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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.



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(incorporated in Bermuda with limited liability)

Websites: <http://www.vodatelsys.com>; www.irasia.com/listco/hk/vodatel

Highlights

- Six consecutive years of turnover growth and profit making record. Turnover soared 13.4% from HK\$482.3 million to HK\$546.9 million and net profit reached HK\$80.8 million for the fiscal year ended 30th June, 2001.
- Successful in expanding our customer base into Tianjin, Shanxi and Tibet, with Vodatel now supporting the public data networks of the local telecommunications service providers in 16 provinces, municipalities and autonomous regions. Also, successful in further penetrating into alternate carriers, including Unicom in the provinces of Jiangsu and Shaanxi, Shanghai East China Broadcasting Net, Hunan China Mobile and CATV in Suzhou and Zibo
- Received good response from the promotion of integrated network concept, including the HK\$138.6 million contract awarded by Guangdong China Telecom to expand, upgrade and integrate their DDN and broadband networks
- Made a major breakthrough into the broadband IP Metropolitan market with HK\$32.7 million contract awarded by Jiaying China Telecom and HK\$35.8 million contract awarded by Jilin China Telecom
- Continued to invest in our technical support so as to position Vodatel as the trusted technical partner for local and international equipment vendors and service providers in China. We have further extended our reach, with Vodatel's technical support centres now span in 13 provinces across China
- Vodatel Crossland completed the development of the first phase of the IP network management system, with the system installed at customer site for trial run in progress

RESULTS

The Board of Directors is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30th June, 2001, together with the comparative audited figures for the corresponding year ended 30th June, 2000 as follows:

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	2	546,915	482,267
Cost of sales		<u>(397,933)</u>	<u>(340,675)</u>
Gross profit		148,982	141,592
Other revenues	2	11,773	10,296
Selling expenses		(5,745)	(10,716)
Administrative expenses		<u>(57,622)</u>	<u>(48,034)</u>
Operating profit		97,388	93,138
Share of losses of associated companies		<u>(2,155)</u>	<u>(337)</u>
Profit before taxation		95,233	92,801
Taxation	3	<u>(14,429)</u>	<u>(14,616)</u>
Profit attributable to shareholders		80,804	78,185
Dividends		<u>(12,160)</u>	<u>(19,577)</u>
Profit for the year retained		<u>68,644</u>	<u>58,608</u>
Basic earnings per share (HK cents)	4	<u>13.2</u>	<u>14.6</u>

Movement in reserves of the Group during the year were as follows:

	Share Premium <i>HK\$'000</i>	Capital Redemption Reserve <i>HK\$'000</i>	Investment Revaluation Reserve <i>HK\$'000</i>	Retained Earnings <i>HK\$'000</i>	Merger Reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July 1999	—	—	—	14,246	35,549	49,795
Placing of shares	153,135	—	—	—	—	153,135
Placing and listing expenses	(11,921)	—	—	—	—	(11,921)
Capitalisation issue	(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	<u>92,364</u>	<u>—</u>	<u>1,399</u>	<u>44,622</u>	<u>35,549</u>	<u>173,934</u>
Company and subsidiaries	92,364	—	1,399	44,959	35,549	174,271
Associated companies	—	—	—	(337)	—	(337)
At 30th June 2000	<u>92,364</u>	<u>—</u>	<u>1,399</u>	<u>44,622</u>	<u>35,549</u>	<u>173,934</u>
At 1st July 2000	92,364	—	1,399	44,622	35,549	173,934
Repurchase of shares	(5,774)	702	—	(702)	—	(5,774)
Deficit on revaluation of investment securities	—	—	(1,254)	—	—	(1,254)
Profit for the year retained	—	—	—	68,644	—	68,644
Goodwill written off on acquisition of subsidiaries	—	—	—	(15,697)	—	(15,697)
At 30th June 2001	<u>86,590</u>	<u>702</u>	<u>145</u>	<u>96,867</u>	<u>35,549</u>	<u>219,853</u>
Company and subsidiaries	86,590	702	145	99,465	35,549	222,451
Associated companies	—	—	—	(2,598)	—	(2,598)
At 30th June 2001	<u>86,590</u>	<u>702</u>	<u>145</u>	<u>96,867</u>	<u>35,549</u>	<u>219,583</u>

Notes:

1. Group reorganisation and basis of preparation

- (a) The accounts 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 accounts are prepared under the historical cost convention as modified by the revaluation of investment securities.
- (b) On 10th February 2000, the Company became the holding company of other companies comprising the Group pursuant to a group reorganisation (“the Reorganisation”) which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated results of the Group for the year ended 30th June 2000 included the results of the Company and its subsidiaries with effect from 1st July 1999 or since their respective dates of incorporation, where this is a shorter period, as if the current group structure had been in existence throughout the year ended 30th June 2000.

2. Revenues and Turnover

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.

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	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Design and implementation of data networking systems and provision of related engineering services	471,885	428,385
Sale of goods	<u>75,030</u>	<u>53,882</u>
	<u>546,915</u>	<u>482,267</u>
Other revenues		
Dividend income from listed investments	686	—
Interest income	<u>11,087</u>	<u>10,296</u>
	<u>11,773</u>	<u>10,296</u>
Total revenues	<u>558,688</u>	<u>492,563</u>

3. **Taxation**

The taxation charge comprises:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax (note a)	—	—
Macau complementary profits tax (note b)	<u>14,429</u>	<u>14,616</u>
	<u>14,429</u>	<u>14,616</u>

- (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) There was no material unprovided deferred taxation for the year (2000: Nil).

4. **Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$80,804,000(2000: HK\$78,185,000). The basic earnings per share is based on the weighted average of 612,184,331 ordinary shares (2000: 533,701,000 shares) in issue during the year.

Diluted earnings per share for the years ended 30th June 2001 and 2000 respectively was not disclosed as there were no dilutive potential ordinary shares.

DIVIDENDS

The directors propose a final dividend of 2.0 HK cents (2000: 1.5 HK cents) per share to be paid to the shareholders whose names appear on the register of members of the Company on 5th November, 2001. The dividend will be payable on 19th November, 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 1st November, 2001 to Monday, 5th November, 2001, both days inclusive, during which period no transfer of shares may be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration, not later than 4:00 p.m. on Wednesday, 31st October, 2001.

REVIEW OF BUSINESS OPERATIONS

Data Networks Infrastructure

Construction of public data infrastructure for telecommunications service providers in China remains the core business of Vodatel. Despite an uneven year for the global economy, China's telecommunications sector maintains its momentum as the market is aggravated with the emergence of new market forces, such as China Mobile, Unicom, Netcom, Jitong, China Railcom and cable TV operators ("CATV").

Our continuous effort in the promotion of the integrated network concept, i.e. integrating DDN and broadband networks (Frame Relay and ATM) to form a unified platform, reaps us rewards. During the year, we received strong orders from China Telecom to expand and integrate their networks. Major projects awarded to us included the HK\$11.0 million contract from Qingdao China Telecom and an aggregate of HK\$32.6 million contracts from Shanghai China Telecom. We are particularly proud to be awarded the HK\$138.6 million contract from Guangdong China Telecom to expand and upgrade their existing networks and to integrate their DDN and broadband network — a project that demonstrated Vodatel's in-depth experience and technical capability are recognized in the market.

To reinforce our growth momentum and to further build our recurring earnings, we have used our strengths in market knowledge and technical capability to capture more customers, not to mention capitalizing on the mandate of the Chinese Government to “Go West”. During the year, we successfully expanded into 3 new territories, namely Tianjin, Shanxi and Tibet and further penetrated into alternate carriers, including Unicom in the provinces of Jiangsu and Shaanxi, Shanghai East China Broadcasting Net, Hunan China Mobile and CATV in Suzhou and Zibo. Today, Vodatel marks its footprints in 16 provinces, municipalities and autonomous regions in China, working in collaboration with the local telecommunications service providers to support their public data networks.

With the generalization of broadband networks to become accessible for the general public, IP Metropolitan network has become one of the focuses of broadband network construction. To enter into this arena, we have taken up the distributorships of Juniper for its new generation core routers and Extreme for its core switches. Combining world-class products and our established relationships with our carrier customers, we successfully broke into the broadband IP Metropolitan market and secured two landmark projects — on a city level, the HK\$32.7 million contract awarded by Jiaying China Telecom; and on a provincial level, the HK\$35.8 million contract awarded by Jilin China Telecom.

To become the destination of choice for telecommunications service providers for network solutions, it is necessary to broaden our array of carrier-class products. Therefore, in addition to representing Alcatel, Juniper and Extreme, we have also taken up the distributorships of Cosine for its VPN and Alidian for its Metro DWDM equipment. To bolster the margin of the IP projects, we have joint forces with Vodatel Crossland to develop a network management system, named VCMS, to manage and support traffic from different vendors running over the broadband IP networks. VCMS has been built to equip with management redundancy, on-line documentation functions, data collection, network trending and analysis functionality features. Development of the first phase of VCMS has been completed in June 2001 and field trial run at our customer site is in progress.

Technical Services

With the vision to become the trusted technical partner for both local and international equipment vendors and service providers, we have continued to

upgrade our technical support team into a carrier-class nationwide support center. To strengthen our technology know-how and technical expertise, we have recruited experienced engineers with diversified networking background and provided training to excel their domain knowledge.

We have set up more new representative offices to expand our geographical reach in China and to establish a solid network of relationships with the local telecommunications service providers in each province. Today, Vodatel operates representative offices in 13 provinces, all backed by a team of local network engineers. We also run a 24-hour hotline center in Zhuhai and a service hub in Guangzhou to provide nationwide backup support.

Wireless Communications

During the year, LG TOPS, our CDMA Wireless Local Loop (“WLL”) joint venture with Korean-based LG, in which Vodatel has 9.8% equity interest, successfully penetrated into the wireless communications market, winning contract from Guangzhou China Telecom to supply CDMA WLL systems and various contracts from China Unicom in the city of Chengdu, Sichuan Province to provide CDMA cellular systems and terminals. In addition, as the production subsidiary for ADSL business of LG in China, LG TOPS successfully signed an equipment agreement with Xinjiang China Telecom to supply ADSL equipment, which is developed from LG’s own technology.

E-Commerce

Our e-commerce business has been adversely affected by the global agitation in e-commerce. Nevertheless, the vcBook, an access device with smart card developed by Vodatel Crossland, has been successfully installed at selected branches of Bank of America (Asia) Ltd. in Hong Kong for self-directed retail investors to trade stocks. In addition, the New Economy Trading Platform (“NETP”) has also been successfully employed by the Government of Macau, with a contract awarded by a department under the Government of Macau to develop applicable e-solutions deployed from NETP.

Self-Developed Products

Encouraged by the success from the development of VodaImage, which has been sold and installed at various mobile bureaus in the Guangdong Province, including Zhongshan, Zhuhai, Shantou and Shenzhen, we have commenced the research and development of a surveillance system. This surveillance system will ride on TCP/IP protocols, hence allowing easy transmission of video, image and voice signals over LAN, WAN or Internet.

FUTURE PROSPECTS

Our commitment to increase our bottom line remains our highest priority. We will use our greatest strengths — our market knowledge, established presence and strong customer relationships — to increase shareholders' value and to achieve consistently solid results year after year. We will continue to tightly manage our business to deliver growth, strive ways to improve our net profit margin by introducing innovative value-added services and keeping close watch on our overhead costs.

China's entry into WTO and Beijing to host the Olympic Games for Year 2008 will inspire the opening up of this huge potential market. With deep roots in China, we believe that our on-the-ground presence, in-depth understanding of local conditions and proven ability to deliver on-the-ground solutions will well position Vodatel as the preferred partner for both local and foreign telecommunications service providers to further expand their reach in China.

China is our primary market, as it always has been over the last 10 years. As we continue to build our successful story in China, we will use our experience in network infrastructure construction to explore new business opportunities and to expand our coverage in the Asia Pacific Region.

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, 2001

Business Objectives

Actual Business Progress

Revenue and business development

- | | |
|---|---|
| <ul style="list-style-type: none">● Continue the business development activities from the last period | <ul style="list-style-type: none">● Strong orders received from China Telecom at both the provincial and municipal levels to upgrade and expand their DDN and Frame Relay/ATM data networks. In addition, we made a breakthrough into the broadband IP Metropolitan market with contracts awarded from Jiaying China Telecom and Jilin China Telecom and successfully penetrated further into alternate carriers, including Unicom in the provinces of Jiangsu and Shaanxi, Shanghai East China Broadcasting Net, Hunan China Mobile and CATV in Suzhou and Zibo. During the period, our array of networking products has been expanded through the taking up of the distributorships of Extreme for its core switches, Cosine for its VPN and Alidian for its Metro DWDM equipment |
|---|---|

- Expand sales from integrated data networks, comprising DDN and Frame Relay/ATM and Internet access equipment to existing clients in major and other provinces/cities in the PRC
- Result from the promotion of such concept has been encouraging. Among the projects awarded included the HK\$138.6 million contract from Guangdong China Telecom to expand its existing DDN and broadband networks and to integrate the two networks together to form an integrated network. Other contracts secured from Qingdao China Telecom, Shanghai China Telecom and Jiangxi China Telecom
- Explore business opportunities in other Asia Pacific region
- Conducted field visits to selected countries in the Asia Pacific region
- Generate sales from mobile networking solutions for operators in major provinces/cities and promote the solutions to other provinces/cities in the PRC
- Carried out through LG TOPS, with contracts being awarded by Guangzhou China Telecom and Chengdu Unicom in the Sichuan Province
- Promote broadband mobile data solutions to clients in major provinces/cities in the PRC
- Due to uncertain market conditions, promotion has been delayed

Technical and engineering support

- Explore business opportunities in areas in facility management and network outsourcing in the PRC
- Promotion and sale of networking equipment and related services to Internet Data Centre in China to support its facility management services

R&D

- Develop electronic payment system
- Undertook by Vodatel Crossland, with the development of the electronic payment system completed and currently in the process of interfacing it with the payment gateway of the New Economy Trading Platform
- Enhance broadband data networks applications
- Commenced in-house research and development of a surveillance system riding over broadband network
- Development of the first phase of the network management system by Vodatel Crossland to manage IP traffic has been completed and field trial run at our customer site in progress
- Continue to research wide-band CDMA applications
- On hold with close monitoring of the market development of CDMA
- Enhance e-commerce applications
- Conducted by Vodatel Crossland, we are in process of incorporating security features into vcShare, the self-developed stock-trading platform connected to the Third Generation Automatic Matching System of the Stock Exchange of Hong Kong, to strengthen the functionality of the platform

- Enhance Internet access solutions
- Developed by Vodatel Crossland, enhancement of the set-top box with broadband connection capability underway

Acquisitions, joint ventures and collaborations

- Continue to explore collaboration opportunities in the areas of ISP/ICP and other Internet-related applications in the PRC and the Asia Pacific region
- Took up 28% equity interests in Guangzhou Information Communication Co., Ltd., which is engaged in the provision of internet related data services in Guangzhou

Subsidiaries, representative offices and branches

- Evaluate need to establish new offices to cope with business expansion
- Three new representative offices in China, namely in the cities of Changchun, Tianjin and Xian, have been established

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 30th June, 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	2,452,000	Personal
Mr. Ho Kwok Hung	706,000	Personal

Note: The 293,388,000 shares are owned by Eve Resources Limited, which is in turn held by a company wholly-owned by Mr. José Manuel dos Santos, the Chairman of the Company, 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 can be granted under the scheme may not exceed 10% of the issued share capital of the Company from time to time.

On 16th August, 2000, share options to subscribe for 1,450,000 shares were granted to certain directors of the Company. Details of the share options which have been granted to the directors of the Company as at 16th August, 2000 are as follows:

Name of Directors	Number of Shares 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	<u>290,000</u>
	<u>1,450,000</u>

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. As at 30th June, 2001, none of the options granted to the directors have been exercised or cancelled.

On 1st August, 2001, share options to subscribe for 2,088,000 shares were granted to certain directors of the Company. Details of the share options which have been granted to the directors of the Company as at 1st August, 2001 are as follows:

Name of Directors	Numbers of Shares Options
Mr. José Manuel dos Santos	522,000
Mr. Yim Hong	522,000
Mr. Kuan Kin Man	522,000
Ms. Monica Maria Nunes	<u>522,000</u>
	<u>2,088,000</u>

The exercise price of the above share options is HK\$0.79 and the exercisable period is from 1st February, 2002 to 31st July, 2004.

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 year 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 June, 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

The Company’s sponsor, Core Pacific - Yamaichi Capital Limited (“Core Pacific - Yamaichi”), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), has no interests in the Company as at 30th June, 2001 and 20th September, 2001 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.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased on the Stock Exchange a total of 7,016,000 ordinary shares of HK\$0.10 each in the share capital of the Company at an aggregate price of HK\$6,475,559, details of which are as follows:

Month of Repurchase	No. of Shares Repurchased	Price per Share		Aggregate Price Paid HK\$
		Highest HK\$	Lowest HK\$	
February 2001	2,850,000	0.99	0.88	2,773,918
March 2001	3,896,000	0.96	0.81	3,471,972
April 2001	<u>270,000</u>	0.85	0.84	<u>229,669</u>
	7,016,000			6,475,559

The Directors of the Company considered that the above repurchases were made with a view to enhance the net assets and earnings per share of the Company. These shares were cancelled upon repurchase and the issued share capital of the Company was correspondingly reduced.

Save as disclosed above, 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, 20th September, 2001

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the date of its posting.

** For identification purpose only*