



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(incorporated in Bermuda with limited liability)

THIRD QUARTER REPORT

2000

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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.

- Achieved a net profit of HK\$48.4 million for the Nine-Month Period. The amount represents a net profit margin of 14.9%.
- Further to existing premium client base comprising telecommunication authorities and bureaus in China, the Group's extensive marketing effort has resulted in the establishment of business relationships with alternate carriers, such as Unicom and Jitong, and the police bureau.
- Internally developed imaging solution application was well received by carrier customers.
- Entered into a joint venture arrangement with Guangdong Thinker Communications Technology Co. Ltd., which is under the Guangdong Telecommunications Academy of Science and Technology administered by China Telecom in Guangdong Province, to research, develop and market wireless data communications and Internet related products.
- Successful entry to GEM as a publicly listed company.

THIRD QUARTER RESULTS

On behalf of the Board of the Directors (the "Directors") of Vodatel Networks Holdings Limited (the "Company"), I am pleased to present the operating results of the Company and its subsidiaries (collectively, the "Group") for the three months (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 31st March, 2000.

The unaudited results of the Group for the Nine-Month Period and the Quarterly Period together with the unaudited comparative figures for the corresponding periods in 1999 are as follows:

	Notes	Nine months ended 31st March,		Three months ended 31st March,	
		2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Design and implementation of data networking systems and provision of related engineering services		258,997	355,660	93,213	100,410
Sale of goods		64,588	42,928	21,440	10,503
Total turnover		323,585	398,588	114,653	110,913
Gross profit		88,680	93,498	30,833	27,617
Operating profit before taxation		57,415	70,752	22,014	21,068
Taxation	2	9,043	11,143	3,467	3,318
Profit for the period		48,372	59,608	18,546	17,750
Earnings per share (HK cents)	3	9.5	12.2	3.4	3.6

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. In preparation for the listing of the Company's shares on GEM, a group reorganisation was effected whereby the Company became the holding company of the Group. The shares of the Company were listed on GEM on 25th February, 2000.

The 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 results of the Group have been prepared as if the current group structure had been in existence throughout the periods under review or since their respective dates of incorporation where this is a shorter period.

All significant intra-group transactions and balances have been eliminated on combination.

2. Taxation

The taxation charge comprises:—

	Nine months ended 31st March,		Three months ended 31st March,	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	—	—	—	—
Macau complimentary profits tax	9,043	11,143	3,467	3,318
	<u>9,043</u>	<u>11,143</u>	<u>3,467</u>	<u>3,318</u>
	<u><u>9,043</u></u>	<u><u>11,143</u></u>	<u><u>3,467</u></u>	<u><u>3,318</u></u>

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.

3. Earnings per share

The calculation of the Group's basic earnings per share for Nine-Month Period and the Quarterly Period is based on the Group's profit attributable to shareholders of approximately HK\$48.4 million and HK\$18.5 million (nine months and three months ended 31st March, 1999: approximately HK\$59.6 million and HK\$17.8 million) and the weighted average number of approximately 539,753,000 shares and 506,798,000 shares (three months and nine months ended 31st March, 1999: approximately 490,500,000 shares) respectively in issue during the respective periods. In determining the weighted average number of shares, a total of approximately 2,000,000 shares issued on the establishment of the Company and reorganisation of the Group and a further 488,500,000 shares being the capitalisation issue immediately following the new issue of shares to the public were deemed to have been issued since 1st July, 1999.

There is no diluted earnings per share for the Nine-Month Period and the Quarterly Period since the Company has no potential dilution of earnings per share during the periods.

INTERIM DIVIDEND

On 1st November, 1999, the Group declared an interim dividend of about HK\$10.4 million for the three months ended 30th September, 1999 to its then Shareholders registered as of 30th September, 1999 (the "Dividend"). Except for the above Dividend, the Directors do not recommend payment of an interim dividend for the Nine-Month Period.

The Group has not declared any dividends for the corresponding nine-month period ended 31st March, 1999, the Quarterly Period ended 31st March, 2000 and the corresponding quarterly period ended 31st March, 1999.

BUSINESS REVIEW

Revenue continued to be spurred from sales from both expansion and new DDN projects and new Frame Relay / ATM network projects for both provincial and municipal telecommunication authorities and bureaus. Nevertheless, as a result of a slow down in turnover for the first quarter ended 30th September, 1999, which was mainly due to the reorganisation of the Ministry of Posts and Telecommunications and the Ministry of Information Industry, and by the nature of project/system sales where business is not evenly distributed throughout the year, turnover for the Nine-Month Period registered a decline of 18.8% compared to the nine-month period ended 31st March, 1999. As at 31st March, 2000, orders on hand amounted to US\$9.3 million, with another US\$10.4 million in the process of being finalized.

To further strengthen the Company's geographical presence and after-sales technical support in the PRC, representative offices at three locations in the PRC were selected in March 2000. A new executive office was also established in Hong Kong in February 2000 to raise the profile of the Company upon its successful listing on GEM in late February 2000.

The financial position of the Company remained healthy with a debt-free capital structure. With the net proceeds from the placement, the financial posture of the Company is further improved.

In line with our business objectives to develop e-commerce and internet-related products and to enhance the Company's R&D capability, the Company entered into a conditional sale and purchase agreement on 19th April, 2000 to acquire 40% equity interest in two entities, Crossland Business Solution Limited ("CBS") and Oriental Skill Limited ("OSL") from Crossland Technology Group Limited, an Australian information technology company. CBS specializes in e-commerce solutions and business process re-engineering while OSL focuses on the R&D of communication and transaction input devices.

In March 2000, the joint venture arrangement with Guangdong Thinker Communications Technology Co. Ltd. to research, develop and market wireless data communications and Internet related products was finalized. Guangdong Thinker Communications Technology Co. Ltd. is under the Guangdong Telecommunications Academy of Science and Technology, which is administered by China Telecom in Guangdong Province. This joint venture is expected to bring the Company into new arena, in particular in the area of wireless data communications, which will further expand the Company's revenue base in the future.

PROSPECTS

Revenue and business development

The Company continued to promote the concept of integrated data network comprising of DDN, Frame Relay and ATM to carriers, which have been widely accepted. In addition, revenue continued to be generated from an expanded array of network communications products and support services offered to both existing and new provincial and municipal telecommunication authorities and bureaus in the PRC. During the period in study, extensive marketing effort was spent in the establishment of business relationships with alternate carriers, such as Unicom and Jitong, and the police bureau.

Marketing effort was also geared towards the promotion of new products, such as Voice over IP and Internet Remote Access systems, which the Company took up distributorship during 1999. These products are expected to gradually expand and strengthen the revenue base of the Company.

R&D

The internally developed imaging solution application continued to receive positive response from the market place. The Company successfully sold this application to two carrier customers, with new business opportunities in the process of being finalized.

The 40% equity acquisition in CBS and OSL from Crossland Technology Group Limited has allowed the Company to take a major and fast leap into the e-commerce arena. In addition to e-commerce applications, the Company was able to have readily access to hardware expertise for the development of internet access solutions and smart terminal. These hardware prototypes are already under development and are expected to be completed by the end of June 2000. This investment is expected to provide a solid base for the Company to expand and penetrate into the e-commerce circle.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31st March, 2000, 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
José Manuel dos Santos	293,388,000	Trust <i>(Note)</i>
Yim Hong	7,357,500	Personal
Kuan Kin Man	12,262,500	Personal
Monica Maria Nunes	2,452,000	Personal

Note: The 293,388,000 shares are owned by Eve Resources Limited, which is in turn held by a company wholly-owned by Mr. Santos, the Chairman of the Company, as trustee of a discretionary family trust.

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, its subsidiaries or holding company 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 March, 2000, 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.

SPONSOR'S INTERESTS

The Company's sponsor, Core Pacific - Yamaichi Capital Limited ("Core Pacific - Yamaichi") was interested in 2,600,000 shares of HK\$0.10 each in the share capital of the Company as at 31st March, 2000 and 12th May, 2000. Its directors, employees or associates have no interest in the share capital of the Company as at 31st March, 2000 and 12th May, 2000 (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules).

Pursuant to the agreement dated 16th February, 2000 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 16th February, 2000 to 30th June, 2002.

YEAR 2000 COMPLIANCE RESULTS

The Board is pleased to announce that all accounting and financial applications in the Group were fully compliant and therefore, the fear of Year 2000 compliance issue did not create any material adverse impact on the business operations in all functional areas.

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 two independent non-executive Directors, Mr. Chui Sai Cheong and Mr. Lo King Chiu, Charles.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Nine-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, 12th May, 2000