



**VODATEL NETWORKS HOLDINGS LIMITED**

**愛達利網絡控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8033

**THIRD 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 AND NINE-MONTH PERIOD**

- Supported by revenue generated from the surveillance project and data network infrastructure project from a local gaming operator at its new establishment in Cotai and various contracts from the Government of Macao, the Group registered revenue of HK\$103,316,000 for the Three-Month Period, or an increase of 35.29% over the same corresponding period of 2016
- With product mix skewed towards supply of equipment instead of installation services, gross profit margin stood at 21.34%, or gross profit for the Three-Month Period to almost levelled the same quarter of 2016 at approximately HK\$22,000,000
- Net loss of for the Three-Month Period stood at HK\$1,554,000, with net loss for the Nine-Month Period narrowed from HK\$20,837,000 to HK\$13,105,000
- Strong orders from the Government of Macao with an award letter from the Transport Bureau for the project in the amount of over HK\$42,000,000 that involved the supply and installation of an integrated detection system at various road junctions
- Solid recovery from its operations in Mainland China with total contracts secured during the Nine-Month Period amounted to HK\$16,000,000, representing 2.5 times of total contracts secured during full year 2016
- No further update over the proposed disposal of the equity participation in TTSA by Oi
- Cash and cash equivalents and yield-enhanced financial instruments as at 30th September 2017 totalled approximately HK\$108,709,000
- 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:

		<b>Unaudited</b>			
		Three months ended		Nine months ended	
Note	Three-Month Period HK\$'000	30th September 2016 HK\$'000	Nine-Month Period HK\$'000	30th September 2016 HK\$'000	
	Revenue	103,316	76,366	252,620	202,286
	Cost of sales	(81,273)	(54,438)	(195,901)	(156,390)
	<b>Gross profit</b>	<b>22,043</b>	21,928	<b>56,719</b>	45,896
	Other gains	298	26	714	473
	Selling, marketing costs and administrative expenses	(24,319)	(23,901)	(72,093)	(68,758)
	<b>Operating loss</b>	<b>(1,978)</b>	(1,947)	<b>(14,660)</b>	(22,389)
	Finance income	421	704	1,552	2,215
	Finance costs	(1)	(28)	(1)	(33)
	Finance income - net	420	676	1,551	2,182
	Share of profit of an associate	4	—	4	—
	<b>Loss before income tax</b>	<b>(1,554)</b>	(1,271)	<b>(13,105)</b>	(20,207)
	Income tax expense	—	(5)	—	(630)
	<b>Loss for the period</b>	<b>(1,554)</b>	(1,276)	<b>(13,105)</b>	(20,837)
	<b>Loss attributable to:</b>				
	– Owners of the Company	(1,678)	(1,020)	(12,213)	(18,309)
	– Non-controlling interests	124	(256)	(892)	(2,528)
		<b>(1,554)</b>	(1,276)	<b>(13,105)</b>	(20,837)
	<b>Loss per Share</b> attributable to owners of the Company (expressed in HK cents per Share)				
	<b>Basic and diluted loss</b> per Share	2	(0.27)	(0.17)	(1.99)
	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 2016: 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.

	<b>Nine-Month Period HK\$'000</b>	Nine months ended 30th September 2016 HK\$'000
Loss attributable to owners of the Company	<u>(12,213)</u>	<u>(18,309)</u>
Weighted average number of Shares in issue (thousands)	<u>614,385</u>	<u>613,819</u>

#### (b) Diluted

Diluted loss per Share for the Nine-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 nine months ended 30th September 2016 was presented as there was no outstanding Options as at 30th September 2016.

### 3 Dividends

The Directors do not recommend payment of an interim dividend for the Nine-Month Period (nine months ended 30th September 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/ (accumulated losses) 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 gain	—	—	—	756	—	—	—	756	—
Currency translation differences	—	—	—	—	—	—	(51)	(51)	—
Dividend relating to 2015	—	—	—	—	—	—	—	—	(6,138)
Loss for the nine months ended 30th September 2016	—	—	—	—	—	—	—	—	(18,309)
<b>As at 30th September 2016</b>	<b>97,676</b>	<b>4,178</b>	<b>702</b>	<b>44,237</b>	<b>35,549</b>	<b>49</b>	<b>2,982</b>	<b>185,373</b>	<b>(6,256)</b>
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 loss	—	—	—	(37)	—	—	—	(37)	—
Currency translation differences	—	—	—	—	—	—	(46)	(46)	—
Dividend relating to 2016	—	—	—	—	—	—	—	—	(6,144)
Loss for the Nine-Month Period	—	—	—	—	—	—	—	—	(12,213)
<b>As at 30th September 2017</b>	<b>97,676</b>	<b>7,442</b>	<b>702</b>	<b>12,133</b>	<b>35,549</b>	<b>49</b>	<b>2,867</b>	<b>156,418</b>	<b>2,685</b>

## **BUSINESS REVIEW**

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

In Macao, with gaming remains as a core economic pillar, business generated from different gaming operators continues to be one of the main revenue drivers for the Group. As per the official statistics from the Government of Macao, the enclave reported its tenth continuous month growth in gaming revenue with accumulated gross revenue from games of fortunes chalked up to HK\$21,360,000,000, representing a year-on-year growth of 19.2%. With continuous visible signs of recovery in the gaming sector, the Group witnessed gradual resumption of capital expenditure programmes by different gaming operators though overall general sentiment remained cautious. During the Three-Month Period, while picking up over HK\$38,000,000 worth of contracts from different gaming operators, the Group continued to focus on the installation and commissioning works of the surveillance project and data network infrastructure project at new premises in Cotai that it secured from a gaming operator during November 2015 and April 2016 respectively.

The Government of Macao has always been a strong supporter of the solutions provided by the Group over the years and in 2017, it has continued to be a key client of the Group with total contracts awarded or to be awarded aggregated over HK\$150,000,000 for the Nine-Month Period. In addition to contracts customarily secured from different departments in the areas of servers, storage, security, surveillance, customised software solutions, maintenance support services and premier support services (a partnership with selected vendors to provide customised and personal service management and prioritised 24/7 problem resolution support), during the Three-Month Period, the Group is pleased to receive the award letter from the Transport Bureau for a project of over HK\$42,000,000 that involved the supply and installation of an integrated detection system at various road junctions in Macao.

During the Nine-Month Period, while the “Vodatel” subsidiary in Hong Kong signed over HK\$35,000,000, order book for 2017 fell short of that of 2016 of over HK\$90,000,000. Strong effort to diversify its portfolio, both in products and services offerings, is made to replicate similar remarkable results similar to that of 2016.

In Mainland China, the strategic direction to move into the area of construction of data networks infrastructure and to expand outside the territory of telecommunications service providers yielded positive results. During the Nine-Month Period, the Group focused on major enterprises in the areas of banking, securities and insurance in Shenzhen, Guangdong and secured over HK\$16,000,000 worth of contracts. Total contracts secured for the Nine-Month Period represented 2.5 times of the total contracts entered into by the Group during 2016.

### ***Other Investments***

**TTSA** Due to market competition and uncertainty over the proposed equity disposal by its largest shareholder, Oi, which together with its acting in concert parties holds approximately 57% interests in the company, TTSA continued to report weak operating performance. During the Nine-Month Period, TTSA reported revenue of HK\$172,398,000, representing a decline of 16.93% on a year-on-year basis, while net loss widened from HK\$35,201,000 for the initial nine months of 2016 to HK\$74,660,000 for the Nine-Month Period.

With respect to the proposed disposal of the equity participation in TTSA by Oi, as at the date of this announcement, there is no further update. 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 Nine-Month Period, the Group has not disposed of any GTGIL Shares. As at 30th September 2017, the Group held 82,395,392 GTGIL Shares or approximately 2.00% of GTGIL.

### **FINANCIAL REVIEW**

Supported by revenue generated from the surveillance project and data network infrastructure project from a local gaming operator at its new establishment in Cotai and various contracts from the Government of Macao, the Group registered revenue of HK\$103,316,000 for the Three-Month Period, or an increase of 35.29% as compared to the corresponding period of last year. Nevertheless, despite a growth in revenue, as the product mix for the Three-Month Period skewed towards supply of equipment instead of installation services, gross profit margin stood at 21.34%, resulting in gross profit of the Group for the Three-Month Period to almost levelled the same quarter of 2016 at approximately HK\$22,000,000.

Due to the need to engage human resources on short-term basis to support the surveillance project and data network infrastructure project for a local gaming operator, total selling, marketing costs and administrative expenses hiked up to HK\$24,319,000. The Group reported net loss of HK\$1,554,000 for the Three-Month Period while net loss for the Nine-Month Period narrowed from HK\$20,837,000 in 2016 to HK\$13,105,000 for the Nine-Month Period.



The Group continued to enjoy a healthy capital structure with no external borrowings. Total net cash balances and yield-enhanced financial instruments stood at approximately HK\$108,709,000 as at 30th September 2017, or 30.65% of total assets. As at 30th September 2017, AFS financial assets (non-current and current) of HK\$82,195,000 mainly comprised of the investments of the Group in TTSA of HK\$25,084,000, GTGIL Shares of HK\$4,202,000 and investments in corporate bonds and other financial instruments of HK\$51,305,000. As at 30th September 2017, AFS financial assets included corporate bonds issued by conglomerates and property developers that are listed on the Exchange, such as Fosun International Limited (a company incorporated in Hong Kong with limited liability) and CK Hutchison Holdings Limited (a company incorporated in the Cayman Islands with limited liability).

Despite the comfortable cash position of the Group, to support business expansion and to reserve cash as working cash, the Directors do not propose an interim dividend to be paid out 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 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**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Number of underlying Shares (in respect of Options held)</b>	<b>Approximate % of the issued share capital of the Company</b>
José Manuel dos Santos	Corporate (Note 1)	357,945,500	—	58.26
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:*

- 1 As at 30th September 2017, these Shares were held in the names of BEL, BSPL and ERL. The entire issued share capital in BEL and BSPL was held by José Manuel dos Santos. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by José Manuel dos Santos.
- 2 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.
- 3 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.
- 4 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.
- 5 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.
- 6 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 30th September 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)	357,945,500	58.26

#### *Notes:*

- 1 As at 30th September 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 30th September 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 Nine-Month Period. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the Nine-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 shares of that class</li></ol>
“BEL”	Best Eastern Limited, a company incorporated in BVI with limited liability
“Board”	the board of Directors (not applicable to Main Board)
“Brazil”	The Federative Republic of Brazil
“BSPL”	Back Support Properties Limited, a company incorporated in BVI with limited liability
“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” or “Vodatel”	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
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“Nine-Month Period”	nine months ended 30th September 2017
“OHHL”	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 on the New York Stock 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 30th September 2017
“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, 9th November 2017

**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