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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 ACQUISITION OF A MACAO COMPANY

SUMMARY

The Board is pleased to announce that on 1st September, 2004, the Agreement relating to the sale and purchase of the Sale Shares has been entered into between the Vendors and the Purchasers.

The purchase of the Sale Shares 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 : 1st September, 2004

Parties : (i) The Purchasers
(ii) The Vendors

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.

Consideration : MOP5,800,000 (HK\$5,626,000) and which shall be satisfied by the Purchasers in cash.

THE CONSIDERATION

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 net assets 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 the 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 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.

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 handset 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. The 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 defined under the GEM Listing Rules). CAOCL only has trade-related payables and currently had 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 net asset value of CAOCL as at 31st December, 2003 is MOP612,973 (approximately HK\$594,584).

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 telecommunication services and to capitalize on the strong growth momentum of the economy of Macao. Boosted by the opening up of the gaming industry, the earnings of the working class have been significantly improved. Coupled with the influx of foreign expatriates, number of users of mobile phones 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 Group views its involvement in mobile distribution 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.

A circular containing details of the Acquisition will be dispatched to Shareholders as soon as practicable in accordance with Rule 19.38 of the GEM Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares pursuant to the Agreement
“Agreement”	the share transfer agreement taking 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

“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
“KL Li”	李凱樂 (Li Kaile), an individual resident in the PRC
“Macao”	the Macao Special Administrative Region of the People’s Republic of China
“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 announcement and for geographic reference only, excludes Taiwan, Macao and Hong Kong
“Purchasers”	OCCL and VHKL
“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
“Shareholders”	holders of shares of HK\$0.10 each in the share capital of the Company
“SH Liang”	梁世和 (Liang Shihe), an individual resident in the PRC
“TCM”	Teleconcept-Multimedia N.V., incorporated in the Kingdom of the Netherlands with limited liability and an indirectly owned subsidiary of the Company
“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 announcement, 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.

By order of the Board
José Manuel dos Santos
Chairman

Hong Kong, 3rd September, 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 document 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.

** For identification purpose only*