



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

2009

* *for identification purpose only*

Characteristics of GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. 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.

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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

- Due to the adverse effects of the financial turmoil, turnover for the Three-Month Period amounted to HK\$44,108,000, representing a drop of 27.38% over the same corresponding period
- Attributable to the conclusion of the final account of a structured cabling project, the Group reported gross profit of HK\$15,701,000
- Despite an operating loss of HK\$423,000, ascribed to the reversal of tax overprovided in previous years, the Group reported net profit of HK\$8,237,000
- Successfully secured over HK\$30,000,000 of contracts from the Government of Macao
- Though a trial system, TSTSH successfully sold its TS-IEMS to the armed force in the city of Huzhou, marking its footprints in the provision of intelligent environment monitoring solution in the province of Zhejiang
- Strong dividend of approximately HK\$15,469,000 (US\$2,000,000) against 2008 operating results of TTSA and received by the Group during end of April, 2009
- Cash and cash equivalents as at 31st March, 2009 amounted to HK\$96,758,000 with equity base of the Group at HK\$115,374,000
- 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:

	Note	Three-Month Period (Unaudited) HK\$'000	Three months ended 31st March, 2008 (Unaudited) HK\$'000
Continuing operations			
Revenue		44,108	60,737
Cost of sales		(28,407)	(52,108)
		<u>15,701</u>	<u>8,629</u>
Gross profit			
Selling, marketing costs and administrative expenses		(16,509)	(19,383)
Other gains - net		385	144
		<u>(423)</u>	<u>(10,610)</u>
Operating loss			
Finance income		245	289
Share of loss of an associate		(146)	(131)
		<u>(324)</u>	<u>(10,452)</u>
Loss before income tax			
Income tax credit	1	8,561	14,396
		<u>8,237</u>	<u>3,944</u>
Profit for the period from continuing operations			
		<u>8,237</u>	<u>3,944</u>
Discontinued operations			
Profit for the period from discontinued operations	2	—	2,039
		<u>—</u>	<u>2,039</u>
Profit for the period			
		<u>8,237</u>	<u>5,983</u>
Attributable to:			
Equity holders of the Company		8,561	5,962
Minority interest		(324)	21
		<u>8,237</u>	<u>5,983</u>

		Three months ended 31st March, 2008 (Unaudited) HK\$'000	Three months ended 31st March, 2008 (Unaudited) HK\$'000
Earnings per Share for profit from continuing and profit from discontinued operations attributable to the equity holders of the Company during the Three-Month Period (expressed in HK cents per Share)			
Basic and diluted earnings per Share			
From continuing operations	3	1.39	0.64
From discontinued operations	3	<u>—</u>	<u>0.33</u>
		<u>1.39</u>	<u>0.97</u>
Dividends		<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, 2008: 16.5%) 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

The Group disposed of Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability, which was presented as a separate segment of sale of mobile phones, on 30th June, 2008.

3. Earnings per Share

Basic and diluted 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.

	Three-Month Period	Three months ended 31st March, 2008
Continuing operations		
Profit attributable to equity holders of the Company (HK\$'000)	8,561	3,923
Weighted average number of Shares in issue (thousands)	613,819	613,819
Discontinued operations		
Profit attributable to equity holders of the Company (HK\$'000)	—	2,039
Weighted average number of Shares in issue (thousands)	613,819	613,819
Total		
Profit attributable to equity holders of the Company (HK\$'000)	8,561	5,962
Weighted average number of Shares in issue (thousands)	613,819	613,819

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 done to determine the number of Shares that could have been acquired at fair value (determined as the average market price of the Shares for the Three-Month Period) 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. The conversion of all potential Shares arising from the Options would have an anti-dilutive effect on the earnings per Share for the Three-Month Period and the three months ended 31st March, 2008. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Three-Month Period and the three months ended 31st March, 2008.

4. Reserves

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments reserve	Merger reserve	Translation reserve	Statutory reserve	Total	Accumulated losses
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January, 2008	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 months ended 31st March, 2008	—	—	—	—	—	—	—	—	5,962
As at 31st March, 2008	<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>
As at 1st January, 2009	97,676	2,289	702	346	35,549	3,181	49	139,792	(100,264)
Revaluation	—	—	—	945	—	—	—	945	—
Currency translation differences	—	—	—	—	—	(14)	—	(14)	—
Profit for the Three-Month Period	—	—	—	—	—	—	—	—	8,561
As at 31st March, 2009	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>1,291</u>	<u>35,549</u>	<u>3,167</u>	<u>49</u>	<u>140,723</u>	<u>(91,703)</u>

REVIEW OF BUSINESS ACTIVITIES

Macao

With the adverse impact of the financial turmoil still at large, resulting in different gaming and hotel operators in Macao being cautious with their business expansion and capital expenditures programmes, during the Three-Month Period, the Group principally focused on the completion of various variation orders previously secured from different gaming and hotel operators and the conclusion of the final account of a major project that called for the design and building of a structured cabling system for one of the gaming operators in Macao. The project was completed during end of 2007. Since then, the Group worked on finalising any outstanding works during the one-year warranty period. The final account of this project was successfully concluded during the Three-Month Period.

Despite the slowdown of capital expenditures by selected gaming and hotel operators, the Government of Macao took an active role in the rolling out of infrastructure and service enhancement projects. Consequently, during the Three-Month Period, the Group successfully secured a number of projects, totaling approximately HK\$30,000,000, covering works for a number of departments under the Government of Macao in the areas of trunking radio, surveillance, office telephone networks, microwave, wireless network, structured cabling systems and office data networks.

During end of March, 2009, the Government of Macao has announced its intention to open up the domestic and international leased circuits segment of the telecommunications market in Macao, which is currently operated under a monopoly by one of the telecommunications service providers in Macao. As a means to expand the business scope and capitalising the established foothold of the Group as a major local service provider in the territory, the Group is currently in the process of evaluating this potential opportunity.

Mainland China

In Mainland China, the Group continued to provide data network upgrade and service and maintenance support services for different telecommunications service providers, with approximately HK\$12,000,000 worth of contracts awarded by telecommunications service providers in the provinces of Hebei, Zhejiang and Guangdong and the municipality of Shanghai. In addition, the focus of the Group in the provision of software and value-added services continued to produce positive results. During the Three-Month Period, TSTSH successfully penetrate into the armed force in the province of Zhejiang to implement its TS-IEMS at the patrol points in the city of Huzhou. Though this is a trial system for the armed force, the award of this project allows TSTSH to mark its entry into the armed force segment in the province of Zhejiang. Upon the successful implementation and testing of this project, this will, after the province of Jiangxi, be another successful reference site added to the profile of TSTSH. It is also expected that different sites of the armed force in the province of Zhejiang will deploy similar intelligent environment monitoring solutions and will translate to business prospects for TSTSH.

International Investments

With respect to TTSA, in view of the strong growth in the number of mobile customers during 2008, resulting in a 40% increase in its earnings, a strong dividend of approximately HK\$15,469,000 (US\$2,000,000) has been declared against their 2008 operating results and received by the Group during end of April, 2009.

REVIEW OF OPERATING RESULTS

Attributable to the adverse effects of the financial turmoil resulting in a slowdown of capital expenditures by selected gaming and hotel operators in Macao, the Group registered turnover of HK\$44,108,000 for the Three-Month Period, representing a drop of 27.38% as compared to the same corresponding period last year. Nevertheless, due to the conclusion of the final account of a structured cabling system for one of the major gaming operators previously secured, which comprised primarily the part of the revenue derived from installation and service of the project, the Group reported gross profit of HK\$15,701,000, or an increase of 81.96% over the same corresponding period last year, thus translating to a one-time gross profit margin of over 35.60% for the period.

In line with lower turnover and the move of the Group to streamline its operations, selling, marketing costs and administrative expenses decreased by HK\$2,874,000 during the Three-Month Period as compared to the same corresponding period last year. With the impact of the financial turmoil is still at large, the Group has commenced the exercise to restructure its workforce. During the Three-Month Period, the Group paid out severance payments of HK\$240,000. It is expected that with further streamlining to follow, higher severance and long service payments will be incurred during the upcoming months.

During the Three-Month Period, the Group reported an operating loss of HK\$423,000. Taking into account the reversal of income tax provision overprovided in earlier years, the Group reported net profit of HK\$8,237,000 during the Three-Month Period.

The Group continued to enjoy a healthy capital structure with no external borrowings (save and except for normal trade and bills payables). As at 31st March, 2009, the Group has cash balances (including pledged deposits) of HK\$96,758,000 with equity base standing at HK\$115,374,000.

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

As at 31st March, 2009, 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 SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of 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 Options held) (note 8)	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%
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, 2009, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL, 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 22,112,500 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. Lo King Chiu Charles resigned with effect from 1st April, 2009.
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.

José Manuel dos Santos, ERL and his nephews (that is Rui Nuno dos Santos, Luis Alberto dos Santos and Antonio dos Santos Robarts, all of whom hold interests in the Shares through Best Eastern Limited, Back Support Properties Limited and Yat Yi Properties Limited (companies incorporated in BVI with limited liability) respectively) have also informed the Company that they have been, and continue to be, acting in concert for the purposes of the Code on Takeovers and Mergers approved by the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance and continuing in existence under section 3 of SFO as amended from time to time. As at 31st March, 2009, the parties acting in concert with José Manuel dos Santos and ERL held approximately 58.47% of all the Shares in issue.

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 SFO showed that as at 31st March, 2009, 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	294,188,000	47.93%

Notes:

1. As at 31st March, 2009, 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 BUSINESS

As at 31st March, 2009, none of the Directors, or 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 which 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 meaning ascribed thereto in the GEM Listing Rules
“Associated Corporation”	corporation: <ol style="list-style-type: none">1. which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or2. (not being a subsidiary 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
“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
“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 PRC (not applicable to Hong Kong Exchanges and Clearing Limited and 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 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”	share 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”	three months ended 31st March, 2009
“TS-IEMS”	Tidestone Intelligent Environment Monitoring Software
“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
“TTSA”	Timor Telecom S.A., a company incorporated in the Democratic Republic of Timor-Leste with limited liability
“US\$”	United States Dollar, the lawful currency of the United States of America

By order of the Board
José Manuel dos Santos
Chairman

Macao, 13th May, 2009

Executive Directors
José Manuel dos Santos
Yim Hong
Kuan Kin Man
Monica Maria Nunes

Independent Non-Executive Directors
Fung Kee Yue Roger
Wong Tsu An Patrick
Tou Kam Fai