

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



## **VODATEL NETWORKS HOLDINGS LIMITED**

**愛達利網絡控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**Stock Code: 8033**

### **ANNOUNCEMENT DISCLOSEABLE TRANSACTION**

#### **SUMMARY**

The Board is pleased to announce that on 25th March, 2004, the Agreement relating to the sale and purchase of interests in the Sale Companies and option over interests in the Option Company has been entered into between the Company, VIHL, THI and the Skene Brothers.

The purchase of interests in the Sale Companies contemplated under the Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing details of the transaction will be dispatched to Shareholders as soon as practicable.

#### **THE AGREEMENT**

|                       |   |  |
|-----------------------|---|--|
| Date                  | : | 25th March, 2004   |
| Parties               | : | (i) VIHL (as purchaser)<br>(ii) Company (as guarantor for VIHL)<br>(iii) THI (as vendor)<br>(iv) Skene Brothers (as guarantors for THI)                |
| Assets to be acquired | : | The Subscription Shares. Subject to and conditional upon Completion taking place, the Option will also be granted by THI to VIHL over the Newco Shares |

- Conditions : This Agreement is conditional, among other things, upon:
- (1) the Skene Brothers, THI and Target Companies having obtained all consents or approval of any relevant governmental authorities or other relevant third parties for the entry into and implementation of the Agreement;
  - (2) agreement as to the scope of representations and warranties to be given and the terms of a shareholders agreement to be entered into between VIHL and the Skene Brothers;
  - (3) VIHL being satisfied as to results of the due diligence on the Sale Companies; and
  - (4) an agreement on the revenue/profit target of the Sale/Target Companies for the financial years 2004 and 2005 and the incentive/adjustment mechanism to such revenue/profit target.

The conditions must be fulfilled on or before 5:00 p.m. (Hong Kong time) on 30th June, 2004 (or such later date as the parties may agree in writing), if not, the Agreement shall lapse and be of no further effect.

- Consideration : €4.6 million (approximately HK\$43.4 million) in cash which shall be satisfied by VIHL as follows:-
- (i) €2.0 million (approximately HK\$18.9 million) to be paid on the 5th Business Day from the date of the Agreement into an escrow account with an independent third party. If the Agreement does not proceed to Completion or does not become unconditional by 30th June, 2004, the amount so deposited shall be refunded (with interest) in full to VIHL; and
  - (ii) €2.6 million (approximately HK\$24.5 million) on the 60th day after the Completion Date.

As part of the Agreement, the Option has been granted. This is capable of being exercised on or before 25th March, 2005. If so exercised, VIHL shall pay €1.7 million (approximately HK\$16.0 million) for the Option Company. If not exercised on or before 25th March, 2005, the Option shall lapse.

## **THE CONSIDERATION**

The consideration for the Acquisition was arrived at based on arm's length negotiations between the Company and THI and is by reference to the past, present and future financial performance and the strategic value of the Sale Companies. Although the Sale Companies were loss making for the years 2001 and 2002, there is an unaudited profit (which is based on management accounts made available to the Company and subject to its due diligence) of €0.5 million (approximately HK\$5.0 million) for year 2003. The consideration was considered by reference to a profit earnings ratio of approximately 8.7 times of the unaudited profit. The Board believes that the business of the Sale Companies has turned the corner. In addition, the Agreement is subject to a condition precedent where the parties to the Agreement have to agree on a revenue/profit target of the Sale Companies for the financial years 2004 and 2005 and the incentive/adjustment mechanism to such revenue/profit target. Should the parties not be able to agree on the said target, the Acquisition would not proceed. The Board considers that the consideration is fair and reasonable.

## **INFORMATION ON THE COMPANY**

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 fully 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 SALE COMPANIES**

The Sale Companies, located in four different countries including the Netherlands, Spain, Germany and Finland, are engaged in the provision of multi-media value-added services such as content and campaign management, distribution and billing via a number of platforms, such as IVR, interactive internet solutions and premium SMS focused on media, enterprise communications, entertainment for consumers and direct marketing markets.

The Sale Companies address principally the media and entertainment market and the enterprise and corporate services market, operating a revenue sharing business model through the offering of products and services through telecommunications service providers and media operations in the following three categories:

- IVR-based services groups covering (a) sales, promotion and infotainment such as call & win, voting and product information; (b) order and information services such as call & order, reservations and financial information; (c) market research such as polling, product test and client service; and (d) sweepstakes and entertainment such as virtual chat, horoscopes and tarot;
- SMS-based applications services, such as interactive chat, contests, voting, polls, quizzes, games, talk-show applications, affinity-marketing programs classified advertising, dating, co-marketing programs and advertisements; and

- Internet-based application services including (a) Switch4xs internet billing solutions that provide access to a website or application at a fixed rate per minute by switching the modem to a premium rate number; and (b) Call4xs internet billing solutions that allow access to a website or application for a predefined period of time using a pin-code provided by calling a premium rate number.

Prior to Completion, the entire issued share capital of all the Sale Companies will be transferred to the Issuer except TeleConcept Benelux B.V.. In the case of TeleConcept Benelux B.V., either its entire issued share capital or its assets will be transferred into the Issuer prior to Completion.

As at 31st December 2003, the aggregate unaudited net tangible liabilities of the Sale Companies (but not on a consolidated basis) amount to €1.4 million (approximately HK\$13.4 million). The consolidated net assets/liabilities position of the Sale Companies can only be ascertained after the due diligence review and taking into account professional advice in relation to tax and other matters as to how this can be or ought to be improved.

THI and the Skene Brothers 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 THE OPTION COMPANY**

The Option Company, located in Spain, is engaged in the provision of adult entertainment content via IVR, interactive internet solutions and premium SMS.

Prior to the completion of the Option, the entire issued share capital of the Option Company will be transferred to the Newco.

## **REASONS FOR THE ACQUISITION**

The Directors believe that the Acquisition is a strategic fit in the roadmap of the Group diversify into the high growth area of multi-media value-added services business in the mobile/voice domain, reinforcing the position of the Group in the telecommunications arena. The Sale Companies are one of the leading multi-media value-added services provider of content and campaign management, distribution and billing via IVR, interactive internet solutions and premium SMS in the European markets. The Acquisition will allow the Group to well position itself to capture the growth potential of this market and the Sale Companies are expected to become the platform of the Group to extend its geographical reach to other European markets and to promote other voice and data related services and the Group's self-developed networking applications, such as the data network management systems.

The Acquisition is also believed to strategically diversify the Group into the more established and steady growth of the European market in multi-media value-added services business, further bolstering the revenue of the Group base by creating a stable and recurring monthly stream of revenue.

The Sale Companies have an established customer base of over 100 companies and organizations and relationships with telecommunications service providers in Europe, whereas the Group has established customer base in 20 provinces, municipalities and autonomous regions in the PRC, hence offering the potential of cross-selling opportunities among the Sale Companies and the Group. Cross-selling refers to business referrals between the Sale Companies and the Group which will be conducted in accordance with relevant laws and regulations in different jurisdictions. However, until the due diligence is completed, it is impossible to speculate whether or not there would be any regulatory barriers.

Although the Sale Companies were loss making for the years 2001 and 2002, there is an unaudited profit (which is based on management accounts made available to the Company and subject to its due diligence) of €0.5 million (approximately HK\$5.0 million) for year 2003. The consideration was considered by reference to a profit earnings ratio of approximately 8.7 times of the unaudited profit. The Board believes that the business of the Sale Companies has turned the corner. In addition, the Agreement is subject to a condition precedent where the parties to the Agreement have to agree on a revenue/profit target of the Sale Companies for the financial years 2004 and 2005 and the incentive/adjustment mechanism to such revenue/profit target. Should the parties not be able to agree on the said target, the Acquisition would not proceed. The Directors consider that the terms of the Acquisition were arrived at after arm's length negotiations with THI and the terms of the transaction are fair and reasonable and in the interests of the Shareholders. A further announcement will be made as and when all the conditions to the Agreement have been fulfilled, including but not limited to, the revenue and profit targets and the form of adjustments should such targets not be reached.

## **NEGOTIATIONS WITH MTEL**

The Company has begun preliminary discussions with MTel as to whether MTel wishes to purchase not more than 10% interest in the Issuer. The terms and conditions of the proposed acquisition by MTel have not been determined and the proposed acquisition may or may not proceed.

The Group is, at the date of this announcement, interested in 7.3% of the shares of MTel and holds Convertible Notes in the principal amount of HK\$1,600,000. Further details of these Convertible Notes are set out in the prospectus of MTel dated 30th April, 2003.

## **DEFINITIONS**

|               |  |
|---------------|--|
| “Acquisition” | the acquisition of the Subscription Shares of the Newco Shares pursuant to the Agreement                               |
| “Agreement”   | the sale and purchase agreement entered into between the Company, VIHL, THI and the Skene Brothers on 25th March, 2004 |
| “Associates”  | the meaning ascribed to it under the GEM Listing Rules   |
| “Board”       | the board of directors of the Company  |

|                     |  |
|---------------------|--|
| “Business Day”      | a day (other than a Saturday) on which banks are open for business in Hong Kong and the Netherlands  |
| “Company”           | Vodatel Networks Holdings Limited  |
| “Completion”        | the completion of the Subscription   |
| “Completion Date”   | the fifth Business Day after the satisfaction (or waiver by VIHL, as the case may be) of all of the Conditions   |
| “Convertible Notes” | convertible notes issued by MTel   |
| “Directors”         | the directors of the Company   |
| “Euro” or “€”       | the Euro, the lawful currency of the European Union  |
| “Exchange”          | The Stock Exchange of Hong Kong Limited  |
| “Finland”           | the Republic of Finland  |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM   |
| “GEM”               | the Growth Enterprise Market of the Exchange   |
| “Germany”           | the Federal Republic of Germany  |
| “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  |
| “Issuer”            | the company to be incorporated in a jurisdiction to be agreed between the parties to the Agreement (having considered professional advice as to the suitable jurisdiction in light of tax and other matters subject to due diligence) as the holding company of the Sale Companies prior to the Completion |
| “IVR”               | interactive voice response   |
| “Macau”             | the Macau Special Administrative Region of the People’s Republic of China  |
| “MTel”              | Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on GEM  |

|                       |   |
|-----------------------|---|
| “Newco”               | the company to be incorporated in a jurisdiction to be agreed between the parties to the Agreement (having considered professional advice as to the suitable jurisdiction in light of tax and other matters subject to due diligence) as the holding company for the Option Company   |
| “Newco Shares”        | 51% of the shares in Newco immediately after completion of the Option   |
| “Option”              | the option granted by THI to VIHL over the Newco Shares   |
| “Option Company”      | TeleService SL, a company incorporated in Spain, beneficially owned as to 100% by the Skene Brothers  |
| “PRC”                 | the People’s Republic of China, but for the purposes of this announcement and for geographical reference only, excludes Taiwan, Macau and Hong Kong   |
| “Sale Companies”      | (i) Voxtel Finland Oy, a company incorporated in Finland; (ii) Servicios Telefonicos de Audiotex S.A., a company incorporated in Spain; (iii) SuperCom Audiotex Systeme GmbH, a company incorporated in Germany; and (iv) TeleConcept Benelux B.V., a company incorporated in the Netherlands, all Sale Companies are owned as to 100% by THI |
| “Share(s)”            | share(s) of HK\$0.10 each in the share capital of the Company   |
| “Shareholder(s)”      | holder(s) of Shares of the Company  |
| “Skene Brothers”      | Harold Skene and George Skene   |
| “SMS”                 | short message services  |
| “Spain”               | the Kingdom of Spain  |
| “Subscription”        | the subscription of Subscription Shares   |
| “Subscription Shares” | 60% of the shares in the Issuer immediately after the Subscription  |
| “Target Companies “   | Sale Companies and Option Company   |
| “The Netherlands”     | The Kingdom of the Netherlands  |
| “THI”                 | Teleholding International B.V., a company incorporated in the Netherlands with limited liability beneficially owned as to 100% by the Skene Brothers  |

“VIHL”

Vodatel International Holdings Limited, incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company

For the purpose of this announcement, conversions of € into HK\$ are made, for illustration purposes only, at the rate of €1: HK\$9.43. No representation is made that any amounts in € or HK\$ could have been or could be converted at the above rates or at any other rates at all.

By order of the Board  
**José Manuel dos Santos**  
Chairman

Hong Kong 30th March, 2004

*This announcement, 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 enquiries, confirm that, to the best of their knowledge and belief; (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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

*\* for identification only*