



**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**

**2016**

\* *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**

- Following a strong fourth quarter in 2015 and in the absence of any major projects where works were actively in progress, the Group retreated to the normal business cycle where the initial months of the calendar year were usually slower for business
- Revenue for the period was HK\$61,822,000, representing a drop of 27.31% as compared to the same period of 2015
- Despite a weak quarter of operating performance, improved gross profit margin and lower total selling, marketing and administration expenses resulted in losses of the Group narrowing from HK\$11,477,000 to HK\$8,331,000
- The Group commenced preparation works for the major surveillance project that it secured from a gaming operator during late 2015, and on 1st April 2016, it was proud to be selected again by the same gaming operator to supply and deploy a data network infrastructure at the same location
- The Group completed the disposal of Vodacabo, with proceeds of HK\$1,218,000 expected to be received before end of June 2016
- Restricted cash, cash and cash equivalents and yield-enhanced financial instruments as at 31st March 2016 totaled HK\$139,765,000 or approximately 38.77% of the total assets of the Group
- 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:

		<b>Unaudited</b>	
		<b>Three-Month</b>	Three months
	<b>Note</b>	<b>Period</b>	ended
		<b>HK\$'000</b>	31st March
			2015
			HK\$'000
Revenue		<b>61,822</b>	85,043
Cost of sales		<b>(49,175)</b>	(71,560)
<b>Gross profit</b>		<b>12,647</b>	13,483
Selling, marketing costs and administrative expenses		<b>(21,919)</b>	(26,227)
Other income		<b>236</b>	572
<b>Operating loss</b>		<b>(9,036)</b>	(12,172)
Finance income		<b>767</b>	1,012
Finance expenses		<b>—</b>	(65)
Finance income – net		<b>767</b>	947
Share of loss of associates		<b>—</b>	(252)
<b>Loss before income tax</b>		<b>(8,269)</b>	(11,477)
Income tax expense	1	<b>(62)</b>	—
<b>Loss for the period</b>		<b>(8,331)</b>	(11,477)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(7,377)</b>	(10,885)
Non-controlling interests		<b>(954)</b>	(592)
		<b>(8,331)</b>	(11,477)
<b>Loss per Share attributable to owners of the Company for the Three-Month Period</b> (expressed in HK cents per Share)			
<b>Basic and diluted loss per Share</b>	2	<b>(1.20)</b>	(1.77)
Dividends	3	<b>—</b>	—

## 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 2015: 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.

	<b>Three-Month Period HK\$'000</b>	Three months ended 31st March 2015 HK\$'000
Loss attributable to owners of the Company	<u>(7,377)</u>	<u>(10,885)</u>
Weighted average number of Shares in issue (thousands)	<u>613,819</u>	<u>613,819</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 2015 were presented as there were no outstanding options as at 31st March 2016 and 2015.

### 3 Dividends

The Directors do not recommend payment of interim dividend for the Three-Month Period (three months ended 31st March 2015: 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 HK\$'000
As at 1st January 2015	97,676	4,178	702	56,715	35,549	49	3,284	198,153	17,076
Available-for-sale financial assets - revaluation loss	—	—	—	(2,262)	—	—	—	(2,262)	—
Currency translation differences	—	—	—	—	—	—	12	12	—
Loss for the three months ended 31st March 2015	—	—	—	—	—	—	—	—	(10,885)
As at 31st March 2015	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>54,453</u>	<u>35,549</u>	<u>49</u>	<u>3,296</u>	<u>195,903</u>	<u>6,191</u>
As at 1st January 2016	97,676	4,178	702	43,481	35,549	49	3,033	184,668	18,191
Available-for-sale financial assets - revaluation loss	—	—	—	(1,130)	—	—	—	(1,130)	—
Currency translation differences	—	—	—	—	—	—	13	13	—
Loss for the Three-Month Period	—	—	—	—	—	—	—	—	(7,377)
As at 31st March 2016	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>42,351</u>	<u>35,549</u>	<u>49</u>	<u>3,046</u>	<u>183,551</u>	<u>10,814</u>

## **BUSINESS REVIEW**

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

Following a strong fourth quarter in 2015 and in the absence of major projects where works were actively in progress, the Group retreated to the normal business cycle where the initial months of the calendar year are slower months for business. That said, leveraging its unrivalled track record and its skilled, professional team, the Group continued to provide an integrated range of services to its customers across various sectors.

During the Three-Month Period, the Group worked on contracts with the Government of Macao signed and carried forward from 2015, including the provision of various hardware and software maintenance and support services to the Civic and Municipal Affairs Bureau, the Public Security Forces Affairs Bureau, the Land, Public Works and Transport Bureau, the Financial Services Bureau, the Commission Against Corruption, the University of Macau, and the Institute for Tourism Studies. Other active projects included the wrapping up of the core switch replacement contract for a gaming operator, the contract of which involved the replacement of the core switches and migration of over twenty applications that are currently running in a live environment, and the development of a ground transportation management application for the Transport Bureau.

During the period, the Group also commenced the preparation works for the major surveillance project that it secured from a gaming operator during late 2015. This project, whose grand opening is expected to be at the end of the first quarter of 2017, involves the design, supply, installation and commissioning of a surveillance system at a newly built gaming and hospitality complex that is actively under construction in the Cotai Strip. Upon completion, the complex will more than double the market capacity of the gaming operator currently offered at its gaming premises in Macao Peninsula. In addition to the surveillance project to be rolled out at these new premises, on 1st April 2016 the Group was proud to be selected again by the same gaming operator to also supply and deploy a data network infrastructure at the same location. The aggregate of these two major projects not only significantly strengthened the order book of the Group for 2016 and into first quarter of 2017, but also demonstrated the position of the Group as a trusted partner-of-choice of market leaders.

It is the strategic goal of the Group to strengthen its presence outside the market of Macao. In Hong Kong, working in collaboration with a data network manufacturer, the Group began to explore new opportunities in the construction of data networks infrastructure projects for telecommunications service providers. A number of potential business opportunities have been identified which the Group will actively pursue.

At TSTSH and TSTJX, during the Three-Month Period, the focus was primarily on the completion of the various contracts, totalling approximately HK\$10,000,000, that TSTSH and TSTJX secured during the last quarter of 2015. Contracts included installation of the “TideStone Integrated Network & Service Management System”, the “TideStone Integrated Fault Management System”, the “TideStone Integrated Customer Response Software Platform” and the “TideStone Customer Network Management System” at telecommunications service providers in the provinces of Guangdong, Jiangsu, Hubei, Sichuan, Jiangxi and Hebei and the municipality of Shanghai.

### **Other Investments**

**TTSA** Market competition in Timor-Leste continued to have an impact on the operating performance of TTSA. During the Three-Month Period, TTSA reported revenue of HK\$70,984,000 and earnings before interest, tax, depreciation and amortisation of HK\$28,868,000, which represented a drop of approximately 7.21% and 6.22% respectively as compared to the three-month period of last year. A net loss of HK\$14,889,000 was registered as compared to a net profit of HK\$11,730,000. On 9th March 2016 the Government of Timor-Leste approved the acquisition from TPTSA, the largest shareholder of TTSA, its 54.01% equity interests in TTSA and will appoint a committee to negotiate this sale transaction with Brazilian telecommunications company Oi S.A., which holds a 76% shareholding in TPTSA. Since then, according to the best knowledge of the Group, there are no major updates except that the Government of Timor-Leste is currently exploring different options regarding the sale transaction. The Group will continue to monitor closely for any developments.

**Vodacabo** As at 31st December 2015, the investment of the Group in Vodacabo was classified as assets held for sale subsequent to the shareholders of Vodacabo agreeing to a management buyout. During early February 2016, a sale and purchase agreement was entered into to dispose of the shareholding of the Group in Vodacabo for a consideration of HK\$1,218,000, with proceeds from the disposal expected to be received before end of June 2016.

**GTGIL** GTGIL is another investment holding, principally engaged in the trading of electronic parts and components in relation to display modules and touch panel modules, provision of professional engineering services; and property development and property investment. As a non-core asset of the Group, it has been the intention to gradually dispose of all its shareholdings in GTGIL in the open market. During the Three-Month Period, the Group has not disposed of any GTGIL Shares. As at 31st March 2016, the Group held 82,395,392 GTGIL Shares or approximately 2.30% of GTGIL.

## **Financial Review**

In the absence of any major projects where works were in progress and with the initial quarter being traditionally slower for business, revenue for the Three-Month Period was mainly derived from trading of data networks and surveillance equipment and various hardware and software maintenance contracts with the Government of Macao that the Group previously secured. Revenue for the period was HK\$61,822,000, representing a drop of 27.31% as compared to the same period of 2015. Gross profit margin for the period showed an improvement over the preceding period of last year, climbing from 15.85% to 20.46%. With an improved gross profit margin, gross profit for the Three-Month Period reached HK\$12,647,000, representing a drop of just 6.20% compared to a drop of 27.31% in revenue.

Salary costs remain the biggest cost element of the Group. Although the Group made an average 5% increase to the salaries of its back office staff and an average 8% raise for its technical staff, without the need to add in workforce on short-term engagements to support the demanding works of major projects, total selling, marketing and administrative expenses dropped by 16.43% from HK\$26,227,000 to HK\$21,919,000. Despite a weak quarter of operating performance, improved gross profit margin and lower total selling, marketing and administration expenses resulted in losses for the Three-Month Period narrowing from HK\$11,477,000 to HK\$8,331,000.

The Group continued to enjoy a strong and healthy capital structure with no external borrowings. Restricted cash, cash and cash equivalents and yield-enhanced financial instruments totalled HK\$139,765,000 or approximately 38.77% of the total assets of the Group.

## **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 2016, the relevant interests and short positions of the Directors or Chief Executives 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
Kuan Kin Man	Personal (Note 2)	22,112,500	3.60
Monica Maria Nunes	Personal (Note 3)	2,452,500	0.40
Fung Kee Yue Roger	Personal (Note 4)	210,000	0.03

### Notes:

- 1 As at 31st March 2016, 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 Kuan Kin Man comprised 22,112,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- 3 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- 4 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 2016, 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 Executives:

## 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 2016, 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 2016, 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: <ol style="list-style-type: none"><li>1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or</li><li>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</li></ol>
“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
“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
“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\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“HK cent”	Hong Kong Cent, where 100 HK cents equal HK\$1

“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
“OHL”	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”	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 2016
“Timor-Leste”	The Democratic Republic of Timor-Leste
“TPTSA”	TPT - Telecomunicações Públicas de Timor, S.A., a company incorporated in the Portuguese Republic with limited liability
“TSTJX”	泰思通軟件（江西）有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
“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, a company incorporated in Timor-Leste with limited liability and a former indirectly owned associate of the Company

By order of the Board  
**José Manuel dos Santos**  
*Chairman*

Macao, 11th May 2016

**Executive Directors**

José Manuel dos Santos  
Kuan Kin Man  
Monica Maria Nunes

**Independent Non-Executive Directors**

Fung Kee Yue Roger  
Wong Tsu An Patrick  
Tou Kam Fai