



VODATEL NETWORKS HOLDINGS LIMITED

愛達利網絡控股有限公司 *

(Incorporated in Bermuda with limited liability)

Stock Code: 8033

INTERIM REPORT

2009

* *for identification purpose only*

Characteristics of GEM

GEM has been positioned as a market designed to accommodate companies to which a high 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: 1. the information contained in this report 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.

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE THREE-MONTH PERIOD AND SIX-MONTH PERIOD

- Due to slowdown of capital expenditures by selected gaming and hotel operators in Macao, the Group reported turnover of HK\$45,047,000 and HK\$89,155,000 for the Three-Month Period and Six-Month Period respectively
- Conclusion of the installation and service part of the structured cabling system for one of the major gaming operators in Macao and increased revenue derived from the provision of support services, gross profit of the Group for the Six-Month Period reached HK\$32,039,000, translating to gross profit margin of 35.94%
- Registered operating profit of HK\$1,953,000 for the Three-Month Period and total dividend of approximately HK\$19,723,000 entitled by the Group against 2008 operating results of TTSA
- Net profit of HK\$29,794,000 reported by the Group for the Six-Month Period
- During the Three-Month Period, TSTSH completed the installation, commissioning and initial acceptance tests of its CNMS at the telecommunications service providers in the province of Anhui and in the municipality of Chongqing
- Successfully secured approximately HK\$19,000,000 worth of contracts for the provision of after-sales maintenance support services
- Cash balance as at 30th June, 2009 amounted to HK\$110,788,000 with equity base at HK\$142,136,000
- The Board does not recommend payment of interim dividend

INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the Three-Month Period and Six-Month Period as follows:

Condensed Consolidated Interim Balance Sheet

		Unaudited	Audited
		As at	As at
		30th June,	31st December,
	Note	2009	2008
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		873	1,046
Investment in an associate		591	656
Available-for-sale financial assets		22,373	16,226
		<hr/> 23,837 <hr/>	<hr/> 17,928 <hr/>
Current assets			
Inventories		20,061	13,620
Trade receivables	5	51,800	70,254
Other receivables, deposits and prepayments		28,741	18,454
Pledged bank deposits		4,573	9,108
Cash and cash equivalents		106,215	89,961
		<hr/> 211,390 <hr/>	<hr/> 201,397 <hr/>

	Note	Unaudited As at 30th June, 2009 HK\$'000	Audited As at 31st December, 2008 HK\$'000
LIABILITIES			
Current liabilities			
Trade and bills payables	6	40,260	50,796
Other payables and accruals		44,873	45,151
Current income tax liabilities		7,958	17,172
		<u>93,091</u>	<u>113,119</u>
Net current assets		<u>118,299</u>	<u>88,278</u>
Total assets less current liabilities		<u>142,136</u>	<u>106,206</u>
Financed by:			
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Shares		61,382	61,382
Other reserves	15	145,928	139,792
Accumulated losses		(69,345)	(100,264)
		<u>137,965</u>	<u>100,910</u>
Minority interest in equity		<u>4,171</u>	<u>5,296</u>
Total equity		<u>142,136</u>	<u>106,206</u>

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

Condensed Consolidated Interim Income Statement

		Unaudited			
		Three months ended		Six months ended	
		Three-Month Period	30th June, 2008	Six-Month Period	30th June, 2008
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
	4	45,047	52,171	89,155	112,908
		(28,709)	(36,921)	(57,116)	(89,029)
		16,338	15,250	32,039	23,879
		(15,805)	(17,534)	(32,314)	(36,917)
		21,143	8,087	21,528	8,231
	7	21,676	5,803	21,253	(4,807)
		51	188	296	477
		81	179	(65)	48
		21,808	6,170	21,484	(4,282)
	8	(251)	(1,226)	8,310	13,170
		21,557	4,944	29,794	8,888
Discontinued operations					
	11	—	(369)	—	1,670
		21,557	4,575	29,794	10,558
Attributable to:					
		22,358	4,253	30,919	10,215
		(801)	322	(1,125)	343
		21,557	4,575	29,794	10,558

Unaudited

	Note	Three months ended		Six months ended	
		Three-Month Period	30th June, 2008	Six-Month Period	30th June, 2008
Earnings/(loss) per Share for profit from continuing and (loss)/profit from discontinued operations attributable to the equity holders of the Company during the period (expressed in HK cents per Share)					
Basic and diluted earnings per Share					
	9				
From continuing operations		3.64	0.75	5.04	1.39
From discontinued operations		—	(0.06)	—	0.27
		<u>3.64</u>	<u>0.69</u>	<u>5.04</u>	<u>1.66</u>
Dividends	10	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

	Unaudited	
	Six-Month Period HK\$'000	Six months ended 30th June, 2008 HK\$'000
Profit for the period	29,794	10,558
Other comprehensive income		
Fair value gains/(loss) on available-for-sale financial assets, net of tax	6,147	(5,958)
Currency translation differences	(11)	1,876
Other comprehensive income for the period, net of tax	6,136	(4,082)
Total comprehensive income for the period	35,930	6,476
Total comprehensive income attributable to:		
Equity holders of the Company	37,055	6,133
Minority interest	(1,125)	343
	35,930	6,476

The notes on pages 9 to 18 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

	Unaudited					
	Attributable to equity holders of the Company			Total	Minority interest	Total equity
	Share capital	Other reserves	Accumulated losses			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance as at 1st January, 2008	61,382	136,718	(93,377)	104,723	6,731	111,454
Profit for the six months ended 30th June, 2008	—	—	10,215	10,215	343	10,558
Other comprehensive income:						
Fair value loss for available-for-sale financial assets	—	(5,958)	—	(5,958)	—	(5,958)
Currency translation differences	—	1,876	—	1,876	—	1,876
Total comprehensive income for the six months ended 30th June, 2008	—	(4,082)	10,215	6,133	343	6,476
Balance as at 30th June, 2008	61,382	132,636	(83,162)	110,856	7,074	117,930
Balance as at 1st January, 2009	61,382	139,792	(100,264)	100,910	5,296	106,206
Profit for the Six-Month Period	—	—	30,919	30,919	(1,125)	29,794
Other comprehensive income:						
Fair value gains for available-for-sale financial assets	—	6,147	—	6,147	—	6,147
Currency translation differences	—	(11)	—	(11)	—	(11)
Total comprehensive income for the Six-Month Period	—	6,136	30,919	37,055	(1,125)	35,930
Balance as at 30th June, 2009	61,382	145,928	(69,345)	137,965	4,171	142,136

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

Condensed Consolidated Interim Cash Flow Statement

	Unaudited	
	Six- Month Period HK\$'000	Six months ended 30th June, 2008 HK\$'000
Net cash (used in)/generated from operating activities	(4,299)	12,161
Net cash generated from investing activities	16,018	489
Net cash generated from/(used in) financing activities	4,535	(3,160)
Net increase in cash and bank balances	16,254	9,490
Cash and bank balances at beginning of period	89,961	64,429
Cash and bank balances at end of period	106,215	73,919

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

Notes to the condensed consolidated interim financial information:

1. General information

These condensed consolidated interim financial information are presented in HK\$, unless otherwise stated. This condensed consolidated interim financial information is approved for issue on 11th August, 2009.

This condensed consolidated interim financial information was not audited.

2. Basis of preparation

This condensed consolidated interim financial information for the Six-Month Period were prepared in accordance with HKAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December, 2008, which were prepared in accordance with HKFRS.

3. Accounting policies

Except as described below, the accounting policies applied were consistent with those of the annual financial statements for the year ended 31st December, 2008, as described in those annual financial statements.

Taxes on income in the interim periods were accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January, 2009:

- HKAS 1 (Revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements were prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating Segments'. HKFRS 8 replaced HKAS 14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported segment of design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment was split into Mainland China, Hong Kong and Macao and CNMS.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers were identified as the executive Directors who make strategic decisions.

- Amendment to HKFRS 7, 'Financial Instruments: Disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31st December, 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January, 2009, but are not currently relevant to the Group.

- HKAS 23 (Amendment), 'Borrowing Costs'.
- HKAS 32 (Amendment), 'Financial Instruments: Presentation'.
- HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'.
- HKFRS 2 (Amendment), 'Share-Based Payment'.
- HK(IFRIC)-Int 9 (Amendment), 'Reassessment of Embedded Derivatives' and HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'.
- HK(IFRIC)-Int 13, 'Customer Loyalty Programmes'.
- HK(IFRIC)-Int 15, 'Agreements for the Construction of Real Estate'.
- HK(IFRIC)-Int 16, 'Hedges of a Net Investment in a Foreign Operation'.

4. Segment information

The chief operating decision-makers were identified as the executive Directors. They review the internal reporting of the Group in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

The executive Directors consider the business from both a geographic and product perspective. From a product perspective, management assesses the performance of the segment of design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment and the segment of CNMS. The first segment is further evaluated on a geographic basis (Mainland China and Hong Kong and Macao).

The executive Directors assess the performance of the operating segments based on a measure of EBITDA. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the executive Directors. Other information provided, except as noted below, to the executive Directors is measured in a manner consistent with that in the financial statements.

Total assets exclude deferred tax and available-for-sale financial assets, both of which are managed on a central basis.

Sales between segments were carried out on terms equivalent to those that prevailed in arm's length transactions. The revenue from external parties reported to the executive Directors were measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment			Total continuing operations HKS'000	Total discontinued operations (sale of mobile phones) HKS'000	Total Group HKS'000
	Mainland China HKS'000	Hong Kong and Macao HKS'000	CNMS HKS'000			
	Six-Month Period					
Revenue (from external customers)	12,736	72,726	3,693	89,155	—	89,155
EBITDA	(3,866)	26,694	(1,412)	21,416	—	21,416
Depreciation	(54)	(97)	(77)	(228)	—	(228)
Reversal of impairment of trade receivables	—	2,119	—	2,119	—	2,119
Finance income	112	175	9	296	—	296
Share of loss from an associate	—	(65)	—	(65)	—	(65)
Income tax (expense)/credit	(43)	8,490	(137)	8,310	—	8,310
Additions to non-current assets (other than financial instruments)	12	24	20	56	—	56
Six months ended 30th June, 2008						
Revenue (from external customers)	21,678	89,043	2,187	112,908	10,556	123,464
EBITDA	1,776	(6,043)	(216)	(4,483)	1,689	(2,794)
Depreciation	(54)	(132)	(90)	(276)	(19)	(295)
Reversal of impairment of trade receivables	—	—	541	541	—	541
Finance income	60	400	17	477	—	477
Share of profit from an associate	—	48	—	48	—	48
Income tax (expense)/credit	(945)	14,243	(128)	13,170	—	13,170
Additions to non-current assets (other than financial instruments)	—	63	42	105	—	105

**Design, sale and implementation
of data networking systems,
provision of related
engineering services and sale
of networking equipment**

	Mainland China HK\$'000	Hong Kong and Macao HK\$'000	CNMS HK\$'000	Total Group HK\$'000
As at 30th June, 2009				
Total assets (exclude available-for-sale financial assets)	44,645	158,621	9,588	212,854
Total assets included:				
Investment in an associate	—	591	—	591
As at 31st December, 2008				
Total assets (exclude available-for-sale financial assets)	47,330	144,339	11,430	203,099
Total assets included:				
Investment in an associate	—	656	—	656

A reconciliation of total EBITDA to total profit/(loss) before income tax and discontinued operations is provided as follows:

	Six-Month Period HK\$'000	Six months ended 30th June, 2008 HK\$'000
EBITDA for reportable segments	21,416	(4,483)
Depreciation	(228)	(276)
Finance income	296	477
	<hr/>	<hr/>
Profit/(loss) before income tax and discontinued operations	21,484	(4,282)
	<hr/> <hr/>	<hr/> <hr/>

The Company is domiciled in Bermuda. There was no revenue from external customers in Bermuda for the Six-Month Period and the six months ended 30th June, 2008, and the total of its revenue from external customer from other regions was HK\$89,155,000 (six months ended 30th June, 2008: HK\$112,908,000).

As at 30th June, 2009 and 31st December, 2008, there was no non-current assets other than financial instruments (there was no deferred tax assets, employment benefit assets and rights arising under insurance contracts) located in Bermuda, and the total of these non-current assets located in other regions was HK\$1,464,000 (as at 31st December, 2008: HK\$1,702,000).

For the Six-Month Period, revenues of approximately HK\$18,697,000 (six-months ended 30th June, 2008: HK\$18,067,000) were derived from a single external customer. These revenues were attributable to the segment of design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment in Hong Kong and Macao.

5. Trade receivables

Sales of the Group were on receipts in advance, letter of credit documents against payment and open terms credit. The credit terms granted to customers varied and were generally the result of negotiations between the individual customers and the Group. As at 30th June, 2009 and 31st December, 2008, the ageing analysis of the trade receivables was as follows:

	As at 30th June, 2009 HK\$'000	As at 31st December, 2008 HK\$'000
Within three months	29,115	58,226
>Three months but ≤ six months	5,845	2,110
>Six months but ≤ twelve months	8,610	4,715
Over twelve months	72,137	71,509
	<u>115,707</u>	<u>136,560</u>

6. Trade and bills payables

As at 30th June, 2009 and 31st December, 2008, the ageing analysis of the trade and bills payables (including amounts due to a related party of trading in nature) was as follows:

	As at 30th June, 2009 HK\$'000	As at 31st December, 2008 HK\$'000
Within three months	21,460	25,959
> Three months but ≤ six months	2,364	1,137
> Six months but ≤ twelve months	3,396	1,709
Over twelve months	13,040	21,991
	<u>40,260</u>	<u>50,796</u>

7. Operating profit/(loss)

The following items were credited/(charged) to the operating profit/(loss) during the period:

	Six-Month Period HK\$'000	Six months ended 30th June, 2008 HK\$'000
Cost of goods sold	(40,599)	(77,353)
Depreciation	(228)	(276)
Dividend income on available-for-sale financial assets	19,723	8,228
Gain on disposal of property	—	2,565
Reversal of impairment of trade receivables	2,119	541

8. Income tax (expense)/credit

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

	Six-Month Period HK\$'000	Six months ended 30th June, 2008 HK\$'000
Current income tax		
– Hong Kong profits tax	(90)	(128)
– Macao complementary profits tax	(13)	(186)
– Mainland China profits tax	(158)	(641)
– Over-provision in prior years	8,571	14,125
	<hr/>	<hr/>
Income tax credit	8,310	13,170
	<hr/> <hr/>	<hr/> <hr/>

9. 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 Six-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 Six-Month Period and the six months ended 30th June, 2008. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Six-Month Period and the six months ended 30th June, 2008.

10. Dividends

The Board did not recommend the payment of an interim dividend for the Six-Month Period (six months ended 30th June, 2008: Nil).

11. Discontinued operations

The Group disposed of CAOCL on 30th June, 2008.

12. Contingencies

The Group gave guarantees issued by certain banks arising in the ordinary course of business amounting to HK\$12,126,000 (as at 31st December, 2008: HK\$12,126,000).

It was not anticipated that any material liabilities would arise from the contingent liabilities.

13. Related party transactions

During the Six-Month Period, the Group had significant transactions with related parties which were carried out in the normal course of business at terms determined and agreed by both parties, details of which were as follows:

- (a) The Group had transactions with a related company owned by a Director, José Manuel dos Santos, as follows:

	Six-Month Period HK\$'000	Six months ended 30th June, 2008 HK\$'000
Sale of goods	52	3
Purchase of goods	(19)	(24)
Operating lease payments	—	(54)
	<u> </u>	<u> </u>

- (b) During the Six-Month Period, the Group received service fee income of approximately HK\$12,000 (six months ended 30th June, 2008: Nil) from STL.
- (c) During the Six-Month Period, the Group paid operating lease payments of approximately HK\$372,000 (six months ended 30th June, 2008: HK\$357,000) to a Director, José Manuel dos Santos.
- (d) Key management compensation amounted to HK\$4,014,000 for the Six-Month Period (six months ended 30th June, 2008: HK\$3,992,000).
- (e) As at 30th June, 2009, there were no trade receivables from a related company owned by a Director, José Manuel dos Santos (as at 31st December, 2008: HK\$307,000). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.

- (f) As at 30th June, 2009, other receivables, deposits and prepayments consisted of receivable from a director of a subsidiary of approximately HK\$100,000 (as at 31st December, 2008: HK\$100,000). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.
- (g) As at 30th June, 2009, other receivables, deposits and prepayments consisted of receivable from STL of approximately HK\$12,000 (as at 31st December, 2008: HK\$186,000). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.
- (h) As at 30th June 2009, trade and bills payables consisted of payable to a related company owned by a Director, José Manuel dos Santos, of approximately HK\$4,000 (as at 31st December, 2008: Nil). The payables bore no interest.
- (i) As at 30th June, 2009, other payables and accruals consisted of payable to a Director, José Manuel dos Santos, of approximately HK\$498,000 (as at 31st December, 2008: HK\$362,000). The payables bore no interest.
- (j) As at 30th June, 2009, other payables and accruals consisted of Directors' fees and salaries payable to the Directors of approximately HK\$296,000 (as at 31st December, 2008: Nil).
- (k) As at 30th June, 2009, other payables and accruals consisted of payable to a related company owned by a Director, José Manuel dos Santos, of approximately HK\$350,000 (as at 31st December, 2008: HK\$350,000). The payables bore no interest.
- (l) On 19th February, 2008, a sale and purchase deed was entered into between CAOCL and José Manuel dos Santos, a Director, relating to the sale of property for HK\$4,800,000. The Group disposed of CAOCL on 30th June, 2008.

14. Seasonality

The business is not subject to seasonal fluctuations.

15. Other reserves

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments reserve	Merger reserve	Translation reserve	Statutory reserve	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
As at 1st January, 2008	97,676	2,289	702	(918)	35,549	1,371	49	136,718
Revaluation	—	—	—	(5,958)	—	—	—	(5,958)
Currency translation differences	—	—	—	—	—	1,876	—	1,876
As at 30th June, 2008	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>(6,876)</u>	<u>35,549</u>	<u>3,247</u>	<u>49</u>	<u>132,636</u>
As at 1st January, 2009	97,676	2,289	702	346	35,549	3,181	49	139,792
Revaluation	—	—	—	6,147	—	—	—	6,147
Currency translation differences	—	—	—	—	—	(11)	—	(11)
As at 30th June, 2009	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>6,493</u>	<u>35,549</u>	<u>3,170</u>	<u>49</u>	<u>145,928</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS ACTIVITIES

Role as a Provider of Networks Solutions

Amidst lagging effects from the financial turmoil, the Group witnessed increasing business activities in Macao during the Three-Month Period, among which included the initial opening of City of Dreams at Cotai and different gaming and hotel operators re-engaging development of new gaming premises and upgrading of existing establishments to further strengthen their market positioning in the territory. Consequently, the Group successfully secured a number of projects in the areas of radio communications, networking and surveillance for different gaming and hotel operators, among which included a contract that involved major variations to the mass gaming hall of one of the gaming operators. During the Three-Month Period, the Government of Macao continued to be the major driver of business activities for the Group, allowing the Group to capture works that involved the provision of radio communications and networking systems and design and install different software and storage systems for various departments under the Government of Macao.

In Mainland China, during the Three-Month Period, TSTSH focused principally on the installation, commissioning and initial acceptance tests of its CNMS at different telecommunications service providers, among which included the CNMS installed at a telecommunications service provider in the province of Anhui for improved network resources management, remote alert monitoring of networks and environmental monitoring at equipment control room. In the same period, TSTSH also completed the initial acceptance test of its CNMS for a telecommunications service provider in the municipality of Chongqing. Via the deployment of regular time intervals feature, the CNMS of TSTSH greatly enhanced the efficiency of networks resources and network service quality, allowing the telecommunications service provider to further strengthen product quality and market positioning in the local market.

Role as a Provider of Support Services

The focus of the Group to emerge as a major provider of support services in Macao and Mainland China, so as to create stable and recurring revenue stream, continues to produce positive results. As a provider of networks solutions to different gaming and hotel operators in Macao and the Government of Macao, the Group successfully secured approximately HK\$15,000,000 worth of contracts to provide after-sales maintenance support services during the Six-Month Period. In Mainland China, the Group also successfully secured approximately HK\$4,000,000 worth of support services contracts from different telecommunications service providers in the same period. With contracts for the provision of support services yielding higher profit margins and representing ongoing business, this will continue to be a major focus area for the Group.

International Investments

Due to the exceptional operating performance at TTSA as a result of strong growth in the number of mobile customers during 2008, the Group was eligible to receive total dividends of approximately HK\$19,723,000 against their 2008 operating results. Approximately HK\$15,469,000 of dividends have been received during April, 2009 with the balance HK\$4,254,000 received during July, 2009.

During the Six-Month Period, mobile net additions at TTSA reached forty-three thousand, bringing total mobile customer base to one hundred and sixty-eight thousand at the end of June, 2009, which represented an increase of 63.3% over the same corresponding period last year. Despite mobile minutes of use and average revenue per user decreased by 11.9% and 13.6% to seventy-eight minutes and approximately HK\$172 respectively, revenue at TTSA during the Six-Month Period increased to approximately HK\$178,000,000, representing an increase of 29.4% on a year-on-year basis.

REVIEW OF OPERATING RESULTS

Financial Review

Although the revenue base of the Group has been adversely affected by the slowdown of capital expenditures by selected gaming and hotel operators in Macao, thus resulting in a drop of 13.66% and 21.04% in turnover to HK\$45,047,000 and HK\$89,155,000 for the Three-Month Period and Six-Month Period respectively, the conclusion of the installation and service part of the structured cabling system for one of the major gaming operators in Macao and higher revenue derived from the provision of support services, the Group reported gross profit of HK\$16,338,000 and HK\$32,039,000 for the Three-Month Period and Six-Month Period respectively, representing an increase of 7.13% and 34.17% over the respective corresponding period last year. Gross profit margin for the Six-Month Period reached 35.94%.

With continuous effort to recover aged receivables, the Group recovered over HK\$2,000,000 of aged receivables. This resulted in a reversal of approximately HK\$2,119,000 of impairment of trade receivables during the Three-Month Period. Together with lower selling and marketing costs in line with lower turnover and a restructuring exercise underwent as a means to streamline its operations and improve operating efficiency, selling, marketing costs and administrative expenses for the Six-Month Period decreased 12.47% from HK\$36,917,000 to HK\$32,314,000 over the same corresponding period last year.

With operating profit of HK\$1,953,000 reported during the Three-Month Period and dividend payments of HK\$19,723,000 entitled to receive from TTSA, the Group reported operating profit of HK\$21,676,000 and HK\$21,253,000 for the Three-Month Period and Six-Month Period respectively. Coupled with the reversal of income tax provision overprovided in earlier years, for the Six-Month Period, the Group reported net profit of HK\$29,794,000.

The Group continued to enjoy a debt-free capital structure with cash balances (including pledged deposits) reaching HK\$110,788,000 and equity base standing at HK\$142,136,000 as at 30th June, 2009. Prudent cash management remains a practice with ongoing effort to recover and avoid aged receivables and inventories.

Employees' Information

As at 30th June, 2009, the Group had 289 employees, of which 174, 9 and 106 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$21,896,000.

The remuneration and bonus policies of the Group were basically determined by the performance of individual Directors and employees.

The Company adopted the Scheme whereby certain Directors and employees of the Group may be granted Options.

The Group also provided various training programmes and product orientation for the marketing and technical employees so as to improve their overall qualifications and to continuously keep them abreast of industry and technological changes.

Capital Commitments and Significant Investments

As at 30th June, 2009, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 30th June, 2009, time deposit of approximately HK\$4,573,000 was charged to obtain banking facilities for the issue of performance bonds against certain projects. Save as disclosed, the Group did not have other charges on assets of the Group.

Details of Material Acquisitions and Disposal

During the Six-Month Period, the Group had no material acquisitions or disposals.

Details of Future Plans for Material Investment or Capital Assets

The Directors do not have any future plans for material investments or capital assets.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in HK\$, Patacas (the lawful currency of Macao), Renminbi (the lawful currency of Mainland China) and United States Dollar (the lawful currency of the United States of America). The Directors consider that the impact of foreign exchange exposure on the Group is minimal.

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

As at 30th June, 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:

- As at 30th June, 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 discretionary objects and which assets included a controlling stake of 47.82% of the issued share capital of the Company.
- 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.
- 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.
- 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 Six-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 June, 2009, the parties acting in concert with ERL and José Manuel dos Santos held approximately 58.50% of all the Shares in issue.

SUBSTANTIAL SHAREHOLDER'S 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 June, 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 June, 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.

OPTIONS

Details of the Options outstanding as at 30th June, 2009 which were granted under the Scheme are as follows:

	Number of Options			Subscription Price HK\$	Grant date	Exercisable from	Exercisable until
	Held as at 1st January, 2009	Lapsed during the Six-Month Period	Held as at 30th June, 2009				
José Manuel dos Santos	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Yim Hong	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Kuan Kin Man	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Monica Maria Nunes	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Lo King Chiu Charles (resigned as Director on 1st April, 2009)	500,000	—	500,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Fung Kee Yue Roger	500,000	—	500,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Continuous contract employees	16,416,000	(1,026,000)	15,390,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Consultants	190,000	—	190,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
	20,806,000	(1,026,000)	19,780,000				

COMPETING BUSINESS

As at 30th June, 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.

CORPORATE GOVERNANCE

The Company complied with the code provisions of the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions.

The Company made specific enquiry of all Directors that they have complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

There was no event of non-compliance with the required standard of dealings.

NON COMPLIANCE WITH RULES 5.05(1) AND 5.28 OF THE GEM LISTING RULES

Following the resignation of Lo King Chiu Charles on 1st April, 2009 and until the appointment of Tou Kam Fai on 13th May, 2009, the Company had only two independent non-executive Directors and two members in the Audit Committee which fell below the minimum number of three independent non-executive Directors and three members in the Audit Committee as required by the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of the Shares during the Six-Month Period. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the Six-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 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
“Audit Committee”	the audit committee of the Company
“Board”	the board of the Directors
“BVI”	the British Virgin Islands
“CAOCL”	Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability
“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
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“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
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong). They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS (formerly Statement of Standard Accounting Practice) and 3. Interpretations
“HK(IFRIC)–Int”	Hong Kong (IFRIC) Interpretation
“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to the Hong Kong Institute of Certified Public Accountants, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, Hong Kong (IFRIC) Interpretation, 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
“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
“Option”	a right to subscribe for the Shares granted pursuant to the Scheme

“PRC”	The People’s Republic of China
“Scheme”	the share option scheme approved by the holders of the Shares at a special general meeting on 5th November, 2002
“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 (not applicable to “Share-Based Payment”)
“Six-Month Period”	six months ended 30th June, 2009
“STL”	Source Tech Limited, a company incorporated in Macao with limited liability and an indirectly held associated company 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 June, 2009
“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 the Democratic Republic of Timor-Leste with limited liability

By order of the Board
José Manuel dos Santos
Chairman

Macao, 11th August, 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