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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**

### **ANNOUNCEMENT**

#### **COMPLETION AND CHANGES OF PAYMENTS TERMS OF THE ACQUISITION IN EUROPE**

The Directors are pleased to announce that the conditional Agreement to acquire certain companies/assets in Europe became unconditional on the Completion Date and completed on the same day. The Issuer, being the holding company of the Sale Companies, is a public limited company incorporated in the Netherlands.

Prior to completion of the Agreement, the parties entered into the Second Supplemental Agreement to finalise some of the conditions of the Agreement in respect of the turnover and EBITDA targets of the Issuer and the Sale Companies and to modify some of the warranties and method of satisfaction of the consideration payable under the Agreement. The main highlights are as follows:

- the amount payable under the Agreement remains €4.60 million (approximately HK\$43.38 million) but instead of all of this being payment for the Subscription Shares, it has been agreed that €2.30 million (approximately HK\$21.69 million) is paid as consideration for the Subscription Shares and €2.30 million (approximately HK\$21.69 million) is advanced to the Issuer as a subordinated shareholder's loan. The subordinated shareholder's loan is only repayable with the unanimous consent of all shareholders of the Issuer. The subordinated loan referred to above from VIHL to the Issuer in the amount of €2.30 million (approximately HK\$21.69 million) does not constitute a connected transaction for the Company as none of the substantial shareholders of the Issuer (other than VIHL) are directors of the Company. There is only one substantial shareholder of the Issuer who is also a director of the Issuer;
- an indemnity was given by THI and the Skene Brothers whereby they agreed to indemnify the Issuer in respect of employment related claims (if any) and up to €1.40 million (approximately HK\$13.20 million) for any tax liabilities of the Issuer and the Sale Companies prior to the Completion Date and THI and the Skene Brothers also granted a pledge over 51% of the shares of the Option Company as security for liabilities under a tax indemnity of up to €1.40 million (approximately HK\$13.20 million);

- the Issuer intends to effect a further reorganisation whereby businesses held by the Sale Companies will be migrated to newly set up subsidiaries as soon as practicable. For no additional payment, THI and the Skene Brothers also granted the Issuer a put option whereby, on or before the 4th anniversary of the Completion Date (in other words, at such time as the Issuer may decide after the contemplated reorganisation), the Issuer may require THI and the Skene Brothers, upon exercise of the put option, to purchase the Sale Companies.

The Shareholders Deed was also entered into in connection with the future operation of the Issuer and the Sale Companies.

The discussions of the Company with MTel as to a proposed sale of 10% in the Issuer to MTel are ongoing. Further announcement will be made as and when appropriate.

In this announcement, unless the content otherwise requires, terms used herein have the same meaning as terms defined in the announcement of the Company dated 30th March, 2004.

Subsequent to the Agreement, the Issuer, being the holding company of the Sale Companies, is a public limited company (but not listed) and incorporated in the Netherlands. The parties had also agreed that instead of Teleconcept Benelux B.V. being one of the companies acquired, its assets and liabilities would first be transferred to a private limited company named Teleconcept-Multimedia B.V. and that company would be one of the Sale Companies held by the Issuer.

## **Second Supplemental Agreement**

Date : Completion Date

Parties : (i) VIHL (as purchaser)  
(ii) Company (as guarantor of VIHL)  
(iii) THI (as vendor)  
(iv) Skene Brothers (as guarantors for THI)

Main amendments : *Consideration payable under the Agreement*

Under the Agreement, €4.60 million (approximately HK\$43.38 million) was payable for the Subscription Shares as follows:-

- (i) €2.00 million (approximately HK\$18.86 million) to be paid on the 5th Business Day from the date of the Agreement into an escrow account with an independent third party; and
- (ii) €2.60 million (approximately HK\$24.52 million) on the 60th day after the Completion Date.

The amount payable under the Agreement, as amended by the Second Supplemental Agreement, remains €4.60 million (approximately HK\$43.38 million) but is payable as follows:-

- (i) €2.30 million (approximately HK\$21.69 million) to be paid on the Completion Date; and
- (ii) €2.30 million (approximately HK\$21.69 million) on or before the 60th day after the Completion Date as a subordinated shareholder's loan from VIHL to the Issuer.

€2.30 million (approximately HK\$21.69 million) of the €4.60 million (approximately HK\$43.38 million) to be received by the Issuer will be paid to THI to complete the acquisition by the Issuer of the Sale Companies from THI. The subordinated shareholder's loan is interest free and only repayable with the unanimous consent of all shareholders of the Issuer. The subordinated loan referred to above from VIHL to the Issuer in the amount of €2.30 million (approximately HK\$21.69 million) does not constitute a connected transaction for the Company as none of the substantial shareholders of the Issuer (other than VIHL) are directors of the Company. There is only one substantial shareholder of the Issuer who is also a director of the Issuer.

*Delivery of tax indemnity in favour of the Issuer*

THI and the Skene Brothers had entered into an indemnity on the Completion Date whereby they agreed to indemnify the Issuer in respect of employment related claims (if any) and up to €1.40 million (approximately HK\$13.20 million) for any tax liabilities of the Sale Companies prior to Completion Date and THI and the Skene Brothers also granted a pledge over 51% of the shares of the Option Company as security for liabilities under a tax indemnity of up to €1.40 million (approximately HK\$13.20 million). The formalities of the pledge will be completed in Spain (as the Option Company is incorporated in Spain) no later than 31st July, 2004.

*Amendment of arrangements in respect of the Option Company*

As 51% of the shares of the Option Company are now subject to the above pledge agreement, the parties decided not to incorporate Newco. Instead, the Option has been amended so that, for the same price of €1.70 million (approximately HK\$16.03 million), THI will grant VIHL an option to directly subscribe for new shares in the Option Company which are equivalent to 51% of the issued shares of the Option Company (as enlarged by such issue) at that time. If not exercised on or before 25th March, 2005, the Option will lapse (as was the case in the Agreement).

### *Revenue/Profit Target of the Sale Companies*

Instead of Revenue/Profit Target, it was agreed that there would be turnover/EBITDA targets for the Issuer (as holding company of the Sale Companies), details of which would be set out in the Shareholders Deed as that would be an undertaking of all shareholders of the Shareholders Deed (other than VIHL and the Company).

Reason for change of:  
payment terms

As part of the financial due diligence and taking into account business plans in respect of the upcoming financial periods, it was agreed that VIHL could improve its payment terms under the agreement by extending half of it as shareholder's loan instead of full equity. This is advantageous to VIHL because it enables VIHL to better manage risks and to recover, subject to cash flow and other shareholders' consent, half of its cash investment and the part that remains as equity will enable VIHL to share in the increase, if any, in the value of the Sale Companies.

### **Shareholders Deed**

Date : Completion Date

Parties : (i) Issuer  
(ii) VIHL  
(iii) Umbrella  
(iv) WSBV  
(v) PSBV  
(vi) Skene Brothers, W Steiner, P Storms, the Company

Shareholders : Skene Brothers as to 21% via Umbrella  
W Steiner as to 8% via WSBV  
P Storms as to 11% via PSBV  
the Company as to 60% via VIHL

The Shareholders Deed sets out the main principles on which the Issuer and the Sale Companies will be operated. Although this is an agreement between VIHL and substantial shareholders and, in some cases, directors of the Issuer, there is no consideration payable and therefore this is a de minimus connected transaction under the GEM Listing Rules.

### *Turnover/EBITDA targets of the Issuer*

Subsequent to the date of the Agreement, the parties have also, in the Shareholders Deed, agreed on the turnover/EBITDA targets of the Issuer and the Sale Companies as follows:

- (i) Turnover - for each of the two 12-month periods ending 30th June, 2006, turnover shall be no less than €17.70 million (approximately HK\$166.91 million) for the 12 months ending 30th June, 2005 (“2005 Turnover Target”) and no less than €21.24 million (approximately HK\$200.29 million) for the 12 months ending 30th June, 2006 (“2006 Turnover Target”); and
- (ii) EBITDA - for each of the two 12-month periods ending 30th June, 2006, EBITDA shall be no less than €1.24 million (approximately HK\$11.69 million) for the 12 months ending 30th June, 2005 (“2005 EBITDA Target”) and no less than €2.12 million (approximately HK\$19.99 million) for the 12 months ending 30th June, 2006 (“2006 EBITDA Target”).

Should these targets not be met, the shareholders (other than VIHL) and their respective ultimate shareholders of the Issuer (apart from the Company) shall be liable on a jointly and severally basis to pay VIHL in the following manner:

- (i) For turnover shortfall, for each €10.00 (approximately HK\$94.30) of shortfall, VIHL is entitled to €1.00 (approximately HK\$9.43); and
- (ii) For EBITDA shortfall, for each €1.00 (approximately HK\$9.43) of shortfall, VIHL is entitled to €1.00 (approximately HK\$9.43).

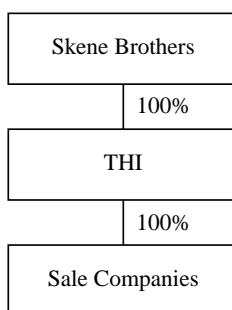
The maximum amount payable if the 2005 Turnover Target and the 2005 EBITDA Target are not met is €1.77 million (approximately HK\$16.69 million) and €1.24 million (approximately HK\$11.69 million) respectively, making an aggregate sum of €3.01 million (approximately HK\$28.38 million). For the 12 months ending 30th June, 2006, the maximum amount payable if the 2006 Turnover Target and the 2006 EBITDA Target are not met is €2.12 million (approximately HK\$19.99 million) and €2.12 (approximately HK\$19.99 million) million respectively, making an aggregate sum of €4.24 million (approximately HK\$39.98 million).

Any combined turnover/EBITDA shortfall which is 5% or less than targeted will be compensated in cash and if more than 5%, will be satisfied, at the option of VIHL, in cash or shares of the Issuer. Shares in the Issuer will be valued at an agreed value for the Issuer of €12.39 million (approximately HK\$116.84 million) for 2005 and €25.49 million (approximately HK\$240.37 million) for 2006 and any share adjustment would be pro rata the other shareholders of the Issuer by reference to their shares in the Issuer.

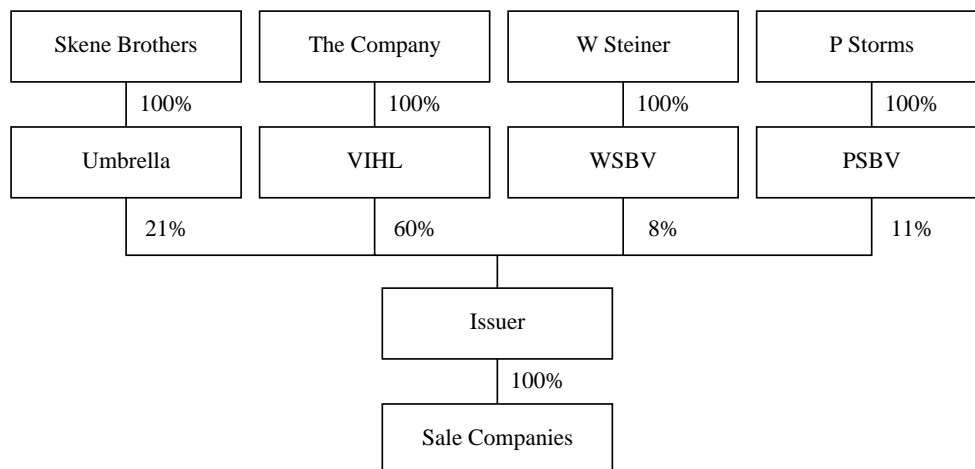
## SHAREHOLDING STRUCTURE

The announcement of the Company dated 30th March, 2004 and the circular dated 20th April, 2004 refer to the shareholding structure of the Issuer whereby after Completion, the Skene Brothers will have 40% shareholdings in the Issuer and VIHL will have a 60% shareholding in the Issuer. THI has requested and VIHL had agreed that of the shares in the Issuer held by the Skene Brothers, W Steiner would hold an 8% attributable interest and P Storms would hold an 11% attributable interest in the Issuer. Both W Steiner and P Storms are directors of the Issuer and represent the interests of the management. That would result in the Skene Brothers' interest in the Issuer being reduced to 21%. The interest of VIHL at 60% remains unchanged.

### Before Completion



The shareholding structure of the Issuer after Completion (and is now in place) is as follows:



## 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 Macao, 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 all engaged in the same business but each is responsible for a different geographical location and that is 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 operators in the following three categories:

- IVR-based services 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 has been transferred to the Issuer except Teleconcept Benelux B.V. In the case of Teleconcept Benelux B.V., its assets and liabilities based on its management accounts as at 31st March, 2004 were transferred into Teleconcept-Multimedia B.V. and Teleconcept-Multimedia B.V. was then transferred into the Issuer prior to the Completion Date.

THI, its ultimate beneficial owners 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, 51% of the issued share capital of the Option Company has been pledged in favour of VIHL.

Prior to Completion, the Skene Brothers were the 100% ultimate beneficial owners of the Option Company. After Completion, they remained 100% ultimate beneficial owners of the Option Company and are expected to remain so until such time as the Option granted in favour of VIHL is exercised and/or the pledge is enforced by the Issuer.

The Option may or may not be exercised by VIHL. Depending on whether there are any claims under the tax indemnities, the pledge may or may not be enforced by the Issuer.

## **NEGOTIATIONS WITH MTEL**

The proposed acquisition by MTel of interest in purchasing not more than 10% interest in the Issuer as set out in the announcement on 30th March, 2004 are ongoing.

The Group is, at the date of this announcement, interested in 14.6% of the shares of MTel and holds Convertible Notes in the principal amount of HK\$3.20 million. Further details of these Convertible Notes are set out in the prospectus of MTel dated 30th April, 2003.

## **DEFINITIONS**

“Agreement”	the sale and purchase agreement entered into between the Company, VIHL, THI and the Skene Brothers on 25th March, 2004 (as amended on 28th June, 2004)
“Completion Date”	9th July, 2004
“€”	the Euro, the lawful currency of the European Monetary Union
“EBITDA”	earnings before interests, taxation, depreciation and amortization
“Issuer”	Teleconcept-Multimedia N.V., the public limited company incorporated in the Netherlands as the holding company of the Sale Companies
“Macao”	the Macao Special Administrative Region of the People’s Republic of China
“Option”	the Option, as amended in the Second Supplemental Agreement and the principal charges of which are set out herein.
“Option Company”	TeleService SL, a company incorporated in Spain, beneficially owned ultimately as to 100% by the Skene Brothers
“PSBV”	Tempestaete Beheer B.V., a private limited company incorporated in the Netherlands, beneficially owned as to 100% by P Storms;



“P Storms”	Pieter Willem Francois Marie Storms, a director of the Issuer.
“Revenue/Profit Target”	the revenue/profit target of the Sale/Target Companies for the financial years 2004 and 2005 and the incentive/adjustment mechanism in relation to such revenue/profit target to be agreed by the Company, VIHL, THI and the Skene Brothers pursuant to the Agreement
“Sale Companies”	<p>(i) Voxtel Finland Oy, a company incorporated in Finland;</p> <p>(ii) Servicios Telefonicos de Audiotex, S.A., a company incorporated in Spain;</p> <p>(iii) SuperCom GmbH Audiotex Systeme, a company incorporated in Germany; and</p> <p>(iv) Teleconcept-Multimedia B.V., a company incorporated in the Netherlands</p>
“Second Supplemental Agreement”	A supplemental agreement entered into between VIHL (as purchaser), Company (as guarantor of VIHL), THI (as vendor) and the Skene Brothers (as guarantors for THI) on the Completion Date
“Shareholders Deed”	A shareholders deed in respect of the Issuer entered into on the Completion Date between the Issuer, VIHL, Umbrella, WSBV, PSBV and individuals named in the Shareholders Deed.
“Skene Brothers”	Harold Anton Aart Bart Skene and George Johan Skene
“Umbrella”	Umbrella Television Productions B.V., a private limited company incorporated in the Netherlands with limited liability, beneficially owned as to 100% by the Skene Brothers
“W Steiner”	Wouter Rudolf Karel Steiner, a director of the Issuer
“WSBV”	Wouter Steiner Beheer B.V., a private limited company incorporated in the Netherlands, beneficially owned as to 100% by W Steiner

*For the purpose of this announcement, conversions of € into HK\$ are made, for illustration purposes only, at the rate of € 1.00 = 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 or at all.*

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

Hong Kong, 21st July, 2004

*Executive Directors*

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

*Independent non-executive Directors*

Chui Sai Cheong  
Lo King Chiu Charles

*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 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*