



VODATEL
愛達利

Networking the World

Networking the People

中期業績報告
Interim 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.

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

HIGHLIGHTS

- Despite restructuring of the telecommunications market in China, consistent results registered for the Three-Month Period and the Six-Month Period.
- Turnover for the Six-Month Period reached HK\$384.1 million, representing an increase of 46.3% over the corresponding period. Net profit for the period hit HK\$47.1 million, translating to a net profit margin of 12.3%.
- Vodatel Crossland successfully secured another contract from the Government Communication Services Bureau under the Government of Macau to e-enable their operating process.
- Successfully become the solution provider of Vodalmage to Guangdong China Mobile. Vodalmage will be one of the sub-systems complementing the Business and Operation Support System to be installed at the mobile bureaus under Guangdong China Mobile.

INTERIM RESULTS

On behalf of the Board of the Directors (the “Directors”) of Vodatel Networks Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months (“Three-Month Period”) and six months (“Six-Month Period”) ended 31st December 2001 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31st December		Six months ended 31st December	
		2001 (unaudited) HK\$'000	2000 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2000 (unaudited) HK\$'000
Turnover		173,110	182,518	384,069	262,453
Cost of sales	2	(127,006)	(136,717)	(287,844)	(193,262)
Gross profit		46,104	45,801	96,225	69,191
Other revenue		3,391	3,939	5,383	9,293
Selling and administrative expenses		(24,162)	(21,895)	(44,481)	(35,278)
Profit from operations		25,333	27,845	57,127	43,206
Share of results of associates		(681)	(190)	(768)	(684)
Profit before tax		24,652	27,655	56,359	42,522
Taxation	4	(3,883)	(4,356)	(8,877)	(6,697)
Profit after tax		20,769	23,299	47,482	35,825
Minority interest		(685)	—	(397)	—
Net profit for the period		20,084	23,299	47,085	35,825
Dividends		(6,080)	—	(6,080)	—
Profit retained for the period		14,004	23,299	41,005	35,825
Earnings per share (HK cents)	5				
— Basic		3.3	3.8	7.7	5.8
— Diluted		3.3	3.8	7.7	5.8

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2001

		As at 31st December 2001 (unaudited) HK\$'000	As at 30th June 2001 HK\$'000
	<i>Notes</i>		
Fixed assets		2,956	3,733
Interests in associates		7,862	6,609
Investment securities		20,041	16,540
Current assets			
Inventories		117,754	86,130
Trade and bills receivables	7	215,110	196,805
Other receivables, deposits and prepayments		8,416	10,977
Pledged time deposits		2,090	2,137
Bank balances and cash		206,341	225,518
		<u>549,711</u>	<u>521,567</u>
Current liabilities			
Trade and bills payables	8	149,820	158,040
Other payables and accruals		51,838	54,528
Taxation payable		49,928	42,032
Proposed dividend		6,080	12,160
Bank overdraft		—	70
Bank loan, secured		—	59
		<u>257,666</u>	<u>266,889</u>
Net current assets		<u>292,045</u>	<u>254,678</u>
Total assets less current liabilities		<u>322,904</u>	<u>281,560</u>
Financed by:			
Share capital	9	60,798	60,798
Reserves		260,771	219,853
Shareholders' funds		321,569	280,651
Minority interests		1,335	764
Bank loan, secured		—	145
		<u>322,904</u>	<u>281,560</u>

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended
31st December 2001
(unaudited)
HK\$'000

Net cash outflow from operating activities	(2,672)
Returns on investments and servicing of finance	
Interest received	2,352
Dividends received from investments	356
Dividends paid	(12,160)
Net cash outflow from returns on investments and servicing of finance	(9,452)
Tax paid	(981)
Investing activities	
Purchase of fixed assets	(321)
Purchase of investment securities	(3,501)
Additional capital injection in associates	(2,023)
Net cash outflow from investing activities	(5,845)
Net cash outflow before financing	(18,950)
Financing	
Decrease in time deposits pledged for banking facilities	47
Decrease in bank loan secured	(204)
Net cash outflow from financing	(157)
Net decrease in cash and cash equivalents	(19,107)
Cash and cash equivalents at the beginning of the period	225,448
Cash and cash equivalents at the end of the period	206,341
Analysis of balances of cash and cash equivalents	
Bank balances and cash	206,341

UNAUDITED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Total HK\$'000
At 1 July 2001	60,798	86,590	702	145	—	96,867	35,549	280,651
Profit for the period retained	—	—	—	—	—	41,005	—	41,005
Translation of financial statements of PRC operations	—	—	—	—	(87)	—	—	(87)
At 31st December 2001	<u>60,798</u>	<u>86,590</u>	<u>702</u>	<u>145</u>	<u>(87)</u>	<u>137,872</u>	<u>35,549</u>	<u>321,569</u>
Company and subsidiaries	60,798	86,590	702	145	(87)	141,151	35,549	324,848
Associates	—	—	—	—	—	(3,279)	—	(3,279)
At 31st December 2001	<u>60,798</u>	<u>86,590</u>	<u>702</u>	<u>145</u>	<u>(87)</u>	<u>137,872</u>	<u>35,549</u>	<u>321,569</u>

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 periods under review or since their respective dates of incorporation where this is a shorter period.

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

2. Cost of Sales

At 31st December 2001, there were no inventories (2000: nil) that are carried at net realisable value.

3. Depreciation

During the period, depreciation of HK\$1.10 million (2000: HK\$1.15 million) was charged in respect of the Group's fixed assets.

4. Taxation

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

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

The amount of taxation charged to the consolidated Income Statements represent:

	Three months ended 31st December		Six months ended 31st December	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	—	—	—	—
Macau complimentary profits	3,883	4,356	8,877	6,697
	<u>3,883</u>	<u>4,356</u>	<u>8,877</u>	<u>6,697</u>
	<u><u>3,883</u></u>	<u><u>4,356</u></u>	<u><u>8,877</u></u>	<u><u>6,697</u></u>

There was no material unprovided deferred taxation for the period (2000: Nil)

5. Earnings per share

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

	Three months ended 31st December		Six months ended 31st December	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings				
Earnings for the purpose of basic and diluted earnings per share	20,084	23,299	47,085	35,825
	<u>20,084</u>	<u>23,299</u>	<u>47,085</u>	<u>35,825</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	607,984	615,000	607,984	615,000
Effect of dilutive share option	193	—	—	—
	<u>193</u>	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>608,177</u>	<u>615,000</u>	<u>607,984</u>	<u>615,000</u>

6. Dividend

The Board have determined that an interim dividend of HK\$1.0 cent per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 5th March, 2002 (2000: Nil).

7. Trade and Bills Receivables

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

	As at 31st December 2001 <i>HK\$'000</i>	As at 30th June 2001 <i>HK\$'000</i>
0-90 days	86,882	77,371
91-180 days	34,927	30,295
> 180 days	93,301	89,139
	<u>215,110</u>	<u>196,805</u>

8. Trade and Bills Payables

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

	As at 31st December 2001 <i>HK\$'000</i>	As at 30th June 2001 <i>HK\$'000</i>
0-60 days	13,382	64,066
61-90 days	77,715	10,676
> 90 days	58,723	83,298
	<u>149,820</u>	<u>158,040</u>

9. Share Capital

	Authorised Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st December 2001 and 30th June 2001	<u>2,000,000,000</u>	<u>200,000</u>
	Issued and fully paid Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31st December 2001 and 30th June 2001	<u>607,984,000</u>	<u>60,798</u>

Note:

- (a) 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).
- (b) On 15th August 2000, share options to subscribe for 1,450,000 and 4,466,000 shares were respectively granted to the directors of the Company and certain employees of the Group. Details of the outstanding share options, which have been granted to the directors of the Company, are as follows:

	Number of share options outstanding
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
	<u>1,450,000</u>

As at 31st December 2001, all of the share options granted have not been exercised. The outstanding share options are exercisable at the price of HK\$1.19 per share and exercisable at any time from 16th August 2000 to 15th August 2003.

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. Details of the outstanding share options, which have been granted to the directors of the Company, are as follows:

	Number of share options outstanding
Mr. José Manuel dos Santos	522,000
Mr. Yim Hong	522,000
Mr. Kuan Kin Man	522,000
Ms. Monica Maria Nunes	522,000
	<hr/>
	2,088,000
	<hr/> <hr/>

The outstanding share options are exercisable at the price of HK\$0.79 per share and exercisable at any time from 1st February 2002 to 31st July 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

The Group continued to enjoy a debt-free capital structure with return on equity yielding at 14.6% and gearing ratio (loans to shareholders' fund) standing at nil. As at 31st December 2001, the Group had net current assets of approximately HK\$292,045,000 with bank balances and cash amounted to approximately HK\$206,341,000. The liquidity position, at the Directors' opinion, was sufficient to support the working capital requirement of the Group and to finance the Group's future operations, capital expenditure and other capital requirements.

Capital commitments and significant investments

As at 31st December 2001, the Group did not have any significant capital commitments and significant investments.

Material acquisition /disposals

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

Employee information

As at 31st December 2001, the Group had 215 employees spreading in Hong Kong, Macau and the PRC.

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

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

The Group also provides various training programs for the technical employees.

Charges on group assets

As at 31st December 2001, the Group has a charge on time deposit of HK\$2,090,000 for obtaining banking facilities.

Details of future plans for material investment or capital assets

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

Foreign exchange exposure

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

Contingent liabilities

As at 31st December 2001, the Group did not have any contingent liabilities.

Segment Information

Business Segments

	Three months ended		Six months ended	
	31st December		31st December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Design and implementation of data networking systems and provision of related engineering services	130,982	162,519	317,529	229,712
Sale of goods	42,128	19,999	66,540	32,741
	<u>173,110</u>	<u>182,518</u>	<u>384,069</u>	<u>262,453</u>
Other revenues	<u>3,391</u>	<u>3,939</u>	<u>5,383</u>	<u>9,293</u>
Operating Profit	<u>25,333</u>	<u>27,845</u>	<u>57,127</u>	<u>43,206</u>

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

BUSINESS REVIEW

Data Network Infrastructure

Telecommunications industry in China remains an area of robust growth despite the recent restructuring of the telecommunications market to split the fixed-line operator, China Telecom, into China Telecom, which will govern the southern region of China, and China Network Communications, which will cover 10 provinces in the northern part of China and to be merged with China Netcom. Whilst the restructuring has caused hiccups when securing new orders, we continued to produce consistent results for the Six-Month Period, attributable to our market positioning as a leading non-domestic player and our established geographic presence in 16 provinces, municipalities and autonomous regions in China.

During the Six-Month Period, we have further extended our reach into the northeastern part of China by completing a series of network expansion projects worth HK\$17.5 million for China Telecom in the provinces of Liaoning, Jilin and

Heilongjiang. Capitalizing on the mandate of the China Government to “Go West”, we have strengthened our foothold in the western part of China by completing shipment of the HK\$11.1 million contract awarded by Guizhou China Telecom to construct its provincial broadband ATM network and to integrate with the province’s existing DDN to form a provincial integrated network. Furthermore, for nine consecutive years, we have been chosen again by Shanghai China Telecom as their preferred network solution provider to upgrade and expand their integrated data networks, with an aggregate value of contracts worth HK\$30.0 million being awarded.

In view of the non-seasonal nature of our business, turnover for the Three-Month Period registered a slight 5.2% drop as compared to the same period last year. Nevertheless, turnover for the Six-Month Period reported an encouraging 46.3% increase as compared to the corresponding period last year. Despite declining interest rates, which reduced our interest income so generated from HK\$6.3M to HK\$2.4M, net profit for the Six-Month Period climbed 31.4% from HK\$35.8 million to HK\$47.1 million, with net profit margin at 12.3%.

Vodatel Crossland Technology Holdings Limited (“Vodatel Crossland”)

During the Three-Month Period, Vodatel Crossland successfully secured a HK\$1.8 million contract from the Government Communication Services Bureau under the Government of Macau to e-enable their operating process. This project, which deploys using various modules of the New Economy Trading Platform, comprises 4 sub-systems — (i) an Information Broadcast System which allows real-time information broadcast via the Internet; (ii) a Centralized Information System, a common centralized database system that organizes, stores and allows sharing of information within the department; (iii) a Security System for the creation and administration of Secure Socket Layer certificates to avoid unlawful entries; and (iv) a Workflow Management System, a management tool that facilitates the delegation and monitoring of work assigned.

Self-developed Products

Following the implementation of Vodalmage at the mobile bureaus in Zhongshan, Zhuhai, Shantou and Shenzhen, we have successfully promoted Vodalmage to Guangdong China Mobile and become the solution provider to install imaging solution at the mobile bureaus in the Guangdong Province. Guangdong China Mobile is installing at its mobile bureaus the Business and Operation Support System, which is a system that handles services such as billing, process management and customer support. Vodalmage will be connected to the Business and Operation Support System to complement the range of services offered by Guangdong China Mobile to its customers.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

According to the business objectives as stated in the prospectus dated 16th February, 2000

Actual business progress

Revenue and business development

Continue the business development activities from the last period

Continued to be awarded projects for the construction of DDN and broadband data networks. Projects completed during the Six-Month Period included the HK\$124.0 million contract from Guangdong China Telecom; HK\$14.0 million from Hainan China Telecom; HK\$36.6 million contract by Henan China Telecom; and an aggregate of HK\$17.5 million of network expansion projects for China Telecom in the provinces of Liaoning, Jilin and Heilongjiang

Expand sales from integrated data networks comprising DDN and Frame Relay/ATM, Internet access equipment, mobile networking solutions and capture business opportunities facilitated by the PRC's entry into the WTO in the PRC

Integrated data networks concept has been widely adopted by our existing carrier customers for better resources efficiency and network management. Contracts completed included the HK\$124.0 million contract from Guangdong China Telecom; HK\$11.1 million by Guizhou China Telecom; and an aggregate of HK\$30.0 million of contracts from Shanghai China Telecom

Generate sales from broadband mobile data solutions to clients in major provinces/cities and target marketing efforts to other provinces/cities in the PRC

Due to uncertain market conditions, promotion has been delayed

Generate business from e-commerce and e-payment systems in the PRC

Conducted through Vodatel Crossland and deploying various modules of the New Economy Trading Platform, secured a HK\$1.8 million contract from the Government Communication Services Bureau under the Government of Macau to e-enable their operating process

Initiate data communications services in the PRC to the extent as allowed by the PRC's laws

Business model to promote data communications services under review

Initiate marketing campaign for mobile networking solutions for operators in major provinces/cities in the PRC

An innovative mobile networking solution that will enhance the speed of wireless devices to that of a landline connection for promotion to mobile bureaus in the PRC under study

Technical and engineering support

Open a central Group's training center in southern or eastern China

Completed. A training center has been established in Guangzhou to provide on-going training to excel the domain knowledge of our sales and network engineers

R&D

Continue the R&D activities from the previous period

Further development to the various modules of the New Economy Trading Platform to enhance its functionality and expand its range of applications

Research virtual private network applications

Undertook by Vodatel Crossland and in collaboration with the technical team of Vodatel to research virtual private network and other security applications riding over the IP networks

Develop wide-band CDMA applications

On hold with close monitoring of the market development of CDMA

Acquisition, joint ventures and collaborations

Continue to explore collaboration opportunities in the PRC and the Asia Pacific region	Explored various data network projects with local business partners in selected countries in the Asia Pacific region
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Subsidiaries, representative offices and branches

Evaluate possibilities in setting up offices in the Asia Pacific region	Under review and to be in conjunction with our expansion pace into the Asia Pacific region
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DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31st December 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 31st December 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 31st December 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 periods under review was the Company or its subsidiaries a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 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 31st December 2001 and 7th February 2002 respectively.

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.

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 since listed on the GEM of the Stock Exchange.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

Hong Kong, 7th February 2002