



**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**

**2011**

\* *for identification purpose only*

## Characteristics of GEM

**GEM has been positioned as a market designed to accommodate companies to which a higher 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**

- Attributable to the work associated with a major surveillance project for a gaming operator in the Cotai Strip, revenue for the Three-Month Period grew 2.62 times over the same preceding period to HK\$83,057,000
- TTSA announced another hefty dividend payout of HK\$30,541,000
- Gross profit of HK\$13,004,000 and strong dividends from TTSA, net profit of the Group reached HK\$24,867,000
- Despite a slow start for MDL for the year, MDL added over HK\$20,000,000 worth of contracts to its order book
- TSTSH extended the promotion of its food production quality control and trace application from the provinces of Jiangxi and Shaanxi to the provinces of Liaoning, Hubei and Guangdong
- Cash and cash equivalents (including yield-enhanced financial instruments) as at 31st March 2011 amounted HK\$126,817,000 while equity base grew to HK\$202,673,000
- 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>Unaudited</b>	
	<b>Three-Month</b>	Three months
Note	<b>Period</b>	ended
	<b>HK\$'000</b>	31st March
		2010
		HK\$'000
Revenue	<b>83,057</b>	31,677
Cost of sales	<b>(70,053)</b>	(23,257)
<b>Gross profit</b>	<b>13,004</b>	8,420
Selling, marketing costs and administrative expenses	<b>(18,646)</b>	(16,175)
Other gains - net	<b>30,548</b>	23,625
<b>Operating profit</b>	<b>24,906</b>	15,870
Finance income	<b>94</b>	44
Share of loss of associates	<b>(133)</b>	(62)
<b>Profit before income tax</b>	<b>24,867</b>	15,852
Income tax expense	1	—
<b>Profit for the period</b>	<b>24,867</b>	15,852
<b>Profit attributable to:</b>		
Owners of the parent	<b>26,192</b>	16,042
Non-controlling interests	<b>(1,325)</b>	(190)
	<b>24,867</b>	15,852

		<b>Unaudited</b>	
		Three months ended	
		31st March	
Note	<b>Three-Month Period</b>	2010	
<b>Earnings per Share attributable to equity holders of the Company during the Three-Month Period</b> (expressed in HK cents per Share)			
<b>Basic and diluted earnings per Share</b>	2	<b>4.27</b>	2.61
Dividends (expressed in HK\$)		—	—

*Notes to the Condensed Consolidated Income Statement:*

**1 Income tax expense**

Hong Kong profits tax was provided at the rate of 16.5% (three months ended 31st March 2010: 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 owners of the parent by the weighted average number of Shares in issue during the Three-Month Period.

	<b>Three-Month Period</b>	Three months ended 31st March 2010
Profit attributable to owners of the parent (HK\$'000)	<b>26,192</b>	16,042
Weighted average number of Shares in issue (thousands)	<b>613,819</b>	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 had 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 2010. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Three-Month Period and the three months ended 31st March 2010.

## 3 Dividends

The Directors did not recommend the payment of an interim dividend for the Three-Month Period (three months ended 31st March 2010: nil).

## 4 Reserves

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments	Merger reserve	Statutory reserve	Translation	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 2010	97,676	2,289	702	3,940	35,549	49	3,188	143,393	(66,091)
Revaluation-gross	—	—	—	2,553	—	—	—	2,553	—
Currency translation differences	—	—	—	—	—	—	21	21	—
Profit for the three months ended 31st March 2010	—	—	—	—	—	—	—	—	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>
As at 1st January 2011	97,676	4,178	702	11,768	35,549	49	3,408	153,330	(43,227)
Revaluation-gross	—	—	—	4,120	—	—	—	4,120	—
Currency translation differences	—	—	—	—	—	—	16	16	—
Profit for the Three-Month Peiod	—	—	—	—	—	—	—	—	26,192
As at 31st March 2011	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>15,888</u>	<u>35,549</u>	<u>49</u>	<u>3,424</u>	<u>157,466</u>	<u>(17,035)</u>

## **BUSINESS REVIEW**

### **Macao**

With a strong order book to start the year, during the Three-Month Period, the Group focused primarily on the completion of its orders on hand, in particular putting in a full team of highly trained and experienced engineers and technicians to work on the building and construction of a large-scale and sophisticated surveillance system at a mega gaming and hospitality resort at the Cotai Strip. This major project, which called for the installation of over 3,500 surveillance cameras, is the largest surveillance project ever undertaken by the Group. The successful completion of this project of such size and magnitude will therefore further signify the strengths and capabilities of the Group in the design and building of large surveillance infrastructural systems.

In the same period, in the area of surveillance systems, the Group has been awarded contracts by two other gaming operators and the Government of Macao, with value of works awarded exceeding HK\$5,000,000, whereas in the area of trunking radio, the Group has been selected as the provider of radio equipment and services by four gaming operators and the Government of Macao, securing over HK\$6,000,000 worth of contracts.

As for MDL, after a strong fourth quarter in 2010, MDL started the year on a slow ground. Despite so, with market sentiment in Macao continued to be strong, as evidenced by the Government of Macao issuing increasing number of public tenders, MDL secured over HK\$20,000,000 worth of contracts from gaming operators, Government of Macao, universities and hospitals, covering works in the areas of data and office networks, storage and backup systems and construction of data centres.

### **PRC, other than the regions of Hong Kong, Macao and Taiwan**

During the Three-Month Period, TSTSH has been awarded a contract to perform an upgrade, at a provincial level, of the integrated fault and alert management module of TSTSH previously installed at premises of a telecommunications service provider in the province of Jiangxi. In addition, with the development and commercialisation of the food production quality control and trace application and the successful deployment of such application at different food manufacturers in the provinces of Jiangxi and Shaanxi, TSTSH expanded its marketing effort to promote this application to food manufacturers in the provinces of Liaoning, Hubei and Guangdong. Capitalising on the increasing awareness of the Government of PRC and the general public in food safety and to maximise the reach of its application, TSTSH develops and commercialises a standard off-the-shelf version of its food production quality control and trace application. Added features and functionalities could be customised upon the requests of food manufacturers based on their specific needs and requirements.

## **Investments Holding Activities**

During the Three-Month Period, the operating results of TTSA remained strong. With number of mobile users hitting the 515,000 mark, revenue and earnings before interests, tax, depreciation and amortisation reached HK\$117,260,000 and HK\$65,875,000 respectively, representing an increase of 16.63% and 19.41% over the same preceding period. With the target for 2011 to further improve mobile penetration rate and enhance provision of network services, TTSA will continue to make investments in its network infrastructure so as to expand and strengthen its network coverage.

During the same period, TTSA passed the resolution on dividends to be paid out to its shareholders during 2011 against operating results for 2010. Total dividends entitled to be received by the Group amounted to HK\$30,541,000, or an increase of approximately 29.32% over the preceding year. Such dividends are expected to be received by four instalments during 2011.

Subsequent to the shareholding of the majority shareholder of MTNHL changing hands during 2010, MTNHL has undergone a series of corporate exercises, including share issue and acquisition of assets, the latter of which ventured MTNHL into the area of property development. On 4th April 2011, MTNHL announced a 1:1 rights issue at a price of HK\$0.10 per MTNHL Share. The Group is in the process of evaluating the future prospects of MTNHL so as to facilitate its decision of subscribing its respective share under the rights issue. As at 31st March 2011, the shareholding of the Group in MTNHL is 77,709,696 MTNHL Shares.

## **FINANCIAL REVIEW**

During the Three-Month Period, with full gear towards the completion of the major contract which called for the construction of a large-scale and sophisticated surveillance system at a mega gaming and hospitality resort at the Cotai Strip, the Group registered revenue of HK\$83,057,000, representing an increase of 2.62 times over the same corresponding period. Gross profit amounted HK\$13,004,000, translating to gross profit margin of 15.66%. With part of the income associated with the installation under the major surveillance system has yet to be booked, gross profit margin for the Three-Month Period fell short of the same preceding period of 26.58%.

To cope with the completion of the major surveillance contract secured, the Group increased its workforce with engineers and technicians using short-term engagements, thus selling, marketing costs and administrative expenses for the Three-Month Period increased from HK\$16,175,000 to HK\$18,646,000, or an increase of 15.28%. Despite higher costs structure, stronger gross profit and another hefty dividend payout from TTSA of HK\$30,541,000, operating profit of the Group for the Three-Month Period reached HK\$24,906,000 while net profit surged from HK\$15,852,000 to HK\$24,867,000.



The Group continued to enjoy a strong and healthy capital structure with no external borrowings (save and except for normal trade and bills payables). As at 31st March 2011, the Group has cash balances (including yield-enhanced financial instruments) of HK\$126,817,000 while equity base grew from HK\$173,668,000 as at 31st December 2010 to HK\$202,673,000.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 31st March 2011, 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**

<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 9)</b>	<b>Approximate % of the issued share capital of the Company</b>
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:*

1. As at 31st March 2011, 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 HSBCTIL, which is a 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.
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 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. 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 14th June 2010 and exercisable from 15th June 2010 to 14th June 2013 at HK\$0.38 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 2011, 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)	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	49.26%

#### *Notes:*

1. As at 31st March 2011, 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 31st March 2011, 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”	a corporation: <ol style="list-style-type: none"><li>1. which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or</li><li>2. (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</li></ol>
“Board”	the board of Directors (not applicable to Main Board)
“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
“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
“MDL”	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
“MTNHL”	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and MTNHL Shares are listed on GEM
“MTNHL Share”	ordinary share of US\$0.01 each in the share capital of MTNHL
“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 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”	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 31st March 2011
“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 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, 12th May 2011

**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