



**VODATEL NETWORKS HOLDINGS LIMITED**

**愛達利網絡控股有限公司 \***

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8033

**FIRST QUARTER REPORT**

**2006**

\* *For identification purpose only*

## Characteristics of GEM

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

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*This document, 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 document 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 document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

### **Business and Financial Highlights for the Three-Month Period**

- Sales for the Three-Month Period reached HK\$146,898,000, representing an increase of 82.34% over the three months ended 31st March, 2005
- Core business in data networking reported profit before income tax of HK\$1,734,000. However, with weak operating results of TCM and MIHL, the Group registered loss before income tax of HK\$4,592,000
- Attributable to reversal of income tax provided during pervious years, the Group registered profit attributable to equity holders of the Company of HK\$10,813,000 for the Three-Month Period
- Business momentum in Macao continued with new variation orders and contracts to install radio trunking systems secured
- Business of TSTSH remained positive. A number of new and expansion projects with various telecommunications bureaus in discussion
- Business of TCM hampered by a number of programmes from two of the major national television stations in Spain put on hold and regulatory change to restructure number blocks in Germany
- The Board does not recommend payment of a dividend for the Three-Month Period

## First Quarter Results

The Board is pleased to present the unaudited consolidated results of the Group for the Three-Month Period as follows:

	Note	Three-Month Period (Unaudited) HK\$'000	Three months ended 31st March, 2005 (Unaudited) HK\$'000
Sales		146,898	80,561
Cost of sales		<u>(124,692)</u>	<u>(59,889)</u>
<b>Gross profit</b>		<b>22,206</b>	20,672
Other gains - net		1,543	2,808
Selling, marketing costs and administrative expenses		<u>(27,660)</u>	<u>(27,658)</u>
<b>Operating loss</b>		<b>(3,911)</b>	(4,178)
Finance costs		(732)	(1,794)
Share of profits/(losses) of associates		<u>51</u>	<u>(127)</u>
<b>Loss before income tax</b>		<b>(4,592)</b>	(6,099)
Income tax	1	<u>13,392</u>	<u>—</u>
<b>Profit/(loss) for the period</b>		<b><u>8,800</u></b>	<b><u>(6,099)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		10,813	(5,110)
Minority interests		<u>(2,013)</u>	<u>(989)</u>
		<b><u>8,800</u></b>	<b><u>(6,099)</u></b>
<b>Earnings/(loss) per Share for profit/(loss) attributable to the equity holders of the Company during the Three-Month Period (HK cents)</b>			
— basic	2	<u>1.76</u>	<u>(0.83)</u>
— diluted	2	<u>Not applicable</u>	<u>Not applicable</u>
<b>Dividends</b>		<u>—</u>	<u>—</u>

Notes:

## **1 Income tax**

Hong Kong profits tax was provided at the rate of 17.5% (three months ended 31st March, 2005: 17.5%) on the estimated assessable profit for the Three-Month Period. Taxation on overseas profits was calculated on the estimated assessable profit for the Three-Month Period at the rates of taxation prevailing in the regions in which the Group operated.

## **2 Earnings/(loss) per Share**

### **Basic**

Basic earnings per Share was calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Shares in issue during the Three-Month Period.

	<b>Three-Month Period</b>	Three months ended 31st March, 2005
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	<b>10,813</b>	(5,110)
Weighted average number of Shares in issue (thousands)	<b>613,819</b>	613,819
Basic earning/(loss) per Share (HK cents)	<b>1.76</b>	(0.83)

### **Diluted**

No diluted earnings per Share for the Three-Month Period and the three months ended 31st March, 2005 were presented as the exercise of the outstanding share options of the Company would have an anti-dilutive effect.

### 3 Reserves

	Capital redemption reserve HK\$'000	Available- for-sale investments reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Total HK\$'000	Accumulated losses HK\$'000
Balance as at 1st January, 2006	702	(7,526)	35,549	248	49	29,022	(65,348)
Revaluation	—	(3,310)	—	—	—	(3,310)	—
Currency translation differences	—	—	—	113	—	113	—
Profit for the Three-Month Period	—	—	—	—	—	—	10,813
Balance as at 31st March, 2006	<u>702</u>	<u>(10,836)</u>	<u>35,549</u>	<u>361</u>	<u>49</u>	<u>25,825</u>	<u>(54,535)</u>

	Capital redemption reserve HK\$'000	Non-trading securities reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Total HK\$'000	Accumulated losses HK\$'000
Balance as at 1st January, 2005	702	5,315	35,549	3,034	49	44,649	(30,994)
Revaluation	—	342	—	—	—	342	—
Currency translation differences	—	—	—	(2,139)	—	(2,139)	—
Loss for the three months ended 31st March, 2005	—	—	—	—	—	—	(5,110)
Balance as at 31st March, 2005	<u>702</u>	<u>5,657</u>	<u>35,549</u>	<u>895</u>	<u>49</u>	<u>42,852</u>	<u>(36,104)</u>

## **Business Review**

The strategies of the Group to rebuild a stronger foundation in its core business continued to show its effectiveness. In the area for the construction of data network infrastructure in the PRC, the Group continued to focus on a handful of provinces and cities, with projects completed during the Three-Month Period included contracts for Guangdong China Telecom, various bureaus under Guangdong China Telecom, Shanghai China Telecom and Shanghai China Netcom.

With respect to TSTSH, while promotion of the self-developed OSS continued, TSTSH successfully completed the contracts to install OSS at the telecommunications bureaus in Guangdong and Chongqing, with the projects for telecommunications bureaus in Sichuan, Hubei and Inner Mongolia in progress. Expansion contracts with existing telecommunications bureaus were already in discussion.

The Group continued to benefit from the robust business environment in Macao. During the Three-Month Period, in addition to working on the structured cabling and surveillance projects secured during the end of 2005 for various gaming and hotel operators, the Group has also successfully secured variation orders from its existing gaming and hotel operators and a number of new contracts to install radio trunking systems at the premises of the gaming operators.

During the Three-Month Period, the value-added business engaged by TCM faced challenges. Despite positive responses from the introduction of a number of new mobile games and a new gossip show, business in Spain has been affected by the finale of a major voting contest and a number of programmes from two of the major national television stations put on hold, thus resulting in various programs that TCM supported being suspended. Business in Germany has also been hampered by regulatory changes to restructure the local number blocks. Nevertheless, in the Netherlands, after one-year of trial, TCM successfully secured the contract to support the lottery inquiry services for three lottery programmes.

During the Three-Month Period, ascribed to strong business in Macao, total sales for the Group reached HK\$146,898,000, representing an increase of 82.34% over the three months ended 31st March, 2005. Nevertheless, weak operating results of TCM and MIHL resulted in HK\$22,206,000 of gross profit achieved for the period. Affected by the operating results of TCM and MIHL, which attributable to HK\$4,389,000 and HK\$1,937,000 respectively for losses before income tax, although the core business in data networking reported profit of HK\$1,734,000 for the period, the Group reported loss before income tax of HK\$4,592,000 for the Three-Month Period. However, taking into account the reversal of income tax provision made in earlier years, the Group registered profit attributable to equity holders of the Company of HK\$10,813,000 for the Three-Month Period.

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations

As at 31st March, 2006, 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 or Part XV of the SFO (including interests and short positions which he took or deemed to have 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 5.68 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 and short positions in the Shares and underlying Shares (in respect of equity derivatives)

Name of Director	Long position/ short position	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of share options) held (note 8)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Long position	Corporate interest/founder of a discretionary trust (note 1)	293,388,000	—	47.80%
	Long position	Personal (note 2)	—	600,000	0.10%
	Short position	Corporate interest (note 3)	—	12,726,000	2.07%
Yim Hong	Long position	Personal (note 4)	7,357,500	900,000	1.35%
Kuan Kin Man	Long position	Personal (note 5)	12,262,500	900,000	2.14%
Monica Maria Nunes	Long position	Personal (note 6)	2,452,500	900,000	0.55%
Fung Kee Yue Roger	Long position	Personal (note 7)	210,000	—	0.03%



Notes:

- 1 As at 31st March, 2006, 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 were the discretionary objects and which assets included a controlling stake of 47.8% of the issued share capital of the Company.
- 2 The personal interest of José Manuel dos Santos comprised 600,000 underlying Shares in respect of share options granted to him by the Company. The aforesaid interest was held by José Manuel dos Santos as beneficial owner.
- 3 Options were granted by the Company under a share option scheme. Since José Manuel dos Santos was interested in more than one-third of the issued share capital of the Company as at 31st March, 2006, he was deemed to have a short position in the 12,726,000 underlying Shares.
- 4 The personal interest of Yim Hong comprised 7,357,500 Shares and 900,000 underlying Shares in respect of share options granted to him by the Company. The aforesaid interest was held by Yim Hong as beneficial owner.
- 5 The personal interest of Kuan Kin Man comprised 12,262,500 Shares and 900,000 underlying Shares in respect of share options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- 6 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 900,000 underlying Shares in respect of share options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- 7 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.
- 8 Each of the Directors held the same number of share options shown as at 1st January, 2006. The share options were granted on 30th June, 2003 and exercisable from 30th June, 2003 to 29th June, 2006 at HK\$0.42 per Share.

## 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 shows that as at 31st March, 2006, the Company had been notified of the following Substantial Shareholders' interests and short positions, being 5% or more of the issued share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors and Chief Executive:

### Aggregate long and short positions in the Shares and underlying Shares (in respect of equity derivatives)

Name	Long position/ short position	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of share options) held	Approximate % of the issued share capital of the Company
ERL	Long position	Corporate interest (note 1)	293,388,000	—	47.80%
	Short position	Corporate interest (note 2)	—	12,726,000	2.07%
LRL	Long position	Corporate interest (note 1)	293,388,000	—	47.80%
	Short position	Corporate interest (note 2)	—	12,726,000	2.07%
Lei Hon Kin (note 3)	Long position	Family interest	293,988,000	—	47.89%
	Short position	Corporate interest	—	12,726,000	2.07%

Notes:

- As at 31st March, 2006, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL.
- Options were granted by the Company under a share option scheme. Since both ERL and LRL were interested in more than one-third of the issued share capital of the Company as at 31st March, 2006, they were deemed to have a short position in 12,726,000 underlying Shares.
- Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in all the interests of José Manuel dos Santos.

## Competing Interests

None of the Directors or any person who is (or group of persons who together are) entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Group and which is (or are) able as a practical matter, to direct or influence the management of the Company had an interest in a business, which competes or may compete with the business of the Group.

## Purchase, Sale or Redemption of Securities

The Company did not redeem any of the Shares during the Three-Month Period. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the Three-Month Period.

## Definitions

“Associated Corporations”	corporations: <ol style="list-style-type: none"><li>1 which are subsidiaries or holding companies of the Company or subsidiaries of the holding company of the Company; or</li><li>2 (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</li></ol>
“Board”	the board of the Directors
“BVI”	the British Virgin Islands
“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
“Company”	Vodatel Networks Holdings Limited
“Directors”	the directors of the Company
“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
“Gazetted Newspapers”	those newspapers which are, from time to time, specified in the list of newspapers issued and published in the Gazette for the purposes of section 71A of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) as amended from time to time by the Chief Secretary of the Government of Hong Kong
“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
“GEM Website”	the internet website operated by the Exchange for the purposes of GEM
“Germany”	The Federal Republic of Germany
“Group”	the Company and its subsidiaries
“HK cents”	Hong Kong cents, where 100 HK cents equal HK\$1
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC (not applicable to The Stock Exchange of Hong Kong Limited)
“LRL”	Lois Resources Limited, a company incorporated in BVI with limited liability
“Macao”	the Macao Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Exchange prior to the establishment of GEM (excluding the option 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
“MIHL”	MegaInfo Holdings Limited, incorporated in Bermuda with limited liability, an indirectly owned subsidiary of the Company and whose shares of HK\$0.01 each in its capital are listed on GEM

“OSS”	operation support system
“PRC”	The People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Cap. 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
“Spain”	The Kingdom of Spain
“Substantial Shareholder”	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
“TCM”	Teleconcept-Multimedia N.V., incorporated in the Netherlands with limited liability and an indirectly owned subsidiary of the Company
“The Netherlands”	The Kingdom of the Netherlands
“Three-Month Period”	the three months ended 31st March, 2006
“TSTSH”	泰思通軟件(上海)有限公司, incorporated in the PRC with limited liability and an indirectly owned subsidiary of the Company

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

Hong Kong, 15th May, 2006

*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  
Fung Kee Yue Roger