



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

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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

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

- Turnover for the Three-Month Period amounted to HK\$64,432,000, representing an increase of 19.25% over the same corresponding period
- Attributable to hefty dividends from TTSA and gain on disposal from the sale of MTNHL Shares, operating profit reached HK\$19,912,000 for the Nine-Month Period
- MDL added approximately HK\$20,000,000 worth of contracts to the order book of the Group during the Three-Month Period
- TSTSH developed a new food production quality control and trace module to complement its food production environment intelligent monitoring module
- Setup a new research and development team in Zhuhai to expand the portfolio of self-developed products
- Strong operating results from TTSA with revenue hitting HK\$318,641,000 (approximately US\$41,000,000) during the Nine-Month Period. Total number of mobile customers increased to 422,000 as at 30th September 2010
- Cash balance as at 30th September 2010 amounted to HK\$142,060,000 (including liquidity notes and pledged deposits)
- The Board does not recommend payment of interim dividend

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:

		Unaudited			
		Three months ended		Nine months ended	
		30th September 2009	30th September 2009	30th September 2009	30th September 2009
Note	Three-Month Period HK\$'000	HK\$'000	Nine-Month Period HK\$'000	HK\$'000	HK\$'000
	Revenue	64,432	54,032	133,544	143,187
	Cost of sales	(46,380)	(46,241)	(95,797)	(103,357)
	Gross profit	18,052	7,791	37,747	39,830
	Selling, marketing costs and administrative expenses	(18,763)	(15,619)	(51,532)	(47,933)
	Other gains – net	3,194	78	33,697	21,606
	Operating profit/(loss)	2,483	(7,750)	19,912	13,503
	Finance income	144	44	290	340
	Share of (loss)/profit of associates	(47)	24	(199)	(41)
	Profit/(loss) before income tax	2,580	(7,682)	20,003	13,802
	Income tax credit/(expense)	1	1	(299)	8,311
	Profit/(loss) for the period	2,580	(7,681)	19,704	22,113
	Attributable to:				
	- equity holders of the Company	3,451	(7,560)	20,538	23,359
	- non-controlling interests	(871)	(121)	(834)	(1,246)
		2,580	(7,681)	19,704	22,113

Unaudited				
		Three months ended 30th September 2009	Nine-Month Period	Nine months ended 30th September 2009
	Note	Three-Month Period	Nine-Month Period	30th September 2009
Earnings/(loss) per Share for profit/(loss) attributable to the equity holders of the Company				
(expressed in HK cents per Share)				
- basic and diluted earnings/(loss) per Share				
	2	<u>0.56</u>	<u>(1.23)</u>	<u>3.35</u>
		<u>3.81</u>		
Dividends (expressed in HK\$)				
	3	<u>—</u>	<u>—</u>	<u>—</u>

Notes to the condensed consolidated income statement:

1. Income tax credit/(expense)

Hong Kong and overseas profits tax was provided at the rate of 16.5% (nine months ended 30th September 2009: 16.5%) and at the rates of taxation prevailing in the regions in which the Group operated respectively.

2. Earnings/(loss) 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 Nine-Month Period.

	Nine-Month Period	Nine months ended 30th September 2009
Profit attributable to the equity holders of the Company (HK\$'000)	<u>20,538</u>	<u>23,359</u>
Weighted average number of Shares in issue (thousands)	<u>613,819</u>	<u>613,819</u>

(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 Nine-Month Period and the nine months ended 30th September 2009. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Nine-Month Period and the nine months ended 30th September 2009.

3. **Dividends**

The Directors did not recommend the payment of an interim dividend for the Nine-Month Period (nine months ended 30th September 2009: nil).

4. **Reserves**

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investment reserve	Merger reserve	Statutory reserve	Exchange 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 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	—	—	—	1,513	—	—	—	1,513	—
Currency translation differences	—	—	—	—	—	—	(89)	(89)	—
Profit for the nine months ended 30th September 2009	—	—	—	—	—	—	—	—	23,359
As at 30th September 2009	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>1,859</u>	<u>35,549</u>	<u>49</u>	<u>3,092</u>	<u>141,216</u>	<u>(76,905)</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	—	—	—	9,617	—	—	—	9,617	—
Currency translation differences	—	—	—	—	—	—	232	232	—
Scheme: value of services	—	1,889	—	—	—	—	—	1,889	—
Profit for the Nine-Month Period	—	—	—	—	—	—	—	—	20,538
Dividends relating to 2009 paid in June 2010	—	—	—	—	—	—	—	—	(3,069)
As at 30th September 2010	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>13,557</u>	<u>35,549</u>	<u>49</u>	<u>3,420</u>	<u>155,131</u>	<u>(48,622)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS ACTIVITIES

Mainland China and Macao

With the gaming industry continued to generate remarkable gaming revenue, thus triggering different gaming operators to initiate either new development or expansion programmes, the Group started the Three-Month Period with an order book of over HK\$120,000,000. While working on these confirmed orders, MDL continues to report encouraging news. During the Three-Month Period, MDL continued to be recognised as a trusted partner for the Government of Macao, winning a handful of contracts in the areas of office networks, back-up, storage and server systems from the Health Bureau, Cultural Affairs Bureau, Social Welfare Bureau, Transport Bureau, Macao Customs Service, Public Security Forces Affairs Bureau and Judiciary Police. Together with the various contracts secured from different gaming operators, utility companies and educational institutions, MDL added approximately HK\$20,000,000 worth of contracts to the order book of the Group.

The customer network management system of TSTSH continued to receive positive market acceptance too. During the Three-Month Period, in addition to secure another contract to install the intelligent environment monitoring software at the armed police force in the city of Pingxiang in the province of Jiangxi, TSTSH further enriched its food production environment intelligent monitoring module by complementing it with a new module – food production quality control and trace module. While the former allows food manufacturers to closely monitor and detect changes in production environment that could possibly hamper food quality and safety, the latter deploys a clear and systematic mechanism that allows tracing of every raw material used during the production process through to their sources, enabling food manufacturers to, in the event of mishap, conveniently identify, locate and recall only those batches of finished products in question.

During the Nine-Month Period, to further expand the portfolio of self-developed products, the Group set up a new development team in Zhuhai to undertake research and development of a human resources and logistics tracking and sales reporting management system. This system best fits for companies with a fleet of staff of considerable size to engage in individual navigation and real-time sales reporting and resources management.

International investments

During the Nine-Month Period, TTSA continued to deliver strong operating performance with revenue and EBITDA hitting HK\$318,641,000 (approximately US\$41,000,000) and HK\$178,750,000 (approximately US\$23,000,000) respectively, translating EBITDA margin to 56.10%. Revenue of HK\$318,641,000 (approximately US\$41,000,000) represented 85% of total revenue generated by TTSA during 2009. Total number of mobile customers grew marginally from 413,000 as at 30th June 2010 to 422,000 as at 30th September 2010, attributable to efforts to reduce churn rate. Both mobile minutes of use and mobile average revenue per use leveled at 43 minutes and HK\$78 respectively. For the dividends against 2009 operating results of HK\$23,617,000 that the Group is entitled to receive, final payment in the amount of HK\$5,827,000 has been received during September 2010.

During the Nine-Month Period, the procedure to form Vodacabo, SA, a company incorporated in Timor-Leste with limited liability and an indirectly owned associate of the Company, has been completed. Via this partnership, the Group targets to enhance its expertise and experience in the area of construction of telecommunications sites infrastructure using both traditional energy systems, i.e. generators, and new energy savings means, i.e. solar panels.

REVIEW OF OPERATING RESULTS

With a strong order book as at 30th June 2010, the Group registered turnover of HK\$64,432,000 for the Three-Month Period, bringing total turnover for the Nine-Month Period to reach HK\$133,544,000. With higher percentage of works related to provision of services billed, which carried higher margins, gross profit margin for the Three-Month Period improved considerably from 14.42% to 28.02% as compared to the same corresponding period. Gross profit for the Nine-Month Period reached HK\$37,747,000, translating to gross profit margin of 28.27%.

With heightened business activities, establishment of a new development team in Zhuhai and costs associated with issue of Options, the Group reported an increase to its total selling, marketing costs and administrative expenses, yielding operating profit of HK\$2,483,000 for the Three-Month Period. Due to a rather sluggish first six months of 2010, loss from operations of HK\$13,785,000 for the Nine-Month Period was noted. However, taking into account the hefty dividends from TTSA and gain on disposal from the sale of MTNHL Shares, net profit of HK\$19,704,000 was recognised.

Balance sheet of the Group remained strong with a debt-free capital structure and total cash balances (including liquidity notes and pledged deposits) reaching HK\$142,060,000. As at 30th September 2010, equity base stood at HK\$171,041,000.

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

As at 30th September 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 9)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Settlor 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%
Wong Tsu An Patrick	Personal (note 7)	—	500,000	0.08%
Tou Kam Fai	Personal (note 8)	—	500,000	0.08%

Notes:

- As at 30th September 2010, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, which is the trustee of the existing trust whereby the family members of José Manuel dos Santos (the settlor of the trust) were the discretionary objects and which assets included a controlling stake of 49.12% of the issued share capital of the Company.
- 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 personal interest of Wong Tsu An Patrick comprised 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Tsu An Patrick as beneficial owner.
8. The personal interest of Tou Kam Fai comprised 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Tou Kam Fai as beneficial owner.
9. Details of the Options held by the Directors outstanding as at 30th September 2010 which were granted under the Scheme are as follows:

	Number of Options				Subscription Price HK\$	Grant date	Exercisable from	Exercisable until
	Held as at 1st January 2010	Granted during the Nine-Month Period	Lapsed during the Nine-Month Period	Held as at 30th September 2010				
José Manuel dos Santos	800,000	—	(800,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Yim Hong	800,000	—	(800,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Kuan Kin Man	800,000	—	(800,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Monica Maria Nunes	800,000	—	(800,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Fung Kee Yue Roger	500,000	—	(500,000)	—	0.32	11th July 2007	12th July 2007	11th July 2010
	—	500,000	—	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Wong Tsu An Patrick	—	500,000	—	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Tou Kam Fai	—	500,000	—	500,000	0.38	14th June 2010	15th June 2010	14th June 2013

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 30th September 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%
OHHL	Corporate interest (note 1)	301,538,000	49.12%
HSBCITL	Corporate interest (note 1)	301,538,000	49.12%
Lei Hon Kin (note 2)	Family interest	302,338,000	49.25%

Notes:

1. As at 30th September 2010, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, being the trustee of the existing trust.
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 30th September 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 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 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 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 shares 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
“Director”	the director of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“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)
“HSBCITL”	HSBC International Trustee 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
“MDL”	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
“MTNHL Share”	ordinary share of US\$0.01 each in the share capital of Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and MTNHL Shares are listed on GEM
“Nine-Month Period”	nine months ended 30th September 2010
“OHHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
“Option”	a right to subscribe for the Shares granted pursuant to the Scheme
“PRC”	the People’s Republic of China
“Scheme”	the share option scheme approved by the holders of the Shares at a special general meeting on 5th November 2002
“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

“Three-Month Period”	three months ended 30th September 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, 9th November 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 Au Patrick
Tou Kam Fai