



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司 *

(Incorporated in Bermuda with limited liability)

Stock Code: 8033

THIRD 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.

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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.

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD

HIGHLIGHTS

- Due to many projects still under installation and implementation phase, turnover for the Three-Month Period amounted to HK\$80,917,000
- Despite net loss for the Three-Month Period, attributable to reversal of tax overprovided and gain from the disposal of certain assets and subsidiaries of TCM and subsequently its deregistration, the Group reported net profit of HK\$36,141,000 for the Nine-Month Period
- The network management system of TSTSH received increasing market acceptance with over HK\$5,000,000 worth of new contracts secured during the Three-Month Period
- Cash on hand amounted to approximately HK\$70,000,000 as at 30th September, 2007
- The Board does not recommend payment of a dividend for the Nine-Month Period

THIRD QUARTER RESULTS

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

		Three months ended 30th September, 2006 (Unaudited) HK\$'000	Three months ended 30th September, 2006 (Unaudited) HK\$'000 (restated)	Nine months ended 30th September, 2006 (Unaudited) HK\$'000 (restated)
Continuing operations				
Revenue		80,917	88,835	229,291
Cost of sales		(73,722)	(79,335)	(196,791)
Gross profit		7,195	9,500	32,500
Selling, marketing costs and administrative expenses		(20,828)	(17,221)	(54,985)
Other gains/(losses) – net		773	(1,432)	4,480
Operating loss		(12,860)	(9,153)	(18,005)
Finance income		483	929	1,530
Finance costs		—	(10)	(6)
Finance income – net		483	919	1,524
Share of gains of an associate		44	101	132
Loss before income tax		(12,333)	(8,133)	(16,349)
Income tax (expense)/credit	1	(756)	(1,383)	12,533
(Loss)/profit for the period from continuing operations		(13,089)	(9,516)	(3,816)
Discontinued operations	2			
Profit/(loss) for the period from discontinued operations		6,470	(3,795)	39,957
(Loss)/profit for the period		(6,619)	(13,311)	36,141
Attributable to:				
Equity holders of the Company		(7,277)	(12,735)	35,309
Minority interest		658	(576)	832
		(6,619)	(13,311)	36,141

		Three months ended 30th September, 2006 (Unaudited) HK\$'000	Three months ended 30th September, 2006 (Unaudited) HK\$'000 (restated)	Nine months ended 30th September, 2006 (Unaudited) HK\$'000 (restated)
	Note			
(Loss)/earnings per Share for (loss)/profit from continuing operations attributable to the equity holders of the Company during the period (expressed in HK cents)				
— basic	3(a)	<u>(2.24)</u>	<u>(1.45)</u>	<u>(0.76)</u> 0.99
— diluted	3(b)	<u>Not applicable</u>	<u>Not applicable</u>	<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 period (expressed in HK cents)				
— basic	3(a)	<u>1.05</u>	<u>(0.62)</u>	<u>6.51</u> (5.97)
— diluted	3(b)	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u> <u>Not applicable</u>
(Loss)/earnings per Share for (loss)/profit attributable to the equity holders of the Company during the period (expressed in HK cents)				
- basic	3(a)	<u>(1.19)</u>	<u>(2.07)</u>	<u>5.75</u> (4.98)
- diluted	3(b)	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u> <u>Not applicable</u>
Dividends		<u>—</u>	<u>—</u>	<u>—</u> <u>—</u>

Notes:

1. Income tax (expense)/credit

Hong Kong profits tax was provided at the rate of 17.5% (nine months ended 30th September, 2006: 17.5%) on the estimated assessable profit for the Nine-Month Period. Taxation on overseas profits was calculated on the estimated assessable profit for the Nine-Month Period at the rates of taxation prevailing in the regions in which the Group operated.

2. Discontinued operations

On 13th June, 2006, the Group disposed of its interests in AGTech Holdings Limited (formerly known as MegaInfo Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on GEM), which was previously presented as a separate segment for provision of digital imaging processing management solutions.

In addition, the Group deregistered TCM, which was previously presented as a separate segment for provision of multimedia value-added services via interactive voice response, interactive Internet solutions and premium short message services on 18th September, 2007. During the Nine-Month Period, the Group disposed of its interests in Voxel Finland Oy (a company incorporated in the Republic of Finland with limited liability) and Servicios Telefónicos de Audiotex, Sociedad Anónima (a company incorporated in the Kingdom of Spain with limited liability) and certain assets in TeleConcept Multimedia B.V. (a deregistered company incorporated in the Netherlands with limited liability).

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 Nine-Month Period:

	Nine-Month Period	Nine months ended 30th September, 2006
Continuing operations		
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(4,648)	6,050
Weighted average number of Shares in issue (thousands)	613,819	613,819
Basic (loss)/earnings per Share (HK cents)	(0.76)	0.99
Discontinued operations		
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	39,957	(36,623)
Weighted average number of Shares in issue (thousands)	613,819	613,819
Basic earnings/(loss) per Share (HK cents)	6.51	(5.97)
Total		
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	35,309	(30,573)
Weighted average number of Shares in issue (thousands)	613,819	613,819
Basic earnings/(loss) er Share (HK cents)	5.75	(4.98)

(b) Diluted

No diluted earnings/(loss) per Share for the Nine-Month Period and for the nine months ended 30th September, 2006 was presented as the exercise of the outstanding share options of the Company would have an anti-dilutive effect.

4. Reserves

	Contributed surplus	Capital redemption reserve	Available-for-sale investment reserve	Merger reserve	Translation reserve	Statutory reserve	Share option reserve	Total	Accumulated losses
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance as at									
1st January, 2006	—	702	(7,526)	35,549	248	49	—	29,022	(65,348)
Revaluation	—	—	(7,565)	—	—	—	—	(7,565)	—
Currency translation differences	—	—	—	—	83	—	—	83	—
Loss for the nine months ended 30th September, 2006	—	—	—	—	—	—	—	—	(30,573)
	<u>—</u>	<u>702</u>	<u>(15,091)</u>	<u>35,549</u>	<u>331</u>	<u>49</u>	<u>—</u>	<u>21,540</u>	<u>(95,921)</u>
Balance as at 30th September, 2006	—	702	(15,091)	35,549	331	49	—	21,540	(95,921)
Balance as at									
1st January, 2007	—	702	(11,536)	35,549	(416)	49	—	24,348	(149,442)
Revaluation	—	—	7,818	—	—	—	—	7,818	—
Currency translation differences	—	—	—	—	(274)	—	—	(274)	—
Reduction of share premium credited to contributed surplus	97,676	—	—	—	—	—	—	97,676	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	2,289	2,289	—
Deregistration of TCM	—	—	—	—	2,496	—	—	2,496	—
Profit for the Nine-Month Period	—	—	—	—	—	—	—	—	35,309
	<u>97,676</u>	<u>702</u>	<u>(3,718)</u>	<u>35,549</u>	<u>1,806</u>	<u>49</u>	<u>2,289</u>	<u>134,353</u>	<u>(114,133)</u>
Balance as at 30th September, 2007	97,676	702	(3,718)	35,549	1,806	49	2,289	134,353	(114,133)

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS ACTIVITIES

Macao Operations

The market conditions in Macao during the Three-Month Period can be described to be at a mode of anticipation as the market awaited the opening of The Venetian Macao on 28th August, 2007, the first integrated resort at the Cotai Strip property. Consequently, during the Three-Month Period, as different gaming operators realigned the scope and momentum of investment and development of their hospitality and gaming premises, the Group focused principally on completing the various variation orders and new projects previously secured from different gaming operators and the Government of Macao in the areas of structured cabling, surveillance, radio, networking, provision of turnkey solutions for specific applications and provision of support services, among which included a support service contract for the 2nd Asian Indoor Games held in Macao which commenced on 26th October, 2007.

Mainland China Operations

In Mainland China, the Group continued to provide and support infrastructural needs for telecommunications service providers in selected major provinces and municipalities with projects completed for various telecommunications bureaus in the provinces of Guangdong and Guizhou during the Three-Month Period. To broaden the product and services offerings of the Group, the Group is in the process of evaluating the possibility of venturing into the arena of providing Wi-Fi turnkey solutions to selected telecommunications service providers.

With respect to TSTSH, during the Three-Month Period, TSTSH successfully completed the final acceptance tests for Phase 1 of the IP network management system for Jiangsu China Telecom and Phase 1 of the customer network management system for Chongqing China Telecom. The network management system of TSTSH continued to gain market acceptance, allowing TSTSH to successfully secure over HK\$5,000,000 worth of contracts to install its IP network management system and customer network management system at the telecommunications bureaus in the municipality of Chongqing during the Three-Month Period. Active negotiations with different telecommunications service providers in the province of Hubei, the municipality of Chongqing and the Xinjiang Uygur Autonomous Region to install new or expand existing network management system underway.

International Operations

During the Three-Month Period, TCM and its subsidiaries made final settlement with different creditors and were officially deregistered. In addition, to better refocus the Group to its principal business activities, that is, the construction of infrastructure in Mainland China and Macao, the Group is in the process of further streamlining and realigning its resources to its core business activities and geographic locations. Possibility of disposing non-core assets and subsidiaries is being explored.

REVIEW OF OPERATING RESULTS

Turnover and Profitability

In view of many projects still under installation and implementation phase, turnover for the Three-Month Period amounted to a mere HK\$80,917,000, with turnover for the Nine-Month Period amounted to HK\$229,291,000. Nevertheless, attributable to the higher margin service contracts, gross profit margin improved to 14.2% for the Nine-Month Period.

Due to lower turnover for the Three-Month Period and the inclusion of approximately HK\$2,289,000 of costs in relation to the issue of share options to the Directors, employees and certain consultants of the Group on 11th July, 2007, the Group reported loss from continuing operations of HK\$13,089,000 as compared to loss from continuing operations of HK\$9,516,000 for the corresponding period. Nevertheless, taking into account the profit as a result of various haircut arrangements with creditors at TCM and its subsidiaries, the gain from the disposal of certain assets and subsidiaries of TCM and its deregistration, the reversal of income tax provision overprovided in earlier years and the dividend income received from Timor Telecom, S.A. (a company incorporated in the Democratic Republic of Timor-Leste with limited liability), the Group reported net profit of HK\$36,141,000 for the Nine-Month Period as compared to net loss of HK\$29,969,000 for the corresponding period last year.

Capital Structure, Liquidity and Financial Resources

The Group continued to maintain a healthy capital structure with limited external borrowings and with cash on hand of approximately HK\$70,000,000 as at 30th September, 2007. Prudent cash management remained the practice of the Group.

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

As at 30th September, 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 of 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	Number of underlying Shares (in respect of share options) held (Note 9)	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%
	Personal (Note 2)	—	800,000	0.13%
Yim Hong	Personal (Note 3)	7,357,500	800,000	1.33%
Kuan Kin Man	Personal (Note 4)	22,112,500	800,000	3.73%
Monica Maria Nunes	Personal (Note 5)	2,452,500	800,000	0.53%
Chui Sai Cheong	Personal (Note 6)	—	500,000	0.08%
Lo King Chin Charles	Personal (Note 7)	—	500,000	0.08%
Fung Kee Yue Roger	Personal (Note 8)	210,000	500,000	0.12%

Notes:

- As at 30th September, 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 47.8% of the issued share capital of the Company.
- The personal interest of José Manuel dos Santos comprised 800,000 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.
- The personal interest of Yim Hong comprised 7,357,500 Shares and 800,000 underlying Shares in respect of share options granted to him by the Company. The aforesaid interest was held by Yim Hong as beneficial owner.

4. The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 800,000 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.
5. The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 800,000 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.
6. The personal interest of Chui Sai Cheong comprised 500,000 underlying Shares in respect of share options granted to him by the Company. The aforesaid interest was held by Chui Sai Cheong as beneficial owner.
7. The personal interest of Lo King Chiu Charles comprised 500,000 underlying Shares in respect of share options granted to him by the Company. The aforesaid interest was held by Lo King Chiu Charles as beneficial owner.
8. The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 500,000 underlying Shares in respect of share options granted to him by the Company. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.
9. No share options were outstanding at the beginning of the Nine-Month Period. The share options were granted on 11th July, 2007 and exercisable from 12th July, 2007 to 11th July, 2010 at HK\$0.32 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 showed that as at 30th September, 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 are 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	294,188,000	47.93%

Notes:

1. As at 30th September, 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 30th September, 2007, none of the Directors, senior management, 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 meetings of the Group and which is (or are) able, as a practical matter, to direct or influence the management of the Company or Substantial Shareholders or any of their Associates, have any interest in a business, which competed or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DEFINITIONS

“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 shares 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
“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
“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)
“IP”	Internet Protocol
“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

“Mainland China”	the PRC, other than the regions of Hong Kong, Macao and Taiwan
“the Netherlands”	The Kingdom of the Netherlands
“Nine-Month Period”	the nine months ended 30th September, 2007
“PRC”	The People’s Republic of China
“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”	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., a deregistered company incorporated in the Netherlands with limited liability
“Three-Month Period”	the three months ended 30th September, 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

By order of the Board
Monica Maria Nunes
Director

Macao, 13th November, 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