



**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**

**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 AND NINE-MONTH PERIOD**

- With focus primarily on the trading of hardware and offering turnkey solutions in the areas of servers, storage, security, surveillance and networking for the Government of Macao and different gaming operators, the Group reported revenue of HK\$61,631,000 for the Three-Month Period
- Without the need to engage sub-contractors and technicians on contract basis to accommodate demanding site works for the major surveillance project at Galaxy Resort, the Group registered a considerable drop in its total selling, marketing costs and administrative expenses to reach HK\$16,740,000, or a drop of approximately 35% as compared to the corresponding three-month period of last year
- In the absence of dividend payout from TTSA and gains from the disposal of GTGIL Shares, the Group reported net loss of HK\$3,481,000 for the Three-Month Period
- TTSA continued to register a drop in its revenue for the Three-Month Period, reporting revenue of HK\$76,540,000 and profit before interest, tax, depreciation and amortisation of HK\$35,057,000 with net loss of HK\$4,591,000
- The shareholders of Vodacabo continued to work on the disposal or liquidation of Vodacabo
- During the Three-Month Period, the Group had not disposed any GTGIL Shares
- Total cash balances (including pledged cash deposits) and yield-enhanced financial instruments amounted approximately HK\$155,062,000
- The Directors do not recommend payment of an interim dividend for the Nine-Month Period



## Notes to the condensed consolidated income statement

### 1 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (nine months ended 30th September 2014: 16.5%) on the estimated assessable profit for the period. Taxation on non-Hong Kong profits was calculated on the estimated assessable profit for the 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 Nine-Month Period.

	<b>Nine-Month Period HK\$'000</b>	Nine months ended 30th September 2014 HK\$'000
(Loss)/profit attributable to owners of the Company	<u><u>(15,167)</u></u>	<u><u>11,384</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 earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. No diluted earnings per Share for the Nine-Month Period and the nine months ended 30th September 2014 was presented as there were no outstanding options as at 30th September 2015 and 2014.

### 3 Dividends

The Directors do not recommend payment of interim dividend for the Nine-Month Period (nine months ended 30th September 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	Retained earnings/ (accumulated losses) HK\$'000
As at 1st January 2015	97,676	4,178	702	56,715	35,549	49	3,284	198,153	17,076
Revaluation loss	—	—	—	(6,465)	—	—	—	(6,465)	—
Currency translation differences	—	—	—	—	—	—	(85)	(85)	—
Dividend relating to 2014	—	—	—	—	—	—	—	—	(6,138)
Loss for the Nine-Month Period	—	—	—	—	—	—	—	—	(15,167)
As at 30th September 2015	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>50,250</u>	<u>35,549</u>	<u>49</u>	<u>3,199</u>	<u>191,603</u>	<u>(4,229)</u>
As at 1st January 2014	97,676	4,178	702	89,884	35,549	49	3,352	231,390	(12,670)
Revaluation loss	—	—	—	(2,675)	—	—	—	(2,675)	—
Currency translation differences	—	—	—	—	—	—	(94)	(94)	—
Profit for the nine months ended 30th September 2014	—	—	—	—	—	—	—	—	11,384
As at 30th September 2014	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>87,209</u>	<u>35,549</u>	<u>49</u>	<u>3,258</u>	<u>228,621</u>	<u>(1,286)</u>

## **BUSINESS REVIEW**

### **Business in Macao, Hong Kong and Mainland China**

The grand opening of Phase 2 at Galaxy Resort in May 2015 marked the opening of a series of new additions of gaming hubs and attractions to the Cotai Strip in Macao. Subsequent to the grand opening of Studio City Macau in October 2015, follow suit are Wynn Palace, Parisian Macau and MGM Grand Paradise in 2016 and Lisboa Palace in 2017. At VHL, with the completion of the installation, testing and commissioning of the major surveillance project previously secured from Galaxy Resort in May 2015 and in the absence of major projects in the pipeline as the Group continued to tender for contracts in the areas of networking and surveillance for gaming operators that are contemplating of expanding their presence in the Cotai Strip, during the Three-Month Period, VHL emphasised on completing various variation orders in surveillance for different gaming operators, with target completion dates before end of the year, while MDL focused principally on the provision of turnkey solutions in the areas of servers, storage, security and networking to various gaming operators and different departments under the Government of Macao, including Public Security Forces Affairs Bureau, Statistics and Census Bureau, Education and Youth Affairs Bureau, Marine and Water Bureau, Labour Affairs Bureau, Housing Bureau, Civic and Municipal Affairs Bureau, to name a few. In addition, through partnership with selected vendors, MDL successfully secured contracts to provide premier support services to different departments under the Government of Macao, including Transport Bureau, Cultural Industries Fund and Public Administration and Civil Service Bureau. By engaging the premier support services of MDL, MDL and the respective vendor will proactively assist the customer to maximise its IT resources, ensure the health of its IT operations, provide customised and personal service management and deliver prioritised 24/7 problem resolution support.

During the Three-Month Period, TSTHKCL successfully installed and rolled out its CNMS at a gaming operator in Macao, supporting and managing a sphere of equipment deployed under the surveillance system and its backend data networks. With a successful reference site in Macao achieved, TSTHKCL is in process of setting up a demo unit in Macao, which provides a platform to demonstrate its CNMS to potential customers in Macao that employ an increasingly sophisticated composition of networks and product mix from multiple vendors, with targets being gaming and hotel operators and the Government of Macao.

During the past years, lesser attention has been paid with respect to business activities of the Group in Mainland China. With more closer collaborations between the Group and different vendors established over the past years, in particular in the areas of data networks, the Group is in the process of exploring the resumption of more active marketing campaigns and business activities in Mainland China, in particular in the arena of provision of maintenance and support services of data networks and in the area of southern part of Mainland China.

### **Investments Holdings**

**TTSA** While TTSA continued to be adversely affected by market competition, the company witnessed a stabilisation of the market, though such observation is not yet conclusive. During the Three-Month Period, TTSA registered revenue of HK\$76,540,000, representing a drop of 11.7% over the corresponding quarter of last year, and reported profit before interest, tax, depreciation and amortisation of HK\$35,070,000 with net loss of HK\$4,591,000. For the Nine-Month Period, TTSA incurred net loss of HK\$3,630,000 as compared to net loss of HK\$1,916,000 for the same nine-month period of 2014.

**Vodacabo** During April 2015, the shareholders of Vodacabo made a consensus to dispose or liquidate Vodacabo if it fails to successfully expand its market reach from the construction of telecommunications sites, installation of energy structure in the telecommunications sector to construction of power infrastructure in the power sector by end of June 2015. With the failure to penetrate into the power sector, save and except unforeseen events that will skew the shareholders to revoke the decision previously made, the shareholders will continue to work on the disposal or liquidation of Vodacabo.

**GTGIL** With respect to the investment holding of the Group in GTGIL, which principally engages in the trading of electronic hardware components (display and touch panel modules) with compatibility solutions advisory services and real estate development and investment, in view of the current market that adversely affected the share performance of GTGIL, the Group has not disposed any GTGIL Shares during the Three-Month Period. As at 30th September 2015, the Group is still holding 82,395,392 GTGIL Shares. Nevertheless, as a non-core asset of the Group, where opportunity arises, the Group will continue to gradually dispose its shareholdings in GTGIL in the open market.

## **Financial Review**

With majority of revenue generated from the major surveillance project at Galaxy Resort recognised during the initial six months of 2015, including the higher margin installation works, the Group focused primarily on the trading of hardware and offering turnkey solutions in the areas of servers, storage, security, surveillance and networking for the Government of Macao and different gaming operators during the Three-Month Period. During the period, the Group reported revenue of HK\$61,631,000 and witnessed gross profit margin retreating back to the norm of approximately 20%, translating to gross profit of HK\$12,225,000.

During the Three-Month Period, there was no need to engage sub-contractors and technicians on contract basis to accommodate demanding site works for the major surveillance project at Galaxy Resort. Consequently, during the period, the Group registered a considerable drop in its total selling, marketing costs and administrative expenses to reach HK\$16,740,000, or a drop of approximately 35% as compared to the corresponding three-month period of last year. In the absence of dividend payout from TTSA and gains from the disposal of GTGIL Shares, the Group reported net loss of HK\$3,481,000 for the Three-Month Period, as compared to net profit of HK\$9,456,000 for the three-month period of the preceding year.

Albeit net loss for the Nine-Month Period, the Group continued to enjoy a healthy capital structure with no external borrowings. With continuous effort to control its level of inventories and trade receivables, the Group had total net cash balances (including pledged cash deposits) and yield-enhanced financial instruments of approximately HK\$155,062,000 as at 30th September 2015. Given the need to reserve cash to weather the current market uncertainties brought by the challenges to the gaming sector in Macao and in anticipation of the need of cashflow to support a pipeline of new projects under tender (if awarded), the Board does not propose an interim dividend to be paid out for the Nine-Month Period.

## **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 30th September 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**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</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
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:*

- 1 As at 30th September 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.
- 2 The personal interest of Yim Hong comprised 7,357,500 Shares. The aforesaid interest was held by Yim Hong as beneficial owner.
- 3 The personal interest of Kuan Kin Man comprised 22,112,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- 4 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- 5 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 30th September 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**

<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	Family interest (note 2)	301,538,000	49.12

#### *Notes:*

- 1 As at 30th September 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 30th September 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 Nine-Month Period. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the Nine-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 shares 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

“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 (not applicable to Gold Tat Group International Limited)
“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, Tidestone Science and Technology (Hong Kong) Company 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
“MDL”	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
“Nine-Month Period”	nine months ended 30th September 2015
“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 30th September 2015
“Timor-Leste”	The Democratic Republic of Timor-Leste
“TSTHKCL”	Tidestone Science and Technology (Hong Kong) Company Limited, incorporated in Hong Kong 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
“VHL”	Vodated Holdings Limited, incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company
“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 November 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 Au Patrick  
Tou Kam Fai