



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

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.

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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

- The Group generated revenue of HK\$72,212,000 and HK\$164,253,000 for the Three-Month Period and Nine-Month Period respectively. Net profit reached HK\$20,339,000 for the Nine-Month Period
- Cost control remains a major challenge for the Group
- TSTSH promoted its off-the-shelf food production quality control and trace module from dairy manufacturers to flour and additives manufacturers and winery manufacturers
- Aggregate cash balances and value of yield-enhanced financial instruments reached HK\$140,851,000 with total equity base standing at HK\$212,087,000 as at 30th September 2012
- The Directors do not recommend payment of an interim dividend for the Nine-Month Period

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 30th September 2011	Nine- Month Period 2011	Nine months ended 30th September 2011	
Note	Three- Month Period HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	Revenue	72,212	65,843	164,253	197,688
	Cost of sales	(56,203)	(52,025)	(127,687)	(161,790)
	Gross profit	16,009	13,818	36,566	35,898
	Other gains	211	1	33,237	30,670
	Selling, marketing costs and administrative expenses	(19,593)	(19,368)	(57,320)	(57,086)
	Operating (loss)/profits	(3,373)	(5,549)	12,483	9,482
	Finance income	657	352	3,587	607
	Share of post-tax profits/(loss) of associates	2,073	(1,193)	4,311	4,427
	(Loss)/profit before income tax	(643)	(6,390)	20,381	14,516
	Income tax expense	(27)	(245)	(42)	(245)
	(Loss)/profit for the period	(670)	(6,635)	20,339	14,271
	(Loss)/profit attributable to:				
	– Owners of the Company	(909)	(5,384)	21,575	17,090
	– Non-controlling interests	239	(1,251)	(1,236)	(2,819)
		(670)	(6,635)	20,339	14,271
	(Loss)/earnings per Share attributable to owners of the Company				
		HK cent per Share	HK cent per Share	HK cents per Share	HK cents per Share
	– Basic and diluted (loss)/earnings per Share	(0.15)	(0.88)	3.51	2.78
		HK\$	HK\$	HK\$	HK\$
	Dividends	—	—	—	—

Notes to the condensed consolidated income statement

1 Income tax expense

Hong Kong and overseas profits tax was provided at the rate of 16.5% (nine months ended 30th September 2011: 16.5%) and at the rates of taxation prevailing in the regions in which the Group operated respectively.

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 Nine-Month Period.

	Nine-Month Period HK\$'000	Nine months ended 30th September 2011 HK\$'000
Profit attributable to owners of the Company	<u>21,575</u>	<u>17,090</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 Share 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 period ended 30th September 2011. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Nine-Month Period and the period ended 30th September 2011.

3 Dividends

A dividend of HK\$3,069,000 that related to the period to 31st December 2011 was paid in July 2012 (2011: HK\$3,069,000).

In addition, an interim dividend of HK\$0.005 per Share (2011: Nil) was approved by the Board on 10th August 2012. It was paid to Members in September 2012.

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 2011	97,676	4,178	702	11,768	35,549	49	3,408	153,330	(43,227)
Revaluation-gross	—	—	—	(3,616)	—	—	—	(3,616)	—
Currency translation differences	—	—	—	—	—	—	(54)	(54)	—
Profit for the nine months ended 30th September 2011	—	—	—	—	—	—	—	—	17,090
Dividends relating to 2010 paid in June 2011	—	—	—	—	—	—	—	—	(3,069)
As at 30th September 2011	97,676	4,178	702	8,152	35,549	49	3,354	149,660	(29,206)
As at 1st January 2012	97,676	4,178	702	23,730	35,549	49	3,450	165,334	(19,611)
Revaluation-gross	—	—	—	(10,103)	—	—	—	(10,103)	—
Currency translation differences	—	—	—	—	—	—	(156)	(156)	—
Profit for the Nine-Month Period	—	—	—	—	—	—	—	—	21,575
Dividends relating to 2011 paid in July 2012	—	—	—	—	—	—	—	—	(3,069)
Interim dividend	—	—	—	—	—	—	—	—	(3,069)
As at 30th September 2012	97,676	4,178	702	13,627	35,549	49	3,294	155,075	(4,174)

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

In Macao, the Group continued to offer solutions in the areas of surveillance, trunking radio, telephony, server and storage systems, data and office networks, firewall and storage, backup, blade server systems and networking infrastructure and after-sales maintenance support services to the Government of Macao, gaming and hotel operators and telecommunications service providers. During the Three-Month Period, the Group secured over HK\$8,000,000 worth of contracts for the provision of trunking radio and telephony systems and accessories, while Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company, successfully introduced new initiatives to the Government of Macao, such as central procurement application system and personnel management system

During the Three-Month Period, to accommodate increasingly stringent requirements regarding quality of service, network performance and availability required by telecommunications service providers, the Group sold over HK\$17,000,000 of high performance routers to different telecommunications service providers in Hong Kong. Through the upgrade to their networks infrastructure, telecommunications service providers will now be able to provide more flexible and reliable support of services and applications to their end-users.

In Mainland China, the Group continued to target for higher-margin business. During the Three-Month Period, the Group secured approximately HK\$2,000,000 worth of maintenance contracts, providing 7x24 network maintenance support services to different telecommunications service providers in various cities. In addition, the Group received over HK\$4,000,000 worth of software development projects from a research and development centre in the province of Guangdong to develop pilot projects, such as online player maintenance services procurement system, data integration and application interoperability framework, user's behavioral analysis platform, to name a few.

Products of TSTSH continued to receive positive responses. In addition to scoring wins from different armed police force to install its operational control and duty carrying information system, TSTSH successfully deployed its integrated environmental monitoring system at a major car components manufacturer in Shanghai and was awarded a contract of approximately HK\$1,000,000 from an existing client to provide maintenance support services to the customer network and service management system that TSTSH had previously installed. Furthermore, during the Three-Month Period, TSTSH successfully sold its off-the-shelf food production quality control and trace module to dairy manufacturers, flour and additives manufacturers and winery manufacturers.

Investments Holding Activities

TTSA

With total new additions of over 30,000 mobile customers during 2012, total number of mobile customers at TTSA now exceeded 630,000 as at 30th September 2012, translating to a penetration rate of over 50%. TTSA continued to deliver another quarter of strong results. For the Nine-Month Period, TTSA generated total revenue and earnings before interest, tax, depreciation and amortisation of HK\$409,582,000 and HK\$235,135,000 respectively. Average revenue per user per month was at approximately HK\$58.73. In October 2012, the Group received the final instalment of dividends, meaning that total dividends of HK\$32,407,000 entitled to be received by the Group during 2012 in relation to dividends declared against 2011 operating results have all been received.

Vodacabo

During 2012, Vodacabo continued to expand its service offerings. It is now engaged in the construction of telecommunications towers and energy structures and provision of installation works of transmission networks, backbone networks, international link and landscape and concrete slabs. Total contracts secured during the Nine-Month Period reached approximately HK\$30,000,000.

FINANCIAL REVIEW

During the Three-Month Period, the Group reported revenue of HK\$72,212,000, or an increase of 9.67% as compared to the corresponding three-month period of last year. Composition of revenue, i.e. maintenance support services and software development projects, which carried higher margin, and hardware sales, which carried lower margin, remained stable. Consequently, gross profit margin for the Three-Month Period edged up only slightly from 20.99% to 22.17%.

The Group continues to operate in an environment with inflationary pressures on human resources costs and rents. Taking cautious measures to control different costs elements, such as consolidating offices of representative offices of different subsidiaries located in the neighborhood, negotiating better terms with forwarders and controlling general office expenses, the selling, marketing and administrative expenses for the Three-Month Period and Nine-Month Period almost leveled that of the preceding three-month period and nine-month period of last year respectively. Cost control remains a major challenge of the Group.

Higher revenue and improved gross profit margin, coupled with tight cost control measures, strong dividend income from TTSA, higher finance income generated from investments in yield-enhanced financial instruments and stronger profit at Vodacabo, net profit of the Group reached HK\$20,339,000 for the Nine-Month Period, representing an increase of 42.52% on a year-on-year basis.

The Group continued to enjoy a strong and healthy capital structure. Aggregate cash balances and value of yield-enhanced financial instruments reached HK\$140,851,000 with total equity base standing at HK\$212,087,000 as at 30th September 2012. Taking advantage of the low interest environment and as a means to further enhance returns of its yield-enhanced financial instruments, the Group slightly grew its bond portfolio through leverage. As at 30th September 2012, amount of leverage employed over its bond portfolio was approximately HK\$1,636,000.

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

As at 30th September 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 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:

- 1 As at 30th September 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 Nine-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 30th September 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 30th September 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 30th September 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 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”	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 shares 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
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“Member”	the holder of the Shares
“Nine-Month Period”	nine months ended 30th September 2012
“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 Members 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 30th September 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
“Vodacabo”	Vodacabo, S A, a company 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, 12th November 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 Au Patrick
Tou Kam Fai