



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

2012

* *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.

Hong Kong Exchanges and Clearing Limited (a company incorporated in Hong Kong with limited liability) and the Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This 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

- In the absence of major projects, revenue for the Three-Month Period stood at HK\$48,558,000, bringing in gross profit of HK\$7,609,000 to the Group
- TTSA announced another hefty dividend payout of HK\$32,407,000
- Despite a drop of more than 40% in revenue, stronger dividend income from TTSA, higher finance income and share of profit from Vodacabo, net profit of the Group reached HK\$23,146,000
- TSTSH was awarded by another armed police force to install its operational control and duty carrying information system and extended the marketing of this system, together with integrated environmental monitoring system and integrated fault and alert management system to the Government of Macao
- Vodacabo secured over HK\$7,000,000 of works in the construction of telecommunications towers infrastructure and energy structures and for the laying of transmission network
- MTNHL announced its intention to make another acquisition, being a company that engaged in sale and production of liquid crystal display and touchscreen panels
- Cash and cash equivalents (including yield-enhanced financial instruments) as at 31st March 2012 amounted to HK\$129,597,000 while equity base grew to HK\$227,471,000
- The Board does not recommend 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
	Note	Period	ended
		HK\$'000	31st March
			2011
			HK\$'000
Revenue		48,558	83,057
Cost of sales		(40,949)	(70,053)
Gross profit		7,609	13,004
Selling, marketing costs and administrative expenses		(19,507)	(18,646)
Other income		32,573	30,548
Operating profit		20,675	24,906
Finance income		1,458	94
Share of profit/(loss) of associates		1,013	(133)
Profit before income tax		23,146	24,867
Income tax expense	1	—	—
Profit for the period		23,146	24,867
Profit/(loss) attributable to:			
Owners of the Company		23,513	26,192
Non-controlling interests		(367)	(1,325)
		23,146	24,867
Earnings per Share attributable to owners of the Company during the Three-Month Period (expressed in HK cents per Share)			
Basic and diluted earnings per Share	2	3.83	4.27
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 2011: 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 Company by the weighted average number of Shares in issue during the Three-Month Period.

	Three-Month Period HK\$'000	Three months ended 31st March 2011 HK\$'000
Profit attributable to owners of the Company	<u>23,513</u>	<u>26,192</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 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 2011. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Three-Month Period and the three months ended 31st March 2011.

3 Dividends

The Directors did not recommend the payment of an interim dividend for the Three-Month Period (three months ended 31st March 2011: nil).

4 Reserves

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments	Merger reserve	Statutory reserve	Translation	Total	(Accumulated losses)/ retained earnings
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
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 months ended 31st March 2011	—	—	—	—	—	—	—	—	26,192
As at 31st March 2011	97,676	4,178	702	15,888	35,549	49	3,424	157,466	(17,035)
As at 1st January 2012	97,676	4,178	702	23,730	35,549	49	3,450	165,334	(19,611)
Revaluation-gross	—	—	—	(3,848)	—	—	—	(3,848)	—
Currency translation differences	—	—	—	—	—	—	176	176	—
Profit for the Three-Month Period	—	—	—	—	—	—	—	—	23,513
As at 31st March 2012	97,676	4,178	702	19,882	35,549	49	3,626	161,662	3,902

BUSINESS REVIEW

Business in Macao, Hong Kong and PRC, other than the regions of Hong Kong, Macao and Taiwan

During the Three-Month Period, the Group continued to undertake projects in the areas of surveillance, trunking radio, server and storage systems, data and office networks, firewall and storage, backup, blade server systems and networking infrastructure and after-sales maintenance support services for the Government of Macao, different gaming operators and telecommunications service providers. As at 31st March 2012, the Group has over HK\$40,000,000 worth of orders on hand, including contracts awarded from all the six gaming operators in Macao, Public Security Forces Affairs Bureau, Judiciary Police, Health Bureau and Identification Department under the Government of Macao, educational institution, utility company and telecommunications service providers in the provinces of Shandong, Guizhou and Guangdong.

TSTSH

During the Three-Month Period, TSTSH continued to receive positive news for its operational control and duty carrying information system and was chosen by another armed police force to install this module. During the Three-Month Period, the Group also initiated cross selling opportunities by introducing TSTSH and its products to the Government of Macao, in particular with respect to the operational control and duty carrying information system, integrated environmental monitoring system and integrated fault and alert management system.

Investments Holding Activities

TTSA

During the Three-Month period, operating results of TTSA remained strong. With over 600,000 of mobile customers, representing mobile penetration rate of over 50%, TTSA generated HK\$130,035,000 of revenue with earnings before interest, tax, depreciation and amortisation exceeding HK\$72,164,000, or an increase of 10.89% and 9.55% over the same preceding period. Average revenue per user per month was at approximately HK\$62.

During the Three-Month Period, TTSA passed the resolution on dividends to be paid out to its shareholders during 2012 against operating results of 2011. Total dividends entitled to be received by the Group in 2012 amounted HK\$32,407,000, or an increase of approximately 6.11% over 2011. To be paid out over three instalments, the Group received the first instalment of HK\$9,722,000 in April 2012.

In March 2012, the Government of Timor-Leste entered into a new agreement with TTSA to early terminate the exclusive concession contract, which originally called for termination in 2017. Under the revised terms of this new agreement, which allows transition to a competitive market during 2012, the Government of Timor-Leste granted full property of all network assets under the original concession and their relevant titles to TTSA and issued to TTSA three additional licences for the use of mobile spectrum, satellite and microwave spectrum. Going forward, TTSA will continue to make investments in network infrastructure and improvement in network coverage and services so as to strengthen its leading position in the market.

Vodacabo

During the Three-Month Period, Vodacabo continued to provide services in the construction of telecommunications towers infrastructure and energy structures and for the laying of transmission network. Total works secured during the period amounted over HK\$7,000,000. With completed structures under previously awarded contracts gradually accepted by the end-user, during the Three-Month Period, HK\$1,027,000 of share of profit from associates has been recognised from Vodacabo. Moreover, during April 2012, Vodacabo fully repaid the shareholders' loans that shareholders have put in on a pro rata basis to support the operations at the time of incorporation.

MTNHL

During the Three-Month Period, MTNHL announced another acquisition, which involved a company that principally engaged in trading of electronic parts and components in relation to display modules and touch panel modules and in the provision of professional solution with engineering services for total consideration of HK\$39,000,000, which will be settled by cash, issue of convertible bonds and promissory notes.

As stated in the announcement of MTNHL, with scope of business now extended to the sale and production of liquid crystal display and touchscreen panels, the new acquisition will ensure a stable and consistent supply of electronic parts at competitive prices.

The Group did not dispose any of its shareholding in MTNHL during the Three-Month Period.

FINANCIAL REVIEW

In the absence of major projects, the Group generated revenue of HK\$48,558,000 for the Three-Month Period. With gross profit margin leveled that of the same preceding period, the Group brought in a mere HK\$7,609,000 of gross profit for the Three-Month Period. Higher selling, marketing costs and administrative expenses were witnessed, attributed to higher staff costs which were necessary as a means to combat challenges faced from gaming operators in Macao for talents, and inflationary pressures which pushed up office rents and other general administrative costs.

Although the Group witnessed a more than 40% drop in revenue as compared to the same corresponding period of last year, with stronger dividend income from TTSA of HK\$32,407,000, higher finance income which was partly attributable to investing in yield-enhanced financial instrument and share of profit from Vodacabo, net profit of the Group reached HK\$23,146,000, trailing only the net profit of the same corresponding period of HK\$24,867,000 by a mere 6.92%.

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 a defense mechanism against unforeseeable turbulent market conditions or sudden market downturn, the Group continued to maintain its cash reserves. As at 31st March 2012, the Group has cash balances and yield-enhanced financial instruments of HK\$120,597,000, or HK\$0.20 per Share. With net profit of HK\$23,146,000 recognised for the Three-Month Period, though offset by a decrease to the fair value of MTNHL Shares from HK\$0.255 as at 31st December 2011 to HK\$0.225 as at 31st March 2012, equity base grew from HK\$208,145,000 as at 31st December 2011 to HK\$227,471,000, reaching HK\$0.37 per Share.

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 2012, 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	Approximate %
			underlying Shares (in respect of Options held) (note 9)	
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 2012, 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 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. These 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 2012, 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	Family interest (note 2)	302,338,000	49.26

Notes:

- 1 As at 31st March 2012, 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 2012, 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">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 (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 cent”	Hong Kong Cent, 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
“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 (not applicable to MTNHL Share)
“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 2012
“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, S.A., a company incorporated in Timor-Leste with limited liability
“US\$”	United States Dollar, the lawful currency of the United States of America

“Vodacabo”

Vodacabo, S A, incorporated in Timor-Leste with limited liability and an indirectly owned associate of the Company

By order of the Board
José Manuel dos Santos
Chairman

Macao, 11th May 2012

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