



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

2007

* *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.

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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in Gazetted Newspapers. Accordingly, prospective investors should note that they need to have access to the GEM Website in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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

- Due to many projects still under installation and implementation, turnover for the Three-Month Period amounted to HK\$72,283,000
- Despite operating loss of HK\$6,021,000, attributable to reversal of tax overprovided and gain from the disposal of certain assets and subsidiaries of TCM, the Group reported net profit of HK\$39,324,000
- Equity base of the Group improved considerably from HK\$39,520,000 to HK\$86,605,000
- Orders on hand of over HK\$77,000,000 as at 31st March, 2007
- Successfully disposed certain assets of the subsidiary in the Netherlands and the subsidiaries in Finland and Spain
- Timor Telecom S.A. passed a resolution to pay out dividends of approximately HK\$2,700,000 to the Group
- 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, 2006 (Unaudited) HK\$'000 (restated)
Continuing operations			
Revenue		72,283	120,919
Cost of sales		<u>(61,839)</u>	<u>(104,368)</u>
Gross profit		10,444	16,551
Selling, marketing costs and administrative expenses		(17,424)	(15,838)
Other gains - net		<u>959</u>	<u>473</u>
Operating (loss)/profit		<u>(6,021)</u>	<u>1,186</u>
Finance income		472	644
Finance costs		<u>(6)</u>	<u>(147)</u>
Finance income-net		466	497
Share of gains of associates		<u>44</u>	<u>51</u>
(Loss)/profit before income tax		(5,511)	1,734
Income tax credit	1	<u>14,616</u>	<u>13,401</u>
Profit for the period from continuing operations		9,105	15,135
Discontinued operations			
Profit/(loss) for the period from discontinued operations	2	<u>30,219</u>	<u>(6,335)</u>
Profit for the period		<u>39,324</u>	<u>8,800</u>

		Three months ended 31st March, 2006 (Unaudited) HK\$'000 (restated)
	Note	Three-Month Period (Unaudited) HK\$'000
Attributable to:		
Equity holders of the Company		39,421 10,813
Minority interest		(97) (2,013)
		<u>39,324</u> <u>8,800</u>
Earnings per Share for profit from continuing operations attributable to the equity holders of the Company during the Three-Month Period (expressed in HK cents)		
— basic	3	<u>1.50</u> <u>2.79</u>
— diluted	3	<u>Not applicable</u> <u>Not applicable</u>
Earnings/(loss) per Share for profit/(loss) from discontinued operations attributable to the equity holders of the Company during the Three-Month Period (expressed in HK cents)		
— basic	3	<u>4.92</u> <u>(1.03)</u>
— diluted	3	<u>Not applicable</u> <u>Not applicable</u>
Earnings per Share for profit attributable to the equity holders of the Company during the Three-Month Period (expressed in HK cents)		
— basic	3	<u>6.42</u> <u>1.76</u>
— diluted	3	<u>Not applicable</u> <u>Not applicable</u>
Dividends		<u>—</u> <u>—</u>

Notes:

1. Income tax credit

Hong Kong profits tax was provided at the rate of 17.5% (three months ended 31st March, 2006: 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. Discontinued operations

During the Three-Month Period, the Group disposed its interests in Voxel Finland Oy (incorporated in Finland with limited liability and an indirectly owned subsidiary of the Company before disposal) and Servicios Telefónicos de Audiotex, Sociedad Anónima (incorporated in Spain with limited liability and an indirectly owned subsidiary of the Company before disposal), and certain assets in TeleConcept Multimedia B.V. (incorporated in the Netherlands with limited liability and an indirectly owned subsidiary of the Company).

3. Earnings/(loss) per Share

(a) Basic

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

	Three-Month Period	Three months ended 31st March, 2006
Continuing operations		
Profit attributable to equity holders of the Company (HK\$'000)	9,202	17,148
Weighted average number of Shares in issue (thousands)	613,819	613,819
Basic earnings per Share (HK cents)	1.50	2.79
Discontinued operations		
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	30,219	(6,335)
Weighted average number of Shares in issue (thousands)	613,819	613,819
Basic earnings/(loss) per Share (HK cents)	4.92	(1.03)
Total		
Profit attributable to equity holders of the Company (HK\$'000)	39,421	10,813
Weighted average number of Shares in issue (thousands)	613,819	613,819
Basic earnings per Share (HK cents)	6.42	1.76

(b) Diluted

No diluted earnings per Share for the Three-Month Period was presented as there were no options, warrants or other convertible instruments in issue as at 31st March, 2007. No diluted earnings/(loss) per Share for the three months ended 31st March, 2006 was presented as the exercise of the outstanding share options of the Company would have an anti-dilutive effect.

4. 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 months ended 31st March, 2006	—	—	—	—	—	—	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>
Balance as at 1st January, 2007	702	(11,536)	35,549	(416)	49	24,348	(149,447)
Revaluation	—	8,417	—	—	—	8,417	—
Currency translation differences	—	—	—	(652)	—	(652)	—
Profit for the Three-Month Period	—	—	—	—	—	—	39,421
Balance as at 31st March, 2007	<u>702</u>	<u>(3,119)</u>	<u>35,549</u>	<u>(1,068)</u>	<u>49</u>	<u>32,113</u>	<u>(110,026)</u>

REVIEW OF BUSINESS ACTIVITIES

During the Three-Month Period, business activities in Macao remained strong and robust, allowing the Group to capture new contracts and with orders on hand of over HK\$45,000,000 as at 31st March, 2007. As a solution provider of systems in the areas of structured cabling, surveillance, trunking radio, networking and access control, today, the Group not only is one of the major solution providers of the Government of Macao, but also provides selected solutions to five of the six gaming operators in Macao.

In the PRC, focus remained in the provision and support of infrastructural needs for customers with projects completed during the Three-Month Period included the contracts from telecommunications service providers in Liaoning and Shanghai and customers in selected vertical markets, for example insurance industry, in Fujian. During the Three-Month Period, in addition to securing over HK\$25,000,000 of orders from telecommunications service providers in the provinces of Guangdong, Guizhou and Hebei, the Group has also successfully secured over HK\$7,000,000 of services contracts from telecommunications bureaus in the provinces of Guangdong, Jiangxi, Jilin and Hunan, municipality of Chongqing and autonomous region of Guangxi.

With respect to TSTSH, during the Three-Month Period, TSTSH concentrated on the final acceptance test with respect to the installation of the customer network management system for Guangdong China Telecom and the integrated fault management system for Xinjiang China Telecom. In marketing, TSTSH was in active negotiations with different telecommunications service providers in the provinces of Jiangsu and Guangdong to sell and install the upgraded version of the customer network management system and new modules of the operation support system, including the web-based maintenance centre module and the government agency and enterprise customer service management module, worth over HK\$2,600,000.

In the international front, in line with the business decision to exit invested assets that offered limited long-term growth potential, during the Three-Month Period, the Group successfully sold the subsidiaries in Finland and Spain and certain assets of the subsidiary in the Netherlands for a total consideration of €440,000 (approximately HK\$4,586,000) and a loan waiver. With the disposal of all these assets/subsidiaries, TCM is in the process of working out resolutions with creditors in the subsidiaries in the Netherlands and Germany to settle all outstanding liabilities, which in the event of failure to work out settlement with the creditors, insolvency proceedings and/or liquidation of the subsidiaries in the Netherlands and Germany may effect.

With respect to our 16% equity participation in Timor Telecom S.A. at the board meeting held at the end of March, 2007, a resolution to pay out dividends to the shareholders has been passed. Total dividend of approximately HK\$2,700,000 was received by the Group during early April, 2007.

REVIEW OF OPERATING RESULTS

In view of the nature of the revenue base of the Group deriving from projects, as a result of many projects still under installation and implementation, turnover for the Three-Month Period amounted to a mere HK\$72,283,000, representing a decrease of 40.22% over the same period last year. Despite improvement of gross profit margin from 13.69% to 14.44%, ascribed to a lower turnover for the Three-Month Period and increase in salary expenses in Macao due to tight human resources, an operating loss of HK\$6,021,000 was recognised. Nevertheless, with the reversal of income tax provision overprovided in earlier years and the gain from the disposal of certain assets and subsidiaries of TCM, the Group reported net profit of HK\$9,105,000 for its continuing operations and HK\$39,324,000 for the Group respectively.

The Group has limited external borrowings, as evidenced by low finance costs of HK\$6,000 for the Three-Month Period. Subsequent to the reversal of tax overprovided and the disposal of certain assets and subsidiaries of TCM, equity base of the Group improved considerably from HK\$39,520,000 to HK\$86,605,000.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st March, 2007, 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 5.67 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	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate interest/founder of a discretionary trust (Note 1)	293,388,000	47.80%
Yim Hong	Personal (Note 2)	7,357,500	1.20%
Kuan Kin Man	Personal (Note 3)	12,262,500	2.00%
Monica Maria Nunes	Personal (Note 4)	2,452,500	0.40%
Fung Kee Yue Roger	Personal (Note 5)	210,000	0.03%

Notes:

- As at 31st March, 2007, 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 47.80% of the issued share capital of the Company.
- The personal interest of Yim Hong comprised 7,357,500 Shares. The aforesaid interest was held by Yim Hong as beneficial owner.
- The personal interest of Kuan Kin Man comprised 12,262,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- The personal interest of Monica Maria Nunes comprised 2,452,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- 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.

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, 2007, 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 1)	293,388,000	47.80%
LRL	Corporate interest (Note 1)	293,388,000	47.80%
Lei Hon Kin (Note 2)	Family interest	293,388,000	47.80%

Notes:

1. As at 31st March, 2007, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL.
2. 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

As at 31st March, 2007, none of the Directors, senior management, 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 meetings of the Group and who is (or are) able, as a practical matter, to direct or influence the management of the Company 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.

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 has purchased or sold any of the Shares during the Three-Month Period.

DEFINITIONS

“Associate”	has the same 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
“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
“Finland”	The Republic of Finland

“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 (Chapter 32 of the Laws of Hong Kong) by the Chief Secretary for Administration 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 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
“the Netherlands”	The Kingdom of the Netherlands
“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
“Three-Month Period”	the three months ended 31st March, 2007
“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
“€”	Euro, the lawful currency of the European Union

By order of the Board
José Manuel dos Santos
Chairman

Macao, 14th May, 2007

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

This report, 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 report 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.