



VODATEL



Annual Report
2000



VODATEL

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Vodatel Annual Report 2000



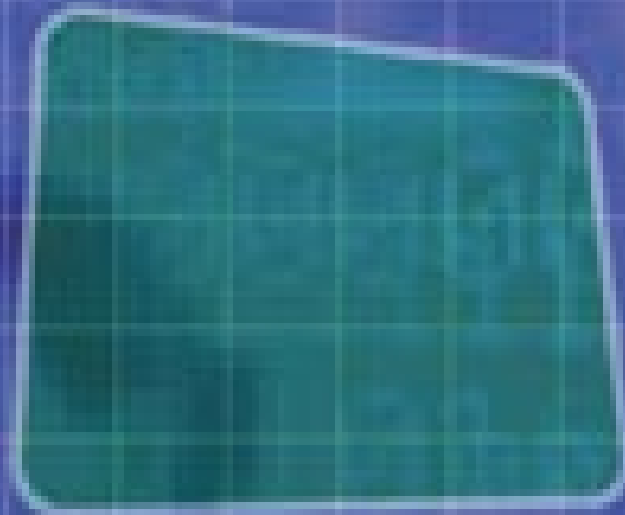


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A close-up photograph of a person's eye, looking directly at the camera. The image is overlaid with a light-colored grid pattern and faint, semi-transparent binary code (0s and 1s) scattered across the background. The overall color palette is warm, dominated by oranges and browns.

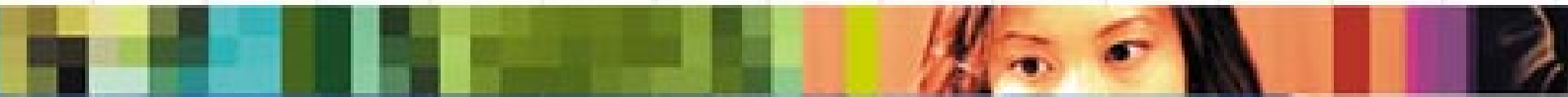
About

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Us

Company Profile

Vodatel Networks is one of the leading network solutions providers in the PRC, specializing in DDN, Frame Relay, ATM and IP technologies. The Company provides fully integrated services ranging from network planning, design, installation to implementation, as well as maintenance and after-sales technical support to public telecommunications service providers and enterprise customers. Since its establishment, the Company has built up its long-term relationships with its premium customers, including China Telecom, administered by the Ministry of Information Industry of the PRC, as well as enterprises in the PRC and Macau markets.





José Manuel dos Santos

Chairman



Chairman's Statement

Fiscal year 2000 is a year of great challenge for Vodatel. Entering into the new millennium, the Group successfully got listed on the Growth Enterprise Market ("GEM") in Hong Kong, making Vodatel the first Macau based Group to get listed on GEM.

We are pleased to announce that Vodatel has, for five consecutive years, registered another year of profit, with net profit hitting HK\$78.2 million. Although the reorganization of the Ministry of Posts and Telecommunications and the Ministry of Information Industry during 1999 has severely affected our turnover for the first quarter, we are able to make a strong recovery since the Chinese New Year.

Turnover for the financial year amounted to HK\$482.3 million, with HK\$158.7 million of revenue recorded during the last quarter. Orders on hand as at 26th September, 2000 totaled over HK\$146.7 million.


**‘‘The Board of Directors
proposed a final dividend of
HK1.5 cents per share for fiscal
year ended 30th June, 2000’’**

Networking Business

Our core networking business remains an area of high market demand. We are proud to be continued as the choice of network solutions provider among the carriers in China to construct and upgrade their data network infrastructure. Major projects during the fiscal year included the HK\$ 69 million contract awarded by the Henan PTA to construct an Integrated Broadband Access Data Networks for the Henan Province and aggregate contracts of HK\$ 91 million awarded by the Guangdong PTA to expand their narrowband and broadband networks.

Internet remains an area of explosive potential. Building on our strong customer base and networking expertise, we have represented Juniper for their IP routers in China. With these high performance IP routers and the technical support from Juniper, Vodatel is now equipped with the capability to compete not only for the construction of narrowband and broadband data network infrastructure but public IP network infrastructure projects too.

The acquisition of Newbridge Networks by Alcatel forms part of market consolidation. We have taken this opportunity to complement our array of products with Alcatel's products. Alcatel is a technology front-runner in the industry. Therefore, we have taken up selected Alcatel's products that help to enhance the network performance of our existing carrier customers.



In addition, we have carried Alcatel's wireless broadband communications and last mile access products to equip ourselves with the capacity to construct a wireless data infrastructure so as to penetrate into alternate carriers and other vertical markets.

New Arena

We will never let ourselves get satisfied with what we have accomplished so far and will continue to look for new opportunities. Therefore, we have diversified into e-commerce and wireless communications, both of which are growing at an exponential rate. The acquisition of Vodatel Crossland gives Vodatel a window of opportunity to capture on the explosive wave of e-commerce by assisting companies in their reengineering process of going on-line. While market potential is everywhere, we will first promote our New Economy Trading Platform to our home base — Macau, and our familiar territory — China.


In the arena of wireless communications, we have made our first step by taking an equity participation in LG TOPS, which is engaged in CDMA business in China. Our participation in LG TOPS allows Vodatel to play a role in the takeoff of wireless communications and related m-commerce in China that drives technical innovation and knowledge revolution.

China into WTO

China's entering into WTO will certainly provide a golden opportunity for many companies. For network solutions providers like Vodatel, we see ourselves as an effective channel for foreign telecom and networking investors to establish their foothold into this huge potential market. Therefore, to better position ourselves as the choice of foreign investors as partners, we will continue to expand and strengthen our networking channels in China, market knowledge and business expertise and to further complement our competitive edges with a strong technical support team.

Future Prospects

Technology is never ending as new technology will initiate new market demands and new market demands will drive new technology. We are excited to be part of this dynamic evolution. With new opportunities everywhere, our goal is to identify and capitalize on those opportunities that map the overall strategic direction of Vodatel. Our mission is to build shareholders' value, therefore we will continue to focus on our core networking business by introducing advanced and innovative value-added services to our existing and new clients and to capture new market opportunities through acquisitions, joint ventures and collaborations.



Finally, I would like to thank all our valued customers and our devoted employees at Vodatel for their dedication and continuous support towards the Group. It's only with your contribution will the legend of Vodatel go on.

José Manuel dos Santos

Chairman

Hong Kong, 26th September, 2000

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. José Manuel dos SANTOS, aged 52, is the founder of the Group and the Chairman of the Company. He has over 30 years' experience in the telecommunications industry in the Asia Pacific region. He served in a senior position at Direcção dos Serviços de Correios e Telecomunicações, the telecommunications authority of Macau, prior to the founding of Zetronic and subsequently the Group.

Mr. YIM Hong, aged 42, is the Managing Director of the Group in charge of overall operations. He graduated from the University of London, the United Kingdom with a Bachelor of Science degree. With more than 19 years' experience in the IT industry, he joined the Group in September 1998. Prior to joining the Group, Mr. Yim was Area Business Director at Newbridge and Country Manager at 3Com Corporation.

Mr. KUAN Kin Man, aged 35, is a Director and the General Manager of the Group in charge of sales and marketing. In 1985, he joined Zetronic as an engineer and was transferred into marketing later. With the establishment of the Group in 1992, Mr. Kuan joined the Group in the same year to assume the role of sales manager and was promoted to general manager in 1994.

Ms. Monica Maria NUNES, aged 31, is a Director and the Financial Controller of the Group. She joined the Group in May 1999 and has over seven years of accounting and banking experience. She is a Certified Accountant in Macau and holds a Certified Management Accountant Designation from the Society of Management Accountants of Alberta, Canada.

Mr. HO Kwok Hung, aged 51, is a Director responsible for wireless products and business development of the Group. He has 12 years of long association with world leading telecommunication equipment manufacturers and cellular operators. Prior to joining Vodatel, he was the Marketing Director of Hutchison Telecommunications (HK) Ltd. responsible for sales and marketing of both long distance and wireless product and services including cellular, paging and public trunking systems. He also spent 2 years as the Managing Director of Chung Kiu Telecom, a subsidiary company of Hutchison Group with major business focus in telecom projects and two-way radio equipment manufacturing in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUI Sai Cheong, aged 46, was appointed as an independent non-executive Director on 14th December 1999. Mr. Chui is a Certified Public Auditor in Macau and Civil Constructor by profession with a Masters degree in Business Administration from Chaminade University of Hawaii, U.S.A. Mr. Chui is a member of several key government committee including the National Committee of the Chinese People's Political Consultative Conference, the Legislative Assembly of Macau Special Administrative Region (SAR), the Preparatory Committee of Macau SAR and the Selection Committee for the First Government of the Macau SAR. Mr. Chiu holds several prominent positions in professional bodies including Macau Chamber of Commerce (Vice President of Board of Director), the Macau Management Association (President), and the Association of Economic Sciences of Macau (President).

Mr. LO King Chiu, Charles, aged 56, was appointed as an independent non-executive Director on 14th December, 1999. Mr. Lo, graduated with a Bachelors degree in Arts from Lake Forest College in Illinois, U.S.A., is the Managing Director of Hing Cheong Hong, a Macau based tobacco company. Mr. Lo is a founder of the Macau Junior Chamber of Commerce, Past President of the Rotary Club of Macau. Currently, Mr. Lo is the Special Advisor to the President (Asia) for University of Victoria, Canada.

SENIOR MANAGEMENT

Mr. WONG Wai Kan, aged 36, is the Regional Business Director of the Group. He graduated from the Guangzhou Jinan University with a Bachelor of Science degree. He has been with the Group since 1993. Mr. Wong worked in the fields of purchasing and banking before joining the Group.

Mr. KUOK Cheong Weng, aged 52, is the Regional Business Director of the Group. He graduated from the Chinese University of Hong Kong with a Bachelor of Science degree. Prior to joining the Group, Mr. Kuok was Managing Director of Master Mind Zhu Hai Ltd. and Heng Va Company which are companies engaged in consultancy business. He joined the Group in 1998.

Mr. HO Wai Sam, Paul, aged 38, is the Director of Technical Service of the Group. He graduated from Asia International Open University (Macau) with an MBA degree. Mr. Ho had worked in Macau CTM for 18 years and was Head of Transport Network covering the international and national engineering such as optical fibre, SDH and PDH transmission, submarine cable, microwave and satellite earth station. He joined the Group in June this year.

Mr. CHAN Chi Pio, aged 31, is the Technical Support Manager of the Group. He joined the Group in 1992 after having graduated from Fujian Hua Qiao University with a Bachelor of Science degree in the same year.

Mr. NG Ka Leung, aged 31, is the Technical Support Manager of the Group. He graduated from the University of Macau with a Bachelor of Science degree in 1994. Mr. Ng has been with the Group since 1995.

Mr. RAO Hui, aged 29, is the Regional Business Manager of the Group. Regional Business Manager in the PRC is responsible for operating local representative office, maintaining business relationship with customers, identifying customers' needs and supervising local engineering team. Mr. Rao graduated from Nanjing University of Posts and Telecommunications with a Bachelor of Science degree in 1992. He joined the Group in 1993. Mr. Rao was a university lecturer before joining the Group.

Mr. YUN Jun, aged 30, is the Regional Business Manager of the Group. He graduated from Nanjing University of Posts and Telecommunications with a Bachelor of Science degree in 1992. He joined the Group in 1994. Mr. Yun worked for China Telecom with the capacity as section chief before joining the Group.


Mr. ZENG Qing Shi, aged 30, is the Regional Business Manager of the Group. He graduated from Nanjing University of Posts and Telecommunications with a Bachelor of Science degree. He joined the Group in 1994. Mr. Zeng was an engineer at a factory under the Ministry of Aerospace before joining the Group.

Mr. WANG Qing, aged 30, is the Regional Business Manager of the Group. He graduated from Nanjing University of Posts and Telecommunications with a Bachelor of Science degree in 1992. He joined the Group in 1994. Mr. Wang was an engineer at a telecommunications equipment firm before joining the Group.

Mr. WANG Hai Tao, aged 29, is the Regional Business Manager of the Group. He graduated from Nanjing University of Posts and Telecommunications with a Bachelor of Science degree in 1992. He joined the Group in 1994. Mr. Wang was an engineer at China Telecom before joining the Group.

Mr. PONG Chi Wai, aged 36, is the Regional Business Manager of the Group. He graduated from University of Macau with a Bachelor of Science degree. He joined the Group in 1994. Mr. Pong was a sales executive at a business systems firm before joining the Group.

Mr. SI I Hong, aged 32, is the Regional Business Manager of the Group. He graduated from University of Macau with a Bachelor of Science degree. He joined the Group in 1994. Mr. Si had working experience in banking and hotel industries before joining the Group.



Mr. ZHONG Min, aged 38, is the Regional Business Manager for the Group. He obtained his Bachelor of Science degree, Master of Science degree and Ph.D. degree from South Metallurgy College, Jiangxi, Chongqing University and Tsinghua University respectively. He joined the Group in 1998. Mr. Zhong was a university lecturer and worked in Macau as the general manager for an organisation headquartered in Beijing.

Mr. MOK Chi Va, Andy, aged 35, is the Business Development Manager of the Group. He is the holder of the Diploma of Business Administration from the Macau Management Association. Mr. Mok had worked for Charter Kingdom Ltd. as the operation manager for one year and Tung Tat E&M Engineering Co. Ltd. as the project manager for 4 years. He joined the Group in July this year.

Highlights of the Year - Main Projects and Events

July 1999

- Shanghai PTA DDN & Broadband Expansion Project

August 1999

- Ningxia PTA DDN Expansion Project

September 1999

- Qingdao PTB DDN & Broadband Expansion Project

October 1999

- Guangdong PTA DDN & Broadband Expansion Project

November 1999

- Nanchang PTB Broadband Project

December 1999

- Jiangxi Unicom DDN Project

January 2000

- Ningbo PTB DDN Expansion Project

February 2000

- Hunan PTA DDN Expansion Project
- Successful listing on GEM in Hong Kong

March 2000

- Anshang PTB DDN & Broadband Expansion Project in Liaoning
- Formed a joint venture with Guangzhou Thinker Communications Technology Co. Ltd., named Guangzhou Thinker Vodatel Co. Ltd., to research, develop and market wireless data communications and Internet related products

April 2000


- Planned acquisition of 40% interest in Vodatel Crossland, which is engaged in the research and development of e-commerce solutions and hardware applications
- Selected by Juniper to represent their routers in China, Hong Kong and Macau
- Expanded our array of products with Alcatel's LMDS, ADSL, DWDM

May 2000

- Henan PTA Broadband Access Project

June 2000

- Shanghai PTA DDN & Broadband Expansion Project
- Took a 9.8% equity interest in LG TOPS, which is engaged in the manufacturing of CDMA systems and terminals



Review of Business Operations

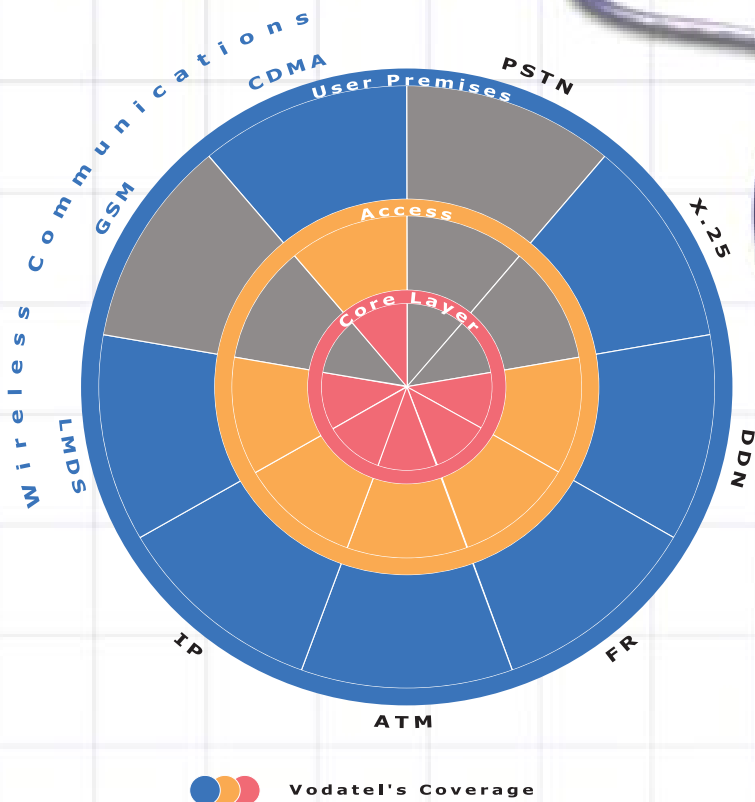
Data Network Infrastructure


The construction of public narrowband and broadband data network infrastructure for provincial and municipal telecommunications authorities and bureaus remains the major profit contributor for the Group. We continue to enjoy a strong and established customer base, with Vodatel providing networking consultancy and solutions to around 100 telecommunications authorities and bureaus in 13 provinces, municipalities and autonomous regions. Leveraging on our experience and expertise, we have conducted aggressive marketing campaigns to penetrate into alternate carriers, in particular China Mobile, Unicom and Jitong, and other vertical markets, such as electricity bureaus and cable TV operators, and make encouraging results.

Our continuous effort in promoting the concept of an integrated network has received wide acceptance from our customers. By integrating the narrowband and broadband networks together, telecom operators can effectively manage all data and multi-media services on a single integrated network management terminal. Compatibility and interconnection among network resources are therefore enhanced.



China's Public Network Infrastructure





As a value-added network solutions provider, one of our objectives is to expand our product portfolio with products that will enhance the network infrastructure of our carrier clients. For instance, we have commenced the promotion of Alcatel's DWDM to our carrier customers. DWDM helps to expand the usable bandwidth of their existing fibre resources, hence improves the performance of the services provided by the carriers to the general public.

Broadband communications continues to be deployed mainly for LAN (Local Area Networks) interconnection and to support Internet traffic and the rapid development of IP (Internet Protocol) services has triggered a strong demand for IP WAN (Wide Area Networks). To capture this explosive market, we have taken up the distribution of Juniper's products, which comprises of an array of high performance

IP routers, that enables service providers to meet the demands of information superhighways. We have also carried Alcatel's ADSL, which provides delivery of broadband access of high and fast bandwidth to enterprises and households.

To capitalize on the emergence of alternate carriers, we have commenced the marketing of Alcatel's LMDS to alternate carriers. LMDS provides new market participants an effective way to set up a broadband wireless network platform for voice and data communications. We are proud to be among the first to launch a field trial of broadband wireless network in China.

Technical Services

To strengthen our technical support to our customers, we have expanded our geographical footprints by setting up another three representative offices in China and have continued to recruit experienced calibre to further improve the quality of our technical support. During the year, we have centralized our technical team by spinning it off as a business unit. To improve our front-line services, we have put in place a general 24-hour hotline to handle all clients' inquiries and to arrange the nearest available service point to promptly handle problems experienced by our customers.

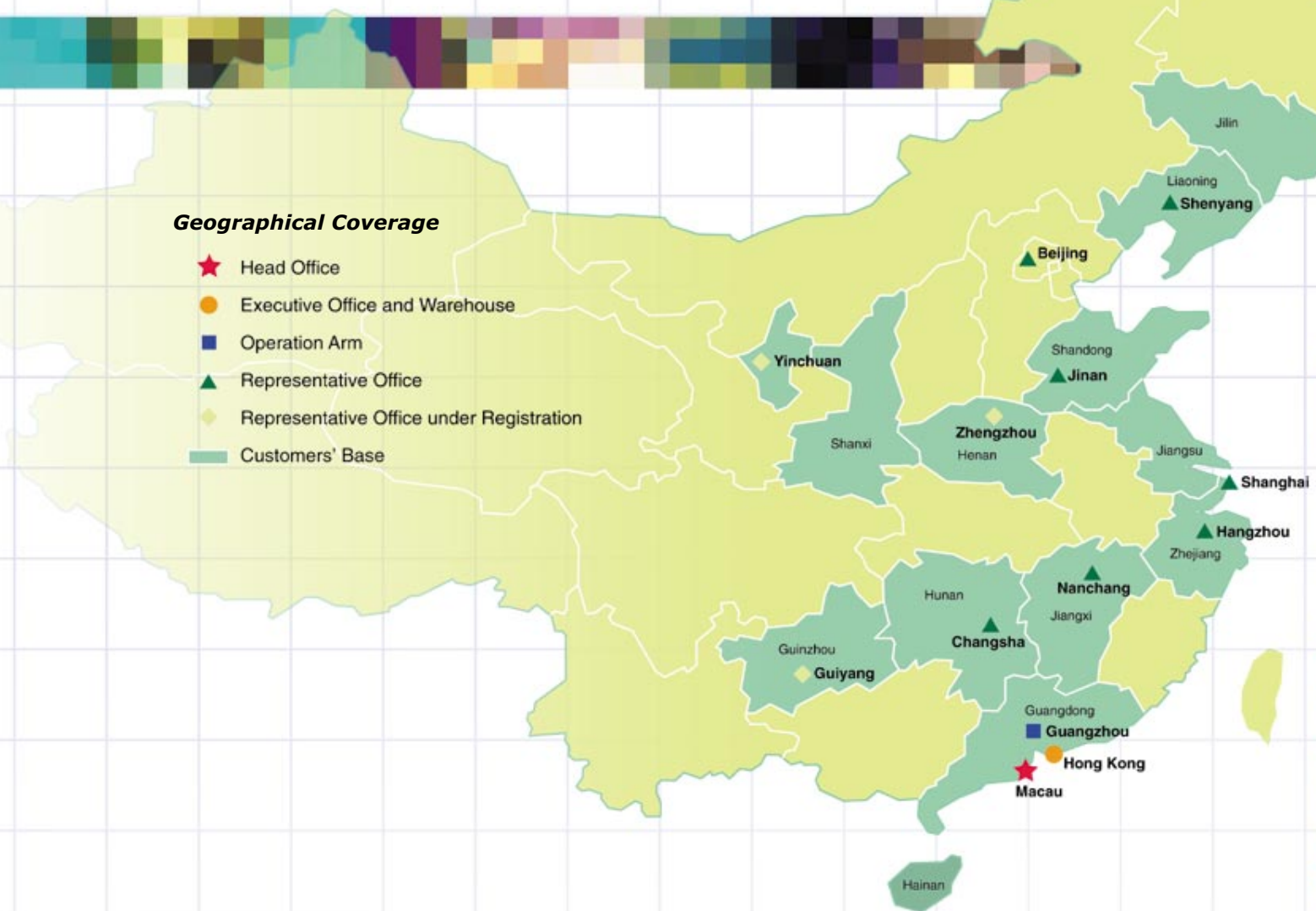
To further promote our role as a value-added network solutions provider to our customers, we have established a training centre in Guangzhou, Guangdong Province to provide training to the engineers of our customers, including design and management of networks, product and technology knowledge and network maintenance.

Leveraging on our networking expertise, we are also in the process of upgrading our service facilities so as to gear up Vodatel with the capacity and capability to host a nation-wide support centre in China for other equipment vendors and service providers.



Geographical Coverage

- ★ Head Office
- Executive Office and Warehouse
- Operation Arm
- ▲ Representative Office
- ◆ Representative Office under Registration
- Customers' Base





Self-Developed Products

The internally developed imaging solution application, VodaImage, which we commenced research and development during last year has been completed. We have initiated promotion of VodaImage in the Guangdong Province, where Vodatel has a strong and established presence, and have successfully installed the application at the Zhongshan Mobile Bureau, with over 1.2 million records being digitized, indexed and stored. In addition, we have been awarded contracts to install this application at the Zhuhai and Shantou mobile bureaus. Encouraged by these results, we have expanded the promotion of VodaImage to other provinces, including Hunan, Henan and Zhejiang and have commenced the research and development of VodaImage to upgrade it into a complete Office Automation solution.

Strategic Alliances

Wireless Communications - With the market trend heading wireless and the opportunities surrounding WAP and 3G mobile applications, Vodatel took a major leap by teaming up with Guangzhou P&T Equipment and Korean LG to form LG TOPS. LG TOPS is engaged primarily in the manufacturing of CDMA systems and terminals, with business scope covering the research, development, production and selling of Wireless Local Loop systems, Personal Communication Systems and Digital Cellular Network systems and terminal products. Our participation in this joint venture gives Vodatel the opportunity to partner with LG, a market leader in CDMA, and allows us to lay the foundation on the explosive world of wireless communications and related m-commerce.

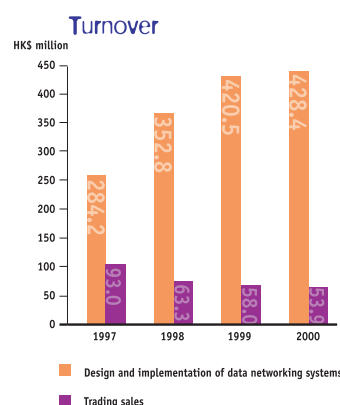


E-Commerce - The acquisition of 40% of Vodatel Crossland is one of our strategic moves to strengthen the Group's R&D capability in hardware and software and to capture the emerging wave of e-commerce. Positioned as the New Economy Trading Enabler, Vodatel Crossland provides an advanced e-commerce platform, known as the New Economy Trading Platform ("NETP"), to assist companies in their business reengineering process. This generic e-commerce platform aims to accommodate both B2C and B2B applications as companies move off-line to on-line. NETP is equipped with the features of scalability, stringent security, strong performance level, high availability, and 100% transaction recovery. It is also supported by an expanded range of transaction input devices, such as self-developed TV set-top box, PDA and smart trading terminal, which serve as other means to get access to the world of Internet.

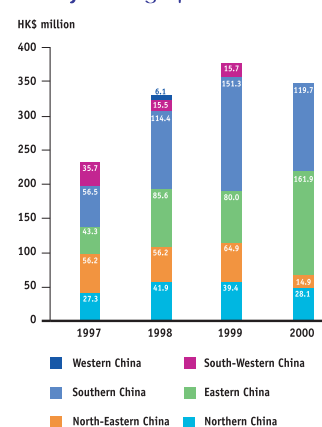
Management Discussion and Analysis

Turnover from the design and implementation of data networking systems continued to generate the majority of Vodatel's revenue, representing 88.8% of total turnover. Attributable to the reorganization of the Ministry of Posts and Telecommunications and the Ministry of Information Industry during 1999, turnover for the first three-month period was severally affected. Although we were able to recover strongly since the Chinese New Year, turnover for the full year recorded a slight growth of 0.8% from HK\$478.4 million to HK\$482.3 million. Thanks to improved margin and cost control, in particular by retaining our headquarters and operations in Macau, net profit grew by 9.8% from HK\$71.2 million to HK\$78.2 million, representing an improvement in the net profit margin from 14.9% to 16.2%.

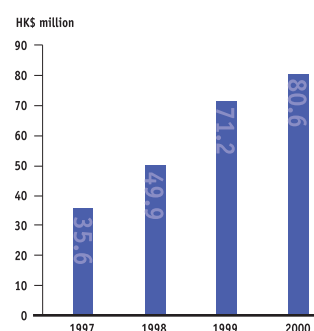
Vodatel continued to enjoy a debt-free capital structure, with our financial position further strengthened with the net proceeds from the listing on GEM in February 2000. Worth noting was that cash balances amounted to HK\$182.6 million as at 30th June, 2000 as HK\$93.8 million of export letters of credit had been presented to the banks for collection. As at 26th September, 2000, cash in hand amounted to HK\$250.4 million. Given the strong cash position, interest income earned increased from HK\$7.6 million to HK\$10.3 million.



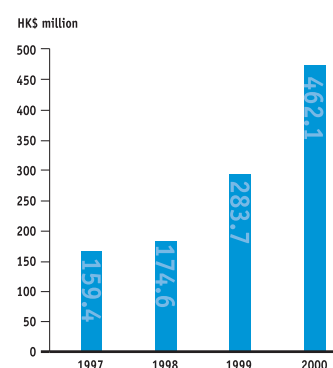
Breakdown of Top 35 Projects by Geographical Locations



Profit Attributable to Shareholders



Total Assets



Comparison of business objectives as set out in prospectus dated 16th February, 2000 with actual business progress in respect of the six months period to 30th June, 2000

Business Objectives

Revenue and business development

- Generate revenue through an expanded array of network communications products and support services offered to existing and new clients in the PRC
- Continue to promote the DDN systems to installed base and new clients in the PRC
- Conduct joint marketing campaigns with its carrier clients to promote sales of public network services in the PRC
- Establish business relationships with selected vertical markets in the PRC
- Promote the concept of integrated data network comprising DDN, Frame Relay and ATM to existing clients in major cities/provinces in the PRC
- Commence marketing campaign for Voice Over IP systems and Internet Remote Access systems to existing clients in major cities/provinces together with Nokia and Ericsson respectively in the PRC

Technical and engineering support

- Expand the technical and engineering team by two engineers to strengthen after-sales service on completed projects in the PRC
- Continue to monitor the networks installed at client base and provide consultancy on upgrade and enhancement of the current DDN platform in the PRC

Actual Business Progress

- Took up distributorships of Juniper's routers and Alcatel's LMDS, ADSL and DWDM and commenced promotion of these products to our existing clients
- Awarded contracts to expand the DDN networks for our installed base, such as Ningxia PTA, Ningbo PTB and Hunan PTA. Awarded contract by Jiangxi Unicom to construct their DDN network
- Carried out through seminars, conferences and field visits
- Successfully penetrated into selected vertical markets, with contracts awarded by the electricity bureau of Shenyang and Jilin, the police bureau of Shandong and the army of Jiangxi
- Successfully promoted the concept of integrated data network to our clients, with contracts awarded by Shanghai PTA, Qingdao PTB, Guangdong PTA and Anshang PTB
- Marketing strategy to promote Voice Over IP systems and Internet Remote Access systems being under review
- Recruited a Director of Technical Service and several local engineers
- Our continuous monitoring and strong technical and after-sales support earned us contracts to expand and upgrade the networks of our client base

Business Objectives

R&D

- Enhance the existing imaging solution application for selected vertical markets in the PRC
- Research broadband data network applications and wide-band CDMA applications
- Research e-commerce applications in the finance sector in Hong Kong
- Research IP access solutions in the PRC

Acquisitions, joint ventures and collaborations

- Finalise the joint venture arrangement with Guangzhou Thinker Communications Technology Co. Ltd., which is under the Guangdong Telecommunications Academy of Science and Technology administered by China Telecom in the Guangdong Province, to research, develop and market wireless data communications and Internet related products

Subsidiaries, representative offices and branches

- Formalise the establishment of representative offices in Yinchuan, Guiyang and Zhengzhou

Actual Business Progress

- Completed, with VodaImage successfully installed at the mobile bureau of Zhongshan, Zhuhai and Shantou in the Guangdong Province
- Being conducted through LG TOPS, which the Group took an 9.8% equity participation during June 2000
- Being carried out through Vodatel Crossland, which the Group acquired a 40% stake from Australian-based Crossland Technology Co. Ltd. in April 2000
- In recognition of the high penetration rate of TV in the PRC, commenced the research of set-top box and completed the development of the hardware prototype

- Completed, with the Group taking a 49% equity interest in this joint venture

- Applications for the registration of these representative offices have been submitted

Financial Information

DIRECTORS' REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2000

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REPORT OF THE DIRECTORS

The directors submit their first annual report together with the audited accounts for the year ended 30th June 2000.

Group reorganisation

The company was incorporated in Bermuda on 1st December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

On 10th February 2000, pursuant to a corporate reorganisation scheme which included exchanges of shares in preparation for the listing of the shares of the company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the company became the holding company of the subsidiaries listed under note 12 to the accounts. The shares of the company were listed on GEM of the Stock Exchange on 25th February 2000.

The above reorganisation scheme has been reflected in these accounts by regarding the group, which comprises the company and its subsidiaries, as a continuing group. The basis of presentation and consolidation for these accounts is set out in note 1 to these accounts.

Principal activities and geographical analysis of operations

The principal activity of the company is investment holding. The activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the group's turnover and contribution to operating profit before taxation for the year by principal activities and markets is as follows:

	Turnover	Operating profit before taxation
	HK\$'000	HK\$'000
Design and implementation of data networking systems and provision of related engineering services	428,385	83,830
Sale of goods	53,882	8,971
	482,267	92,801

More than 90% of the group's turnover and operating profit before taxation were derived from the market in the People's Republic of China.

**Results and appropriations**

The results of the group for the year are set out in the consolidated profit and loss account on page 35.

The details of dividends paid and declared during the year are set out in note 7 to the accounts.

Reserves

Movements in the reserves of the group and the company during the year are set out in note 18 to the accounts.

Fixed assets

Details of the movements in fixed assets of the group are set out in note 11 to the accounts.

Share capital

Details of the movements in share capital of the company are set out in note 17 to the accounts.

Five year financial summary

A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on page 60.

Purchase, sale or redemption of shares

The company has not redeemed any of its shares during the year. Neither the company nor any of its subsidiaries has purchased or sold any of the company's shares during the year.

Particulars of bank borrowings

As at 30th June 2000, the group had no bank borrowings except for the bills payable as disclosed in the accounts.

Subsidiaries

Particulars of the subsidiaries of the company as at 30th June 2000 are set out in note 12 to the accounts.

Directors

The directors during the year and up to the date of this report were:

Mr. José Manuel dos Santos	(appointed on 13th December 1999)
Mr. Yim Hong	(appointed on 14th December 1999)
Mr. Kuan Kin Man	(appointed on 14th December 1999)
Ms. Monica Maria Nunes	(appointed on 13th December 1999)
Mr. Ho Kuok Hung	(appointed on 19th April 2000)
* Mr. Chui Sai Cheong	(appointed on 14th December 1999)
* Mr. Lo King Chiu	(appointed on 14th December 1999)

* Independent non-executive directors

Mr. Kuan Kin Man and Ms. Monica Maria Nunes shall retire at the forthcoming annual general meeting in accordance with Article 87 of the company's bye-laws and being eligible, offer themselves for re-election.

Mr. Chui Sai Cheong and Mr. Lo King Chiu are independent non-executive directors and were appointed for a two and a half-year term expiring on 14th May 2002.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on page 10.

Directors' service contracts

Each of the executive directors, except for Mr. Ho Kwok Hung, has entered into a service agreement with the company for a term of two and a half years commencing from 12th February 2000. The service agreement with Mr. Ho Kwok Hung has been entered for a term of two and a half years commencing 19th April 2000. The service agreements shall continue thereafter until terminated by either party giving to the other at least six months' notice in writing expiring not earlier than the date of expiry of the said initial fixed term unless otherwise agreed by the executive directors and the company to determine the same.

The annual salary of each executive director is subject to periodic review. Each executive director shall abstain from voting and not be counted in the quorum in respect of any resolution regarding the amount payable to such director in respect of his/her appointment as a director.

Each of the executive directors is entitled to a discretionary bonus calculated as a percentage of the audited consolidated profit of the group after taxation and minority interest but before extraordinary items of the group and before such bonuses, which percentage shall be determined by the board of directors of the company, but in any event, the aggregate amount payable each financial year to all executive directors shall not exceed 10% of such profit.

Save as disclosed herein, there are no existing or proposed service contracts (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)) between any member of the group and any of the directors.

**Directors' interest in contracts**

The details of the directors' interest in contracts are set out as follows:

(a) During the year, Mr. José Manuel dos Santos and Mr. Kuan Kin Man had 75% and 25% interests respectively in Guangzhou Vodatel Development Limited ("GVDL"). On 17th April 2000, Mr. Kuan Kin Man disposed of his 24% interest in GVDL to a subsidiary of the company at a consideration of HK\$211,827. The remaining 1% interest held by Mr. Kuan Kin Man was disposed of to Mr. José Manuel dos Santos. GVDL and Vodatel Networks Limited ("VNL"), a subsidiary of the company entered into a business development contract on 10th February 2000 pursuant to which VNL agreed to appoint GVDL as agent for developing its business in mainland China and GVDL agreed to introduce third-party purchasers in mainland China to VNL for a term of three years commencing from the date of execution of such contract. Pursuant to the contract, VNL shall pay GVDL a business development fee which is equivalent to the sum of the expenses incurred by GVDL for performing the contract and 2% of such expenses. Further, under the same contract, VNL will enter into sale and purchase agreements with third-party purchasers direct and GVDL will assist VNL to collect the sale proceeds (if requested) from those third-party purchasers and will also provide after-sales services to such third-party purchasers on behalf of VNL.

(b) During the year, warehouse charges of approximately HK\$564,000 were payable to Sistemas de Comunicações Vodatel ("Vodatel Systems"). Vodatel Systems is a sole proprietorship registered in Macau and owned by Mr. José Manuel dos Santos.

(c) There are sales transactions conducted between the company and Zetronic Comunicações Lda, the interest of which is held as to 99% by Mr. José Manuel dos Santos and 1% by the spouse of Mr. José Manuel dos Santos, which are in the opinion of the directors carried out in the ordinary course of business and on normal commercial terms.

(d) The Macau office of the company is owned by Mr. José Manuel dos Santos and is leased to Vodatel Holdings Limited ("VHL"), a subsidiary of the company, for a monthly rental of HK\$5,000.

The directors are of the opinion that the terms and conditions as disclosed in the business development contract dated 10th February 2000, as described in (a) above, have been entered into and carried out in the ordinary and usual course of business of the group on an arm's length basis, on normal commercial terms, are fair and reasonable and in the interests of the shareholders of the company as a whole.

Save as disclosed herein, no contracts of significance in relation to the company's business to which the company or its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

Save as disclosed in the section headed "Directors' interests in contracts", the details of other connected transactions are set out as follows:

(a) Seven representative offices were registered with mainland China authorities under the ownership of Vodatel Systems, which is a sole proprietorship registered in Macau and owned by Mr. José Manuel dos Santos. By an asset transfer deed dated 23rd July 1999, all liabilities and assets in the sole proprietorship of Mr. José Manuel dos Santos were transferred to Vodatel Holdings Limited ("VHL") in consideration of 10,000 shares in VHL which were valued at approximately HK\$77,600, taking retrospective effect from 1st July 1998.

To ensure that the group will continue to have the benefits of these seven representative offices which were registered under the name of Vodatel Systems and any other offices which may be established, the group is in the process of applying for the re-registration of these seven representative offices and registration of the new offices under the name of the group. Pursuant to a deed of undertaking dated 10th February 2000, Mr. José Manuel dos Santos, Mr. Yim Hong, Mr. Kuan Kin Man and Ms. Monica Maria Nunes, (collectively known as "Undertakers"), all being the executive directors, jointly and severally undertake to submit application to the relevant mainland China authorities to effect such re-registration. The Undertakers further undertake to arrange for the premises currently occupied by these representative offices to be leased by the group and the transfer of the employees currently employed for these representative offices to the group, subject to agreement by those employees.

Pending the re-registration approval, the arrangement is that the seven representative offices will remain under the control of the group and all expenses incurred will be to the account of the group. Pursuant to a written confirmation by Mr. José Manuel dos Santos dated 15th February 2000, such arrangement will continue until completion of the re-registration of the seven representative offices, but in any case, will not be longer than three years from the date of commencement of that arrangement between the seven representative offices and the group. Six out of the seven representative offices have been re-registered up to the date of this report.

In respect of the premises occupied by each of the seven representative offices, the Undertakers jointly and severally undertake to, inter alia, indemnify the Group against any failure to comply with the relevant mainland China legal or administrative requirements regarding the leases of those premises, and in particular, any failure to obtain any leasing permit from the relevant mainland China authorities, under a deed of indemnity dated 10th February 2000 executed by the executive directors in favour of the company.

(b) A subsidiary of the company has made advances to an associated company, Guangzhou Vodatel Development Limited ("GVDL"), to finance the working capital requirement of the associated company. At 30th June 2000, the amount due from the associated company to the group was approximately HK\$735,000. The majority shareholder of GVDL, Mr. José Manuel dos Santos, has also advanced to GVDL an amount in proportion to his share of equity interest in GVDL.

**Connected transactions (Continued)**

(c) A subsidiary of the company has made advances to an associated company, Vodatel Crossland Technology Company Limited ("VCT"), to finance the working capital requirement of the associated company. At 30th June 2000, the amount due from the associated company to the group was approximately HK\$1,888,000. The other shareholder of VCT, a third party, has also advanced to VCT an amount in proportion to its share of equity interest in VCT subsequent to 30th June 2000.

The directors are of the opinion that the arrangements between the seven representative offices and the group, as described in (a) above, have been entered into and carried out on normal commercial terms, are fair and reasonable and in the interest of the shareholders of the company as a whole.

Apart from (a) above, all connected transactions are also regarded as related party transactions and disclosed in note 23 to the accounts.

Directors' interests in equity or debt securities

At 30th June 2000, the interests of the directors in the share capital and listed securities of the company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), which require disclosure pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

Name of director	Number of shares held	Type of Interests	
Mr. José Manuel dos Santos	293,388,000	Corporate	Note (a)
Mr. Yim Hong	7,357,500	Personal	
Mr. Kuan Kin Man	12,262,500	Personal	
Ms. Monica Maria Nunes	2,452,500	Personal	
Mr. Ho Kwok Hung	706,000	Personal	

Note (a): 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.

Save as disclosed in this report, none of the directors has an interest in a business which competes or is likely to compete with the group's business.

Directors' and chief executives' benefits from rights to acquire shares or debentures

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. No option was granted by the company during the year.

At no time during the year was the company or its subsidiaries a party to any arrangements to enable the directors or chief executives (including their spouses or children under 18 years of age) of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

On 16th August 2000, share options to subscribe for 1,450,000 and 4,466,000 shares were respectively granted to certain directors of the company and certain employees of the group. Details of the share options which have been granted to the directors of the company as at 16th August 2000 are as follows:

	Number of share options
Mr. José Manuel dos Santos	290,000
Mr. Yim Hong	290,000
Mr. Kuan Kin Man	290,000
Ms. Monica Maria Nunes	290,000
Mr. Ho Kwok Hung	290,000
	1,450,000

The exercise price of the above share options is HK\$1.19 and the exercisable period is from 16th August 2000 to 15th August 2003.



Substantial shareholders' interests in the share capital of the company

At 30th June 2000, the interests of substantial shareholders being 10% or more of the company's issued share capital, other than directors or chief executives of the company, in the shares of the company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance were as follows:

Name of shareholder	Number of ordinary shares	% of equity interest
Eve Resources Limited	293,388,000	47.71%

The entire issued share capital in Eve Resources Limited is in turn held by a company wholly-owned by Mr. José Manuel dos Santos, whose interests in the shares of the company are disclosed in the section headed "Directors' interests in equity or debt securities".

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Pre-emptive rights

There is no provision for pre-emptive rights under the company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

Pension Scheme

The group did not contribute to any provident fund scheme for its employees during the year.

Details of the group's obligations for long service payments to its employees are set out in note 10 to the accounts.

Use of proceeds

Net proceeds from listing amounted to approximately HK\$ 156 million, of which :

- Approximately HK\$ 28 million for the acquisition of 40% stake in Vodatel Crossland Technology Holdings Limited, which will strengthen the Group's research and development capability in Internet access equipment and in the development of e-commerce and Internet-related products and business;
- Approximately HK\$ 3 million for our participation in Guangzhou LG-TOPS Communication Technologies Co. Ltd., which is involved in the market development and the promotion of mobile telecommunications;
- Approximately HK\$ 3 million for setting up of an executive office in Hong Kong and three representative offices in Mainland China;
- The remaining net proceeds of approximately HK\$ 122 million were placed on short term deposits with financial institution in Hong Kong for future use as identified by the group's business plans.

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the group's major suppliers and customers are as follows :

Purchases	
• the largest supplier	86%
• five largest suppliers combined	95%
Sales	
• the largest customer	15%
• five largest customers combined	51%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the company's share capital) had interest in the major suppliers or customers noted above.

Board practices and procedures

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

Audit Committee

Pursuant to the GEM Listing Rules, an audit committee, comprising two independent non-executive directors, namely Mr. Chui Sai Cheong and Mr. Lo King Chiu, and an executive director, Mr. José Manuel dos Santos, was established on 10th February 2000.

By reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the board of the company on the same date. The principal activities of the audit committee include the review and supervision of the group's financial reporting process and internal controls.

Year 2000

All the computer systems of the group have passed the millennium date safely. As of the date of this report, the group has not received any complaint relating to the Year 2000 issue from customers to whom the group has rendered services and solutions.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

José Manuel dos Santos

Chairman

Hong Kong, 26th September 2000

AUDITORS' REPORT TO THE SHAREHOLDERS OF VODATEL NETWORKS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts set out on pages 35 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors are responsible to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of the company's and the group's affairs as at 30th June 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26th September 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2000

	Note	2000 HK\$'000	1999 HK\$'000
Turnover	3	482,267	478,420
Cost of sales		(340,675)	(365,494)
Gross profit		141,592	112,926
Other revenue	3	10,296	7,560
Selling expenses		(10,716)	(10,546)
Administrative expenses		(48,034)	(25,395)
Operating profit	4	93,138	84,545
Share of losses of associated companies		(337)	-
Profit before taxation		92,801	84,545
Taxation	5	(14,616)	(13,316)
Profit attributable to shareholders	6	78,185	71,229
Dividends	7	(19,577)	(56,983)
Profit for the year retained	18	58,608	14,246
Basic earnings per share	8	14.6 cents	14.5 cents

**CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2000**

	Note	2000 HK\$'000	1999 HK\$'000
Fixed assets	11	3,639	1,862
Investment in associated companies	13	9,048	-
Investment securities	14	13,265	-
Current assets			
Inventories	15	34,052	32,146
Trade and bills receivable		206,022	79,808
Other receivables, deposits and prepayments		11,027	1,460
Pledged time deposits	20	2,808	28,838
Cash and bank balances		179,838	139,625
		433,747	281,877
Current liabilities			
Due to directors	16	212	25,395
Trade and bills payables	20	127,503	83,650
Other payables and accruals		59,394	54,401
Taxation payable		27,931	13,315
Proposed dividend		9,225	56,983
		224,265	233,744
Net current assets		209,482	48,133
		235,434	49,995
Financed by:			
Share capital	17	61,500	200
Reserves	18(a)	173,934	49,795
Shareholders' funds		235,434	49,995
On behalf of the Board			
José Manuel dos Santos	Monica Maria Nunes		
Director	Director		

BALANCE SHEET AS AT 30TH JUNE 2000

	Note	2000 HK\$'000
Investments in subsidiaries	12	232,459
Current assets		
Dividend receivable		13,300
Current liabilities		
Other payables and accruals		5,877
Proposed dividend		9,225
		15,102
Net current liabilities		(1,802)
		230,657
Financed by:		
Share capital	17	61,500
Reserves	18(b)	169,157
Shareholders' funds		230,657
On behalf of the Board		
José Manuel dos Santos Director	Monica Maria Nunes Director	



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2000

	Note	2000 HK\$'000	1999 HK\$'000
Net cash (outflow)/inflow from operating activities	19(a)	(30,744)	36,117
Returns on investments on servicing of finance			
Interest received		10,296	7,560
Dividends paid		(67,335)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(57,039)	7,560
Investing activities			
Purchase of fixed assets		(3,089)	(2,326)
Purchase of associated companies		(36,943)	-
Purchase of investment securities		(11,866)	-
Net cash outflow from investing activities		(51,898)	(2,326)
Net cash (outflow)/inflow before financing		(139,681)	41,351
Financing			
Net proceeds from issue of shares	19(b)	153,864	-
Decrease/(increase) in time deposits pledged for banking facilities		26,030	(5,678)
Net cash inflow/(outflow) from financing		179,894	(5,678)
Increase in cash and cash equivalents		40,213	35,673
Cash and cash equivalents at the beginning of the year		139,625	103,952
Cash and cash equivalents at the end of the year		179,838	139,625
Analysis of balances of cash and cash equivalents			
Cash and bank balances		179,838	139,625

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30TH JUNE 2000

	Note	2000 HK\$'000	1999 HK\$'000
Surplus on revaluation of investment securities	18 (a)	1,399	-
Net gains not recognised in the profit and loss account		1,399	-
Profit for the year		78,185	71,229
Total recognised gains		79,584	71,229
Goodwill eliminated directly against reserves	18(a)	(28,232)	-
		51,352	71,229



NOTES TO THE ACCOUNTS

1 Group reorganisation and basis of preparation

(a) The company was incorporated in Bermuda on 1st December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). No balance sheet of the company as at 30th June 1999 is presented in the accounts as the company was not yet incorporated on that date.

(b) On 10th February 2000, pursuant to a group reorganisation to rationalise the structure of the company and its subsidiaries (the "group") which include exchange of shares in preparation for the listing of the company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the company became the holding company of the group. The company's shares were listed on the GEM of the Stock Exchange on 25th February 2000.

(c) The group reorganisation referred to above has been reflected in the accounts by regarding the group as a continuing group. Accordingly, the consolidated accounts have been prepared using the merger accounting as if the company had been the holding company of the other companies comprising the group throughout the accounting years presented. In the opinion of the directors, the consolidated accounts prepared on the above basis present more fairly the results and the state of affairs of the group as a whole.

(d) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investment securities.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of consolidation

(i) The consolidated accounts include the accounts of the company and its subsidiaries made up to 30th June. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the group are eliminated on consolidation.

(ii) A subsidiary is a company in which the company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

(iii) The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account or retained earnings.

(iv) Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(v) In the company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

(vi) The merger reserve of the group includes the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of the shares issued by the company in exchange thereof, and also any existing balance on the share premium account of the subsidiaries.

(b) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the group's share of the results of associated companies for the year, and the consolidated balance sheet includes the group's share of the net assets of the associated companies.

In the company's balance sheet the investments in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value. The results of associated companies are accounted for by the company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired and is taken to reserves in the year of acquisition.

**2 Principal accounting policies (Continued)****(d) Fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

Tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	20% - 50%
Motor vehicles	20%
Demonstration equipment	33-1/3%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(f) Investment securities

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the net sales proceeds and the carrying amount of the relevant security, together with a surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

2 Principal accounting policies (Continued)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced cost of inventories. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The deferred tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent it is probable a liability or an asset will crystallise in the foreseeable future.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

(k) Revenue recognition

Revenue from the design and implementation of data networking systems and the provision of related engineering services is recognised upon the satisfactory completion of installation, which generally coincides with the time when the goods are delivered to the customers.

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Interest income is recognised on a time proportion basis, taking account of the principal amounts outstanding and the interest rates applicable.

(l) Research and development costs

Research and development costs are expensed as incurred, except where it is expected that the product under development will be profitable and will be produced and its technical feasibility has been demonstrated. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised.



3 Revenues and turnover

The group is principally engaged in providing design and implementation of networking and related engineering services. Revenues recognised during the year are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Turnover		
Design and implementation of data networking systems and provision of related engineering services	428,385	420,469
Sale of goods	53,882	57,951
	482,267	478,420
Other revenue		
Interest income	10,296	7,560
Total revenues	492,563	485,980

4 Operating profit

Operating profit is stated after charging the following:

	Group	
	2000 HK\$'000	1999 HK\$'000
Auditors' remuneration	1,000	500
Cost of inventories sold	325,957	353,891
Depreciation of fixed assets	1,312	835
Net exchange loss	680	104
Operating leases in respect of land and buildings	1,285	613
Provision for doubtful debts	9,771	2,413
Research and development costs	111	66
Staff costs	25,807	20,292

NOTES TO THE ACCOUNTS

5 Taxation

The taxation charge comprises:

	Group	
	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax (note a)	-	-
Macau complementary profits tax (note b)	14,616	13,316
	14,616	13,316

(a) 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 year.

(b) Macau complementary profits tax has been calculated at 15.75% on the estimated assessable profits of group companies operating in Macau.

(c) No provision for deferred tax has been made in the accounts as the tax effect of timing differences is not material to the group.

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the company to the extent of a profit of HK\$12,300,000 (1999: Nil).

7 Dividends

	2000 HK\$'000	1999 HK\$'000
Interim, paid, by subsidiaries to their then shareholders before group reorganisation (note (a))	10,352	56,983
Final, proposed, of HK\$0.015 (1999: Nil) per ordinary share	9,225	-
	19,577	56,983

(a) The dividend rates and the number of shares ranking for the dividends mentioned above are not presented as such information is not considered meaningful for the purpose of these consolidated accounts.



8 Earnings per share

The calculation of basic earnings per share is based on the group’s profit attributable to shareholders of HK\$78,185,000 (1999: HK\$71,229,000) and the weighted average of 533,701,000 shares (1999: 490,500,000 shares) deemed to be issued during the year. In determining the weighted average number of shares in issue, the 2,000,000 shares issued before the capitalisation issue and the capitalisation issue of 488,500,000 shares as referred to in notes 17(b) and (d) respectively were deemed to have been in issue throughout the accounting years presented.

Diluted earnings per share for the years ended 30th June 2000 and 1999 respectively was not disclosed as there were no dilutive potential ordinary shares.

9 Directors’ and senior management’s emoluments

(a) Directors’ emoluments

The aggregate amounts of emoluments paid and payable to directors of the company during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees	209	-
Other emoluments		
- basic salaries and allowances	4,696	2,636
- bonuses	8,700	8,992
	13,605	11,628

Directors’ fees disclosed above include HK\$ 92,414 (1999: Nil) paid to independent non-executive directors.

The executive directors received individual emoluments for the year ended 30th June 2000 of approximately HK\$8,027,000 (1999: HK\$8,210,000), HK\$2,200,000 (1999: HK\$1,075,000), HK\$1,255,000 (1999: HK\$2,285,000), HK\$1,223,000 (1999: HK\$58,000) and HK\$900,000 (1999: Nil) respectively.

NOTES TO THE ACCOUNTS

9 Director's and senior management's emoluments (Continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the group for the year include three directors (1999: three) whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining two (1999: two) individuals during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	339	270
Bonuses	2,573	2,482
	2,912	2,752

The emoluments of the individual fell within the following bands:

Emolument bands	Number of individuals	
	2000	1999
Nil - HK\$1,000,000	-	1
HK\$1,000,001 - HK\$1,500,000	1	-
HK\$1,500,001 - HK\$2,000,000	1	-
HK\$2,000,001 - HK\$2,500,000	-	1
	2	2

During the year ended 30th June 2000, no emoluments have been paid by the group to the directors or the five highest paid individuals as an inducement to join the group, or as compensation for loss of office.



10 Pension schemes

The group did not contribute to any provident fund scheme for its employees during the year.

As at 30th June 2000, the group had no significant obligations for long service payments to its employees pursuant to the requirements under the Hong Kong Employment Ordinance.

As at 30th June 2000, 31 employees based in Macau had completed the required number of years of service under the Macau Employment Relationship Decree ("Decree") and are eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Decree. If the termination of all these employees met the circumstances required by the Decree, the Group's maximum liabilities as at 30th June, 2000 in this regard would be approximately HK\$6,160,588. No provision has been made for this amount in the accounts as it is not expected to be crystallised in the foreseeable future.

11 Fixed assets

Group					
	Leasehold improvement HK\$'000	Furniture, fixture and equipment HK\$'000	Motor vehicles HK\$'000	Demonstration equipment HK\$'000	Total HK\$'000
Cost					
At 1st July 1999	1,298	1,485	222	1,276	4,281
Additions	1,188	878	950	73	3,089
At 30th June 2000	2,486	2,363	1,172	1,349	7,370
Accumulated Depreciation					
At 1st July 1999	874	964	188	393	2,419
Charge for the year	269	525	69	449	1,312
At 30th June 2000	1,143	1,489	257	842	3,731
Net book value					
At 30th June 2000	1,343	874	915	507	3,639
At 30th June 1999	424	521	34	883	1,862

NOTES TO THE ACCOUNTS

12 Investment in subsidiaries - Company

	2000	1999
	HK\$'000	HK\$'000
Investments, at cost (note (a))	73,918	-
Amounts due from subsidiaries (note (b))	158,541	-
	232,459	-

(a) The following is a list of the subsidiaries as at 30th June 2000:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Interest held	
				Directly	Indirectly
Vodatel China Holdings Limited	British Virgin Islands	Investment holding/Hong Kong	1,000 ordinary shares of US\$1 each	-	100%
Vodatel China Limited	British Virgin Islands	Dormant	1,000 ordinary shares of US\$1 each	-	100%
Vodatel Data Limited	British Virgin Islands	Investment holding/Hong Kong	1,000 ordinary shares of US\$1 each	-	100%
Vodatel Holdings Limited (formerly known as Giant Lake Limited)	British Virgin Islands	Investment holding and design and implementation of data networking systems and the provision of related engineering services/Macau	10,000 ordinary shares of US\$1 each	100%	-
Vodatel Hong Kong Holdings Limited	British Virgin Islands	Investment holding/Hong Kong	1,000 ordinary shares of US\$1 each	-	100%
Vodatel Information Limited	British Virgin Islands	Dormant	1,000 ordinary shares of US\$1 each	-	100%
Vodatel International Holdings Limited	British Virgin Islands	Investment holding/Hong Kong	1,000 ordinary shares of US\$1 each	-	100%
Vodatel Networks Limited	British Virgin Islands	Investment holding and provision of supporting services to group companies/Hong Kong	1,000 ordinary shares of US\$1 each	-	100%

12 Investment in subsidiaries - Company (Continued)

(a) The following is a list of the subsidiaries at 30th June 2000: (Cont'd)

Name	Place of incorporation	Principal activities and place of operations	Particulars of Issued share capital	Interest held	
				Directly	Indirectly
Vodatel Systems (HK) Limited (formerly known as Premium Lord Development Ltd.)	British Virgin Islands	Provision of warehouse services/ Hong Kong	1,000 ordinary shares of US\$1 each	-	100%
Vodatel Systems Inc. (formerly known as Honest Deal Limited)	British Virgin Islands	Design and implementation of data networking systems and the provision of related engineering services/ Macau	1,000 ordinary shares of US\$1 each	-	100%
Vodatel Systems (Macau) Limited (formerly known as Supreme System Inc.)	British Virgin Islands	Dormant	1,000 ordinary shares of US\$1 each	-	100%
Worldtown International Limited	British Virgin Islands	Owner of intellectual property rights and trade marks/ Hong Kong	1,000 ordinary shares of US\$1 each	-	100%

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

13 Investment in associated companies

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets other than goodwill (note (a))	6,425	-
Advances to associated companies (note (b))	2,623	-
	9,048	-
Unlisted shares, at cost	32,373	-

NOTES TO THE ACCOUNTS

13 Investment in associated companies (Continued)

(a) The following is a list of the associated companies at 30th June 2000:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/registered capital	Interest held indirectly
Crossland Business Solution Limited	Hong Kong	Software production/ Hong Kong	100 ordinary shares of HK\$1 each	40%
Guangzhou Thinker Vodatel Development Company Limited	The People's Republic of China ("PRC")	Investment holding/ PRC	US\$3,000,000	49%
Guangzhou Vodatel Development Limited	PRC	Wireless data communications and internet related products research and development/ PRC	RMB1,000,000	24%
Oriental Skill Limited	Hong Kong	Provision of hardware consultancy services/ Hong Kong	10 ordinary shares of HK\$1 each	40%
vcShare Online Limited	Hong Kong	Dormant	1,000,000 ordinary shares of HK\$ 1 each	40%
Vodatel Crossland Technology Holdings Limited (formerly known as King Glory Holdings Group Limited)	British Virgin Islands	Investment holding/ Hong Kong	1,000 ordinary shares of US\$1 each	40%

(b) The advances to associated companies are interest-free, unsecured and repayable on demand.

14 Investment Securities

	Group	
	2000 HK\$'000	1999 HK\$'000
Equity securities, at market value		
Listed in Hong Kong	8,100	-
Listed outside Hong Kong	5,165	-
	13,265	-

15 Inventories

	Group	
	2000 HK\$'000	1999 HK\$'000
Networking equipment	35,994	34,088
Less: provision	(1,942)	(1,942)
	34,052	32,146

16 Due to directors

The balance as at 30th June 1999 represented advances from a director, Mr. José Manuel dos Santos, which was subsequently settled before the company obtained its listing status on the GEM of the Stock Exchange. The balance as at 30th June 2000 represented amount payable to a director, Mr. Kuan Kin Man, for the acquisition of his equity interest in Guangzhou Vodatel Development Limited as disclosed in note 23(d).

17 Share capital

	2000 HK\$'000
Authorised	
2,000,000,000 ordinary shares of HK\$0.10 each	200,000
Issued and fully paid	
615,000,000 ordinary shares of HK\$0.10 each	61,500

(a) The company was incorporated in Bermuda on 1st December 1999 with an authorised capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil paid to the subscriber on 13th December 1999.

(b) In preparation for the listing of the company's shares on the GEM of the Stock Exchange, the following changes in authorised and issued share capital of the company took place on 10th February 2000:

- (i) the authorised share capital of the company was increased to HK\$200,000,000 by the creation of an additional 1,999,000,000 shares of HK\$0.10 each;

17 Share capital (Continued)

(ii) as consideration for the acquisition by the company of the entire issued capital of Vodatel Holdings Limited ("VHL"), now an intermediate holding company of the group, an aggregate of 1,000,000 shares of the company were issued, credited as fully paid to the then shareholders of VHL and the 1,000,000 shares issued nil paid on 13th December 1999 were credited as fully paid.

(c) On 25th February 2000, 124,500,000 shares of HK\$0.1 each were issued by way of placing at a price of HK\$1.33 per share (the "Placing") for cash consideration of HK\$165,585,000. The excess over the par value of the shares issued was credited to the share premium account.

(d) Also on 25th February 2000, 488,500,000 shares of HK\$0.1 each were issued at par as fully paid to the shareholders whose names appeared on the register of members of the company on 25th February 2000 by crediting an amount of HK\$48,850,000 of the share premium account of the company arising from the Placing.

(e) The share capital as at 30th June 1999 represented the issued and fully paid share capital of the company, arising from the transactions as described in note (b)(ii) above, which was deemed to have been in issue throughout the accounting years in accordance with the basis of merger accounting as referred to in note 1(c).

(f) Under a share option scheme approved by the shareholders, 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). No share option was granted by the company during the year.

(g) On 15th August 2000, share options to subscribe for 1,450,000 and 4,466,000 shares were respectively granted to certain directors of the company and certain employees of the group. Details of the share options which were granted to the directors of the company are as follows:

Directors	Number of share options
Mr. José Manuel dos Santos	290,000
Mr. Yim Hong	290,000
Mr. Kuan Kin Man	290,000
Ms. Monica Maria Nunes	290,000
Mr. Ho Kwok Hung	290,000
	1,450,000

The exercise price of the above share options is HK\$1.19 and the exercisable period is from 16th August 2000 to 15th August 2003.

Employees

For the share options granted to the employees of the group, the exercise price of the share options is HK\$1.19 and the exercisable period is from 16th August 2000 to 15th August 2003.

18 Reserves

(a) Group	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Merger reserve (note (i)) HK\$'000	Total HK\$'000
At 1st July 1998	-	-	-	35,549	35,549
Profit for the year retained	-	-	14,246	-	14,246
At 30th June 1999	-	-	14,246	35,549	49,795
Company and subsidiaries	-	-	14,246	35,549	49,795
Associated companies	-	-	-	-	-
At 30th June 1999	-	-	14,246	35,549	49,795
At 1st July 1999	-	-	14,246	35,549	49,795
Placing of shares (note 17(c))	153,135	-	-	-	153,135
Placing and listing expenses	(11,921)	-	-	-	(11,921)
Capitalisation issue (note 17(d))	(48,850)	-	-	-	(48,850)
Surplus on revaluation of investment securities	-	1,399	-	-	1,399
Profit for the year retained	-	-	58,608	-	58,608
Goodwill written off on acquisition of associated companies	-	-	(28,232)	-	(28,232)
At 30th June 2000	92,364	1,399	44,622	35,549	173,934
Company and subsidiaries	92,364	1,399	44,959	35,549	174,271
Associated companies	-	-	(337)	-	(337)
At 30th June 2000	92,364	1,399	44,622	35,549	173,934

(i) The merger reserve of the group includes the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the company in exchange thereof, and also an existing balance on the share premium account of a subsidiary.

18 Reserves (Continued)

(b) Company	Share premium HK\$'000	Retained earnings HK\$'000	Contributed surplus HK\$'000	Total HK\$'000
At 1st July 1999	-	-	-	-
Placing of shares (note 17 (c))	153,135	-	-	153,135
Placing and listing expenses	(11,921)	-	-	(11,921)
Capitalisation issue (note 17 (d))	(48,850)	-	-	(48,850)
Contributed surplus arising on group reorganisation (note (i))	-	-	73,718	73,718
Profit for the year retained	-	3,075	-	3,075
At 30th June 2000	92,364	3,075	73,718	169,157

Note:

(i) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the company's shares issued for the acquisition at the time of the group reorganisation. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(ii) Distributable reserves of the company at 30th June 2000 amounted to HK\$76,793,000.

19 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities

	Group	
	2000 HK\$'000	1999 HK\$'000
Profit before taxation	92,801	84,545
Share of losses of associated companies	(337)	-
Depreciation of fixed assets	1,312	835
Increase in inventories	(1,906)	(18,046)
Increase in trade and bills receivable and other receivables, deposits and prepayments	(135,981)	(48,285)
Increase in trade and bills payables	43,853	57,034
Increase/(decrease) in other payables and accruals	4,993	(17,301)
Decrease in amount due to directors	(25,183)	(15,105)
Interest income	(10,296)	(7,560)
Net cash (outflow)/inflow from operating activities	(30,744)	36,117

(b) Analysis of changes in financing during the year

	Share capital	
	2000 HK\$'000	1999 HK\$'000
Balance at the beginning of the year	-	-
Proceeds from issue of shares	214,635	-
Placing and listing expenses	(11,921)	-
Capitalisation issue	(48,850)	-
Balance at the end of the year	153,864	-

20 Banking facilities

At 30th June 2000, the group's banking facilities of HK\$130,000,000 (1999: HK\$105,491,000) are secured by the following:

- (a) charge on time deposits of HK\$2,808,000 held by the group;
- (b) corporate guarantee given by certain subsidiaries amounting to HK\$46,320,000;
- (c) corporate guarantee given by the company amounting to HK\$127,200,000; and
- (d) cross corporate guarantee between the company and certain subsidiaries amounting to HK\$50,000,000.

21 Contingent liabilities

At 30th June 2000, the company has provided corporate guarantee of HK\$127,200,000 (1999: Nil) in favour of certain banks to secure banking facilities granted to certain subsidiaries.

22 Commitments under operating leases

At 30th June 2000, the group had commitments in respect of land and buildings to make payments in the next twelve months under operating leases which expire as follows:

	2000 HK\$'000	1999 HK\$'000
Within one year	153	62
In the second to fifth year inclusive	875	651
	1,028	713

23 Related party transactions

Significant related party transactions, which were carried out in the normal course of the group's business are as follows:

	2000	1999
	HK\$'000	HK\$'000
Warehouse charges payable to Sistemas de Comunicações Vodatel (note (a))	564	2,580
Sales of goods to Zetronic Comunicações Lda (note (b))	13	332
Rental charges payable to a director of the company (note (c))	46	-
Business development fee payable to Guangzhou Vodatel Development Limited ("GVDL") (note (d))	2,983	-
Purchase of equity interest in GVDL from a director of the company (note (e))	212	-

(a) Sistemas de Comunicações Vodatel is a sole proprietorship registered in Macau and owned by Mr. José Manuel dos Santos, a director of the company. In the opinion of the directors of the company, the transactions were carried out in the ordinary course of business of the group. The transactions have been terminated after the listing of the shares of the company.

(b) Zetronic Comunicações Lda is a company incorporated in Macau and owned by Mr. José Manuel dos Santos. In the opinion of the directors of the company, the transactions were carried out in the ordinary course of business of the group and on normal commercial terms.

(c) The group leased its office premise from Mr. José Manuel dos Santos at a monthly rental of approximately HK\$5,000 commencing from 1st October 1999.

(d) During the year, Mr. José Manuel dos Santos and Mr. Kuan Kin Man, directors of the company, had 75% and 25% interests respectively in GVDL. On 17th April 2000, a subsidiary of the company acquired 24% interest in GVDL from Mr. Kuan Kin Man, a director of the company, at a consideration of HK\$211,827. GVDL acts as a representative office for the group in Guangzhou and it charges all expenses incurred on behalf of the group with an additional 2% markup as its service fee.

23 Related party transactions (Continued)

(e) At 30th June 2000, the group had unsecured advances to the following associated companies:

	2000 HK\$'000	1999 HK\$'000
Guangzhou Vodatel Development Limited ("GVDL") (note (i))	735	-
Vodatel Crossland Technology Company Limited ("VCT") (note (ii))	1,888	-

(i) The advance to GVDL is interest-free and repayable on demand. The majority shareholder of GVDL, Mr. José Manuel dos Santos has also advanced to GVDL an amount in proportion to his share of equity interest in GVDL.

(ii) The advance to VCT is interest-free and repayable on demand. The other shareholder of VCT, a third party, has also advanced to VCT an amount in proportion to its share of equity interest in VCT subsequent to the year end date.

24 Approval of accounts

The accounts were approved by the board of directors on 26th September, 2000.

FIVE YEAR FINANCIAL SUMMARY

	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	482,267	478,420	416,151	341,210	223,012
Profit attributable to shareholders	78,185	71,229	49,857	35,559	10,880
Total assets	459,699	283,739	174,568	159,432	108,093
Total liabilities	(224,265)	(233,744)	(138,818)	(132,935)	(88,053)
Net assets	235,434	49,995	35,750	26,497	20,040

The turnover, profit attributable to shareholders, total assets and total liabilities of the group for each of the five years ended 30th June 2000 have been prepared on the basis of merger accounting as if the group structure, at the time when the group reorganisation as referred to in note 1(b) to the accounts was completed, had been in existence throughout the accounting years presented.

NOTICE OF ANNUAL GENERAL MEETING**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the First Annual General Meeting of Shareholders of the Company will be held at the Harcourt Room, Lower Lobby, Conrad International Hong Kong, on Monday, 23rd October, 2000 at 4:00 p.m. to transact the following businesses:-

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the period ended 30th June, 2000.
2. To re-elect retiring Directors and authorise the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as special businesses and, if thought fit, pass the following resolutions as Ordinary Resolutions:-

A. "THAT:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an options or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this Resolution), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company or, (iv) any scrip dividend or similar arrangement providing for the allotment of shares in the capital of the Company in lieu of the whole or part of the cash payment for any dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in Meeting.

“Right Issue” means the allotment, issue or grant of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company or any class thereof whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in or in any territory applicable to the Company).”

B. “THAT:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase its owned issued shares of HK\$0.10 each in the capital of the Company in accordance with laws and requirements and regulations of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of Bermuda to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in Meeting.”

NOTICE OF ANNUAL GENERAL MEETING

C. "THAT:

subject to the passing of the Ordinary Resolution Nos. 4A and 4B, the general mandate granted to the Directors of the Company to allot, issue and deal with additional securities pursuant to Resolution No. 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 4B, provided that such amount of shares so repurchased shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

By order of the Board
Vodatel Networks Holdings Limited
José Manuel dos Santos
Chairman
Hong Kong, 26th September, 2000

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business:

Estrada D. Maria II
Ed. Industrial Cheong Long
4/F "B & C"
Macau

Place of business in Hong Kong:

Room 1401, 14th Floor
China Merchants Tower, Shun Tak Centre
168 - 200 Connaught Road, Central
Hong Kong

Notes:

1. In order to qualify for attending the forthcoming Meeting of the Company, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited, 2401 Prince's Building, Central, Hong Kong not less than 48 hours before the appointed time for holding the Meeting.
2. Every member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch registrars in Hong Kong, Abacus Share Registrars Limited, 2401 Prince's Building, Central, Hong Kong not less than 48 hours before the appointed time for holding the Meeting or any adjournment thereof.
4. An Explanatory Statement containing further details regarding Ordinary Resolution No. 5B above as required by the Rules Governing the Listing of Securities on the Stock Exchange will be dispatched to the members of the Company together with the 2000 Annual Report.

Definitions and Abbreviations :

Alcatel Networks Corporation ("Alcatel") - French-based Alcatel builds next generation networks, delivers integrated end-to-end voice and data networking solutions to established and new carriers, as well as enterprises and consumers worldwide. With 120,000 employees and sales of EURO 23 billion in 1999, Alcatel operates in more than 130 countries.

Guangzhou Post & Telecom Equipment Co. Ltd. ("Guangzhou P&T Equipment") - Guangzhou P&T Equipment was formed in 1957 by a consortium, including Guangdong PTA. With a registered share capital of over RMB400 million, the Group manufactures data communication equipment, including wireless communication equipment and access network equipment, and is engaged in network system integration.

Guangzhou Thinker Communications Technology Co. Ltd. ("Guangzhou Thinker") - Guangzhou Thinker is the research arm of the Guangdong Telecommunications Academy of Science and Technology, which is administrated by the Guangdong PTA.

Juniper Networks ("Juniper") - US-based Juniper develops a family of Internet backbone router platforms that deliver wire-rate performance, solutions that easily scale, market-leading port density, flexible and manageable control over traffic, and optimal bandwidth efficiency to cope with the growth of new IP infrastructure. Juniper is listed on NASDAQ.

LG Information & Communications, Ltd. ("LG") - Established in 1979, Korean LG is a leading worldwide provider of integrated information / communication equipment and solutions. Principal business fields include switching & transmission, mobile communications, communications terminals and information networks. In 1996, the Group was first in the world to commercialize a CDMA digital mobile communication system.

ADSL	Asymmetric Digital Subscriber Line
ATM	Asynchronous Transfer Mode
CDMA	Code Division Multiple Access
DDN	Digital Data Networks
DWDM	Dense Wavelength Division Multiplexer
FR	Frame Relay
GSM	Global System for Mobile
IP	Internet Protocol
LG TOPS	Guangzhou LG-TOPS Communication Technologies Co. Ltd.
LMDS	Local Multi-Point Distribution Services
PSTN	Public Switch Telephone Networks
Vodatel Crossland	Vodatel Crossland Technology Holdings Limited

Corporate Information

Directors

Executive Directors

José Manuel dos Santos
Yim Hong
Ho Kwok Hung
Kuan Kin Man
Monica Maria Nunes

Independent Non-executive Directors

Chui Sai Cheong
Lo King Chiu, Charles

Authorized Representatives

Yim Hong
Monica Maria Nunes

Company Secretary

Lau Hold Sing, CPA, FCCA, AHKSA

Qualified Accountant

Lau Hold Sing, CPA, FCCA, AHKSA

Compliance Officer

Monica Maria Nunes

Audit Committee

José Manuel dos Santos
Chui Sai Cheong
Lo King Chiu, Charles

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place of Business

Estrada D. Maria II
Ed. Industrial Cheong Long
4/F "B&C"
Macau
Tel : (853) 721182
Fax : (853) 717800

Place of Business in Hong Kong

Room 1401, 14th Floor
China Merchants Tower, Shun Tak Centre
168 - 200 Connaught Road, Central
Hong Kong
Tel : (852) 2587 8868
Fax : (852) 2587 8033

E-Mail Address

<http://www.vodatelsys.com>

Bankers

Banco Comercial de Macau (Asia) SARL
Crédit Agricole Indosuez
Dao Heng Bank / Overseas Trust Bank
Standard Chartered Bank

Share Registrars

Abacus Share Registrars Limited
2401 Prince's Building
Central
Hong Kong