



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

2010

* *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 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

- Subsequent to a strong fourth quarter of 2009, with a slow start for 2010, turnover for the Three-Month Period amounted to HK\$31,677,000, representing a drop of 28.18% over the same corresponding period
- Strong dividend of HK\$23,617,000 against 2009 operating results of TTSA entitled to be received by the Group, with HK\$5,939,000 received during April 2010
- Despite lower turnover and in the absence of reversal of tax overprovided in previous years, attributable to strong dividend income from TTSA, the Group reported net profit of HK\$15,852,000
- Successfully secured over HK\$90,000,000 worth of contracts, among which included a major contract to build a large scale surveillance system for a gaming operator in Macao
- Cash and cash equivalents (including pledged deposit) as at 31st March 2010 amounted to HK\$108,853,000 with equity base of HK\$161,094,000
- The Directors did not recommend the payment of an interim 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:

	Unaudited	
	Three-Month	Three months
	Period	ended
	HK\$'000	31st March
Note	HK\$'000	2009
		HK\$'000
Revenue	31,677	44,108
Cost of sales	(23,257)	(28,407)
Gross profit	8,420	15,701
Selling, marketing costs and administrative expenses	(16,175)	(16,509)
Other gains - net	23,625	385
Operating profit/(loss)	15,870	(423)
Finance income	44	245
Share of loss of an associate	(62)	(146)
Profit/(loss) before income tax	15,852	(324)
Income tax credit	1	8,561
Profit for the period	15,852	8,237
Attributable to:		
Equity holders of the Company	16,042	8,561
Minority interest	(190)	(324)
	15,852	8,237

		Unaudited	
		Three months ended	
		31st March 2009	
	Note	Three-Month Period	Three-Month Period
Earnings per Share 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	2	2.61	1.39
Dividends (expressed in HK\$)		—	—

Notes:

1 Income tax credit

Hong Kong profits tax was provided at the rate of 16.5% (three months ended 31st March 2009: 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 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.

	Three-Month Period	Three months ended 31st March 2009
Profit attributable to the equity holders of the Company (HK\$'000)	16,042	8,561
Weighted average number of Shares in issue (thousands)	613,819	613,819

(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 done to determine the number of Shares that could have been acquired at fair value (determined as the average 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. 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 2009. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Three-Month Period and the three months ended 31st March 2009.

3 Dividends

The Directors did not recommend the payment of an interim dividend for the Three-Month Period (three months ended 31st March 2009: nil).

4 Reserves

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments reserve	Merger reserve	Statutory reserve	Exchange reserve	Total	Accumulated losses
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
As at 1st January 2009	97,676	2,289	702	346	35,549	49	3,181	139,792	(100,264)
Fair value gains on available-for-sale financial assets	—	—	—	945	—	—	—	945	—
Currency translation differences	—	—	—	—	—	—	(14)	(14)	—
Profit for the three months ended 31st March 2009	—	—	—	—	—	—	—	—	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>49</u>	<u>3,167</u>	<u>140,723</u>	<u>(91,703)</u>
As at 1st January 2010	97,676	2,289	702	3,940	35,549	49	3,188	143,393	(66,091)
Fair value gains on available-for-sale financial assets	—	—	—	2,553	—	—	—	2,553	—
Currency translation differences	—	—	—	—	—	—	21	21	—
Profit for the Three-Month Period	—	—	—	—	—	—	—	—	16,042
As at 31st March 2010	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>6,493</u>	<u>35,549</u>	<u>49</u>	<u>3,209</u>	<u>145,967</u>	<u>(50,049)</u>

BUSINESS REVIEW

Macao

Subsequent to a strong fourth quarter of 2009, the Group started 2010 with a soft footing as the Group carefully evaluated market conditions and roadmap of the Government of Macao as the enclave ventured into a new five-year term under the leadership of the new Chief Executive. Therefore, during the Three-Month Period, with a number of projects still under negotiations, the Group focused primarily on the completion of projects secured during 2009, including the installation of a surveillance project for Macao Customs Service at one of their renovated patrol points and a security modular system for the Identification Services Bureau and the implementation of storage upgrades and provision of data migration services for the Institute for Tourism Studies.

As a strong market player in the local territory, the Group is proud to, once again, support another landmark event of Macao at the Expo 2010 Shanghai, with the Group being the solution provider involved in the construction of the wireless and networking systems at each of the two exhibition halls of Macao at the Expo.

During the Three-Month Period, in addition to providing annual maintenance services to different gaming operators in the areas surveillance and trunking radio, the Group completed works for two gaming operators, including the installation of a networking system at the newly renovated gaming premises and a contract to undergo major realignment and repositioning of a surveillance system. Currently the Group is a solution provider to all the six gaming operators in Macao in different areas, however in the area of surveillance systems, the Group serves only two gaming operators, therefore, in the same period, the Group made a successful move by penetrating into another gaming operator as their supplier of surveillance equipment. With further efforts, the Group targets to be positioned as a core solution provider in the area of surveillance solutions for this third gaming operator.

During the Three-Month Period, despite a slow start, the Group successfully secured a strong order book, with over HK\$90,000,000 worth of contracts secured, among which included a major contract to build a surveillance system for one of the gaming operators in Macao at their largest fully-integrated leisure complex in the Cotai Strip, the magnitude of this project of which being the largest of its kind ever secured by the Group in Macao.

Mainland China

With respect to the traditional business of data networking, the Group continued to provide data network upgrades and services and maintenance support to different telecommunications service providers, including contracts secured from telecommunications service providers in the provinces of Hunan and in the cities of Nanchang, Guiyang, Shenzhen and Dugguan. In the same period, TSTSH successfully launched a new version of its intelligent environmental monitoring module. This enhanced version involves stronger and more flexible interfaces in network and power connectivity, thus allowing comprehensive intelligent environmental monitoring management as a broadened range of equipment with different intelligent features and power levels could now be connected in. With enhanced and stable intelligent environmental monitoring functionalities, the customer network management system of TSTSH can now be deployed for use by a wider customer base, including telecommunications service providers, armed force police, financial institutions, customs, taxation bureaus, electricity bureaus and transportation bureaus.

Investments Holding Activities

During the Three-Month Period, TTSA continued to deliver strong operating results. Revenue and earnings before interest, tax, depreciation and amortisation amounted to US\$12,912,000 (approximately HK\$100,247,000) and US\$7,085,000 (approximately HK\$55,007,000) respectively with number of mobile customers growing further from 351,000 as at 31st December 2009 to approximately 385,000 as at 31st March 2010. During the Three-Month Period, TTSA declared dividends against 2009 operating results, with the entitlement of the Group being HK\$23,617,000. The first payment of HK\$5,939,000 was received during April 2010 with the balance payment to be received during July and September 2010.

To further leverage the foothold of the Group in Timor-Leste, the Group confirmed its intention to invest 30% in a partnership with Telcabo and some reputable local Timorese. Telcabo, with clients in Portugal, the Kingdom of Spain, the Republic of Angola and the Republic of Mozambique, principally engages in the design, engineering, construction, installation and operation and maintenance of telecommunications and energy networks and infrastructure. During the Three-Month Period, the partnership already successfully made an achievement by winning over US\$5,000,000 (approximately HK\$38,824,000) worth of contracts in the area for the construction of telecommunications towers/sites in Timor-Leste.

With respect to MTNHL, under a joint announcement between MTNHL and PAEHL dated 27th April 2010, the largest shareholder of MTNHL entered into a sale and purchase agreement on 22nd April 2010 to sell its 37.55% shareholding in MTNHL to CORGL, at a consideration of HK\$0.20 per MTNHL Share. Pursuant to the Code on Takeover 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, CORGL is required to make the same offer to the remaining shareholders of MTNHL, with the date of the general offer has yet to be announced. The Group, being the second largest shareholder of MTNHL, held approximately 19.98% of the total issued capital of MTNHL as at 31st March 2010. Taking advantage of the recent hike in price of the MTNHL Shares, the Group disposed 2.59% of MTNHL at the open market at an average price of HK\$0.52 per MTNHL Share. As at 7th May 2010, the shareholding of the Group in MTNHL is 17.39%.

Financial Review

Subsequent to a strong fourth quarter of 2009 and with many projects still in the negotiation phase, the Group experienced a slow start with turnover of HK\$31,677,000 registered for the Three-Month Period, or a drop of 28.18% as compared to the same corresponding period last year. During the Three-Month Period, in the absence of booking of installation and service part of any major projects, which carried higher margins and resulted in a one-time hike in gross profit margin to 35.60% for the three-months ended 31st March 2009, gross profit margin of the Group returned to 26.58%. Gross profit for the Three-Month Period was HK\$8,420,000 as compared to HK\$15,701,000 of the same corresponding period of last year.

Due to a slow start and with selling, marketing costs and administrative expenses for the Three-Month Period leveled against the same corresponding period of last year, the Group reported loss from its operations in design, sale and implementation of network and systems infrastructure and customer data automation of HK\$7,747,000. Nevertheless, thanks to another fruitful year at TTSA during 2009, total dividend payments entitled to be received by the Group during 2010 amounted to HK\$23,617,000 which represented an increase of approximately 20% over last year. The first payment of HK\$5,939,000 was received during April 2010.

In aggregate, the Group reported operating profit of HK\$15,870,000 for the Three-Month Period as compared to an operating loss of HK\$423,000 for the same corresponding period of last year. In the absence of any major reversal of income tax provisions overprovided in earlier years, the Group reported net profit of HK\$15,852,000.

The Group continued to enjoy a strong capital structure with no external borrowings (save and except for normal trade and bills payables). As at 31st March 2010, the Group had cash balances (including pledged deposits) of HK\$108,853,000 with equity base standing at HK\$161,094,000.

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

As at 31st March 2010 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 7)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate interest/founder of a discretionary trust (note 1)	301,538,000	—	49.12%
	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%
Fung Kee Yue Roger	Personal (note 6)	210,000	500,000	0.12%

Notes:

1. As at 31st March 2010, 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 49.12% 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 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.
7. 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 SFO showed that as at 31st March 2010, 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)	301,538,000	49.12%
LRL	Corporate interest (note 1)	301,538,000	49.12%
Lei Hon Kin (note 2)	Family interest	302,338,000	49.26%

Notes:

1. As at 31st March 2010, 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 2010, 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 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 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
“CORGL”	China Oil Resources Group Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of PAEHL
“Director”	the director 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
“MTNHL”	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and MTNHL Shares are listed on GEM
“MTNHL Shares”	ordinary shares of US\$0.01 each in the share capital of MTNHL
“Option”	a right to subscribe for the Shares granted pursuant to the share option scheme approved by the holders of the Shares at a special general meeting on 5th November 2002
“PAEHL”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares of HK\$0.01 each in its share capital are listed on the Main Board
“Portugal”	the Portuguese Republic
“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”	ordinary share of HK\$0.10 each in the share 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
“Telecabo”	Telecomunicações e Electricidade, Lda., a company incorporated in Portugal with limited liability
“Three-Month Period”	three months ended 31st March 2010
“Timor-Leste”	the Democratic Republic of Timor-Leste
“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, SA, a company incorporated in 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, 7th May 2010

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