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2002, the register of substantial shareholders maintained under Sections 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of shares
Eve Resources Limited	293,388,000

COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 to the Rules Governing the Listing of Securities on GEM since listed on the GEM of the Stock Exchange.

AUDIT COMMITTEE

The Company established an audit committee on 10th February 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee has three members comprising Mr. José Manuel dos Santos, Chairman, and the two independent non-executive directors, Mr. Chui Sai Cheong and Mr. Lo King Chiu, Charles.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Three-Month Period and the Six-Month Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 13th February 2003