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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 THREE-MONTH PERIOD

- With the initial months of the year traditionally slow and due to sustained supply chain interruptions from shortage of electronic components, revenue for the Three-month Period reached only HK\$88,453,000, representing a drop of approximately 21.02% as compared to the first quarter of 2021 of HK\$111,990,000
- Due to intense competition, gross profit amounted to HK\$15,325,000, translating to a gross profit margin of 17.33%. Net loss of HK\$6,227,000 was reported during the Three-month Period as compared to net profit of HK\$1,163,000 for the corresponding period of 2021
- Gaming sector in Macao remains weak. Total contracts secured by VHL and MDL from the Government of Macao and customers in other vertical markets, both directly or indirectly, reached HK\$45,300,000
- Hong Kong market hit badly by the COVID-19 omicron variant, with only HK\$11,600,000 worth of contracts secured
- In December 2021, a new subsidiary in Hong Kong, Meta-V is set up to offer managed services and secured its first managed services contract from a leading mobile provider with operating subsidiaries in Hong Kong and Macao
- In Mainland China, business momentum for SD-WAN and data networks infrastructure hampered by the COVID-19 omicron variant, with only HK\$28,200,000 worth of contracts secured
- Operating performance of TTSA continued to show improvement with net profit registered for four consecutive quarters
- Net assets value of the Group amounted to HK\$174,562,000 as at 31st March 2022, with net cash balances and yield-enhanced financial instruments of HK\$115,943,000
- 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
			31st March
			2021
			Restated
		HK\$' 000	HK\$' 000
Continuing operations			
Revenue from contracts with customers		88,453	111,990
Costs of sales of goods		(43,979)	(69,517)
Costs of providing services		(29,149)	(16,405)
		15,325	26,068
Gross profit			
Selling, marketing costs and administrative expenses		(22,427)	(23,964)
Other gains/(losses) – net		83	(191)
		(7,019)	1,913
Operating (loss)/profit			
Finance income		819	644
Finance costs		(30)	(34)
		789	610
(Loss)/profit before income tax		(6,230)	2,523
Income tax credit	1	3	–
		(6,227)	2,523
(Loss)/profit from continuing operations			
Loss from discontinued operation	2	–	(1,360)
		(6,227)	1,163
(Loss)/profit for the period			
(Loss)/profit is attributable to:			
Owners of the Company		(5,453)	2,016
Non-controlling interest		(774)	(853)
		(6,227)	1,163

		Unaudited	
	Note	Three-month Period HK Cent	Three months ended 31st March 2021 Restated HK Cent
(Loss)/earnings per Share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per Share	3(a)	(0.89)	0.50
Diluted (loss)/earnings per Share	3(b)	(0.88)	0.50
(Loss)/earnings per Share for (loss)/profit attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per Share	3(a)	(0.89)	0.33
Diluted (loss)/earnings per Share	3(b)	(0.88)	0.33
Dividends	4	—	—

Notes to the condensed consolidated income statement

1 Income tax credit

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 2021: 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 Discontinued operation

During the year ended 31st December 2021, the Group disposed of 32.36% of the equity interest of CIL, an indirect subsidiary of the Company prior to such disposal, and its subsidiaries.

Certain comparative figures were restated to reflect the impact of discontinued operation.

3 (Loss)/earnings per Share

(a) Basic (loss)/earnings per Share

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

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

	Three-month Period HK Cent	Three months ended 31st March 2021 HK Cent
From continuing operations attributable to the ordinary equity holders of the Company	(0.89)	0.50
From discontinued operation	—	(0.17)
	<u> </u>	<u> </u>
Total basic (loss)/earnings per Share attributable to the ordinary equity holders of the Company	<u>(0.89)</u>	<u>0.33</u>

(b) Diluted (loss)/earnings per Share

Diluted (loss)/earnings per Share adjusted the figures used in the determination of basic (loss)/earnings per Share to take into account the weighted average number of additional Shares that would have been outstanding assuming the conversion of all dilutive potential Shares.

	Three-month Period HK Cent	Three months ended 31st March 2021 HK Cent
From continuing operations attributable to the ordinary equity holders of the Company	(0.88)	0.50
From discontinued operation	—	(0.17)
	<u> </u>	<u> </u>
Total diluted (loss)/earnings per Share attributable to the ordinary equity holders of the Company	<u>(0.88)</u>	<u>0.33</u>

(c) **Reconciliation of (loss)/profit used in calculating (loss)/earnings per Share**

	Three-month Period HK\$' 000	Three months ended 31st March 2021 HK\$' 000
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted (loss)/earnings per Share:		
From continuing operations	(5,453)	3,045
From discontinued operation	–	(1,029)
	<u>(5,453)</u>	<u>2,016</u>

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

	Three-month Period Number	Three months ended 31st March 2021 Number
Weighted average number of Shares used as the denominator in calculating basic (loss)/earnings per Share (thousands)	616,115	614,435
Adjustments for calculation of diluted (loss)/earnings per Share: – Options (thousands)	<u>3,099</u>	<u>32</u>
Weighted average number of Shares and potential Shares used as the denominator in calculating diluted (loss)/earnings per Share (thousands)	<u>619,214</u>	<u>614,467</u>

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

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

4 Dividends

The Directors do not recommend payment of interim dividend for the Three-month Period (three months ended 31st March 2021: nil).

5 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 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 months ended 31st March 2021	-	-	-	-	-	-	-	-	2,016
As at 31st March 2021	97,676	8,059	702	(2,297)	35,549	49	2,510	142,248	(4,272)
As at 1st January 2022	97,676	7,282	702	(2,578)	35,549	49	4,996	143,676	(17,976)
Revaluation - loss	-	-	-	(3,657)	-	-	-	(3,657)	-
Currency translation differences	-	-	-	-	-	-	(28)	(28)	-
Loss for the Three-month Period	-	-	-	-	-	-	-	-	(5,453)
As at 31st March 2022	97,676	7,282	702	(6,235)	35,549	49	4,968	139,991	(23,429)

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\$105,400,000, representing a drop of 8.35% as compared to total contracts secured during the first quarter of 2021. Operating performance of these three markets have been adversely affected by the COVID-19 omicron variant during the Three-month Period.

Macao continues to open up to Mainland China, with Mainland China being the only place to have a largely quarantine-free travel bubble with. As a small open economy depending heavily on tourism, in particular mainlanders being more so than ever, Macao remains highly sensitive to any COVID-19 outbreaks in Mainland China. Therefore, with COVID-19 omicron variant hitting Mainland China in February, Macao took another toll on its economy with number of arriving tourists plummeted from 642,016 in January to 468,995 in March and with monthly gross revenue from games of fortune reported by the Gaming Inspection and Coordination Bureau for the Three-month Period dropping to HK\$17,231,000,000 as compared to HK\$22,920,000,000 for the corresponding first quarter of 2021. In addition, the reforms to gaming laws, including headwinds against the satellite properties and junket operators, and the upcoming tendering of new casino licences, all added to an already sluggish economy in Macao. Therefore, investment appetite of different gaming operators continue to remain cautious and with capital expenditures only geared towards mandated projects, such as extension of warranty and maintenance support.

With the gaming sector remains challenging, the Group continued to focus its efforts on securing works from the Government of Macao and other vertical sectors. 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 banking, education, healthcare and insurance, both directly or indirectly, amounted to HK\$45,300,000. Works cover areas of networks infrastructure, surveillance, access control, public access, servers and storage, firewall, maintenance services and software development and customers include Health Bureau, Public Administration and Civil Service Bureau, Legal Affairs Bureau, Public Security Police Force, to name a few.

In Hong Kong, the COVID-19 omicron variant hit Hong Kong badly during the Three-month Period, resulting in domestic business momentum almost came to a complete standstill. Of the HK\$11,600,000 worth of contracts secured, over 90% of them related to SD-WAN and data networks infrastructure business generated from different telecommunications service providers in Hong Kong to support their end users in Mainland China or in Asia Pacific region.

The COVID-19 pandemic results in unprecedented challenges to the IT needs of companies, thus being flexible with their IT infrastructure and balance sheets becomes increasingly important. In December 2021, a new subsidiary in Hong Kong, Meta-V, is set up to focus on assisting companies to offload their burden on IT infrastructure investment to a “pay when use” model, i.e. by shifting from capital expenditures to operating expenditures. Via partnering with a renowned global edge-to-cloud vendor, Meta-V offers managed services with AI and automation capabilities to companies, allowing them to enjoy comprehensive monitoring, optimisation and improvements across all areas of their IT needs. During the Three-month Period, with the strong support of the vendor, Meta-V secured its first managed services contract from a leading mobile provider with operating subsidiaries in Hong Kong and Macao.

In Mainland China, 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, however, such momentum has been hampered as the COVID-19 omicron variant hit Mainland China in February. During the Three-month Period, the Mainland China team brought in total contracts of HK\$28,200,000, which fell short of the total contracts of HK\$45,000,000 secured during the first quarter of 2021. Of the total contracts secured, over 60% were generated from a leading provider of Internet value-added services to expand its data networks infrastructure in data centres in Asia Pacific and South America.

Other Investments

Tidestone Group – With respect to Tidestone Group, similar to previous years where the initial months were slow, total works secured during the Three-month Period were only approximately HK\$300,000 with mere one project awarded from a telecommunications service provider in the province of Hubei.

TTSA – The operating performance of TTSA continued to show improvements for the fourth consecutive quarter. Revenue increased slightly to HK\$47,764,000 for the Three-month Period from HK\$45,966,000 during the first quarter of 2021. Although earnings before interest, tax, depreciation and amortisation reported a drop of 6.16%, TTSA reported net profit of HK\$5,211,000 for the Three-month Period as compared to net loss of HK\$700,000 for the first quarter of 2021. There is still no news over any possible change of shareholding at TTSA. The Group will continue to keep close watch of any latest developments.

Financial Review

With the initial months of the year traditionally slow, the Group continued to face sustained supply chain interruptions from shortage of electronic components, resulting in long delivery lead time on equipment from suppliers. As a result, during the Three-month Period, the Group generated revenue of HK\$88,453,000, or a drop of 21.02% as compared to HK\$111,990,000 for the first quarter of 2021. With margins generated from gaming operators in Macao continued to narrow due to intense competition, the Group registered gross profit of HK\$15,325,000, translating to gross profit margin of only 17.33%.

The Group continued to exercise costs control, hence selling, marketing and administrative expenses decreased to HK\$22,427,000 for the Three-month Period as compared to HK\$23,964,000 for the first quarter of 2021. Due to weak revenue base and gross profit margin, the Group reported net loss of HK\$6,227,000 for the Three-month Period as compared to net profit of HK\$1,163,000 for the corresponding period of 2021.

The Group continues to enjoy a solid and healthy capital structure with no external borrowings. As at 31st March 2022, cash and cash equivalents and yield-enhanced financial instruments totalled HK\$115,943,000, accounting for approximately 33.07% of the total assets of the Group. Equity base stood comfortably at HK\$174,562,000.

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 2022, 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	–	58.10
Kuan Kin Man	Personal (Note 2)	22,952,500	–	3.73
Monica Maria Nunes	Personal (Note 3)	3,292,500	–	0.53
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 2022, 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 22,952,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- The personal interest of Monica Maria Nunes comprised 3,292,500 Shares. 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.
- 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.
- 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.
- 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 2022, 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	58.10
OHHL	Corporate (Note 1)	357,945,500	58.10
Lei Hon Kin	Family (Note 2)	357,945,500	58.10

Notes:

- 1 As at 31st March 2022, 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 2022, 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
“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
“CIL”	Capital Instant Limited, a company incorporated in BVI with limited liability
“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 (not applicable to Tidestone Group)
“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
“Meta-V”	Meta-V Tech Services Limited, incorporated in Hong Kong 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 Scheme
“PRC”	The People’s Republic of China
“Scheme”	the share option scheme approved by the holders of the Shares at the annual general meeting on 22nd June 2012
“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 2022
“Tidestone Group”	CIL, an indirect associate of the Company, and its subsidiaries

“TTSA” Timor Telecom, S.A., a company incorporated in the Democratic Republic of 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 2022

Executive Directors

José Manuel dos Santos
Kuan Kin Man
Monica Maria Nunes

Non-executive Director

Ho Wai Chung Stephen

Independent non-executive Directors

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*