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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 AND CONNECTED TRANSACTIONS in relation to the disposal of equity interest in a subsidiary

THE DISPOSAL

The Board hereby announces that on 30th December 2021, the Seller, an indirect wholly-owned subsidiary of the Company, entered into the SPA with the Buyer in relation to the Disposal, pursuant to which the Seller has agreed to sell, and the Buyer has agreed to purchase, the Sale Shares for a Consideration of HK\$62,000.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement and immediately prior to Completion, the Target Company was owned by the Seller (and therefore was an indirect partly-owned subsidiary of the Company) as to approximately 82.27% and by the Buyer as to approximately 17.73%. The Buyer is a substantial shareholder and a director of the Target Company and therefore is a connected person of the Company at the subsidiary level under the GEM Listing Rules. The Disposal thus constitutes a connected transaction of the Group under Chapter 20 of the GEM Listing Rules. Since the connected transaction between the Buyer and the Seller is on normal commercial terms, the connected transaction is exempt from the circular, independent financial advice and Members' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

Further, as two of the applicable percentage ratios (as defined in the GEM Listing Rules) as calculated under Rule 19.06 of the GEM Listing Rules in respect of the Disposal are more than 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The Disposal is subject to the reporting and announcement requirements but exempt from the circular and Members' approval requirements under Chapter 19 of the GEM Listing Rules.

None of the Directors had material interests in the Disposal and hence no Director is required to abstain from voting on the relevant Board resolutions approving, inter alia, the SPA and the transaction contemplated thereunder.

BACKGROUND

The Board is pleased to announce that on 30th December 2021, the Seller, an indirect wholly-owned subsidiary of the Company, entered into the SPA with the Buyer in relation to the Disposal, pursuant to which the Seller has agreed to sell, and the Buyer has agreed to purchase, the Sale Shares for a Consideration of HK\$62,000.

THE SPA

The principal terms of the SPA are summarised as follows:

Date: 30th December 2021

Parties: The Seller and the Buyer

Subject of the Disposal

Pursuant to the SPA, the Seller has agreed to sell, and the Buyer has agreed to purchase, the Sale Shares, representing approximately 32.36% of the total equity interest in the Target Company.

Consideration

The Consideration payable for the Sale Shares shall be HK\$62,000. The Consideration shall be paid in cash at Completion.

The Consideration was determined after arm's length negotiations between the Buyer and the Seller with reference to, among others, 1. the original cost of the Sale Shares; 2. the unaudited assets and liabilities of the Target Group as at 30th September 2021; 3. the business prospects of the Target Group; and 4. the Buyer's expertise, skills and resources and the relevant requirement for the Seller to reduce its shareholding in the Target Group under Mainland China regulations in relation to the potential business expansion of the Target Group as further detailed in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" in this announcement.

Completion

Completion took place immediately upon signing of the SPA at 5 *p.m.* on the date of the SPA. Upon Completion, the Seller disposed of its approximately 32.36% equity interest in the Target Company and the Target Company is held as to approximately 49.91% by the Seller and approximately 50.09% by the Buyer. Accordingly, the Target Company has ceased to be a subsidiary of the Company.

AMENDMENTS TO THE EXISTING SHA

Simultaneously with the execution of the SPA and at Completion, each of the Target Company, the Seller and the Buyer executed the New SHA to amend and supplement certain terms of the Existing SHA. The major amendments to the Existing SHA are as follow:

Board composition of the Target Company

Pursuant to the New SHA, the board of directors of the Target Company shall consist of two directors, one of which shall be nominated by the Seller and the other director shall be the Buyer himself.

Restrictions as to transfer of shares in the Target Company

Upon and subject to the terms and conditions in the Existing SHA, the Seller has a right of first refusal in respect of any proposed transfer of the shares in the Target Company held by the Buyer from time to time. Pursuant to the New SHA, without prejudice to such right of first refusal of the Seller, the Buyer shall not transfer any shares held by him in the Target Company unless and until the Seller has recouped the initial financing and any other loan to the Target Group in full.

Pursuant and subject to the terms and conditions in the New SHA, each of the Seller and the Buyer ("**Tag-along Shareholder**") has been granted a tag-along right in respect of any proposed sale of any number of shares in the Target Company held by the other shareholder of the Target Company (i.e. the Seller or the Buyer, as the case may be) ("**Transferring Shareholder**") to any third party ("**Transferee**"), the exercise of which would require the Transferring Shareholder to procure the Transferee's purchase of 1. all of the Transferring Shareholder's shares in the Target Company proposed to be transferred; and 2. such number of shares in the Target Company held by the Tag-along Shareholder (which represents the same proportion of the total shares in the Target Company held by the Tag-along Shareholder as the proportion of the shares in the Target Company proposed to be transferred by the Transferring Shareholder to the total number of shares in the Target Company held by the Transferring Shareholder at the relevant time), simultaneously on the same terms and conditions.

INFORMATION OF THE GROUP AND THE SELLER

The Group primarily engages in the design, supply, implementation and maintenance of turnkey solutions in the areas of IT, networks and surveillance and in the development of customised software for its customers. Working in close collaboration with many renowned multinational manufacturers, the Group embodies the vision to deliver high quality, cutting-edge and custom-tailored IT infrastructure for its customers across Macao, Hong Kong and Mainland China, offering them technology and solutions that optimise deployment of resources, maximise operational efficiency and enhance network security.

The Seller is a company incorporated in BVI. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION OF THE BUYER

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Buyer was a shareholder holding approximately 17.73% equity interest in the Target Company and a director of the Target Company as at the date of this announcement and immediately prior to Completion. The Buyer is currently the CEO of TSTSH in charge of overall operations, overseeing the sales and marketing, technical development and management of TSTSH. With a doctoral degree from the University of Waterloo, Canada, he has previously worked for several international software development corporations, where he has accumulated over fifteen years of product development experience, in particular, development of network management systems for telecommunications service providers. He has established good connections with different telecommunications service providers in PRC.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in BVI which is principally engaged in the investment holding of TSTHKCL. The principal purpose of TSTHKCL is to invest in TSTSH directly and TSTJX indirectly through TSTSH. TSTSH and TSTJX are principally engaged in the research and development of software and related software consultancy services.

The original cost of the Sale Shares paid by the Seller was approximately HK\$62,000.

The Target Group had a profit before and after taxation and other extraordinary items of HK\$707,000 for the year ended 31st December 2020 and a loss before and after taxation and other extraordinary items of HK\$4,720,000 for the year ended 31st December 2019. Based on the unaudited financial statements of the Target Group as at 30th September 2021, the net liabilities of the Target Group as at 30th September 2021 was approximately HK\$14,480,000.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group expects that the total gains from the Disposal (after deducting all relevant costs and expenses which the Group must pay as a result of the Disposal) is approximately HK\$2,000,000, which is calculated based on factors such as the Consideration, the assets and liabilities of the Target Group as at 30th September 2021, the impairment of amounts due from the Target Group to the Group, and the proportion of shareholdings in the Target Company held by the Seller.

Such gains from the Disposal expected by the Company are unaudited and subject to the final confirmation to be disclosed in the annual report of the Company. Given that the said expected gain is calculated with reference to the net asset value and liabilities of the Target Group as at 30th September 2021, the Company expects that a different gain from the Disposal may be recognised in its audited financial statements for the year ending 31st December 2021 in view of the time lapse between 30th September 2021 and 30th December 2021 and that the assets and liabilities of the Target Group may be subject to change during such period. Upon Completion, the Target Company shall cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated with the results of the Group thereafter.

The Group currently intends to use the net proceeds from the Disposal for the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group constantly seeks business opportunities to optimise return for the Members. Having assessed the regulatory, operating and business environment in Mainland China, the Seller has determined with the board of directors of the Target Company that it is in the best interest for the Target Company (and its shareholders including the Seller) that the Target Group makes plans to expand its business horizon by way of, including without limitation, the application by TSTJX for the PRC Licence. The Disposal, which has the effect of reducing the equity interest of the Seller (being a company incorporated in BVI) in the Target Company to below 50%, would pave the way for the Buyer to arrange TSTJX to be eligible for the application for the PRC Licence, in view of applicable laws and regulations in Mainland China relating to foreign shareholding of the applicant for the PRC Licence. As such, the Group considers that the Disposal would be beneficial to the Target Group (which may then attempt to capture the strong potential business opportunities and markets for the Services in Mainland China through the PRC Licence application) and its shareholders.

The Group also considers that it would be beneficial to the Target Group (and its shareholders including the Seller) for the Buyer to increase his equity stakes in the Target Company (and therefore indirectly in the subsidiaries of the Target Company including TSTJX) under the Disposal in view of and as incentive to the Buyer for his expertise, resources and skills in the online data, Internet and telecommunication industries in Mainland China which may facilitate the application for the PRC Licence and the operation of the Services should the PRC Licence be successfully obtained and maximise the business and regional synergies between the Buyer and the Group and other third party stakeholders in the business of the Target Group.

Further, based on the unaudited financial statements of the Target Group as at 30th September 2021, the Target Group has net liabilities of approximately HK\$14,480,000. As such, the Directors consider that the Disposal offers an opportunity for the Group to realise gain from its investment in the Target Company (while retaining considerable minority stake in the Target Company to capture returns from the potential business developments of the Target Group) and improve the net assets position of the Group and hence the return of investment to the Members.

The terms of the SPA, including but not limited to the Consideration, were arrived at after arm's length negotiation between the Seller and the Buyer, considering the reasons for and benefits of the Disposal as mentioned above. The Directors (including the independent non-executive Directors), are of the view that 1. the terms of the SPA are fair and reasonable; 2. the transaction under the SPA is conducted on normal commercial terms; and 3. the entering into of the SPA and the transaction thereunder are in the interests of the Group and the Members as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement and immediately prior to Completion, the Target Company was owned by the Seller (and therefore was an indirect partly-owned subsidiary of the Company) as to approximately 82.27% and by the Buyer as to approximately 17.73%. The Buyer is a substantial shareholder and a director of the Target Company and therefore is a connected person of the Company at the subsidiary level under the GEM Listing Rules. The Disposal thus constitutes a connected transaction of the Group under Chapter 20 of the GEM Listing Rules. Since the connected transaction between the Buyer and the Seller is on normal commercial terms, the connected transaction is exempt from the circular, independent financial advice and Members' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

Further, as two of the applicable percentage ratios (as defined in the GEM Listing Rules) as calculated under Rule 19.06 of the GEM Listing Rules in respect of the Disposal are more than 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The Disposal is subject to the reporting and announcement requirements but exempt from the circular and Members' approval requirements under Chapter 19 of the GEM Listing Rules.

None of the Directors had material interests in the Disposal and hence no Director is required to abstain from voting on the relevant Board resolutions approving, inter alia, the SPA and the transaction contemplated thereunder.

DEFINITIONS

“Board”	the board of Directors
“Buyer”	Wu Wenhua
“BVI”	the British Virgin Islands
“Company”	Vodatel Networks Holdings Limited
“Completion”	completion of the Disposal in accordance with the terms and conditions of the SPA
“Connected person”	has the meaning ascribed to it under the GEM Listing Rules

“Consideration”	the consideration payable by the Buyer to the Seller for the Sale Shares in the amount of HK\$62,000
“Director”	the director of the Company
“Disposal”	the disposal of the Sale Shares from the Seller to the Buyer pursuant to the terms and conditions of the SPA
“Exchange”	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“Existing SHA”	the existing shareholders’ agreement dated 11th June 2003 entered into between the Seller, the Buyer and the Target Company in respect of the operation and management of the Target Company and the rights and obligations of the Seller and the Buyer as shareholders of the Target Company
“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
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Exchanges and Clearing Limited, Tidestone Science and Technology (Hong Kong) Company Limited and The Stock Exchange of Hong Kong Limited)
“Macao”	the Macao Special Administrative Region of PRC
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“Member”	the holder of the ordinary shares of HK\$0.10 each in the share capital of the Company
“New SHA”	the new shareholders’ agreement dated 30th December 2021 entered into between the Seller, the Buyer and the Target Company to amend and supplement the Existing SHA
“PRC”	The People’s Republic of China
“PRC Licence”	a licence issued by the relevant authority(ies) in Mainland China, the grant of which would allow TSTJX to offer the Services in Mainland China

“Sale Shares”	356 issued ordinary shares of US\$1.00 each in the Target Company, representing approximately 32.36% of the total issued shares in the Target Company
“Seller”	Vodatel Software Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Services”	1. online data processing and transaction processing services for the operation of e-commerce business; 2. Internet protocol-based virtual private network services; 3. Internet data centre services; 4. Internet access services (except for providing Internet access services to end users); and 5. other content services (except for electronic application stores)
“SPA”	the sale and purchase agreement dated 30th December 2021 entered into between the Seller and the Buyer in relation to the Disposal
“Tag-along Shareholder”	has the meaning as ascribed in the paragraph headed “Restrictions as to the transfer of shares in the Target Company” in this announcement
“Target Company”	Capital Instant Limited, a company incorporated in BVI with limited liability
“Target Group”	the Target Company and its subsidiaries from time to time which, as at the date of this announcement, include TSTHKCL, TSTSH and TSTJX
“Transferee”	has the meaning as ascribed in the paragraph headed “Restrictions as to the transfer of shares in the Target Company” in this announcement
“Transferring Shareholder”	has the meaning as ascribed in the paragraph headed “Restrictions as to the transfer of shares in the Target Company” in this announcement
“TSTHKCL”	Tidestone Science and Technology (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability
“TSTJX”	泰思通軟件(江西)有限公司, a limited liability company established in PRC

“TSTSH” 泰思通軟件(上海)有限公司, a limited liability company established in PRC

“US\$” United States dollar, the lawful currency of the United States of America

By order of the Board
José Manuel dos Santos
Chairman

Macao, 30th December 2021

Executive Directors	Non-executive Director	Independent non-executive Directors
José Manuel dos Santos	Ho Wai Chung Stephen	Fung Kee Yue Roger
Kuan Kin Man		Wong Tsu An Patrick
Monica Maria Nunes		Wong Kwok Kuen

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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

* *For identification purpose only*