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VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 8033

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD

- Attributable to the undertaking of the major surveillance project at Galaxy Resort, revenue base of the Group for the Nine-Month Period reached HK\$275,135,000, which represented an increase of 76.61% compared with the corresponding period last year and exceeded the total revenue generated by the Group during 2013
- With stronger revenue, gain from the disposal of partial shareholding in GTGIL and higher interest income generated from its bond portfolio, the Group achieved operating breakeven and lifted the profit before income tax to HK\$9,123,000 for the Nine-Month Period
- The workshop in Macao to introduce and demonstrate different modules of CNMS of TSTSH received positive responses
- Continued to be challenged by fierce competition, TTSA reported a net loss for the Nine-Month Period
- Before end of 2014, the shareholders of Vodacabo will decide on the business continuity of Vodacabo
- Disposed additional 5,440,000 GTGIL Shares in the open market with holding of 88,299,392 GTGIL Shares as at 30th September 2014
- Total cash balances (including pledged cash deposits) and yield-enhanced financial instruments amounted to approximately HK\$112,465,000
- The Directors do not recommend payment of an interim dividend for the Nine-Month Period

THIRD QUARTER RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the Three-Month Period and Nine-Month Period as follows:

	Note	Unaudited			
		Three-Month Period HK\$'000	Three months ended 30th September 2013 HK\$'000	Nine-Month Period HK\$'000	Nine months ended 30th September 2013 HK\$'000
Revenue		101,284	60,949	275,135	155,783
Cost of sales		(69,638)	(41,058)	(202,613)	(106,579)
Gross profit		31,646	19,891	72,522	49,204
Selling, marketing costs and administrative expenses		(25,740)	(20,180)	(72,348)	(57,589)
Other income/(loss)		1,294	(504)	5,800	1,725
Operating profit/(loss)		7,200	(793)	5,974	(6,660)
Finance income		1,340	1,046	3,360	2,698
Finance expenses		(120)	(26)	(138)	(28)
Finance income - net		1,220	1,020	3,222	2,670
Share of profit/(loss) of associates		1,129	(237)	(73)	512
Profit/(loss) before income tax		9,549	(10)	9,123	(3,478)
Income tax expense	1	(93)	(56)	(243)	(78)
Profit/(loss) for the period		9,456	(66)	8,880	(3,556)
Profit/(loss) attributable to:					
Owners of the Company		9,655	162	11,384	(2,609)
Non-controlling interests		(199)	(228)	(2,504)	(947)
		9,456	(66)	8,880	(3,556)
Earnings/(loss) per Share attributable to owners of the Company (expressed in HK cent per Share)					
Basic earnings/(loss) per Share	2(a)	1.57	0.03	1.85	(0.43)
Diluted earnings per Share	2(b)	Not applicable	Not applicable	Not applicable	Not applicable
Dividends (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% (nine months ended 30th September 2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas 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 Earnings per Share

(a) Basic

Basic earnings per Share was calculated by dividing the profit attributable to owners of the Company by the weighted average number of Shares in issue during the Nine-Month Period.

	Nine-Month Period HK\$'000	Nine months ended 30th September 2013 HK\$'000
Profit/(loss) attributable to owners of the Company	11,384	(2,609)
Weighted average number of Shares in issue (thousands)	613,819	613,819

(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 2013 was presented as all the rights 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 expired during the nine months ended 30th September 2013 and there were no outstanding options as at 30th September 2014.

3 Dividends

The Directors do not recommend payment of interim dividend for the Nine-Month Period (nine months ended 30th September 2013: 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 2013	97,676	4,178	702	90,661	35,549	49	3,178	231,993	3,525
Revaluation-gross	—	—	—	6,330	—	—	—	6,330	—
Currency translation differences	—	—	—	—	—	—	77	77	—
Loss for the nine months ended 30th September 2013	—	—	—	—	—	—	—	—	(2,609)
Dividends relating to 2012 paid in July 2013	—	—	—	—	—	—	—	—	(12,276)
As at 30th September 2013	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>96,991</u>	<u>35,549</u>	<u>49</u>	<u>3,255</u>	<u>238,400</u>	<u>(11,360)</u>
As at 1st January 2014	97,676	4,178	702	89,884	35,549	49	3,352	231,390	(12,670)
Revaluation-gross	—	—	—	(2,675)	—	—	—	(2,675)	—
Currency translation differences	—	—	—	—	—	—	(94)	(94)	—
Profit for the Nine-Month Period	—	—	—	—	—	—	—	—	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

During the Three-Month Period, in addition to actively working on the major surveillance project previously secured from Galaxy Resort, the Group has picked up numerous projects from the Government of Macao, providing mission-critical turnkey solutions in the areas of surveillance and trunking radio to Macao Customs Service, Public Security Forces Affairs Bureau, Judiciary Police and Macao Prison. During the period, subsequent to the introduction of new gaming regulations to govern slot machines in gaming premises, the Group has been actively working with selected gaming operators to support the installation of additional cameras necessary to meet the requirements as stipulated by the gaming authority. The introduction of these new gaming regulations to govern slot machines is expected to generate further business opportunities to the Group during the next quarter.

During the Three-Month Period, while TSTSH continued to market its CNMS, intelligent environment monitoring system, integrated network and service management system and integrated fault management system to different telecommunications service providers and its operational control and duty carrying information system to armed police force in Mainland China, TSTSH has also been actively upgrading and customising its CNMS to meet the requirements of the different hotel and gaming operators in Macao in the management of their information technology systems. The workshop in Macao held during the Three-Month Period to introduce and demonstrate different modules of CNMS to different hotel and gaming operators have received positive responses.

Investments Holdings

During the Three-Month Period, operating performance of TTSA continued to be adversely affected. As the two new competitors continued to introduce and offer highly competitive local and international traffic and data services plans, TTSA has been actively optimising its service offerings to remain competitive. Nevertheless, intense market competition and competitive tariffs resulted in TTSA registering a drop to its revenue to HK\$264,194,000 for the Nine-Month Period, representing a drop of approximately 28.28% as compared with the corresponding period last year. Net loss for the Nine-Month Period narrowed to HK\$1,915,000.

At Vodacabo, despite efforts to expand its market reach from the construction of telecommunications sites infrastructure and energy systems to opportunities in the power sector in Timor-Leste, it failed to deliver encouraging results. Before end of 2014, it is expected that the shareholders of Vodacabo will vote on its on-going feasibility and business continuity.

With GTGIL being a non-core asset of the Group, during the Three-Month Period, the Group disposed another 5,440,000 GTGIL Shares in the open market. As at 30th September 2014, the Group is holding 88,299,392 GTGIL Shares.

Financial Review

Attributable to the undertaking of the major surveillance project at Galaxy Resort, the Group reported revenue of HK\$101,284,000 for the Three-Month Period. Together with the revenue recognition of the service component of a number of projects in Macao and the successful signing off by TSTSH of a number of final acceptances on contracts previously secured, both of which carried higher margins, the Group generated gross profit of HK\$31,646,000, translating to a gross profit margin of approximately 31.24%. With a strong third quarter, revenue base of the Group for the Nine-Month Period reached HK\$275,135,000, which represented an increase of 76.61% compared with the corresponding period last year and exceeded total revenue recognised by the Group during 2013. Nevertheless, with a major percentage of the revenue involving sale of hardware, which carried lower profit margin, gross profit registered by the Group during the Nine-Month Period amounted to HK\$72,522,000, translating to gross profit margin of approximately 26.36%.

To support the surveillance project at Galaxy Resort and other projects, the Group has to increase headcounts and to engage sub-contractors and technicians on contract basis to accommodate the site works, which pushed up total selling, marketing costs and administrative expenses of the Group to HK\$25,740,000 for the Three-Month Period and HK\$72,348,000 for the Nine-Month Period. Nevertheless, lifted by stronger operating results, the Group achieved operating breakeven during the Nine-Month Period.

Albeit the absence of dividends from TTSA, gain from the disposal of partial shareholding in GTGIL of HK\$3,612,000, and higher interest income generated from its bond portfolio, the Group reported operating profit of HK\$5,974,000 and profit before income tax of HK\$9,123,000 for the Nine-Month Period, as compared to operating loss of HK\$6,660,000 and net loss before income tax of HK\$3,478,000 for the nine months ended 30th September 2013.

The Group continued to enjoy a strong and healthy capital structure. Total cash balances (including pledged cash deposits) and yield-enhanced financial instruments totaled approximately HK\$112,465,000, which represented a cash depletion of over HK\$43,000,000 as compared to the total cash balances (including pledged cash deposits) and yield-enhanced financial instruments of approximately HK\$156,000,000 as at 31st December 2013. The depletion of cash was explained by the increase in the level of inventories to support the construction of the surveillance project at Galaxy Resort and an increase of its trade receivables, though partially offset by an increase in its trade and bills payables. Therefore, with the need to reserve cash balances to support the working capital requirements of current projects and different upcoming projects, the Directors do not propose an interim dividend to be paid out for the Nine-Month Period.

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

As at 30th September 2014, 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 30th September 2014, 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 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 2014, 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 30th September 2014, 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 2014, 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: <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 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 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
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“Nine-Month Period”	nine months ended 30th September 2014
“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 2014
“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, 11th November 2014

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

This announcement, 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 announcement 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.

This announcement will remain on the Internet website operated by the Exchange for the purposes of GEM on the “Latest Company Announcements” page for at least seven days from the date of posting and on www.irasia.com/listco/hk/vodatel/announcement/index.htm and www.vodatelsys.com.

* for identification purpose only