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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 THE NINE-MONTH PERIOD

- Due to a slow quarter, the Group registered revenue of HK\$54,032,000 and net loss of HK\$7,681,000 for the Three-Month Period
- Attributable to the implementation of different cost control measures and receipt of strong dividend income from TTSA, the Group reported profit before income tax of HK\$13,802,000 for the Nine-Month Period
- Completed a landmark project in system infrastructure for a renowned communications and security solution provider in the Asia Pacific region to upgrade its network infrastructure
- Being selected as one of the solution providers for the election of Assembleia Legislativa (Legislative Assembly) in Macao on 20th September, 2009
- TSTSH continued to receive strong orders
- TTSA continued to deliver exceptional operating performance with strong revenue registered during the Nine-Month Period
- Cash balances (including pledged deposits) stood at HK\$105,191,000 as at 30th September, 2009
- The Board does not recommend payment of an interim dividend

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:

		Unaudited		
		Three months ended		Nine months ended
		30th September, 2008		30th September, 2008
Note	Three-Month Period HK\$'000	HK\$'000	Nine-Month Period HK\$'000	HK\$'000
Continuing operations				
Revenue	54,032	50,259	143,187	163,167
Cost of sales	(46,241)	(38,502)	(103,357)	(127,531)
Gross profit	7,791	11,757	39,830	35,636
Selling, marketing costs and administrative expenses	(15,619)	(17,552)	(47,933)	(54,469)
Other gains – net	78	—	21,606	8,231
Operating (loss)/profit	(7,750)	(5,795)	13,503	(10,602)
Finance income	44	260	340	737
Finance costs	—	(1)	—	(1)
Finance income – net	44	259	340	736
Share of profit/(loss) of an associate	24	81	(41)	129
(Loss)/profit before income tax	(7,682)	(5,455)	13,802	(9,737)
Income tax credit/(expense)	1	(251)	8,311	12,919
(Loss)/profit for the period from continuing operations	(7,681)	(5,706)	22,113	3,182
Discontinued operations	2			
Profit for the period from discontinued operations	—	—	—	1,670
(Loss)/profit for the period	(7,681)	(5,706)	22,113	4,852
Attributable to:				
Equity holders of the Company	(7,560)	(6,218)	23,359	3,997
Minority interest	(121)	512	(1,246)	855
	(7,681)	(5,706)	22,113	4,852

Unaudited					
		Three months ended		Nine months ended	
		30th September, 2008		30th September, 2008	
	Three-Month Period		Nine-Month Period		
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Loss)/earnings per Share for (loss)/profit from continuing and profit from discontinued operations attributable to the equity holders of the Company during the period (expressed in HK cents per Share)					
Basic and diluted					
(loss)/earnings per Share					
From continuing operations	3	(1.23)	(0.93)	3.81	0.38
From discontinued operations	3	—	—	—	0.27
		(1.23)	(0.93)	3.81	0.65
Dividends					—

Notes to the condensed consolidated income statement:

1. Income tax credit/(expense)

Hong Kong and overseas profits tax was provided at the rate of 16.5% (nine months ended 30th September, 2008: 16.5%) and at the rates of taxation prevailing in the regions in which the Group operated respectively.

2. Discontinued operations

The Group disposed of Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability, on 30th June, 2008.

3. (Loss)/earnings per Share

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. The Company has Options as dilutive potential Shares. A calculation was done to determine the number of Shares that could have been acquired at fair value (determined as the average market price of the Shares for the Nine-Month Period) based on the monetary value of the subscription rights attached to outstanding Options. The number of Shares calculated as above was compared with the number of Shares that would have been issued assuming the exercise of the Options. All potential Shares arising from the Options (if converted) would have an anti-dilutive effect on the earnings per Share for the Nine-Month Period and the nine months ended 30th September, 2008. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Nine-Month Period and the nine months ended 30th September, 2008.

4. Reserves

	Contributed surplus HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Available- for-sale investment reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Total HK\$'000	Accumulated losses HK\$'000
As at 1st January, 2008	97,676	2,289	702	(918)	35,549	1,371	49	136,718	(93,377)
Revaluation	—	—	—	(10,215)	—	—	—	(10,215)	—
Currency translation differences	—	—	—	—	—	1,849	—	1,849	—
Profit for the nine months ended 30th September, 2008	—	—	—	—	—	—	—	—	3,997
As at 30th September, 2008	97,676	2,289	702	(11,133)	35,549	3,220	49	128,352	(89,380)
As at 1st January, 2009	97,676	2,289	702	346	35,549	3,181	49	139,792	(100,264)
Revaluation	—	—	—	1,513	—	—	—	1,513	—
Currency translation differences	—	—	—	—	—	(89)	—	(89)	—
Profit for the Nine-Month Period	—	—	—	—	—	—	—	—	23,359
As at 30th September, 2009	97,676	2,289	702	1,859	35,549	3,092	49	141,216	(76,905)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Macao and Hong Kong

Albeit improved global economic outlook and market sentiments, and with gaming revenue received by the Government of Macao remained strong, the Group witnessed a slow Three-Month Period. Although the Group successfully secured a number of contracts to provide network management in the area of network security to the Government of Macao and selected gaming operators, majority of the orders secured and completed during the Three-Month Period related to trading orders with lower margin from the Government of Macao and different gaming operators.

In Hong Kong, the Group is proud to be involved in a landmark project for a renowned communications and security solution provider in the Asia Pacific region, which called for a major upgrade to their network infrastructure. With such upgrades, the solution provider allows their customers to enjoy industry-leading levels of quality, performance and security and delivers increased bandwidth capacity of Internet connections. In addition to the above-mentioned landmark project, the Group is also proud to be selected by the Comissão de Assuntos Eleitorais da Assembleia Legislativa (the electoral commission of the Legislative Assembly) of Macao as one of the solution providers for the election of Assembleia Legislativa (Legislative Assembly) held in Macao on 20th September, 2009. Both projects, once again, reaffirm the competency and capability of the Group as a trusted partner when it comes to major system infrastructure projects and important events.

In Macao, in anticipation of the opening of the domestic and international leased circuits segment of the local telecommunications market, the Group is in the process of finalising a consortium for the preparation of the tendering process of the licence to run the domestic and international leased circuits.

Mainland China

During the Three-Month Period, in addition to the successful completion of the final acceptance tests of the CNMS installed at a telecommunications service provider in the province of Hubei and a telecommunications service provider in the autonomous region of Xinjiang, TSTSH continued to receive strong orders. In the same period, TSTSH won a contract to install its

CNMS at a telecommunications service provider in the province of Shaanxi and in October, TSTSH was awarded a contract in the amount of approximately HK\$4,300,000 by a telecommunications service provider in the municipality of Chongqing to install its CNMS for the monitoring and management of 525 code division multiple access (CDMA) station rooms.

Timor-Leste

TTSA continued to deliver exceptional performance with total mobile customers reaching approximately 228,000 at as 30th September, 2009, which translated to approximately 103,000 mobile customers additions during the Nine-Month Period. Average minutes of use per mobile customer and average revenue per mobile user stood at seventy-seven minutes and HK\$155 respectively. Revenue for the Nine-Month Period hit approximately HK\$268,000,000, representing approximately 90% of the full year revenue achieved at TTSA in 2008.

FINANCIAL REVIEW

Attributable to a slow Three-Month Period and with majority of the orders completed related to trading orders, which carried lower margins, revenue and gross profit for the period amounted to approximately HK\$54,032,000 and HK\$7,791,000 respectively, translating to a gross profit margin of 14.4%. Consequently, despite continuous efforts to control costs, resulting in a 11.0% decrease in total selling, marketing costs and administrative expenses, the Group reported net loss of HK\$7,681,000 for the Three-Month period. Nevertheless, implementation of various cost cutting exercises and receipt of hefty dividend income from TTSA, the Group registered profit of HK\$13,802,000 before income tax for the Nine-Month Period as compared to a loss of HK\$9,737,000 before income tax for the same corresponding nine months last year.

The Group continued to enjoy a debt-free capital structure with cash balances (including pledged deposits) and equity base standing at HK\$105,191,000 and HK\$129,743,000 respectively as at 30th September, 2009. Prudent cash management remains a practice with ongoing effort to recover and avoid aged receivables and inventories.

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

As at 30th September, 2009, 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	Number of underlying Shares (in respect of Options) held (note 7)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate interest/ founder of a discretionary trust (note 1)	293,548,000	—	47.82%
	Personal (note 2)	—	800,000	0.13%
Yim Hong	Personal (note 3)	7,357,500	800,000	1.33%
Kuan Kin Man	Personal (note 4)	22,112,500	800,000	3.73%
Monica Maria Nunes	Personal (note 5)	2,452,500	800,000	0.53%
Fung Kee Yue Roger	Personal (note 6)	210,000	500,000	0.12%

Notes:

- 1 As at 30th September, 2009, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL, a company wholly-owned by José Manuel dos Santos as trustee of the existing trust whereby the family members of José Manuel dos Santos were the discretionary objects and which assets included a controlling stake of 47.82% of the issued share capital of the Company.
- 2 The personal interest of José Manuel dos Santos comprised 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by José Manuel dos Santos as beneficial owner.
- 3 The personal interest of Yim Hong comprised 7,357,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Yim Hong as beneficial owner.
- 4 The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- 5 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 800,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- 6 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 500,000 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.
- 7 The number of Options held by the Directors outstanding at the beginning of the Nine-Month Period was the same as shown above. The Options were granted on 11th July, 2007 and exercisable from 12th July, 2007 to 11th July, 2010 at HK\$0.32 per Share.

ERL, José Manuel dos Santos and his nephews (who are Rui Nuno dos Santos, Luis Alberto dos Santos and Antonio dos Santos Robarts, all of whom hold interests in the Shares through Best Eastern Limited, Back Support Properties Limited and Yat Yi Properties Limited (companies incorporated in BVI with limited liability) respectively) have also informed the Company that they have been, and continue to be, acting in concert for the purposes of the Code on Takeovers and Mergers approved by the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance and continuing in existence under section 3 of SFO as amended from time to time. As at 30th September, 2009, the parties acting in concert with ERL and José Manuel dos Santos held approximately 58.50% of all the Shares in issue.

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, 2009, 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)	293,548,000	47.82%
LRL	Corporate interest (note 1)	293,548,000	47.82%
Lei Hon Kin (note 2)	Family interest	294,348,000	47.95%

Notes:

- 1 As at 30th September, 2009, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL.
- 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, 2009, 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 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

“Associate”	has the meaning ascribed thereto in the GEM Listing Rules
“Associated Corporation”	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 subsidiaries 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 the 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
“CNMS”	customer network management system

“Company”	Vodatel Networks Holdings Limited
“Directors”	the directors 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
“HK cents”	Hong Kong cents, 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 The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited)
“LRL”	Lois Resources 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, 2009
“Option”	a right 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
“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”	share of HK\$0.10 each in the capital of the Company
“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, 2009
“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

By order of the Board
José Manuel dos Santos
Chairman

Macao, 10th November, 2009

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: 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this document misleading; and 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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* *for identification purpose only*