
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Exchange takes no responsibility for the contents of this circular, 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 circular.



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8033

DISCLOSEABLE TRANSACTION

in relation to the sale and purchase of Notes and Sale Shares

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:

- (i) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (ii) there are no other matters the omission of which would make any statement herein misleading; and
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the "Latest Company Announcements" page of the GEM website and on the website of the Company at www.vodatelsys.com for 7 days from the date of its posting.

* for identification purpose only

CHARACTERISTICS OF GEM

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 future 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 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 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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix — General Information	7

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares and the Notes pursuant to the Deed
“Associates”	the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Company”	Vodatel Networks Holdings Limited
“Convertible Notes”	convertible notes issued by MTel
“Deed”	the deed of transfer entered into between Universal and VIL in relation to the sale and purchase of the Sale Shares and the Notes
“Directors”	the directors of the Company
“Exchange”	The Stock Exchange of Hong Kong Limited
“GEM”	the Growth Enterprise Market of the Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	3rd May 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Main Board”	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt the Main Board excludes GEM
“Mr. Chan”	Mr. Chan How Chung Victor

DEFINITIONS

“MTel”	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on GEM
“MTel Group”	MTel and its subsidiaries
“MTel Share(s)”	shares of MTel of US\$0.01 each in the share capital of MTel
“Notes”	Convertible Notes in the principal amount of HK\$1,600,000 issued by MTel to Universal
“PRC”	the People’s Republic of China, but for the purposes of this circular and for geographical reference only, excludes Taiwan, Macau and Hong Kong
“Sale Shares”	31,902,233 MTel Shares, representing approximately 7.3% of the issued share capital of MTel
“SFO”	Securities and Futures Ordinance
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SMS”	short message services
“Universal”	Universal Line Venture Limited, incorporated in the British Virgin Islands with limited liability and is 100% beneficially owned by Mr. Chan
“VIL”	Vodatel Information Limited, incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company

LETTER FROM THE BOARD



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. José Manuel DOS SANTOS (*Chairman*)
Mr. YIM Hong
Mr. KUAN Kin Man
Ms. Monica Maria NUNES

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-Executive Directors:

Mr. CHUI Sai Cheong
Mr. LO King Chiu Charles

Head Office and Principal Place of Business:

74 da Rua da Felicidade
Edf. Vodatel
Taipa
Macau

Principal Place of Business in Hong Kong:

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

4th May 2004

To Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
in relation to the sale and purchase of Notes and Sale Shares

INTRODUCTION

Further to the announcement of the Company dated 15th April 2004, the Directors are pleased to announce that on 14th April 2004, the Group entered into the Deed with Universal (as vendor), through VIL (as purchaser), an indirectly wholly owned subsidiary of the Company, in relation to the Acquisition. Pursuant to the Deed, VIL acquire the Sale Shares and the Notes for an aggregate consideration of HK\$15,724,515.90 (as to HK\$9,570,669.90 for the Sale Shares and HK\$6,153,846.00 for the Notes) and which shall be in cash.

* *for identification purpose only*

LETTER FROM THE BOARD

The Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

The Directors are of the view that terms of the Deed were normal commercial terms which were fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

The purpose of this circular is to provide the Shareholders with further information relating to the Deed. This circular also includes details required to be given to the Shareholders pursuant to Rule 19.38 of the GEM Listing Rules in respect of discloseable transactions.

PARTICULARS OF THE DEED

1. **Date**

14th April 2004

2. **Parties to the Deed**

(A) VIL (as purchaser)

(B) Universal (as vendor)

3. **Interests to be Acquired**

The Sale Shares and the Notes

4. **Consideration**

The consideration amounts to HK\$15,724,515.90 in aggregate (as to HK\$9,570,669.90 for the Sale Shares and HK\$6,153,846.00 for the Notes) and which shall be satisfied by VIL in cash. The Group funded this from its internal cash resources.

The Sale Shares and the Notes were acquired by Universal prior to the listing of the MTel Shares on GEM on 9th May 2003. The consideration for the Acquisition was based on arm's length negotiations between Universal and VIL and was by reference to the recent trading prices of MTel Shares on GEM. The consideration was negotiated by reference to 6.3% discount with reference to the 5 days average of the MTel Shares from 2nd April 2004 to 13th April 2004, being HK\$0.32, as traded on GEM. There are no restrictions on the transfer of Sale Shares after completion of the Acquisition. However, in accordance with the terms of the Convertible Notes, subsequent sale of the Notes is subject to consent from other noteholders of the Convertible Notes and has to comply with procedures for transfer as set out in the instrument constituting them. The Board considers that the consideration is fair and reasonable. Further details of the Convertible Notes are set out in the prospectus of MTel dated 30th April 2003.

LETTER FROM THE BOARD

INFORMATION ON UNIVERSAL

Universal is an investment holding company beneficially owned as to 100% by Mr. Chan. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Universal and its beneficial owner, Mr. Chan, are independent third parties not connected with the Company, the Directors, its chief executives or substantial Shareholders or any of their respective Associates.

INFORMATION ON MTEL

MTel Group is a mobile data solution provider engaged in the development and provision of mobile data solutions that enable mobile telecommunication operators, hardware manufacturers, IT-related companies including software/applications developers and enterprises, such as financial institutions and media companies, to deliver data to users of various types of wireless terminals. The losses of MTel before and after taxation for the two years ended 31st March 2002 and 31st March 2003 are HK\$27,113,000 and HK\$8,750,000 respectively. The net asset value of MTel as at 30th September 2003 is HK\$24,555,000.

INFORMATION ON THE COMPANY AND REASONS FOR ACQUISITION

The Group is one of the leading network solutions providers in the People's Republic of China engaged principally in the construction of data networks infrastructure and provision of related networking applications riding over the data infrastructure for telecommunications service providers and enterprise customers in Macau, Hong Kong and the PRC. The Group provides full integrated services ranging from network planning, design, installation and implementation to maintenance and after-sales technical support and provision of networking hardware and value-added applications such as network management systems.

The Directors believe that the Acquisition is a strategic fit in the roadmap of the Group to diversify into the high growth area of multi-media value-added services business in the mobile/voice domain. With MTel specializing in data and network technology and providing SMS contents to an established network of telecommunications service providers in the Asia Pacific region, the increase in equity stake in MTel together with the proposed acquisition by the Group of four companies in Europe (details of which were announced on 30th March 2004 and contained in the circular on 20th April 2004 and which remains conditional) will help to reinforce the long term strategy of the Company to create a global presence in the multi-media value added services domain. Universal and its beneficial owner, Mr. Chan, are independent parties not connected with the four companies in Europe, their directors, chief executives or substantial shareholders or any of their respective Associates. As at 15th April 2004, the Group already holds approximately 7.3% of MTel Shares and Convertible Notes in the principal amount of HK\$1,600,000 and Universal holds approximately 7.3% of MTel Shares and Convertible Notes in the principal amount of HK\$1,600,000. All of these interests were acquired prior to the listing of the MTel Shares on GEM. Immediately after completion of the Acquisition, the shareholding interest of the Group in MTel will increase to approximately 14.6% and it will hold Convertible Notes in the aggregate principal amount of HK\$3,200,000, which could be converted into 41,025,640 MTel Shares at HK\$0.078, representing 9.3% of existing issued share capital of MTel.

LETTER FROM THE BOARD

Given the recent trading prices of MTel Shares and the consideration being negotiated by reference to 6.3% discount with reference to the 5 days average of the MTel Shares from 2nd April 2004 to 13th April 2004 as traded on GEM, the Board considers that the terms of the Acquisition were arrived at after arm's length negotiations with Universal and the terms of the Deed are fair and reasonable and in the interests of the Shareholders. By reference to the closing price of MTel Share on the Latest Practicable Date, being HK\$0.32 per MTel Share, it is not expected that the Acquisition will have a significant impact on the profit and loss of the Group. In terms of the impact of the Acquisition on the cost of the investment of the Group in MTel, as the acquisition cost in this Acquisition is higher than the original cost of the Group of its initial stake in MTel at time of its listing, the cost of investment of the Group in MTel will increase.

GENERAL

The purchase of interests in the Notes and Sale Shares constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
Vodatel Networks Holdings Limited
José Manuel dos Santos
Chairman

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance and the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in the circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular is published in connection with, and solely for the purpose of, the purchase of interests in the Notes and Sale Shares. It may not be used for any other purpose and, in particular, no person is authorized to use or reproduce this circular or any part thereof in connection with any offering of or solicitation of offers for offers for the Shares, the MTel Shares and the Convertible Notes.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the relevant interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 or Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required pursuant to section 352 of the SFO, to be entered in the register referred to therein or will be required, pursuant to rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Exchange were as follows:

Aggregate long and short positions in the Shares and (in respect of equity derivatives) underlying shares of the Company

Name of Director	Long position/ short position	Nature of interest	No. of Shares held	No. of underlying Company shares (in respect of share option) held	Approximate % of the issued share capital of the Company
Mr. José Manuel dos Santos	Long position	Corporate interest/founder of a discretionary trust (<i>Note 1</i>)	293,388,000	—	47.80%
	Long position	Personal (<i>Note 2</i>)	—	600,000	0.10%
	Short position	Corporate interest (<i>Note 3</i>)	—	16,362,000	2.67%
Mr. Yim Hong	Long position	Personal (<i>Note 4</i>)	7,357,500	900,000	1.35%
Mr. Kuan Kin Man	Long position	Personal (<i>Note 5</i>)	12,262,500	900,000	2.14%
Ms. Monica Maria Nunes	Long position	Personal (<i>Note 6</i>)	2,452,500	900,000	0.55%

Notes:

- (1) As at the Latest Practicable Date, these Shares were held in the name of Eve Resources Limited. The entire issued share capital in Eve Resources Limited was in turn held by Lois Resources Limited, a company wholly-owned by Mr. José Manuel dos Santos, as trustee of a discretionary family trust.
- (2) The personal interest of Mr. José Manuel dos Santos comprised 600,000 underlying shares in respect of share options granted by the Company to him. The aforesaid interest is held by Mr. José Manuel dos Santos as beneficial owner.
- (3) Options were granted by the Company under a share option scheme. Since Mr. José Manuel dos Santos was interested in more than one-third of the issued share capital of the Company at the Latest Practicable Date, he was deemed to have a short position in the 16,362,000 underlying shares.

- (4) The personal interest of Mr. Yim Hong comprised 7,357,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to him. The aforesaid interest is held by Mr. Yim Hong as beneficial owner.
- (5) The personal interest of Mr. Kuan Kin Man comprised 12,262,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to him. The aforesaid interest is held by Mr. Kuan Kin Man as beneficial owner.
- (6) The personal interest of Ms. Monica Maria Nunes comprised 2,452,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to her. The aforesaid interest is held by Ms. Monica Maria Nunes as beneficial owner.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which will fall to be disclosed to the Company under the provisions of Divisions 2 and 3 and Part XV of the SFO, or, who was, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Aggregate long and short positions in Shares and (in respect of equity derivatives) underlying shares of the Company

Name of Shareholder	Long position/ short position	Nature of interest	No. of Shares held	No. of underlying Company shares held	Approximate % of the issued share capital of the Company
Eve Resources Limited (Note 1)	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	—	16,362,000	2.67%
Lois Resources Limited (Note 1)	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	—	16,362,000	2.67%
Lei Hon Kin (Note 2)	Long position	Family interest	293,988,000	—	47.89%
	Short position	Corporate interest	—	16,362,000	2.67%

Notes:

- (1) The entire issued share capital in Eve Resources Limited is in turn held by Lois Resources Limited, a company wholly-owned by Mr. José Manuel dos Santos.
- (2) Ms. Lei Hon Kin, the spouse of Mr. José Manuel dos Santos, was deemed to be interested in 293,988,000 Shares which were deemed to be interested by Mr. José Manuel dos Santos.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) and their respective Associates have any interest in a business, which competes or may compete with the business of the Group.

LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known by the Directors to be pending or threatened against any member of the Group.

SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

GENERAL

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
2. The head office and principal place of business of the Company in Macau is at 74 da Rua da Felicidade, Edf. Vodatel, Taipa, Macau.
3. The principal place of business of the Company in Hong Kong is at Unit 1401, 14th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
4. The branch share registrar of the Company is Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
5. The company secretary and qualified accountant of the Company is Mr. Foo Chun Ngai Redford.
6. The compliance officer of the Company is Ms. Monica Maria Nunes.

7. The Company established an audit committee on 10th February 2000 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The following sets out the members of the audit committee of the Company:

Name	Position in the audit committee	Position in the Board
Mr. Chui Sai Cheong	Chairman	Independent Non-executive Director
Mr. Lo King Chiu Charles	Member	Independent Non-executive Director
Mr. José Manuel dos Santos	Member	Chairman

8. The English text of this document shall prevail over the Chinese text.