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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

- Due to delay in rolling out the works in relation to the surveillance project and data network infrastructure project that the Group secured from a gaming operator and the weaker operating performance of TSTSH and TSTJX, the Group registered revenue of HK\$202,286,000 for the Nine-Month Period, representing a drop of 5.20% as compared to the same preceding nine-month period of last year
- Despite gross profit margin remained stable at around 23%, net loss of the Group widened to HK\$20,837,000 for the Nine-Month Period
- Strong performance of its operations in Hong Kong with total contracts secured during the Nine-Month Period amounted to HK\$54,000,000, representing approximately 1.6 times of the same period of last year
- Oi received three proposals regarding the acquisition of its equity interests in TTSA, which are still under evaluation as at date of the announcement
- Proceeds from the disposal of Vodacabo of HK\$1,218,000 received during the Three-Month Period
- Restricted cash, cash and cash equivalents and yield-enhanced financial instruments as at 30th September 2016 totalled approximately HK\$124,381,000
- 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 2015 HK\$'000	Nine-Month Period HK\$'000	Nine months ended 30th September 2015 HK\$'000
Revenue		76,366	61,631	202,286	213,386
Cost of sales		(54,438)	(49,406)	(156,390)	(165,839)
Gross profit		21,928	12,225	45,896	47,547
Other gains		26	472	473	1,166
Selling, marketing costs and administrative expenses		(23,901)	(16,740)	(68,758)	(67,774)
Operating loss		(1,947)	(4,043)	(22,389)	(19,061)
Finance income		704	815	2,215	2,834
Finance costs		(28)	(20)	(33)	(191)
Share of loss of associates		—	(219)	—	(563)
Loss before income tax		(1,271)	(3,467)	(20,207)	(16,981)
Income tax expense	1	(5)	(14)	(630)	(14)
Loss for the period		(1,276)	(3,481)	(20,837)	(16,995)
Loss attributable to:					
Owners of the Company		(1,020)	(2,015)	(18,309)	(15,167)
Non-controlling interests		(256)	(1,466)	(2,528)	(1,828)
		(1,276)	(3,481)	(20,837)	(16,995)
Loss per Share attributable to owners of the Company (expressed in HK cents per Share)					
Basic and diluted loss per Share	2	(0.17)	(0.33)	(2.98)	(2.47)
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% (nine months ended 30th September 2015: 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 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 Nine-Month Period.

	Nine-Month Period HK\$'000	Nine months ended 30th September 2015 HK\$'000
Loss attributable to owners of the Company	(18,309)	(15,167)
Weighted average number of Shares in issue (thousands)	613,819	613,819

(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 Nine-Month Period and the nine months ended 30th September 2015 were presented as there were no outstanding options as at 30th September 2016 and 2015.

3 Dividends

The Directors do not recommend payment of an interim dividend for the Nine-Month Period (nine months ended 30th September 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/ (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
Available-for-sale financial assets - revaluation loss	—	—	—	(6,465)	—	—	—	(6,465)	—
Currency translation differences	—	—	—	—	—	—	(85)	(85)	—
Dividend relating to 2014	—	—	—	—	—	—	—	—	(6,138)
Loss for the nine months ended 30th September 2015	—	—	—	—	—	—	—	—	(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 2016	97,676	4,178	702	43,481	35,549	49	3,033	184,668	18,191
Available-for-sale financial assets - revaluation loss	—	—	—	756	—	—	—	756	—
Currency translation differences	—	—	—	—	—	—	(51)	(51)	—
Dividend relating to 2015	—	—	—	—	—	—	—	—	(6,138)
Loss for the Nine-Month Period	—	—	—	—	—	—	—	—	(18,309)
As at 30th September 2016	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>44,237</u>	<u>35,549</u>	<u>49</u>	<u>2,982</u>	<u>185,373</u>	<u>(6,256)</u>

BUSINESS REVIEW

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

In Macao, after twenty-six months of decline in gross gaming revenue, the Macao Gaming Inspection and Coordination Bureau reported their third successive rise in October 2016, boosted by new resorts including Wynn Palace by Wynn Resorts, Limited (opened on 22nd August 2016) and The Parisian by Sands China Limited, the subsidiary of Las Vegas Sands Corp. (opened on 13th September 2016) which continued to attract tourists and leisure gamblers. Despite showing signs of the gaming sector bottoming out, the new expansion of a gaming operator in Cotai where the Group secured a surveillance project and a data network infrastructure project extended its grand opening date to the second quarter of 2017. Consequently, during the Three-Month Period, the Group continued to undertake site preparation works, including fine-tuning of design, proof-of-concept, materials submission and stocking of installation materials and equipment to be deployed. With major works for these two projects delayed, during the Three-Month Period, capitalising on the mandate of the Government of Macao to encourage gaming operators to procure services from local small-medium enterprises, the Group mobilised its resources to undertake approximately HK\$16,500,000 worth of works that the Group secured from the information services and technology department of two gaming operators that the Group has limited past dealings.

With respect to the Government of Macao, who has continued to remain one of the core clients of the Group, during the Three-Month Period, total contracts valued over HK\$15,000,000 were secured from different departments in the areas of servers, storage, security, surveillance, customised software solutions and maintenance support services, among which included contracts from the Civic and Municipal Affairs Bureau, the Public Security Forces Affairs Bureau, the Housing Bureau, the Legislative Assembly, the Court of Final Appeal, the Cultural Industries Fund, to name a few. Since the second half of 2015, the Group worked jointly with selected vendors to promote premier support services, which involved proactively assisting customers to maximise IT resources, ensure health of IT operations, provide customised and personal service management and deliver prioritised 24/7 problem resolution support. During the Three-Month Period, over HK\$2,500,000 worth of premier support services were sold to different departments of the Government of Macao.

In Hong Kong, with achievements made during 2015 and the strategic direction to invest and expand the team to extend coverage from regional telecommunications service providers in the area of data network infrastructure projects to major local enterprises, the Group continued to make remarkable business growth. During the Nine-Month Period, total contracts secured amounted to HK\$54,000,000, representing approximately 1.6 times of HK\$21,000,000 achieved during the same period of last year. Total contracts secured included the first win of the Group in data network infrastructure project for a major local enterprise, the contract of which amounted to HK\$2,300,000.

Contrary to the strong operating performance of the Hong Kong team, at TSTSH and TSTJX, despite the list of project leads for 2016 exceeded the list for 2015 by almost 25%, major delays in tendering of contracts were witnessed as different telecommunications service providers remained cautious over their capital expenditures. Consequently, for the Nine-Month Period, total contracts secured by TSTSH and TSTJX amounted to approximately HK\$8,000,000, translating to a mere success rate of approximately 20%, which fell short of the average success rate of previous years of approximately 40%. Efforts were made to improve the success rate and to restructure the costs base of the two entities.

Other Investments

TTSA Market competition in Timor-Leste continued to have an adverse impact on the operating performance of TTSA. During the Nine-Month Period, TTSA reported revenue of HK\$207,536,000, representing a decline of 9.51% as compared to the corresponding period of last year, while net loss reported by TTSA widened from HK\$3,630,000 to HK\$35,201,000. Subsequent to the decision of the Government of Timor-Leste not to increase its equity stake in TTSA, to the best knowledge of the Group, Oi (which holds a 76% shareholding in TPT - Telecomunicações Públicas de Timor, S.A., a company incorporated in the Portuguese Republic with limited liability, and which in turn is the largest shareholder of TTSA that holds 54.01% equity interests in TTSA) received three proposals regarding the acquisition of its equity interests in TTSA. As at the date of the announcement, the proposals are still under evaluation.

Vodacabo Subsequent to the disposal of Vodacabo in early February 2016, the proceeds from the disposal, which approximated HK\$1,218,000, was received in July 2016.

GTGIL Another investment holding is pertained to GTGIL which is principally engaged in the 1. 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 Nine-Month Period, the Group has not disposed of any GTGIL Shares. As at 30th September 2016, the Group held 82,395,392 GTGIL Shares or approximately 2.00% of GTGIL.

Financial Review

During the Three-Month Period, despite signs of the Group picking up business momentum, with revenue of HK\$76,366,000 registered, representing an increase of 19.14% over the second quarter of 2016, total revenue recognised during the Nine-Month Period amounted to HK\$202,286,000, trailing approximately 5.20% behind total revenue achieved during the same period of 2015 of HK\$213,386,000. Two major factors attributing to the decline included the delay in rolling out the works in relation to the surveillance project and data network infrastructure project that the Group secured from a gaming operator and the weaker operating performance of TSTSH and TSTJX where both entities aggregately reported revenue of HK\$6,957,000 for the Nine-Month Period as compared to revenue of HK\$12,074,000 for the preceding nine-month period of last year. Despite gross profit margin remained stable at around 23%, translating to gross profit of HK\$45,896,000, net loss of the Group widened to HK\$20,837,000 for the Nine-Month Period.

The Group continued to enjoy a healthy capital structure with no external borrowings. As at 30th September 2016, the Group had total net cash balances (including pledged cash deposits) and yield-enhanced financial instruments of approximately HK\$124,381,000. The depletion of total net cash balances by HK\$11,211,000 as compared to balance as at 30th June 2016 of HK\$135,592,000 was attributed to the build-up of inventories, such as surveillance equipment, switches, cabling, fibre cords, power cables, etc., to accommodate the major surveillance project and data networks infrastructure project. To reserve cash to support the strong orders on hand, which amounted to over HK\$250,000,000 as at 30th September 2016, the Directors do not propose an interim dividend 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 2016, 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	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 30th September 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 30th September 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 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 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 30th September 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 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”	<p>a corporation:</p> <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
“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
“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 (not applicable to New York Stock Exchange)
“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)
“HSBCITL”	HSBC International Trustee Limited, a company incorporated in BVI with limited liability
“Macao”	the Macao Special Administrative Region of PRC
“Nine-Month Period”	nine months ended 30th September 2016
“OHHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
“Oi”	Oi S.A., a company incorporated in Brazil with limited liability and whose shares are listed on the New York Stock Exchange in USA and BM&FBOVESPA in Brazil
“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 30th September 2016
“Timor-Leste”	The Democratic Republic of Timor-Leste
“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 USA
“USA”	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, 10th November 2016

Executive Directors

José Manuel dos Santos
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.

* for identification purpose only