



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8033

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

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 further 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 stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM 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 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.

The Exchange takes no responsibility for the contents of this report, 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 report.

This document, for which the directors of Vodatel Networks Holdings Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (“Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 herein misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD

- Turnover for the Three-Month Period reached HK\$119.8 million with net profit of HK\$13.2 million. Turnover for the Nine-Month Period amounted HK\$304.9 million with net profit reaching HK\$16.5 million
- Registered a gain of HK\$10.8 million from the successful listing of MegaInfo on GEM
- Approximately HK\$45.0 million worth of contracts awarded by gaming operators in Macao
- MegaInfo entered into an alliance arrangement with Legend (Beijing) Limited for the promotion and distribution of MEGA-ERP application
- Entered into a conditional sale and purchase agreement to acquire four entities in Europe that engaged in the provision of multi-media value-added services for cash consideration of €4.6 million
- Increased equity stake in Mobile Telecom Network (Holdings) Limited from 7.3% to 14.6% and convertible bonds holdings from HK\$1.6 million to HK\$3.2 million

THIRD QUARTER RESULTS

On behalf of the board of the Directors (“Board”), 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 nine months (“Nine-Month Period”) ended 31st March 2004 as follows:

	<i>Note</i>	Three months ended 31st March		Nine months ended 31st March	
		2004 <i>(Unaudited)</i> <i>HK\$'000</i>	2003 <i>(Unaudited)</i> <i>HK\$'000</i>	2004 <i>(Unaudited)</i> <i>HK\$'000</i>	2003 <i>(Unaudited)</i> <i>HK\$'000</i>
Turnover		119,847	40,679	304,932	324,639
Cost of sales		<u>(102,433)</u>	<u>(33,209)</u>	<u>(245,959)</u>	<u>(246,596)</u>
Gross profit		17,414	7,470	58,973	78,043
Other revenues		2,304	504	3,000	1,937
Selling and administrative expenses		<u>(17,846)</u>	<u>(14,592)</u>	<u>(54,110)</u>	<u>(55,905)</u>
Operating profit/(loss)		1,872	(6,618)	7,863	24,075
Finance cost		(17)	(107)	(397)	(279)
Deemed disposal gain	2	10,769	—	10,769	—
Share of profit/(loss) of associated companies		<u>237</u>	<u>(940)</u>	<u>(356)</u>	<u>(1,680)</u>
Profit/(loss) before taxation		12,861	(7,665)	17,879	22,116
Taxation	3	<u>(330)</u>	<u>1,224</u>	<u>(1,120)</u>	<u>(3,483)</u>
Profit/(loss) after taxation		12,531	(6,441)	16,759	18,633
Minority interests		<u>650</u>	<u>(26)</u>	<u>(256)</u>	<u>657</u>
Profit/(loss) attributable to shareholders		<u>13,181</u>	<u>(6,467)</u>	<u>16,503</u>	<u>19,290</u>
Dividend	4	<u>—</u>	<u>—</u>	<u>6,413</u>	<u>6,080</u>
Earnings/(loss) per share (HK cents)	5				
- Basic		<u>2.1</u>	<u>(1.1)</u>	<u>2.7</u>	<u>3.1</u>
- Diluted		<u>2.1</u>	<u>(1.0)</u>	<u>2.7</u>	<u>3.1</u>

Notes:

1. Principal accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the accounts of the Group for the year ended 30th June 2003.

2. Deemed disposal gain

On 19th January 2004, the shares of MegaInfo Holdings Limited (“MegaInfo”), previously a wholly-owned subsidiary of the Company, were listed on GEM (“Spin-off”). As a result of the Spin-off, the shareholding of the Company in MegaInfo has been diluted to 61.05%, which resulted in a gain of HK\$10,769,000 arising from the deemed disposal.

3. Taxation

No provision for the profits tax of the Hong Kong Special Administration Region of the People’s Republic of China (“Hong Kong”) has been made in the accounts, as the Group does not have any estimated assessable Hong Kong profits for the periods under review.

The complimentary profits tax of the Macao Special Administrative Region of the People’s Republic of China (“Macao”) has been calculated at 15.75% on the estimated assessable profits of group companies operating in Macao for the periods under review.

The profits tax in mainland China has been calculated at 33% on the estimated assessable profits of group companies operating in mainland China.

The amount of taxation charged to the consolidated profit and loss account represents:

	Three months ended		Nine months ended	
	31st March		31st March	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	—	—	—	—
Macao complimentary profits tax/(overprovision)	259	(1,224)	728	3,483
Mainland China profits tax	<u>71</u>	<u>—</u>	<u>392</u>	<u>—</u>
	<u>330</u>	<u>(1,224)</u>	<u>1,120</u>	<u>3,483</u>

There was no material unprovided deferred taxation for the Three-Month Period and Nine-Month Period (three-month and nine-month period ended 31st March 2003: Nil).

4. Dividend

The Board does not recommend dividend payment for the Three-Month Period (three-month period ended 31st March 2003: Nil).

5. Earnings/(loss) per share

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

	Three months ended 31st March		Nine months ended 31st March	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss)				
Earnings/(loss) for the purpose of basic earnings/(loss) per share	13,181	(6,467)	16,503	19,290
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds	<u>31</u>	<u>86</u>	<u>124</u>	<u>305</u>
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	<u>13,212</u>	<u>(6,381)</u>	<u>16,627</u>	<u>19,595</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	613,819	611,141	613,819	617,967
Effect of dilutive potential ordinary shares:				
Convertible bonds	<u>4,863</u>	<u>2,614</u>	<u>4,863</u>	<u>9,440</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>618,682</u>	<u>613,755</u>	<u>618,682</u>	<u>627,407</u>

6. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st July 2003	97,676	702	(4,158)	35,549	108	49	149,146	279,072
Surplus on revaluation of non-trading securities	—	—	8,340	—	—	—	—	8,340
Exchange differences arising on translation of accounts of overseas subsidiaries	—	—	—	—	(49)	—	—	(49)
Group reorganization	—	—	—	5,484	—	—	—	5,484
Profit attributable to shareholders	—	—	—	—	—	—	16,503	16,503
2002/2003 Final dividend paid	—	—	—	—	—	—	(3,069)	(3,069)
Special interim dividend paid	—	—	—	—	—	—	(3,344)	(3,344)
2003/2004 Interim dividend paid	—	—	—	—	—	—	(3,069)	(3,069)
At 31st March 2004	<u>97,676</u>	<u>702</u>	<u>4,182</u>	<u>41,033</u>	<u>59</u>	<u>49</u>	<u>156,167</u>	<u>299,868</u>
		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
Share premium on issuance of shares		11,086	—	—	—	—	—	11,086
Exchange differences arising on translation of accounts of overseas subsidiaries		—	—	—	—	(7)	—	(7)
Profit attributable to shareholders		—	—	—	—	—	19,290	19,290
2001/2002 Final dividend paid		—	—	—	—	—	(3,040)	(3,040)
At 31st March 2003		<u>97,676</u>	<u>702</u>	<u>(2,372)</u>	<u>35,549</u>	<u>(17)</u>	<u>164,029</u>	<u>295,567</u>

REVIEW OF BUSINESS ACTIVITIES

Core Business — Data Networks Infrastructure

During the Three-Month Period, our core business has been boosted by business activities from new gaming operators in Macao, with contracts awarded amounted approximately HK\$45 million. For data infrastructure projects in mainland China, attributable to the Chinese New Year, contracts completed primarily pertained to those contracts secured during the previous quarter, including the HK\$21.0 million contract from Guangdong China Telecom, the HK\$12.8 million contract from Hebei China Netcom, the HK\$16.0 million from Henan China Netcom, the HK\$5.0 million from Liaoning China Netcom and the HK\$3.9 million from Anhui Educational Bureau.

Capitalized on our strong relationship with telecommunications service providers in mainland China, our subsidiary in Shanghai, TideStone, continued to cross sell the Operation Support System (“OSS”) to our premium installed customer base and successfully secured a contract from Wuxi China Telecom for the installation of OSS. Marketing and promotion of OSS to various communications service providers in mainland China continued to be underway.

During the Three-Month Period, we have continued to expand the list of equipment from international vendors that our OSS can manage. As at 13th May 2004, we have completed the enhancement of the OSS to manage data networks built from equipment of international vendors, including Alcatel, Nortel, Lucent, Cisco, Juniper, Riverstone, Extreme, Network Equipment Technologies, Ascom and Paradyne and mainland China equipment vendors including Maipu and Hua Wei.

MegaInfo

Capitalizing on the active involvement of the Government of Macao to enhance the operating efficiencies and quality of services offered to the public, MegaInfo placed its main focus in the Macao market during the Three-Month Period and successfully secured and completed several contracts for various departments of the Government of Macao. As at 31st March 2004, orders on hand of MegaInfo amounted HK\$12.0 million.

In addition to building and strengthening the sales team for the promotion and marketing of its products/applications to the Government of Macao, enterprises in Macao and mobile/telecommunications service providers in mainland China, MegaInfo has also commenced the promotion of MEGA-ERP application through distributors in mainland China and has entered into an alliance arrangement with Legend (Beijing) Limited (“Legend”) to bundle the MEGA-ERP application with certain hardware and services of Legend to form the “IT1FOR1” solution. To further expand the product offerings for the enterprise market, MegaInfo also acquired an exclusive license from 北京炎黃新星網絡科技有限公司 for the distribution of their Effective Communication Management solution, which is a hardware that allowed messages to be converted from texts to voice or vis-à-vis and to be despatched to users via an array of selected communications tools, for example, voice mailbox, short message services (“SMS”), interactive voice response (“IVR”), email, etc., anytime and anywhere.

Transformation Acquisition

On 25th March 2004, we have entered into a conditional sale and purchase agreement to acquire four entities in Europe, namely Voxtel Finland Oy in the Republic of Finland, Servicios Telefonicos de Audiotex S.A. in the Kingdom of Spain, SuperCom Audiotex Systeme GmbH in the Federal Republic of Germany and TeleConcept Benelux B.V. in the Kingdom of Netherlands (collectively referred to as the “Sale Companies”) for cash consideration of €4.6 million. The Sale Companies are engaged in the provision of multi-media value-added services such as content and campaign management, distribution and billing via a number of platforms, such as IVR, interactive internet solutions and premium SMS focused on media, enterprise communications, entertainment for consumers and direct marketing markets.

The Sale Companies, one of the leading multi-media value-added services providers in Europe, address principally the media and entertainment market and the enterprise and corporate services market, operating a revenue sharing business model through the offering of products and services through telecommunications service providers and media operators in the following three categories:

- IVR-based services groups covering (a) sales, promotion and infotainment such as call & win, voting and product information; (b) order and information services such as call & order, reservations and financial information; (c) market research such as polling, product test and client service; and (d) sweepstakes and entertainment such as virtual chat, horoscopes and tarot;
- SMS-based applications services, such as interactive chat, contests, voting, polls, quizzes, games, talk-show applications, affinity-marketing programs, classified advertising, dating, co-marketing programs and advertisements; and
- Internet-based application services including (a) Switch4xs internet billing solutions that provide access to a website or application at a fixed rate per minute by switching the modem to a premium rate number; and (b) Call4xs internet billing solutions that allow access to a website or application for a predefined period of time using a pin-code provided by calling a premium rate number.

This transaction is a transformation acquisition that strategically fits the roadmap of the Group to diversify into the high growth area of multi-media value-added services business in the mobile/voice domain, reinforcing our position in the telecommunications arena while creating a stable and recurring stream of revenue. With a vision to create a global presence in the multi-media value-added services business domain, the acquisition marks our first step to become a player in the provision of multi-media value-added services, while allowing us to achieve a geographical coverage in Europe. This transaction can also be described as a complementary acquisition. With an established customer base of over 100 companies and organizations and relationships with telecommunications service providers in Europe, the Sale Companies serve as a platform for the promotion and marketing of our self-developed networking applications, such as the data network management systems to potential

customers in Europe, whereas our installed customer base in mainland China with customers in 20 provinces, municipalities and autonomous regions offers the opportunity of the multi-media value-added services of the Sale Companies to tap the Asia Pacific Region and mainland China.

With the acquisition marking our footstep in the European markets, to further strengthen our presence in the Asia Pacific Region, on 15th April 2004, we have increased our equity stake in Mobile Telecom Network (Holdings) Limited (“MTel”), a mobile data solution provider engaged in the development and provision of mobile data solutions, from 7.3% to 14.6% and increased our convertible bonds holdings from HK\$1.6 million to HK\$3.2 million. The equity stake, together with the convertible bonds which when fully converted, will result in the Group taking 21.8% shareholding in MTel. We first took an equity participation in MTel in March 2002. MTel was listed on GEM in May 2003.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Attributable to the projects from the gaming operators in Macao, turnover for the Three-Month Period amounted HK\$119.8 million, almost tripling the turnover for the preceding period last year, with turnover for the Nine-Month Period reaching HK\$304.9 million. Nevertheless, as margins of projects in Macao were lower than those in mainland China, we registered gross profit margin ratio of 14.5% for the Three-Month Period, effectuating an overall gross profit margin of 19.3% for the Nine-Month Period. Despite lower gross margin and share of losses incurred by MegaInfo as a result of increased headcounts to support its research and development and marketing activities, ascribed to the gain from the successful listing of MegaInfo on GEM, net profit for the Three-Month Period and Nine-Month Period amounted HK\$13.2 million and HK\$16.5 million respectively.

Capital Structure, Liquidity and Financial Resources

The Group continued to maintain a healthy capital structure. With the full drawdown of the US\$15 million term loan previously raised to accommodate the expansion and acquisition plans of the Group, cash on hand as at 31st March 2004 amounted to HK\$233.8 million. Total borrowings increased to HK\$132.6 million with gearing ratio (total borrowings / shareholders’ funds) of 36.7%.

Subsequent to 31st March 2004, the Group settled the US\$1.25 million (HK\$9.7 million) of the 1.90875% convertible bonds issued to Riverstone Networks Inc. and retired the RMB6.3 million short-term loans raised by our subsidiary in mainland China to support working capital requirements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31st March 2004, the relevant interests and short positions of the Directors or chief executive of the Company in the shares of HK\$0.10 each in the share capital of the Company ("Share(s)"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which will be required to be notified to the Company and the 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 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Exchange were as follows:

Aggregate long and short positions in the Shares and (in respect of equity derivatives) underlying shares of the Company

Name of Director	Long position/ short position	Nature of interest	No. of Shares held	No. of underlying Company shares (in respect of share option) held	Approximate % of the issued share capital of the Company
Mr. José Manuel dos 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 3</i>)	—	16,896,000	2.75%
Mr. Yim Hong	Long position	Personal (<i>Note 4</i>)	7,357,500	900,000	1.35%
Mr. Kuan Kin Man	Long position	Personal (<i>Note 5</i>)	12,262,500	900,000	2.14%
Ms. Monica Maria Nunes	Long position	Personal (<i>Note 6</i>)	2,452,500	900,000	0.55%

Notes:

- (1) As at 31st March 2004, these Shares were held in the name of Eve Resources Limited. The entire issued share capital in Eve Resources Limited was in turn held by Lois Resources Limited, a company wholly-owned by Mr. José Manuel dos Santos, as trustee of a discretionary family trust.
- (2) The personal interest of Mr. José Manuel dos Santos comprised 600,000 underlying shares in respect of share options granted by the Company to him. The aforesaid interest is held by Mr. José Manuel dos Santos as beneficial owner.
- (3) Options were granted by the Company under a share option scheme. Since Mr. José Manuel dos Santos was interested in more than one-third of the issued share capital of the Company at 31st March 2004, he was deemed to have a short position in the 16,896,000 underlying shares.

- (4) The personal interest of Mr. Yim Hong comprised 7,357,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to him. The aforesaid interest is held by Mr. Yim Hong as beneficial owner.
- (5) The personal interest of Mr. Kuan Kin Man comprised 12,262,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to him. The aforesaid interest is held by Mr. Kuan Kin Man as beneficial owner.
- (6) The personal interest of Ms. Monica Maria Nunes comprised 2,452,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to her. The aforesaid interest is held by Ms. Monica Maria Nunes as beneficial owner.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st March 2004, 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 Divisions 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 members of the Group:

Aggregate long and short positions in the Shares and (in respect of equity derivatives) underlying shares of the Company

Name of Shareholder	Long position/ short position	Nature of interest	No. of Shares held	No. of underlying Company shares held	Approximate % of the issued share capital of the Company
Eve Resources Limited (<i>Note 1</i>)	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	—	16,896,000	2.75%
Lois Resources Limited (<i>Note 1</i>)	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	—	16,896,000	2.75%
Lei Hon Kin (<i>Note 2</i>)	Long position	Family interest	293,988,000	—	47.89%
	Short position	Corporate interest	—	16,896,000	2.75%

Notes:

- (1) The entire issued share capital in Eve Resources Limited is in turn held by Lois Resources Limited, a company wholly-owned by Mr. José Manuel dos Santos.
- (2) Ms. Lei Hon Kin, the spouse of Mr. José Manuel dos Santos, was deemed to be interested in 293,988,000 Shares which were deemed to be interested by Mr. José Manuel dos Santos.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDERS

On 26th September 2003, Vodatel Holdings Limited (“VHL”), a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability, entered into a loan facility agreement (“Agreement”) with Banco Comercial de Macau S.A., CITIC Ka Wah Bank Limited, HSH Nordbank AG, Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited (collectively known as the “Lenders”) and Standard Chartered Bank (“Agent”) for a term loan facility of US\$15,000,000. The purpose of the loan is for general corporate purposes and for general working capital. VHL may only drawdown the loan between the period commencing on and including the date of the Agreement and ending on the date 6 months thereafter. VHL shall repay the loan drawn down by 4 consecutive equal semi-annual instalments commencing on the date 18 months after the date of the Agreement. Notwithstanding the above, all outstanding amount under the Agreement shall be repaid on the date 36 months after the date of the Agreement.

The Company also executed the deed of guarantee and indemnity (“Guarantee”) in favour of the Agent and the Lenders on 26th September 2003 in respect of the obligations of VHL under the Agreement.

Under the GEM Listing Rules, the Company is required to make a disclosure where the Company or any of its subsidiaries enters into other agreements that include a condition imposing specific performance obligations on any controlling shareholder and breach of such obligation will cause a default in respect of the loan that is significant to the operations of the Company. Under the Guarantee and the Agreement, the Company and VHL undertake with the Agent and each of the Lenders that each of them shall procure that:

- (i) the trustee of the existing trust whereby the family members of Mr. José Manuel dos Santos are the discretionary objects and which assets include a controlling stake of 47.80% of the issued share capital of the Company (“Santos’ Family Trust”) (being the controlling shareholder (as defined in the GEM Listing Rules) of the Company) shall at all times have as its trust assets, directly or indirectly, not less than 35% of each class of the issued voting share capital in the Company and that the service agreement between Mr. José Manuel dos Santos and the Company dated 10th February 2004 is not amended or terminated without the prior written consent of the Agent; and
- (ii) the Santos’ Family Trust shall not (whether by a single transaction or a number of related or unrelated transactions and whether at the same time or over a period of time) voluntarily dispose of more than 5% of its shareholdings in the Company without the prior written consent of the Lenders, the aggregate of whose participants exceeds 66⅔% of the loan or if no advances have been made or are outstanding the aggregate of whose commitment exceed 66⅔% of the undrawn balance of the commitment (such consent not to be unreasonably withheld or delayed).

In default of the above undertaking, the Agent may declare all obligations under the Agreement to be immediately due and payable.

This section is made pursuant to rule 17.20 of the GEM Listing Rules.

SHARE OPTIONS

The Company adopted a new share option scheme (“Scheme”) at a Special General Meeting held on 5th November 2002.

On 30th June 2003, under the Scheme, 3,300,000 share options were granted to the Directors and 13,838,000 share options were granted to the employees of the Group. The exercise price is HK\$0.42. Details of number of share options granted to each director are stated in the section headed “Directors’ interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations”. None of the share options granted had been exercised as at 31st March 2004.

Options may be exercised in a period of 3 years commencing on the date on which the option is granted and accepted by the grantee, and expiring on 4th November 2012, whichever is the earlier.

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.

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, who is the Chairman of the Company, 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 Nine-Month Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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

Hong Kong, 13th May 2004

As at the date thereof, Mr. José Manuel dos Santos (Chairman of the Company), Mr. Yim Hong, Mr. Kuan Kin Man and Ms. Monica Maria Nunes are executive Directors; Mr. Chui Sai Cheong and Mr. Lo King Chiu Charles are independent non-executive Directors.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the day of its posting.

** For identification purpose only*