



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

2015

* *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

- Revenue for the Three-Month Period primarily supported by revenue generated from the works at the major surveillance project at the Galaxy Resort, with revenue for the period reaching HK\$85,043,000
- Due to higher salary costs in Macao and the engagement of workforce on short-term engagements to support the major surveillance project at the Galaxy Resort, coupled with the absence of any dividends from TTSA, the Group reported net loss of HK\$11,477,000 for the Three-Month Period
- CNMS of TSTSH to be deployed at a gaming operator in Macao during the second quarter of 2015
- Cash and cash equivalents (including pledged bank deposits) and yield-enhanced financial instruments) as at 31st March 2015 stood at approximately HK\$150,000,000
- 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:

	Note	Unaudited	
		Three-Month Period HK\$'000	Three months ended 31st March 2014 HK\$'000
Revenue		85,043	58,310
Cost of sales		(71,560)	(43,913)
Gross profit		13,483	14,397
Selling, marketing costs and administrative expenses		(26,227)	(22,651)
Other income		572	227
Operating loss		(12,172)	(8,027)
Finance income		1,012	1,187
Finance expenses		(65)	—
Finance income – net		947	1,187
Share of loss of associates		(252)	(817)
Loss before income tax		(11,477)	(7,657)
Income tax expense	1	—	(44)
Loss for the period		(11,477)	(7,701)
Loss attributable to:			
Owners of the Company		(10,885)	(6,172)
Non-controlling interests		(592)	(1,529)
		(11,477)	(7,701)
Loss per Share attributable to owners of the Company for the Three-Month Period (expressed in HK cents per Share)			
Basic loss per Share	2(a)	(1.77)	(1.01)
Diluted loss per Share	2(b)	Not applicable	Not applicable
Dividends	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 2014: 16.5%) on the estimated assessable profit for the Three-Month Period. Taxation on non-Hong Kong 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 per Share

(a) Basic

Basic loss per Share was calculated by dividing the loss 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 2014 HK\$'000
Loss attributable to owners of the Company	<u><u>(10,885)</u></u>	<u><u>(6,172)</u></u>
Weighted average number of Shares in issue (thousands)	<u><u>613,819</u></u>	<u><u>613,819</u></u>

(b) Diluted

Diluted loss per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. No diluted loss per Share for the Three-Month Period and the three months ended 31st March 2014 was presented as there were no outstanding options as at 31st March 2015 and 2014.

3 Dividends

The Directors do not recommend payment of an interim dividend for the Three-Month Period (three months ended 31st March 2014: 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 2014	97,676	4,178	702	89,884	35,549	49	3,352	231,390	(12,670)
Revaluation gain	—	—	—	346	—	—	—	346	—
Currency translation differences	—	—	—	—	—	—	(79)	(79)	—
Loss for the three months ended 31st March 2014	—	—	—	—	—	—	—	—	(6,172)
As at 31st March 2014	97,676	4,178	702	90,230	35,549	49	3,273	231,657	(18,842)
As at 1st January 2015	97,676	4,178	702	56,715	35,549	49	3,284	198,153	17,076
Revaluation loss	—	—	—	(2,262)	—	—	—	(2,262)	—
Currency translation differences	—	—	—	—	—	—	12	12	—
Loss for the Three-Month Period	—	—	—	—	—	—	—	—	(10,885)
As at 31st March 2015	97,676	4,178	702	54,453	35,549	49	3,296	195,903	6,191

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

Subsequent to an exceptionally strong fourth quarter in 2014, the initial months of the year for the Group were again the traditional slower months in generating business, in particular with the Government of Macao following the appointment of a new cabinet of secretaries as Macao ventured into its fourth term since its handover back to PRC. During the Three-Month Period, the Group is also chanced with challenges from different gaming and hotel operators as they become cautious with their capital expenditures over new developments, expansions and upgrades after the witness of a continuous drop to the gaming revenue generated from the enclave. Nevertheless, during the Three-Month Period, the Group has been focusing and working in full gear to complete the project to design, supply, installation, testing, commissioning and maintenance of the surveillance system at the Galaxy Resort. Moreover, the Group has been working on a number of major tenders for both the Government of Macao and two major gaming operators in the areas of networking, surveillance and customised software solutions. The bidding of these projects is still in progress as at the date of this announcement with results expected to be announced during the second or third quarter of the year.

TSTSH began the year also on a soft footing as official award of three major contracts with total value of HK\$10,000,000 to install different modules of its CNMS continued to be delayed by the logistics involved at the side of the customers. During the Three-Month Period, TSTSH put its primary focus on working on the final acceptance of various modules of its CNMS previously sold to different telecommunications service providers in the provinces of Jiangxi, Jiangsu, Shandong, Hubei and Hebei, and the municipalities of Shanghai and Chongqing. In the same period, TSTSH conducted a proof of concept of its CNMS to a gaming operator in Macao, successfully demonstrating the capabilities of its CNMS to effectively manage not only equipment over the networks but also those of a surveillance system. With a success proof of concept, the CNMS of TSTSH will be deployed at its gaming premises of the gaming operator during the second quarter of 2015.

Other Investments

TTSA During the Three-Month Period, TTSA continued to be adversely affected by market competition, consequently TTSA reported a drop of its revenue by 16.5% for the quarter to reach HK\$73,573,000. Despite lower revenue and gross margin due to the need to rollout different marketing campaigns to combat competition, with lower interest, tax, depreciation and amortisation, TTSA reported net profit of HK\$11,730,000, as compared to a net loss of HK\$4,124,000 for the same preceding period.

Vodacabo During April 2015, the shareholders reached a consensus that if Vodacabo fails to successfully expand its market reach from the construction of telecommunications sites, installation of energy structure and provision of network audits in the telecommunications sector to construction of power infrastructure in the power sector by end of June 2015, the management will seek to dispose Vodacabo and liquidation if failure to secure a buyer.

GTGIL With respect to the investment holding of the Group in GTGIL, which principally engaged in the trading of electronic hardware components (display and touch panel modules) with compatibility solutions advisory services and real estate development and investment, the Group has not disposed any GTGIL Shares during the Three-Month Period, hence as at 31st March 2015, the Group is still holding 82,395,392 GTGIL Shares.

Financial Review

In view of the traditional slower months witnessed during the beginning of the year, revenue for the Three-Month Period was primarily supported by revenue generated from the works at the major surveillance project at the Galaxy Resort, with revenue for the Three-Month Period reaching HK\$85,043,000 or approximately 45.85% increase over the three months of the preceding period. However, in the absence of major projects from the Government of Macao and telecommunications service providers in Hong Kong and Mainland China, gross profit margin stood at 15.85% with gross profit amounting HK\$13,483,000, representing a slight decrease of 6.35% as compared to the corresponding period of 2014. The Group continued to face with high salary costs during the Three-Month Period, in particular in Macao. Coupled with the need to add in workforce on short-term engagements to support the works for the surveillance project at the Galaxy Resort, total selling, marketing and administrative expenses hiked up 15.79% to stand at HK\$26,227,000. In the absence of any dividends from TTSA, the Group reported net loss of HK\$11,477,000 for the Three-Month Period.

The Group continued to enjoy a strong and healthy capital structure. Due to strong recoverability of its trade receivables, as at 31st March 2015, the Group has cash balances (including pledged bank deposits) and yield-enhanced financial instruments of approximately HK\$150,000,000, or HK\$0.24 per Share.

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

As at 31st March 2015, 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	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
Yim Hong	Personal (Note 2)	7,357,500	1.20
Kuan Kin Man	Personal (Note 3)	22,112,500	3.60
Monica Maria Nunes	Personal (Note 4)	2,452,500	0.40
Fung Kee Yue Roger	Personal (Note 5)	210,000	0.03

Notes:

- As at 31st March 2015, 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.
- The personal interest of Yim Hong comprised 7,357,500 Shares. The aforesaid interest was held by Yim Hong as beneficial owner.
- The personal interest of Kuan Kin Man comprised 22,112,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- The personal interest of Monica Maria Nunes comprised 2,452,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- The personal interest of Fung Kee Yue Roger comprised 210,000 Shares. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR 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 2015, 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)	301,538,000	49.12

Notes:

- 1 As at 31st March 2015, 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 2015, 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 Close 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

“Associated Corporation” a corporation:

- 1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or
- 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

“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

“Close Associate” has the meaning ascribed thereto in the GEM Listing Rules

“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

“Galaxy Resort” Galaxy Resort & Casino, Cotai City, Macao

“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
“GTGIL”	Gold Tat Group International Limited, a company incorporated in the Cayman Islands with limited liability and GTGIL Shares are listed on GEM
“GTGIL Share”	ordinary share of US\$0.001 each in the share capital of GTGIL
“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
“OHHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
“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 GTGIL 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 2015
“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, 12th May 2015

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