



**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**

**2008**

\* *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, including the engineering and service part, still under installation and implementation, revenue for the Three-Month Period amounted to HK\$60,737,000, with gross profit margin at 14.21%
- Attributable to the disposal of the commercial property subsequent to the winding down of CAOCL and the reversal of tax overprovided in previous years, the Group reported net profit of HK\$5,983,000
- Successfully completed various projects for the Government of Macao
- TSTSH marketed its CNMS via different new business models
- Cash and cash equivalents amounted to HK\$85,326,000 (including pledged deposits) with equity base of the Group reaching HK\$114,708,000
- 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:

	<b>Three-Month Period (Unaudited) HK\$'000</b>	Three months ended 31st March, 2007 (Unaudited) HK\$'000 (restated)
<b>Continuing operations</b>		
Revenue	<b>60,737</b>	56,090
Cost of sales	<b>(52,108)</b>	(45,904)
<b>Gross profit</b>	<b>8,629</b>	10,186
Selling, marketing costs and administrative expenses	<b>(19,383)</b>	(16,847)
Other gains - net	<b>144</b>	847
<b>Operating loss</b>	<b>(10,610)</b>	(5,814)
Finance income	<b>289</b>	472
Finance costs	<b>—</b>	(6)
Finance income-net	<b>289</b>	466
Share of (loss)/profit of an associate	<b>(131)</b>	44
<b>Loss before income tax</b>	<b>(10,452)</b>	(5,304)
Income tax credit	<b>14,396</b>	14,616
Profit for the period from continuing operations	<b>3,944</b>	9,312
<b>Discontinued operations</b>		
Profit for the period from discontinued operations	<b>2,039</b>	30,012
Profit for the period	<b>5,983</b>	39,324

		Three months ended 31st March, 2007 (Unaudited) HK\$'000	Three months ended 31st March, 2007 (Unaudited) HK\$'000
<b>Attributable to:</b>			
Equity holders of the Company		5,962	39,421
Minority interest		21	(97)
		<u>5,983</u>	<u>39,324</u>
<b>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 per Share)</b>			
— basic	3	<u>0.64</u>	<u>1.53</u>
— diluted	3	<u>Not applicable</u>	<u>Not applicable</u>
<b>Earnings per Share for profit from discontinued operations attributable to the equity holders of the Company during the Three-Month Period (expressed in HK cents per Share)</b>			
— basic	3	<u>0.33</u>	<u>4.89</u>
— diluted	3	<u>Not applicable</u>	<u>Not applicable</u>
<b>Earnings per Share for profit attributable to the equity holders of the Company during the Three-Month Period (expressed in HK cents per Share)</b>			
— basic	3	<u>0.97</u>	<u>6.42</u>
— diluted	3	<u>Not applicable</u>	<u>Not applicable</u>
<b>Dividends</b>		<u>—</u>	<u>—</u>

Notes:

**1. Income tax credit**

Hong Kong profits tax was provided at the rate of 16.5% (three months ended 31st March, 2007: 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 months ended 31st March, 2007, the Group disposed 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 Kingdom of Netherlands with limited liability).

In addition, the Group determined to dispose of CAOCL, which was presented as a separate segment of sale of mobile phones, on 13th December, 2007. It was expected that the sale or liquidation of CAOCL will be completed in 2008.

**3. Earnings per Share**

**(a) 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, 2007 (restated)
<b>Continuing operations</b>		
Profit attributable to equity holders of the Company (HK\$'000)	<b>3,923</b>	9,409
Weighted average number of Shares in issue (thousands)	<b>613,819</b>	613,819
Basic earnings per Share (HK cents)	<b>0.64</b>	1.53
<b>Discontinued operations</b>		
Profit attributable to equity holders of the Company (HK\$'000)	<b>2,039</b>	30,012
Weighted average number of Shares in issue (thousands)	<b>613,819</b>	613,819
Basic earnings per Share (HK cents)	<b>0.33</b>	4.89
<b>Total</b>		
Profit attributable to equity holders of the Company (HK\$'000)	<b>5,962</b>	39,421
Weighted average number of Shares in issue (thousands)	<b>613,819</b>	613,819
Basic earnings per Share (HK cents)	<b>0.97</b>	6.42

**(b) Diluted**

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. The Company has Options as dilutive potential Shares. A calculation was made in order to determine the number of Shares that could have been acquired at fair value (determined as the average annual market price of the Shares) based on the monetary value of the subscription rights attached to outstanding Options. The number of Shares calculated as above was compared with the number of Shares that would have been issued assuming the exercise of the Options. No diluted earnings per Share for the Three-Month Period was presented as the exercise of the outstanding Options would have an anti-dilutive effect. No diluted earnings per Share for the three months ended 31st March, 2007 was presented as there were no options, warrants or other convertible instruments in issue.

**4. Reserves**

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments reserve	Merger reserve	Translation reserve	Statutory reserve	Total	Accumulated losses
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>Balance as at</b>									
<b>1st January, 2007</b>	—	—	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 months ended 31st March, 2007	—	—	—	—	—	—	—	—	39,421
	<u>—</u>	<u>—</u>	<u>702</u>	<u>(11,536)</u>	<u>35,549</u>	<u>(416)</u>	<u>49</u>	<u>24,348</u>	<u>(149,447)</u>
<b>Balance as at</b>									
<b>31st March, 2007</b>	<u>—</u>	<u>—</u>	<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>
<b>Balance as at</b>									
<b>1st January, 2008</b>	97,676	2,289	702	(918)	35,549	1,371	49	136,718	(93,377)
Revaluation	—	—	—	(4,068)	—	—	—	(4,068)	—
Currency translation differences	—	—	—	—	—	1,339	—	1,339	—
Profit for the Three-Month Period	—	—	—	—	—	—	—	—	5,962
	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>(4,986)</u>	<u>35,549</u>	<u>2,710</u>	<u>49</u>	<u>133,989</u>	<u>(87,415)</u>

## **REVIEW OF BUSINESS ACTIVITIES**

In Macao, the Government of Macao and different gaming and hotel operators continued to be the core clientele of the Group. During the Three-Month Period, with a number of expansion and variation orders for different gaming operators in the areas of structured cabling, surveillance and trunked radio systems still under installation and implementation, the Group completed the installation of a networking system for a major gaming operator and provision of hardware and related services to a hospital and a department under the Government of Macao. In addition, during the Three-Month Period, Mega Datatech Limited (incorporated in Macao with limited liability and an indirectly wholly-owned subsidiary of the Company) completed the customisation, development and implementation of a management software program that allowed another department of the Government of Macao to effectively manage the users' records.

In Mainland China, the Group continued its focus in the provision of infrastructural needs and services support for different telecommunications service providers. During the Three-Month Period, expansion and services contracts secured included orders from telecommunications service providers in Zhongshan, Guangzhou, Guizhou, Shanghai and Beijing.

With respect to TSTSH, in addition to successfully work out a new revenue model with a telecommunications service provider in the province of Hainan to install its CNMS at its premises and allow TSTSH to extend its reach to the customers of the telecommunications service provider to generate revenue from environmental monitoring should they deploy the CNMS to manage their internal network, this new business model also allows TSTSH to develop customised modules for the newly created customer base. During the Three-Month Period, TSTSH was also in the process of working out another new business model, whereby taking the role of a product provider, TSTSH will partner with a telecommunications service provider to implement the IEMS at different police patrol points, allowing better environmental monitoring by utilising information in the community in alert management, business, video surveillance management, fault management and multi-regional control centers and access control management. In addition to the above, TSTSH is also in active discussion with another telecommunications service provider to implement its IEMS in the control rooms at their premises as a means to provide effective environment monitoring.

During the Three-Month Period, TSTSH applied for the product copyright registration certificates for the two new modules that TSTSH developed during 2007, namely the IEMS and the Network Management Expert System. Official registrations of these two modules have been obtained during April, 2008.

## **REVIEW OF OPERATING RESULTS**

Attributable to many projects, including the engineering and service part, still under installation and implementation, revenue for the Three-Month Period amounted to HK\$60,737,000 with gross profit margin of 14.21%, as compared to 18.16% for the corresponding period last year. Ascribed to a lower revenue for the Three-Month Period, increase in salary expenses in Macao due to tight human resources and higher operating costs in Mainland China due to the appreciation of Renminbi (the lawful currency of Mainland China), operating loss of HK\$10,610,000 was recognised.

During February, 2008, the Group marked its exit from the business for the distribution of mobile phones in Macao and in line with the winding down of CAOCL, the Group disposed the commercial property held by CAOCL at HK\$4,800,000, generating a gain of HK\$2,565,000 on disposal for 2008. Consequently, the Group registered profit from discontinued operations of HK\$2,039,000. Together with the reversal of income tax provision overprovided in earlier years, the Group reported net profit of HK\$5,983,000 for the Group during the Three-Month Period.

As at 31st March, 2008, the Group has no external borrowings (save and except for normal trade and bills payables). Total cash and cash equivalents (including pledged deposits) amounted to HK\$85,326,000, with equity base of the Group improved standing at HK\$114,708,000.

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

As at 31st March, 2008, 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 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**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Number of underlying Shares (in respect of Options held) (Note 8)</b>	<b>Approximate % of the issued share capital of the Company</b>
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%
Lo King Chiu Charles	Personal (Note 6)	—	500,000	0.08%
Fung Kee Yue Roger	Personal (Note 7)	210,000	500,000	0.12%

*Notes:*

1. As at 31st March, 2008, 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.
2. 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.
3. 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.
4. The personal interest of Kuan Kin Man comprised 22,115,500 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.
5. 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.
6. 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.
7. 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.
8. The number of Options held by the Directors outstanding at the beginning of the Three-Month Period was the same as shown above. The 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 shows that as at 31st March, 2008, 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**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate % of the issued share capital of the Company</b>
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 31st March, 2008, 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, 2008, none of the Directors, any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective Associates had any interest in a business, which competed or might 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"><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
“CAOCL”	Communications Appliances Ou Chung Limited, incorporated in Macao with limited liability and an indirectly wholly-owned subsidiary of the Company
“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
“CNMS”	customer network management system
“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 CO 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)
“IEMS”	intelligent environment monitoring software
“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
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“Option”	a right to subscribe for Shares granted pursuant to the share option scheme approved by the holders of the Shares at a special general meeting on 5th November, 2002
“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
“Three-Month Period”	the three months ended 31st March, 2008
“TSTSH”	泰思通軟件（上海）有限公司，incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company

By order of the Board  
**Yim Hong**  
*Deputy Chairman*

Macao, 14th May, 2008

**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