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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

- Revenue for the Three-Month Period reached HK\$117,197,000, representing a growth of approximately 30% as compared to the corresponding period of 2020 of HK\$90,264,000
- With improved gross profit margin, gross profit increased to HK\$27,918,000. Net profit of HK\$1,163,000 was reported during the Three-Month Period as compared to net loss of HK\$5,169,000 for the corresponding period of 2020
- Gaming sector in Macao remains weak, yet total contracts secured by VHL and MDL from the Government of Macao and customers in other vertical markets, whether directly or indirectly, reached almost HK\$48,000,000
- Hong Kong market also remains slightly sluggish whereas business momentum for SD-WAN and data networks infrastructure from different leading telecommunications service providers, network communication services providers and Internet service providers in Mainland China continues to be encouraging, with the Mainland China team bringing in over HK\$45,000,000 worth of contracts, representing over 60% of total contracts secured during 2020
- Operating performance of TTSA showed improvement attributable to epidemic aids measures introduced by the Government of Timor-Leste. However, TTSA remains cautious over continuity of the operating performance at the company given that Timor-Leste is being hit with the second wave of the COVID-19 pandemic
- Net assets value of the Group amounted HK\$194,661,000 as at 31st March 2021, with net cash balances and yield-enhanced financial instruments of HK\$140,626,000
- The Directors do not recommend payment of interim dividend for the Three-Month Period

FIRST QUARTERLY 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:

		Unaudited	
		Three-Month	Three
	Note	Period	months ended
		HK\$' 000	31st March
			2020
			HK\$' 000
Revenue from contracts with customers		117,197	90,264
Costs of sales of goods		(69,517)	(58,348)
Costs of providing services		(19,762)	(13,918)
Gross profit		27,918	17,998
Selling, marketing costs and administrative expenses		(27,174)	(24,150)
Other (losses)/gains, net		(187)	154
Operating profit/(loss)		557	(5,998)
Finance income		646	862
Finance costs		(40)	(33)
Finance income – net		606	829
Profit/(loss) before income tax		1,163	(5,169)
Income tax expense	1	–	–
Profit/(loss) for the period		1,163	(5,169)
Profit/(loss) is attributable to:			
Owners of the Company		2,016	(4,489)
Non-controlling interest		(853)	(680)
		1,163	(5,169)
Earnings/(loss) per Share for profit/(loss) attributable to the ordinary equity holders of the Company:		HK Cent	HK Cent
Basic and diluted earnings/(loss) per Share	2	0.33	(0.73)
Dividends	3	–	–

Notes to the condensed consolidated income statement

1 Income tax expense

Hong Kong profits tax was provided at the rate of 8.25% for the first HK\$2,000,000 of assessable profits of one of the subsidiaries incorporated in Hong Kong and 16.5% on other assessable profits for the Three-Month Period (three months ended 31st March 2020: same). Taxation on non-Hong Kong profits was calculated on the estimated assessable profits for the Three-Month Period at the rates of taxation prevailing in the regions in which the Group operated.

2 Earnings/(loss) per Share

(a) Basic earnings/(loss) per Share

Basic earnings/(loss) per Share was calculated by dividing:

- the profit/(loss) attributable to owners of the Company
- by the weighted average number of Shares outstanding during the Three-Month Period.

(b) Diluted earnings/(loss) per Share

Diluted earnings per Share adjusted the figures used in the determination of basic earnings per Share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential Shares, and
- the weighted average number of additional Shares that would have been outstanding assuming the conversion of all dilutive potential Shares.

(c) Profit/(loss) used in calculating earnings/(loss) per Share

	Three-Month Period HK\$' 000	Three months ended 31st March 2020 HK\$' 000
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings/(loss) per Share	<u>2,016</u>	<u>(4,489)</u>

(d) Weighted average number of Shares used as the denominator

	Three-Month Period Number	Three months ended 31st March 2020 Number
Weighted average number of Shares used as the denominator in calculating basic and diluted earnings/(loss) per Share (thousands)	614,435	614,435
Adjustments for calculation of diluted earnings per Share		
– Options (thousands)	<u>32</u>	<u>–</u>
Weighted average number of Shares and potential Shares used as the denominator in calculating diluted earnings/(loss) per Share (thousands)	<u>614,467</u>	<u>614,435</u>

(e) **Information concerning the classification of securities – Options**

Options granted to Directors and employees were considered to be potential Shares. They were included in the determination of diluted earnings per Share to the extent to which they were dilutive. The Options were not included in the determination of basic earnings per Share.

3 Dividends

The Directors do not recommend payment of interim dividend for the Three-Month Period (three months ended 31st March 2020: nil).

4 Reserves

	Contributed surplus HK\$' 000	Share-based payments HK\$' 000	Capital redemption reserve HK\$' 000	Financial assets at fair value through other comprehensive income HK\$' 000	Merger reserve HK\$' 000	Statutory reserve HK\$' 000	Foreign currency translation HK\$' 000	Total other reserves HK\$' 000	Accumulated losses HK\$' 000
As at 1st January 2020	97,676	7,442	702	1,278	35,549	49	2,782	145,478	(3,970)
Revaluation - loss	-	-	-	(7,916)	-	-	-	(7,916)	-
Currency translation differences	-	-	-	-	-	-	178	178	-
Loss for the three months ended 31st March 2020	-	-	-	-	-	-	-	-	(4,489)
As at 31st March 2020	97,676	7,442	702	(6,638)	35,549	49	2,960	137,740	(8,459)
As at 1st January 2021	97,676	8,059	702	338	35,549	49	2,493	144,866	(6,288)
Revaluation - loss	-	-	-	(2,635)	-	-	-	(2,635)	-
Currency translation differences	-	-	-	-	-	-	17	17	-
Profit for the Three-Month Period	-	-	-	-	-	-	-	-	2,016
As at 31st March 2021	97,676	8,059	702	(2,297)	35,549	49	2,510	142,248	(4,272)

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

Macao, Hong Kong and Mainland China remain the core operating markets of the Group. Total contracts secured by the Group during the Three-Month Period amounted to approximately HK\$115,000,000. With the COVID-19 pandemic continues in the backdrop, the operating performance of these three markets are mixed.

In Macao, as Mainland China is currently the only place to have a largely quarantine-free travel bubble with, the Government of Macao has been focusing their effort to promote the enclave to Mainlanders as a safe destination for leisure. While Macao is showing visible signs of recovery, as evidenced by the monthly gross revenue from games of fortune reported by the Gaming Inspection and Coordination Bureau for the Three-Month Period averaging approximately HK\$7,600,000,000 per month as compared to an average of only around HK\$4,800,000,000 per month during 2020, the monthly gross revenue from games of fortune still traced behind the average of over HK\$23,300,000,000 per month in 2019. Investment appetite of different gaming operators continues to remain cautious. For works to be awarded or intended to be awarded, scope of works and pricing have been re-negotiated and for new capital expenditures, they are geared more towards solutions that assist in customers-retention and attraction of new customers, rather than on surveillance, data networks and storage and associated professional IT services. Prior to the COVID-19 pandemic, different gaming operators have been expanding their surveillance and IT infrastructure, hence with gaming business currently not yet back to pre-pandemic level, there are still excess surveillance and networks capacity. As a result, total contracts secured by VHL from different gaming operators during the Three-Month Period amounted to less than HK\$10,000,000, with works secured related primarily to renewal of warranty and maintenance services.

In Macao, with the gaming sector remains relatively slow, in particular within the products and services domain of the Group, the Government of Macao and other sectors become key contributors to the business generated by the Group. During the Three-Month Period, total contracts secured by VHL and MDL from the Government of Macao and customers in other vertical markets, such as utilities, education, healthcare and insurance, whether directly or indirectly (i.e. via main contractors appointed by the Government of Macao), reached almost HK\$48,000,000, or approximately 25% of total contracts secured during 2020. Works cover areas of networks infrastructure, surveillance, servers and storage, firewall, maintenance services and software development and customers include Public Administration and Civil Service Bureau, Legal Affairs Bureau, Identification Bureau, Macao Customs, Public Security Police Force, Judiciary Police, Correctional Services Bureau and Health Bureau, to name a few.

The Hong Kong market has continued to remain slightly sluggish. On the contrary, business momentum for SD-WAN and data networks infrastructure from different leading telecommunications service providers, network communication services providers and Internet service providers in Mainland China continues to be encouraging. During the Three-Month Period, while the Hong Kong team signed in only HK\$11,000,000 worth of contracts, the Mainland China team brought in over HK\$45,000,000 worth of contracts, representing over 60% of total contracts secured during 2020. Of the contracts awarded in Mainland China, over 75% related to a series of data networks infrastructure contracts from a leading provider of Internet value-added services for the building of new, and expansion of existing, data networks infrastructure in data centres in different countries.

With respect to 泰思通軟件(上海)有限公司 (incorporated in PRC with limited liability and an indirect subsidiary of the Company) and 泰思通軟件(江西)有限公司 (incorporated in PRC with limited liability and an indirect subsidiary of the Company), similar to previous years where the initial months were slow, total works secured during the Three-Month Period were only approximately HK\$1,000,000 with projects awarded from telecommunications service providers in the province of Jiangsu.

Other Investments – TTSA

The operating performance of TTSA showed improvements during the Three-Month Period, attributable to epidemic aids measures introduced by the Government of Timor-Leste. Although TTSA continued to report decline in revenue from HK\$47,106,000 during the initial three months of 2020 to HK\$45,966,000 during the Three-Month Period, earnings before interest, tax, depreciation and amortisation increased to HK\$17,584,000 during the Three-Month Period while net loss narrowed to HK\$700,000. However, TTSA remains cautious over continuity of improved operating performance at the company given that Timor-Leste is being hit with the second wave of the COVID-19 pandemic.

During the Three-Month Period, there is no update regarding the disposal of the shareholding of 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 the United States of America and B3 S.A. – Brasil, Bolsa, Balcão in Brazil, in TTSA. The Group will continue to keep close watch of any latest developments.

Financial Review

With the Group continued to experience positive business sentiments from the Government of Macao and from Mainland China, the Group registered revenue of HK\$117,197,000 for the Three-Month Period, representing a growth of approximately 30% as compared to the corresponding period of 2020 of HK\$90,264,000. With improved gross profit margin, gross profit of the Group increased from HK\$17,998,000 during the first quarter of 2020 to HK\$27,918,000 for the Three-Month Period.

To support the series of data networks infrastructure contracts from a leading provider of Internet value-added services for the building of new, and expansion of existing, data networks infrastructure in data centres in different countries, the Group incurred higher freight and customs charges, hence total selling, marketing and administrative expenses increased by approximately HK\$3,000,000 during the Three-Month Period as compared to the corresponding period of 2020.

With a stronger quarter, the Group reported net profit for the Three-Month Period of HK\$1,163,000 as compared to a net loss of HK\$5,169,000 for the same period of 2020.

The Group continues to enjoy a solid and healthy capital structure with no external borrowings. As at 31st March 2021, cash and cash equivalents and yield-enhanced financial instruments totalled HK\$140,626,000, accounting for approximately 37% of the total assets of the Group. Equity base stood comfortably at HK\$194,661,000.

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 2021, 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)	357,945,500	–	58.26
Kuan Kin Man	Personal (Note 2)	22,112,500	840,000	3.74
Monica Maria Nunes	Personal (Note 3)	2,452,500	840,000	0.54
Ho Wai Chung Stephen	Personal (Note 4)	–	350,000	0.06
Fung Kee Yue Roger	Personal (Note 5)	210,000	350,000	0.09
Wong Tsu An Patrick	Personal (Note 6)	–	350,000	0.06
Wong Kwok Kuen	Personal (Note 7)	–	350,000	0.06

Notes:

- As at 31st March 2021, 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 840,000 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 840,000 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 Ho Wai Chung Stephen comprised 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Ho Wai Chung Stephen as beneficial owner.

- 5 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 350,000 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.
- 6 The personal interest of Wong Tsu An Patrick comprised 350,000 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.
- 7 The personal interest of Wong Kwok Kuen comprised 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Kwok Kuen 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 2021, 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

Name	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
ERL	Corporate (Note 1)	357,945,500	58.26
OHHL	Corporate (Note 1)	357,945,500	58.26
Lei Hon Kin	Family (Note 2)	357,945,500	58.26

Notes:

- 1 As at 31st March 2021, 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 2021, 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

“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 share 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

“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\$”	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
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“MDL”	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
“OHHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
“Option”	an option to subscribe for Shares pursuant to the share option scheme approved by the holders of the Shares at the annual general meeting on 22nd June 2012
“PRC”	The People’s Republic of China
“SD-WAN”	software-defined networking in a wide area network
“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
“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 2021

“Timor-Leste”	The Democratic Republic of Timor-Leste
“TTSA”	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability
“VHL”	Vodatel Holdings Limited, incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company

By order of the Board
José Manuel dos Santos
Chairman

Macao, 12th May 2021

Executive Directors	Non-executive Director	Independent non-executive Directors
José Manuel dos Santos Kuan Kin Man Monica Maria Nunes	Ho Wai Chung Stephen	Fung Kee Yue Roger Wong Tsu An Patrick Wong Kwok Kuen

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