
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 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.

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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 disposal of the entire equity interest in CAOCL

This circular will remain on the Internet website operated by the Exchange for the purposes of GEM on the "Latest Company Announcements" page for at least seven days from the date of posting and on www.irasia.com/listco/hk/vodatel/index.htm and on www.vodatelsys.com.

** for identification purpose only*

14th July, 2008

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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.

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DEFINITIONS

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

“Agreement”	the sale and purchase agreement entered into between the Purchasers, OCCL and VHKL on 30th June, 2008 in relation to the sale and purchase of the entire equity interest of CAOCL
“Associate”	has the meaning ascribed thereto in the GEM Listing Rules
“Associated Corporations”	corporations: <ol style="list-style-type: none">1. which are subsidiaries or holding companies of the Company or subsidiaries of the holding company of the Company; or2. (not being subsidiaries of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued share of that class
“Audit Committee”	the audit committee of the Company
“Board”	the board of the Directors
“BVI”	British Virgin Islands
“CAOCL”	Communications Appliances Ou Chung Limited, incorporated in Macao with limited liability and an indirectly wholly-owned subsidiary of the Company prior to the completion of the sale of its entire equity interest
“Chief Executive”	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
“CNMS”	customer network management system
“Company”	Vodatel Networks Holdings Limited
“Connected Person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	consideration for the entire equity interest of CAOCL, being MOP160,000 (approximately HK\$155,000)
“Directors”	the directors of the Company

DEFINITIONS

“ERL”	Eve Resources Limited, a company incorporated in BVI with limited liability
“Exchange”	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“GEM”	the Growth Enterprise Market operated by the Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM made by the Exchange from time to time
“Group”	the Company and its subsidiaries
“GVDL”	廣州市愛達利發展有限公司 (Guangzhou Vodatel Development Limited*), incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to The Stock Exchange of Hong Kong Limited, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and Vodatel Hong Kong Limited)
“Latest Practicable Date”	11th July, 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LRL”	Lois Resources Limited, a company incorporated in BVI with limited liability
“Macao”	the Macao Special Administrative Region of PRC
“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
“Management Shareholder(s)”	any person who is (or a group of persons who together are) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who is (or are) able, as a practical matter, to direct or influence the management of the Company
“Members”	the holders of Shares
“MOP”	Patacas, the lawful currency of Macao

DEFINITIONS

“OCCL”	Ou Chung Company Limited, incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Option”	a right to subscribe for Shares granted pursuant to the share option scheme approved by the Members at a special general meeting on 5th November, 2002
“PRC”	The People’s Republic of China
“Purchasers”	Vong Meng and Mak Pui I, independent third parties. Vong Meng was an employee of CAOCL
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Substantial Shareholder(s)”	in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company
“US\$”	United States Dollar, the lawful currency of USA
“USA”	The United States of America
“VHKL”	Vodatel Hong Kong Limited, incorporated in Hong Kong 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)

Stock Code: 8033

Executive Directors

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

Independent Non-Executive Directors

Lo King Chiu Charles
Fung Kee Yue Roger
Wong Tsu An Patrick

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**Head Office and Principal Place
of Business**

74 da Rua da Felicidade
Edifício Vodatel
Taipa
Macao

**Principal Place of Business
in Hong Kong**

Room 713B, 7th Floor
Block B, Seaview Estate
2-8 Watson Road
North Point

14th July, 2008

To Members

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
in relation to the disposal of the entire equity interest in CAOCL

INTRODUCTION

Further to the announcement of the Company dated 30th June, 2008 the Board is pleased to announce that on 30th June, 2008, the Agreement relating to the sale of the entire equity interest in CAOCL for MOP160,000 (approximately HK\$155,000) was entered into between OCCL, VHKL and the Purchasers.

* for identification purpose only

LETTER FROM THE BOARD

The sale of the entire equity interest in CAOCL under the Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules as the revenue ratio exceeds 5% but is less than 25%. As such the sale of the entire equity interest in CAOCL is subject to reporting, announcement and circular publication requirements.

The Board considers that the terms of the Agreement were arrived at after arm's length negotiations with the Purchasers and terms of the Agreement are on normal commercial terms, fair and reasonable, and the entering into the Agreement by OCCL and VHKL are in the interests of the Company and the Members as a whole.

The purpose of this circular is to provide you with further information in relation to the Agreement. This circular also includes details required to be given to the Members pursuant to rule 19.64 of the GEM Listing Rules in respect of discloseable transactions.

PARTICULARS OF THE AGREEMENT

1. Date

30th June, 2008

2. Parties

- (a) The Purchasers
- (b) OCCL and VHKL (as vendors)

3. Assets to be disposed

100% of CAOCL.

4. Consideration

MOP160,000 (approximately HK\$155,000), which shall be satisfied by the Purchasers in cash.

The Consideration was arrived at after arm's length negotiations between the Purchasers, OCCL and VHKL by reference to the net asset value according to the unaudited financial statements of CAOCL as at 30th June, 2008 (valuing CAOCL at MOP160,000 (approximately HK\$155,000)). As CAOCL is sold at its net asset value, there is no gain or loss expected to accrue to the Company as a result of the transaction.

The net book value of non-current assets held for sale of the Group will be reduced by approximately HK\$275,000 and the current assets of the Group will be increased by approximately HK\$155,000, subject to audit. The net book value of liabilities directly associated with non-current assets classified as held for sale of the Group will be reduced by approximately HK\$120,000. As CAOCL has been loss making prior to its disposal, its disposal will not have any negative impact of the earnings of the Group.

LETTER FROM THE BOARD

The proceeds from the sale of the entire equity interest in CAOCL, being MOP160,000 (approximately HK\$155,000), will be applied towards the general working capital of the Group.

5. Completion

On signing of the Agreement.

There is no restriction applicable to the subsequent sale of the equity interest in CAOCL.

INFORMATION OF THE COMPANY

The Group carries the vision to deliver high quality communications infrastructural solutions to customers, allowing them to manage their business and reach out for information, anywhere and anytime. The Group principally engages in the provision of network and system infrastructure and CNMS.

The Group provides an integrated span of services in network and system infrastructure, ranging from network and system planning, design, provision of equipment and software, installation and implementation to maintenance and technical support for public telecommunications service providers in PRC, such as China Telecom, China Netcom, China Unicom and China Mobile, and enterprise customers in selected vertical markets, such as cable TV operators, electricity bureaus, governmental authorities and universities. In Macao, the Group is also a leading provider of solutions in structured cabling, surveillance, trunking radio and networking for gaming and hotel operators.

The Group is also engaged in the provision of self-developed CNMS for public telecommunications service providers in PRC, which allows the various operators to effectively and efficiently manage the performance of and traffic over the networks.

INFORMATION OF THE PURCHASERS

One of the Purchasers was an employee of CAOCL. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers are third parties independent of the Company and its Connected Persons.

INFORMATION OF CAOCL

CAOCL was principally engaged in the sale of mobile phones in Macao prior to the decision of the Group to dispose of it on 13th December, 2007. Please refer to the annual report 2007 of the Company for further information.

The audited loss of CAOCL before and after taxation for the year ended 31st December, 2006 was approximately MOP1,754,000 (approximately HK\$1,703,000). The audited loss of CAOCL before and after taxation for the year ended 31st December, 2007 were approximately MOP672,000 (approximately HK\$652,000) and MOP916,000 (approximately HK\$889,000) respectively.

LETTER FROM THE BOARD

CAOCL will cease to be a subsidiary of the Company following completion of the Agreement and thereafter, the Company has no more shareholding interest in CAOCL.

REASONS FOR THE DISPOSAL

During the year ended 31st December, 2007, the Group has decided to exit from the business of distribution of mobile phones in Macao in order to focus its resources on more profitable segments of its businesses. In line with this strategy, the Group has decided to dispose of CAOCL in addition to its exit from other operating companies, further details of which are contained in the annual report 2007 of the Company.

The Board considers that the terms of the Agreement were arrived at after arm's length negotiations with the Purchasers and terms of the Agreement are on normal commercial terms, fair and reasonable, and the entering into the Agreement by OCCL and VHKL are in the interests of the Company and the Members as a whole.

There is no prior transaction of similar nature with the Purchasers which requires aggregation for the purpose of rule 19.22 of the GEM Listing Rules.

GENERAL

The disposal of the entire equity interest in CAOCL constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

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

Yours faithfully,
By order of the Board
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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this circular 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 circular misleading; and
3. 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.

DISCLOSURE OF INTERESTS

1. Directors' interests and short positions in Shares, underlying Shares and debentures of the Company or any Associated Corporations

As at the Latest Practicable Date, the relevant interests and short positions of the Directors or Chief Executive in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he took or deemed to have taken under such provisions of the SFO) or required pursuant to section 352 of the SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options) held (Note (h))	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate interest/founder of a discretionary trust (Note (a))	293,388,000	—	47.80%
	Personal (Note (b))	—	800,000	0.13%

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options) held (Note (h))	Approximate % of the issued share capital of the Company
Yim Hong	Personal (Note (c))	7,357,500	800,000	1.33%
Kuan Kin Man	Personal (Note (d))	22,112,500	800,000	3.73%
Monica Maria Nunes	Personal (Note (e))	2,452,500	800,000	0.53%
Lo King Chiu Charles	Personal (Note (f))	—	500,000	0.08%
Fung Kee Yue Roger	Personal (Note (g))	210,000	500,000	0.12%

Notes:

- (a) As at the Latest Practicable Date, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL, a company wholly-owned by José Manuel dos Santos as trustee of the existing trust whereby the family members of José Manuel dos Santos are the discretionary objects and which assets included a controlling stake of 47.8% of the issued share capital of the Company.
- (b) The personal interest of José Manuel dos Santos comprised 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by José Manuel dos Santos as beneficial owner.
- (c) The personal interest of Yim Hong comprised 7,357,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Yim Hong as beneficial owner.
- (d) The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- (e) The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 800,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- (f) The personal interest of Lo King Chiu Charles comprised 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Lo King Chiu Charles as beneficial owner.
- (g) The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.
- (h) The Options were granted on 11th July, 2007 and exercisable from 12th July, 2007 to 11th July, 2010 at HK\$0.32 per Share.

2. Substantial Shareholders' interests and short positions in the Shares and underlying Shares

The register of Substantial Shareholders required to be kept under section 336 of Part XV of the SFO showed that as at the Latest Practicable Date, the Company was notified of the following Substantial Shareholders' interests being 5% or more of the issued share capital of the Company. These interests were in addition to those disclosed above in respect of the Directors and Chief Executive:

Aggregate long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
ERL	Corporate interest (Note (a))	293,388,000	47.80%
LRL	Corporate interest (Note (a))	293,388,000	47.80%
Lei Hon Kin (Note (b))	Family interest	294,188,000	47.93%

Notes:

- (a) As at the Latest Practicable Date, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL.
- (b) Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in all the interests of José Manuel dos Santos.

Substantial shareholding in other members of the Group

Name of indirectly owned subsidiary of the Company and place of incorporation	Name of member	% of the issued share capital of the subsidiary held by the member
GVDL (PRC)	Ho Wai Sam Paul	23%
GVDL (PRC)	Wong Chi Ping	23%
廣州市圖文資訊有限公司 (Guangzhou Information Communication Co., Ltd.*) (PRC)	呂晚昌 (Lu Wan Chang*)	18.18%

* for identification purpose only

Save as disclosed above, the Directors are not aware of any person (other than Directors or Chief Executive) who, as at the Latest Practicable Date, has interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions

2 and 3 of Part XV of the SFO or which will be recorded in the register required to be kept under section 336 of the SFO, or who is expected, directly or indirectly, to be interested in 10% 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.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, senior management, the Management Shareholders or Substantial Shareholders or any of their respective Associates have any interest in a business, which competes or may compete with the business of the Group.

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or has any proposed service contract (excluding contracts which will expire or may be terminated by the Group within a year without 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, Edifício Vodatel, Taipa, Macao.
3. The principal place of business of the Company in Hong Kong is at Room 713B, 7th Floor, Block B, Seaview Estate, 2-8 Watson Road, North Point.
4. The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East.
5. The company secretary and qualified accountant of the Company is Foo Chun Ngai Redford. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also an associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
6. The compliance officer of the Company is Monica Maria Nunes. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada.

7. The Audit Committee comprises the three independent non-executive Directors, Lo King Chiu Charles, Fung Kee Yue Roger and Wong Tsu An Patrick. Wong Tsu An Patrick is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the auditors of the Company. Biographical details of members of the Audit Committee are as follows:

LO KING CHIU CHARLES

LO King Chiu Charles, aged 64, was first appointed as an independent non-executive Director on 14th December, 1999. He holds a Bachelor of Arts degree and major in economics from Lake Forest University, USA in 1967. He is a member of Jiangxi Province Committee, Chinese People's Political Consultative Conference and the Secretary General of Comité Olympique de Macao (Macao Olympic Committee). He is the special advisor to president (Asia) of the University of Victoria, 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.

FUNG KEE YUE ROGER

FUNG Kee Yue Roger, aged 55, was first appointed as an independent non-executive Director on 30th September, 2004. He is the managing director of Mitel Networks Asia Pacific Limited, a wholly-owned subsidiary of Mitel Networks Corporation in Canada. He graduated from the University of Toronto, Canada with a Bachelor of Applied Science degree in industrial engineering. He was a member of Professional Engineers Ontario, Canada. He has more than twenty years of experience in the telecommunications and electronics industry.

WONG TSU AN PATRICK

WONG Tsu An Patrick, aged 34, was first appointed as an independent non-executive Director on 4th June, 2008. He is the founder and Chief Executive Officer of Tenacity Real Estate Group, for which he is responsible for its overall strategic development, management and operations. Prior to founding the Tenacity Real Estate Group, he has over ten years of investment experience from USA and Asia, working as a portfolio manager for growth-orientated funds at Trust Company of the West, a multi billion US\$ (www.tcw.com) fund management company headquartered in Los Angeles, USA. He is a certified public accountant in USA (qualified by the State Board of Accountancy of the State of Colorado).

8. The English text of this circular shall prevail over the Chinese text in the event of inconsistency.