



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司

(incorporated in Bermuda with limited liability)

FIRST QUARTER REPORT

2002

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast further profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document, for which the directors of Vodatel Networks Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Vodatel Networks Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover more than doubled to HK\$210.9 million, with net profit reaching HK\$27.0 million for the Three-Month Period
- Continued to capitalize on our established presence in 16 provinces, municipalities and autonomous regions in China, with strong orders from China Telecom
- Successful development of VodaMAX, an interactive digital remote monitoring and surveillance system
- Took a 15% equity stake in the Macau New Technologies Incubator Centre in Macau, with the Government of Macau as one of the shareholders

FIRST QUARTER RESULTS

On behalf of the Board of the Directors (the “Directors”) of Vodatel Networks Holdings Limited (the “Company”), I am pleased to present the operating results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30th September, 2001 (“Three-Month Period”) together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	Three months ended	
	30th September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>		
Design and implementation of data networking systems and provision of related engineering services	186,547	67,251
Sale of goods	24,412	12,684
Total turnover	210,959	79,935
Gross profit	50,121	23,390
Share of results of associates	(87)	(494)
Profit before taxation	31,707	14,867
Taxation	2 (4,994)	(2,341)
Profit after taxation	26,713	12,526
Minority interest	288	—
Profit for the period	27,001	12,526
Basic earnings per share (HK cents)	3 4.4	2.0

Notes:

1. **Basis of preparation**

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

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

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

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

2. Taxation

The taxation charge comprises: -

	Three months ended	
	30th September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	—	—
Macau complimentary profits tax	4,994	2,341
	<u>4,994</u>	<u>2,341</u>

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

Macau complimentary profits tax has been calculated at 15.75% on the estimated assessable profits of Group Companies operating in Macau for the period under review.

3. Earnings per share

The calculation of the Group's basic earnings per share for the Three-Month Period is based on the Group's profit attributable to shareholders of approximately HK\$27.0 million (2000: approximately HK\$12.5 million) and the weighted average number of approximately 612,184,331 ordinary shares (2000: approximately 615,000,000 ordinary shares) in issue during the respective periods.

Diluted earning per share for the Three-Month Period and the corresponding period in 2000 respectively was not disclosed as there were no dilutive potential ordinary shares.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2000: Nil).

BUSINESS REVIEW

Data Network Infrastructure

Sentiment of the global economy remains stagnant, which has been further hampered by the 911 incident. Nevertheless, with China's entering into World Trade Organization, China's economic activities stay heightened with both local and foreign companies exploring this huge potential market for new business opportunities. To support the opening up of China and its rapid economic development, telecommunications remains one of the key mandates of the Government. Therefore, capitalizing on our established presence in 16 provinces, municipalities and autonomous regions in China, we continued to receive strong orders from China Telecom at both provincial and municipal levels to upgrade and expand their local public data networks. During the Three-Month Period, we are proud to be once again selected by Guangdong China Telecom and are being awarded the HK\$124.0 million contract to expand its integrated networks, the largest public integrated data network in China. During the period, we have also completed shipments of the HK\$14.0 million DDN expansion contract awarded by Hainan China Telecom and an aggregate contracts by Shanghai China Telecom, valued HK\$16.0 million, to upgrade and expand its integrated data network. Other projects awarded to us during the Three-Month Period included the HK\$7.2 million DDN expansion contract from Yantai China Telecom and the HK\$36.6 million contract by Henan China Telecom to expand its DDN and to install ADSL.

With strong orders from China Telecom, turnover for the Three-Month Period more than doubled to HK\$210.9 million, representing an increase of 1.6 times as compared to the corresponding period in 2000. Net profit grew approximately 1.2 times, reaching HK\$27.0 million. As at 12th November, 2001, orders on hand amounted to HK\$78.7 million.

Self-developed Products

During the Three-Month Period, we completed the development of an interactive digital remote monitoring and surveillance system, named VodaMAX, which allows organizations to remotely monitor large areas and multi-sites, such as post offices, hospitals, buildings, highways and airports. VodaMAX, which is based on TCP/IP protocols and operates under the familiar Windows GUI environment, allows transmission of video, image and voice signals over LAN, WAN or Internet.

Strategic Alliances

Macau New Technologies Incubator Centre (“Manetic”) - In September 2001, Vodatel took a 15% equity stake in Manetic. With a paid-up capital of MOP10 million, Manetic is an incubator centre jointly formed by Vodatel, ten other business partners in Macau and the Government of Macau. This center, which takes the role of a mentor and business consultant, provides support to new start-up companies, such as strategic marketing, business management, financing and venture capital funding, and human resource development. In addition to the paid-up capital, the Government of Macau will also provide a subsidy amounting to MOP13 million during the first year to establish the centre and a further operational funding of MOP15 million over the next two years.

DIRECTORS’ INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 30th September, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of Directors	Number of Shares	Nature of Interest
Mr. José Manuel dos Santos	293,388,000	Corporate (<i>Note</i>)
Mr. Yim Hong	7,357,500	Personal
Mr. Kuan Kin Man	12,262,500	Personal
Ms. Monica Maria Nunes	2,452,500	Personal
Mr. Ho Kwok Hung	706,000	Personal

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

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

On 1st August, 2001, share options to subscribe for 2,088,000 and 11,378,000 shares were granted to certain directors of the company and certain employees of the group respectively.

The directors of the Company have been granted the following share options to subscribe for shares in the Company which were all outstanding as at 30th September, 2001:

Name of Directors	Date of Share Options Granted	Number of Share Options Granted	Exercise Price HK\$
Mr. José Manuel dos Santos	16th August 2000	290,000	1.19
	1st August 2001	522,000	0.79
Mr. Yim Hong	16th August 2000	290,000	1.19
	1st August 2001	522,000	0.79
Mr. Kuan Kin Man	16th August 2000	290,000	1.19
	1st August 2001	522,000	0.79
Ms. Monica Maria Nunes	16th August 2000	290,000	1.19
	1st August 2001	522,000	0.79
Mr. Ho Kwok Hung	16th August 2000	290,000	1.19

As at 30th September, 2001, none of the options being granted to the directors have been exercised or cancelled. Save as disclosed above, none of the directors or their associates had any interests in the share capital of the Company or its associated corporations (as defined in the SDI Ordinance).

The interests of the management shareholders (as defined in the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) in the share capital of the Company are the same as disclosed above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, the register of substantial shareholders maintained under Sections 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital.

Name of Shareholder	Number of Shares
Eve Resources Limited	293,388,000

COMPETING INTERESTS

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

SPONSOR'S INTERESTS

None of the directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) of the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("Core Pacific - Yamaichi"), had any interest in the share capital of the Company as at 30th September, 2001.

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

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

Hong Kong, 12th November, 2001