



**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**

**2017**

\* *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**

- Subsequent to a strong fourth quarter in 2016, the Group retreated to its normal business pattern where the initial months of the calendar year were categorised as slower months for business. Boosted by the revenue generated from the delivery of equipment associated to the surveillance project and data network infrastructure project for the local gaming operator, revenue for the period was HK\$75,709,000, representing an increase of 22.46% as compared to the same period of 2016
- Although gross profit margin remained stable at approximately 20%, the Group incurred loss of HK\$9,935,000 as a result of higher total selling, marketing and administration expenses
- Both the “Vodatel” in Hong Kong and MDL continued to deliver positive results, with MDL adding approximately HK\$20,000,000 new contracts and the Hong Kong team adding approximately HK\$15,000,000 new contracts to the order book of the Group
- TSTSH and TSTJX commenced a major programme to completely revamp its graphic user interface and to provide customised interface to its customers
- With support of vendors for extended payment terms and strong recovery of trade receivables, restricted cash, cash and cash equivalents and yield-enhanced financial instruments totalled HK\$192,230,000 as at 31st March 2017, accounting for over 50% 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, which was reviewed by the audit committee of the Company, as follows:

		<b>Unaudited</b>	
		<b>Three-Month Period HK\$'000</b>	Three months ended 31st March 2016 HK\$'000
	<b>Note</b>		
Revenue		<b>75,709</b>	61,822
Cost of sales		<b>(60,335)</b>	(49,175)
<b>Gross profit</b>		<b>15,374</b>	12,647
Selling, marketing costs and administrative expenses		<b>(25,960)</b>	(21,919)
Other income		<b>—</b>	236
<b>Operating loss</b>		<b>(10,586)</b>	(9,036)
Finance income		<b>651</b>	767
<b>Loss before income tax</b>		<b>(9,935)</b>	(8,269)
Income tax expense	1	<b>—</b>	(62)
<b>Loss for the period</b>		<b>(9,935)</b>	(8,331)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(8,391)</b>	(7,377)
Non-controlling interests		<b>(1,544)</b>	(954)
		<b>(9,935)</b>	(8,331)
<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>(1.37)</b>	(1.20)
<b>Dividends</b>	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 2016: 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 2016 HK\$'000
Loss attributable to owners of the Company	<u><u>(8,391)</u></u>	<u><u>(7,377)</u></u>
Weighted average number of Shares in issue (thousands)	<u><u>614,284</u></u>	<u><u>613,819</u></u>

#### (b) Diluted

Diluted loss per Share for the Three-Month Period was the same as the basic loss per Share since the exercise of the Options would have an anti-dilutive effect on the loss per Share. No diluted loss per Share for the three months ended 31st March 2016 was presented as there was no outstanding Options as at 31st March 2016.

### 3 Dividends

The Directors do not recommend payment of interim dividend for the Three-Month Period (three months ended 31st March 2016: nil).

### 4 Reserves

	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Capital redemption reserve HK\$'000	AFS 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 2016	97,676	4,178	702	43,481	35,549	49	3,033	184,668	18,191
AFS financial assets - revaluation loss	—	—	—	(1,130)	—	—	—	(1,130)	—
Currency translation differences	—	—	—	—	—	—	13	13	—
Loss for the three months ended 31st March 2016	—	—	—	—	—	—	—	—	(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>
As at 1st January 2017	97,676	7,442	702	12,170	35,549	49	2,913	156,501	21,042
AFS financial assets - revaluation gain	—	—	—	420	—	—	—	420	—
Currency translation differences	—	—	—	—	—	—	11	11	—
Loss for the Three-Month Period	—	—	—	—	—	—	—	—	(8,391)
As at 31st March 2017	<u>97,676</u>	<u>7,442</u>	<u>702</u>	<u>12,590</u>	<u>35,549</u>	<u>49</u>	<u>2,924</u>	<u>156,932</u>	<u>12,651</u>

## **BUSINESS REVIEW**

### **Business in Macao, Hong Kong and PRC (other than the regions of Hong Kong, Macao and Taiwan)**

Similar to previous years, subsequent to a strong fourth quarter of the preceding year, the Group retreated to its normal business pattern where the initial months of the calendar year were categorised as slower months for business. Although Vodatel Holdings Limited, incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company, commenced works of the two major projects that involved the deployment of a surveillance system and data network infrastructure for a local gaming operator at its new gaming and hospitality complex in the Cotai Strip, the works were related primarily to delivery of equipment which originated during the fourth quarter of 2016 and extended into the Three-Month Period. During the Three-Month Period, while working on the contracts secured from the Government of Macao during 2016, MDL made strong progress of securing approximately HK\$20,000,000 of new contracts. Contracts secured came from the University of Macau and the Government of Macao, such as Land, Public Works and Transport Bureau, Housing Bureau, Health Bureau, Public Administration and Civil Service Bureau, to name a few, for the provision of office hardware, blade server, networking equipment, firewall and maintenance and support services. In addition, MDL continued to market to the Government of Macao the “premier support services”, which involves partnering with vendor to proactively assist the customer to maximise IT resources, ensure health status of IT operations, provide customised and personal service management and deliver prioritised 24/7 problem resolution support.

The “Vodatel” subsidiary in Hong Kong continued to deliver positive results too. Again, while working on the contracts secured during 2016, which involved the provision of networking equipment, construction of data networks infrastructure and replacement of core networks and migration of services, during the Three-Month Period, the local team brought in approximately HK\$15,000,000 new contracts to the order book of the Group.

While the Group reported notable business progress during the Three-Month Period, the operating performance of TSTSH and TSTJX remained less than impressive. To reinforce the fundamentals of the product offerings, in addition to investing in resources to broaden and strengthen the functionalities of the CNMS, a major programme has been initiated to completely revamp the graphic user interface of CNMS and to provide customised interface to meet the specific needs and requirements of its customers.

## **Other Investments**

**TTSA** The operating performance of TTSA continued to be adversely affected as it continued to lose its market share to its competitors, with market competition driving down prices for mobile and data packages. During the Three-Month Period, TTSA reported revenue of HK\$58,215,000 and earnings before interest, tax, depreciation and amortisation of HK\$22,915,000, which represented a drop of approximately 17.99% and 20.62% respectively as compared to the three-month period of last year. Net loss widened from HK\$14,889,000 to HK\$23,405,000.

Oi, together with its acting in concert parties, which in aggregate holds approximately 57% interests in TTSA, announced on 13th December 2016 of its intention to sell their shareholding to an independent third party of consideration of HK\$279,154,000. As Oi is under judicial reorganisation, it has to submit the sale to the business court in Brazil for prior approval. On 28th March 2017, it was brought to the knowledge of the Group that the business court gave its approval to the sale transaction, while concurrently requesting the valuation of TTSA to be refreshed to ensure that the offer aligns its value. As at the date of this announcement, there is no further updates. The Group will continue to keep close watch of any latest developments.

**GTGIL** Another investment holding is pertained to GTGIL which is principally engaged in 1. the trading of electronic parts and components in relation to display modules and touch panel modules, and provision of professional solution with engineering services; and 2. 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 2017, the Group held 82,395,392 GTGIL Shares or approximately 2.00% of GTGIL.

## **Financial Review**

With the beginning of the fiscal year being traditional slower months for business, yet boosted by the revenue brought from the delivery of equipment to the surveillance project and data network infrastructure project for the local gaming operator which originated during the fourth quarter of 2016 and extended into the Three-Month Period, the Group generated revenue of HK\$75,709,000, or an increase of 22.46% as compared to the same period of 2016. With equipment customarily carries lower margin, gross profit margin for the Three-Month Period levelled the same period of 2016 at approximately 20%. Consequently, gross profit stood at HK\$15,374,000, or a 21.56% growth over the same three-month period of last year.

Salary costs remain the biggest cost element of the Group. For 2017, the Group initiated an average 5% salary increase to align inflation and to remain competitive among its peers, coupled with the gradual addition of workforce on short-term engagements to support the installation works associated to the two major projects for the local gaming operator and the rollout of a major programme at TSTSH and TSTJX to completely revamp its graphic user interface and to provide customised interface to its customers, total selling, marketing and administrative expenses climbed considerably from HK\$21,919,000 from the first quarter of 2016 to HK\$25,960,000 for the Three-Month Period. Due to higher total selling, marketing and administration expenses, the Group reported net loss of HK\$9,935,000 for the Three-Month Period.

The Group continued to enjoy a strong and healthy capital structure with no external borrowings. With the support of vendors for extended payment terms, together with the strong recovery of trade receivables, the level of which considerably reduced from HK\$224,738,000 as at 31st December 2016 to HK\$96,900,000 as at 31st March 2017, restricted cash, cash and cash equivalents and yield-enhanced financial instruments totalled HK\$192,230,000, accounting for over 50% of the total assets of the Group.

#### **Termination of Consultants Agreements and lapse of Options**

The Consultants Agreements could be terminated by giving seven days' written notice. The Board resolved to terminate the Consultants Agreements and the respective 21,000,000 Options granted would lapse on 18th May 2017.

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

As at 31st March 2017, 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	Number of underlying Shares (in respect of Options held)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate (Note 1)	301,538,000	—	49.08
Kuan Kin Man	Personal (Note 2)	22,112,500	960,000	3.76
Monica Maria Nunes	Personal (Note 3)	2,452,500	960,000	0.56
Fung Kee Yue Roger	Personal (Note 4)	210,000	400,000	0.10
Wong Tsu An Patrick	Personal (Note 5)	—	400,000	0.07
Tou Kam Fai	Personal (Note 6)	—	400,000	0.07

### Notes:

- As at 31st March 2017, 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 José Manuel dos Santos.
- The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 960,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 960,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 400,000 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.
- The personal interest of Wong Tsu An Patrick comprised 400,000 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.
- The personal interest of Tou Kam Fai comprised 400,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Tou Kam Fai as beneficial owner.

## **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 2017, 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**

<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 (Note 1)	301,538,000	49.08
OHHL	Corporate (Note 1)	301,538,000	49.08
Lei Hon Kin	Family (Note 2)	301,538,000	49.08

#### *Notes:*

- 1 As at 31st March 2017, 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 José Manuel dos Santos.
- 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 2017, 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

“AFS”	available-for-sale
“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)
“Brazil”	The Federative Republic of Brazil
“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
“Consultants Agreements”	the letter agreements entered into between the Company and Tse Po Lau, Yip Tai Him, Wong Siu Fai Cynthia and Wong Chung Kee on 27th September 2016 in respect of their services to be provided to the Group as set out in the announcement on the same date
“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 (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\$”	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)
“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.
“MDL”	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
“OHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
“Oi”	Oi S.A. - In Judicial Reorganisation, a company incorporated in Brazil with limited liability and whose shares are listed in the New York Exchange in USA and BM&FBovespa in Brazil
“Option”	an option to subscribe for Shares pursuant to the share option scheme approved by the holders of the Shares at an annual general meeting on 22nd June 2012
“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 2017
“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 the Democratic Republic of Timor-Leste with limited liability
“US\$”	United States Dollar, the lawful currency of USA
“USA”	The United States of America

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

Macao, 11th May 2017

**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