



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

2013

* *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

- In the absence of major projects and due to traditional slower months for the beginning of the year, revenue stood at HK\$41,413,000, bringing in gross profit of HK\$9,609,000 to the Group
- To defend its market positioning, TTSA suspended payment of dividends during 2013 against its operating results of 2012
- In the absence of dividend income from TTSA, the Group reported net loss of HK\$7,286,000
- TSTSH entered into a profit-sharing arrangement with a telecommunications service provider in the province of Guangdong for the deployment of its CNMS
- Vodacabo secured over HK\$15,000,000 of works in the construction of telecommunications towers infrastructure and energy structures and for the laying of the foundation of the transmission network installation
- Cash and cash equivalents (including yield-enhanced financial instruments) as at 31st March 2013 grew to over HK\$145,000,000
- The Directors do 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 Period HK\$' 000	Three months ended 31st March 2012 HK\$' 000
Revenue		41,413	48,558
Cost of sales		(31,804)	(40,949)
Gross profit		9,609	7,609
Selling, marketing costs and administrative expenses		(18,698)	(19,507)
Other income		928	32,573
Operating (loss)/profit		(8,161)	20,675
Finance income		859	1,458
Share of profit of associates		16	1,013
(Loss)/profit before income tax		(7,286)	23,146
Income tax expense	1	—	—
(Loss)/profit for the period		(7,286)	23,146
(Loss)/profit attributable to:			
Owners of the Company		(6,486)	23,513
Non-controlling interests		(800)	(367)
		(7,286)	23,146
(Loss)/earnings per Share attributable to owners of the Company during the Three-Month Period (expressed in HK cents per Share)			
Basic and diluted (loss)/earnings per Share	2	(1.06)	3.83
Dividends (expressed in HK\$)	3	—	—

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 2012: 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 (Loss)/earnings per Share

(a) Basic

Basic (loss)/earnings per Share was calculated by dividing the (loss)/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 2012 HK\$' 000
(Loss)/profit attributable to owners of the Company	<u>(6,486)</u>	<u>23,513</u>
Weighted average number of Shares in issue (thousands)	<u>613,819</u>	<u>613,819</u>

(b) Diluted

Diluted (loss)/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 (loss)/earnings per Share for the Three-Month Period and the three months ended 31st March 2012. Accordingly, diluted (loss)/earnings per Share was identical to basic (loss)/earnings per Share for the Three-Month Period and the three months ended 31st March 2012.

3 Dividends

The Directors do not recommend payment of an interim dividend for the Three-Month Period (three months ended 31st March 2012: nil).

4 Reserves

	Contributed surplus HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Available-for-sale investments HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	Translation HK\$'000	Total HK\$'000	(Accumulated losses)/ retained earnings HK\$'000
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 months ended 31st March 2012	—	—	—	—	—	—	—	—	23,513
As at 31st March 2012	97,676	4,178	702	19,882	35,549	49	3,626	161,662	3,902
As at 1st January 2013	97,676	4,178	702	90,661	35,549	49	3,178	231,993	3,525
Revaluation-gross	—	—	—	(3,930)	—	—	—	(3,930)	—
Currency translation differences	—	—	—	—	—	—	7	7	—
Loss for the Three-Month Period	—	—	—	—	—	—	—	—	(6,486)
As at 31st March 2013	97,676	4,178	702	86,731	35,549	49	3,185	228,070	(2,961)

BUSINESS REVIEW

Business in Macao and Hong Kong

Similar to previous years, the initial months of the year continued to be traditional slower for the Group. During the Three-Month Period, in addition to placing emphasis on building a stronger revenue base with revenue generated from software development projects and provision of maintenance support services, 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 for the Government of Macao and different gaming operators. New orders secured including contracts from gaming operators in Macao and Judiciary Police, Civic and Municipal Affairs, Public Administration and Civil Service Bureau under the Government of Macao.

TSTSH

During the Three-Month Period, TSTSH successfully completed final acceptance tests on four modules of its CNMS previously installed at a telecommunications service provider in the province of Jiangxi. In addition, TSTSH continued to actively promote its module to the food industry in PRC (other than the regions of Hong Kong, Macao and Taiwan), successfully selling its off-the-shelf food production quality control and trace module to fourteen new manufacturers of additives and wines in the province of Jiangxi.

To further expand its market reach, TSTSH entered into a profit-sharing arrangement with a telecommunications service provider in the province of Guangdong. Revenue generated from the deployment of its CNMS at the telecommunications service provider will be based on a profit-sharing model over total data traffic running over the networks. This marketing arrangement escalates the relationship between TSTSH and its customers from a pure sales model to a collaboration nature.

TTSA

During 2012, the Government of Timor-Leste awarded two new licences to an Indonesian telecommunications operator and a Vietnamese telecommunications operator to provide telecommunications services in Timor-Leste, with the Indonesian operator officially launching its services on 17th January 2013. During the Three-Month Period, the Indonesian competitor provided services to over 42,000 customers, yet the number of mobile customers registered by TTSA witnessed a minor drop of less than 10,000.

During the period, although TTSA continued to generate strong revenue, due to various marketing campaigns and pricing initiatives, TTSA recognised increase in its revenue to reach HK\$133,823,000, yet its earnings before interest, tax, depreciation and amortisation dropped by 7.68% over the same preceding period. Average revenue per user per month dropped further to approximately HK\$55.

During the Three-Month Period, TTSA passed the resolution not to pay out any dividends to its shareholders against its operating results of 2012. Such decision is made as a means to ensure that TTSA maintains adequate financial and operational flexibility to defend its competitive market positioning against competition from the two new operators.

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 the foundation of the transmission network installation. Total works secured during the period amounted over HK\$15,000,000.

FINANCIAL REVIEW

In the absence of any large-scale infrastructure projects and in view of traditional slower months witnessed during the beginning of the year, the Group generated revenue of HK\$41,413,000 for the Three-Month Period. However, with higher percentage of revenue generated from software development and provision of maintenance support services, both of which carried higher margins, albeit a drop of turnover over the preceding period, gross profit increased to HK\$9,609,000, translating to a gross profit margin of 23.20%. Although faced with challenges to retain talents in Macao, the successful realignment of its human resources across entities allowed the Group to contain its selling, marketing costs and administrative expenses.

During the Three-Month Period, TTSA suspended payment of dividends against operating results of 2012, therefore, albeit improved gross profit margin and effective cost control measures, the Group reported net loss of HK\$7,286,000.

The Group continued to enjoy a strong and healthy capital structure. Due to strong recoverability of its trade receivables, as at 31st March 2013, the Group has cash balances and yield-enhanced financial instruments of over HK\$145,000,000, or approximately HK\$0.24 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 2013, 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 31st March 2013, 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 2013, 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 2013, 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 2013, 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
“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
“CNMS”	customer network management system
“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
“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 2013
“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, 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, 13th May 2013

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