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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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 transferee or to the bank, licensed securities dealer or other agent through whom the sale 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.

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**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 Acquisition of a Macao Company**

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*This circular will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the day of its posting and on the website of the Company at [www.vodatelsys.com](http://www.vodatelsys.com).*

*\* for identification purpose only*

24th September 2004

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## CHARACTERISTICS OF GEM

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**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.**

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the Agreement
“Agreement”	the share transfer agreement effective on 1st September 2004 entered into between the Vendors and the Purchasers pursuant to which, inter alia, the Vendors agreed to sell and the Purchasers agreed to purchase the Sale Shares
“BH Wen”	文北海 (Wen Beihai), an individual resident in the PRC
“Board”	the board of Directors
“CAOCL”	Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability and is 100% beneficially owned by the Vendors
“Company”	Vodatel Networks Holdings Limited
“CPPCC”	Chinese People’s Political Consultative Conference
“Directors”	the directors of the Company
“Exchange”	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“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
“KL Li”	李凱樂 (Li Kaile), an individual resident in the PRC
“Latest Practicable Date”	23rd September 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Macao”	the Macao Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“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
“MIHL”	MegaInfo Holdings Limited, incorporated in Bermuda with limited liability, an indirectly owned subsidiary of the Company and whose shares are listed on GEM
“MOP”	Macao Patacas, the lawful currency of Macao
“OCCL”	Ou Chung Company Limited, incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, but for the purposes of this circular and for geographic reference only, excludes Taiwan, Macao and Hong Kong
“Purchasers”	OCCL and VHKL
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“SH Liang”	梁世和 (Liang Shihe), an individual resident in the PRC
“Sale Shares”	1 share of MOP60,000 held by BH Wen, 1 share of MOP20,000 held by KL Li and 1 share of MOP20,000 held by SH Liang in the issued share capital of CAOCL, representing the entire issued share capital of CAOCL
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of the Shares
“TCM”	Teleconcept-Multimedia N.V., incorporated in the Kingdom of the Netherlands with limited liability and an indirectly owned subsidiary of the Company
“U.S.A.”	the United States of America
“Vendors”	BH Wen, KL Li and SH Liang
“VHKL”	Vodatel Hong Kong Limited, incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company

*For the purpose of this circular, conversions of MOP into HK\$ are made, for illustration purposes only, at the rate of MOP1.00 = HK\$0.97. No representation is made that any amounts in MOP or HK\$ could have been or could be converted at the above rates or at any other rates at all.*

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LETTER FROM THE BOARD

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**VODATEL NETWORKS HOLDINGS LIMITED**

**愛達利網絡控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

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

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Chui Sai Cheong  
Lo King Chiu Charles

*Head Office and Principal Place of Business:*

74 da Rua da Felicidade  
Edf. Vodatel  
Taipa  
Macao

*Principal Place of Business in Hong Kong:*

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

24th September 2004

*To Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**

**in relation to the Acquisition of a Macao Company**

**INTRODUCTION**

Further to the announcement of the Company dated 3rd September 2004, the Directors are pleased to announce that on 1st September 2004, the Group entered into the Agreement with the Vendors through the Purchasers in relation to the Acquisition. Pursuant to the Agreement, the Purchasers acquired the Sale Shares for an aggregate consideration of MOP5,800,000 (HK\$5,626,000) in cash.

\* for identification purpose only

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## LETTER FROM THE BOARD

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

The Directors are of the view that the terms of the Agreement 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 Agreement. This circular also includes details required to be given to the Shareholders pursuant to Rule 19.64 of the GEM Listing Rules in respect of discloseable transactions.

### **PARTICULARS OF THE AGREEMENT**

#### **1. Date**

1st September 2004

#### **2. Parties**

- (i) The Purchasers
- (ii) The Vendors

#### **3. Assets to be acquired**

The Sale Shares. Pursuant to the Agreement, the Vendors agreed to sell and the Purchasers agreed to purchase the Sale Shares as follows:-

- (a) BH Wen shall transfer 1 share of MOP60,000 (HK\$58,200) in CAOCL to OCCL;
- (b) KL Li shall transfer 1 share of MOP20,000 (HK\$19,400) in CAOCL to VHKL; and
- (c) SH Liang shall split 1 share of MOP20,000 (HK\$19,400) in CAOCL into 2 shares of which 1 share of MOP15,000 (HK\$14,550) will be transferred to OCCL and 1 share of MOP5,000 (HK\$4,850) will be transferred to VHKL.

After the Acquisition, OCCL would combine the 2 shares transferred to it by BH Wen and SH Liang into 1 share of MOP75,000 (HK\$72,750) in CAOCL and VHKL would combine the 2 shares transferred to it by KL Li and SH Liang into 1 share of MOP25,000 (HK\$24,250) in CAOCL. Hence, CAOCL would become a subsidiary of the Group with OCCL and VHKL being interested in 75% and 25% respectively in CAOCL.

#### **4. Consideration**

MOP5,800,000 (HK\$5,626,000), which was paid by the Purchasers in cash on 1st September 2004.

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## LETTER FROM THE BOARD

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The consideration was agreed after arm's length negotiations between the Vendors and the Purchasers by reference to a discount of MOP600,000 (HK\$582,000) to the adjusted unaudited net asset value of CAOCL as at 31st July 2004 of MOP6,400,000 (HK\$6,208,000). The increase of MOP5,787,027 (approximately HK\$5,613,416) in the net asset value since 31st December 2003 was mainly due to a revaluation of the retail shop owned by CAOCL in Macao of an additional MOP2,170,000 (HK\$2,104,900) and the capitalization of a shareholders' loan of MOP3,048,840 (approximately HK\$2,957,375). The consideration will be funded by internally generated funds of the Group.

### INFORMATION ON THE COMPANY

The Group is one of the leading network solution 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 Macao, Hong Kong and the PRC. The Group provides a full range of 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.

### INFORMATION ON THE VENDORS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are independent third parties not connected with the Company, the Directors, its chief executives and substantial Shareholders or any of their respective associates (as such term is defined under the GEM Listing Rules).

### INFORMATION ON CAOCL

CAOCL is one of the leading distributors of mobile handsets in Macao with an established distribution network of over 100 retailers. The assets of CAOCL consist mainly of cash, inventories, and a fixed asset which includes ownership of one retail shop in Macao which is currently used by CAOCL in displaying and selling mobile handsets. This retail shop was valued at MOP2,200,000 (HK\$2,134,000) as at 11th July 2004 by a valuer who is an independent third party not connected with the Company, the Directors, its chief executives and substantial Shareholders or any of their respective associates (as such term is defined under the GEM Listing Rules). CAOCL only has trade-related payables and currently has no other short-term or long-term liabilities.

The unaudited profits of CAOCL before taxation for the two years ended 31st December 2002 and 31st December 2003 were MOP6,560 (approximately HK\$6,363) and MOP28,730 (approximately HK\$27,868) respectively. The relevant unaudited profit figures after taxation for the aforesaid two years were MOP3,599 (approximately HK\$3,491) and MOP28,035 (approximately HK\$27,194) respectively. The unaudited net asset value of CAOCL as at 31st December 2003 was MOP612,973 (approximately HK\$594,584).



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## LETTER FROM THE BOARD

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### REASONS FOR THE ACQUISITION

The Acquisition marked another strategic move of the Group to become a market player in the mobile domain. It has also allowed the Group to further strengthen its market positioning in Macao as a leading and reputable provider of telecommunications services and to capitalize on the strong growth momentum of the economy of Macao. Boosted by the opening up of the gaming industry, earnings of the working class have been significantly improved. Coupled with the influx of foreign expatriates, number of users of mobile handsets in Macao is expected to grow at a promising trend.

In addition, as was the case with the recent acquisition of TCM by the Group, this transaction is another acquisition to further strengthen the revenue base of the Group, with the aim of achieving a more stable and recurring monthly stream of revenue and earnings. The Directors are of the view that the Acquisition will increase the earnings of the Group but the amount of such increase cannot currently be ascertained. As CAOCL was acquired for a consideration of MOP5,800,000 (HK\$5,626,000) which represents a discount of MOP600,000 (HK\$582,000) to its adjusted unaudited net asset value as at 31st July 2004 of MOP6,400,000 (HK\$6,208,000), it is expected that the net asset value of the Group will be increased by MOP600,000 (HK\$582,000) by reference only to the Acquisition. The Group views its involvement in distribution of mobile handsets as part of a downstream diversification of the principal business of the Group.

The Board considers that the terms of the Acquisition were arrived at after arm's length negotiations with the Vendors and the terms of the Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

### GENERAL

The Acquisition 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 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:

- (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 in the circular 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 is published in connection with, and solely for the purpose of, the Acquisition. 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 for offers of the Shares.

## DISCLOSURE OF INTERESTS

## 1. DIRECTORS

As at the Latest Practicable Date, the relevant interests or 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 are required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or are required pursuant to section 352 of the SFO, to be entered in the register referred to therein or are required, pursuant to rules 5.46 to 5.67 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)		Approximate % of the issued share capital of the Company
				held	held	
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> )	—	15,312,000	—	2.49%
Yim Hong	Long position	Personal ( <i>Note 4</i> )	7,357,500	900,000	—	1.35%
Kuan Kin Man	Long position	Personal ( <i>Note 5</i> )	12,262,500	900,000	—	2.14%
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 of Eve Resources Limited was in turn held by Lois Resources Limited, a company wholly-owned by José Manuel dos Santos, as trustee of a discretionary family trust.
- (2) The personal interest of José Manuel dos Santos comprised 600,000 underlying shares in respect of share options granted by the Company to him on 30th June 2003 for a consideration of HK\$1.00 where the options are exercisable from 30th June 2003 till 29th June 2006 at HK\$0.42 per share. The aforesaid interest is held by José Manuel dos Santos as beneficial owner.
- (3) Options were granted by the Company under a share option scheme. Since José Manuel dos Santos was interested in more than one-third of the issued share capital of the Company as at the Latest Practicable Date, he was deemed to have a short position in the 15,312,000 underlying shares.

- (4) The personal interest of Yim Hong comprised 7,357,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to him on 30th June 2003 for a consideration of HK\$1.00 where the options are exercisable from 30th June 2003 till 29th June 2006 at HK\$0.42 per share. The aforesaid interest is held by Yim Hong as beneficial owner.
- (5) The personal interest of Kuan Kin Man comprised 12,262,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to him on 30th June 2003 for a consideration of HK\$1.00 where the options are exercisable from 30th June 2003 till 29th June 2006 at HK\$0.42 per share. The aforesaid interest is held by Kuan Kin Man as beneficial owner.
- (6) The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 900,000 underlying shares in respect of share options granted by the Company to her on 30th June 2003 for a consideration of HK\$1.00 where the options are exercisable from 30th June 2003 till 29th June 2006 at HK\$0.42 per share. The aforesaid interest is held by Monica Maria Nunes as beneficial owner.

## 2. 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 would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of 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 member of the Group:

### Aggregate long and short positions in the 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	Approximate % of the issued share capital of the Company
				(in respect of share option) held	
Eve Resources Limited (Note 1)	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	—	15,312,000	2.49%
Lois Resources Limited (Note 1)	Long position	Corporate interest	293,388,000	—	47.80%
	Short position	Corporate interest	—	15,312,000	2.49%
Lei Hon Kin (Note 2)	Long position	Family interest	293,988,000	—	47.89%
	Short position	Corporate interest	—	15,312,000	2.49%

#### Notes:

- (1) The entire issued share capital in Eve Resources Limited is in turn held by Lois Resources Limited, a company wholly-owned by José Manuel dos Santos.

- (2) Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in 293,988,000 Shares which were deemed to be interested by José Manuel dos Santos.

### Substantial shareholding in other members of the Group

Name of Group member	Name of shareholder	Approximate % of the issued share capital of the Group member held by the shareholder
廣州市愛達利發展有限公司 (Guangzhou Vodatel Development Limited*)	Ho Wai Sam Paul	23%
廣州市愛達利發展有限公司 (Guangzhou Vodatel Development Limited*)	Wong Chi Ping	23%
廣州市圖文資訊有限公司 (Guangzhou Information Communication Co., Ltd.*)	呂晚昌 (Lu Wan Chang*)	18.18%
Guangzhou Thinker Vodatel Limited	廣州創想科技有限公司 (Guangzhou Thinker Technology Co., Ltd.*)	40%
MIHL	Gofull Investments Limited (Note 1)	13.95%
TCM	Tempestaete Beheer B.V. (Note 2)	11%
TCM	Umbrella Television Productions B.V. (Note 3)	21%

\* for identification purpose only

#### Notes:

- (1) The entire issued share capital of Gofull Investments Limited is ultimately held by eForce Holdings Limited, a company whose shares are listed on the Main Board.
- (2) The entire issued share capital of Tempestaete Beheer B.V. is ultimately held by Pieter Willem Francois Marie Storms, a director of TCM.
- (3) The entire issued share capital of Umbrella Television Productions B.V. is ultimately held by Harold Anton Aart Bart Skene and George Johan Skene.

### COMPETING INTEREST

None of the Directors or management shareholders of the Company (as such term is defined under the GEM Listing Rules) any their respective associates (as such term is defined under the GEM Listing Rules) 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 entered into any service contract with any member of the Group nor are there any service contract proposed which is not determinable by the Group within one year without payment of any compensation other than statutory compensation.

**GENERAL**

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
2. The head office and principal place of business of the Company is at 74 da Rua da Felicidade, Edf. Vodatel, Taipa, Macao.
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 Foo Chun Ngai Redford, a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
6. The compliance officer of the Company is Monica Maria Nunes, Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada.
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:

<b>Name</b>	<b>Position in the audit committee</b>	<b>Position in the Board</b>
Chui Sai Cheong	Chairman	Independent non-executive Director
Lo King Chiu Charles	Member	Independent non-executive Director
José Manuel dos Santos	Member	Chairman

Chui Sai Cheong, aged 50, was appointed as an independent non-executive Director on 14th December 1999. He is a registered auditor and a civil constructor in Macao and a fellow of CPA Australia with a Master degree in Business Administration from Chaminade University of Honolulu, U.S.A. He is a member of several key Governmental committees including the National Committee, CPPCC and the Legislative Assembly of Macao. He holds several prominent positions in professional bodies including the Macao Chamber of Commerce (Vice President of Board of Director), the Macau Management Association (President) and the Association of Economic Sciences of Macao (President). He is an independent non-executive director of Innovo Leisure Recreation Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board.

Lo King Chiu Charles, aged 60, was appointed as an independent non-executive Director on 14th December 1999. He holds a Bachelor degree of Arts and major in economics from Lake Forest University, U.S.A. in 1967. He is a member of Jiangxi Province Committee, CPPCC. He is the Special Advisor to President (Asia) of the University of Victoria in Canada and is a consultant on public relations for British American Tobacco Plc in Macao. He is also the founder of the Macao Junior Chamber of Commerce and Past President of the Rotary Club in Macao.

José Manuel dos Santos, aged 56, is the founder of the Group and chairman of the Company. He has over 30 years' experience in the telecommunications industry in the Asia Pacific region. He served in a senior position at Direccao dos Servicos de Correios e Telecomunicacoes, the telecommunications authority of Macao, prior to the founding of Zetronic Communications (Macao) Limited and subsequently the Group. He is an executive director of MIHL.

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