



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

2011

* *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 SIX-MONTH PERIOD

- Attributable to the completion of a major surveillance project for a gaming operator in the Cotai Strip, revenue for the Six-Month Period reached HK\$131,845,000, or an increase of 90.77% over the same preceding period of last year
- With higher cost structure offset by strong dividends from TTSA and share of profit from Vodacabo, net profit of HK\$20,906,000 for the Six-Month Period was noted
- Held approximately HK\$22,000,000 in fixed income instruments for yield enhancement
- Cash balances (including pledged deposits) as at 30th June 2011 amounted HK\$90,218,000 while equity base stood at HK\$187,896,000
- TSTSH successfully sold its food production trace application to a dairy manufacturer in the province of Gansu and was awarded contracts by telecommunications service providers in the province of Guangdong and the autonomous region of Xinjiang Uygur to install its integrated central alarming system
- Vodacabo secured a new contract to provide installation services to a transmission backbone and access network in Timor-Leste
- The Board does not recommend payment of interim dividend for the Six-Month Period

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 INTERIM CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		As at	As at
		30th June	31st December
Note		2011	2010
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,144	1,054
Investments in associates		6,228	609
Available-for-sale financial assets		49,663	26,047
		<hr/>	<hr/>
Total non-current assets		57,035	27,710
		<hr/>	<hr/>
Current assets			
Inventories		22,884	30,055
Current income tax prepaid		87	87
Trade receivables	6	72,323	73,928
Other receivables, deposits and prepayments		45,411	12,271
Pledged bank deposits		554	543
Cash and cash equivalents		89,664	124,246
		<hr/>	<hr/>
Total current assets		230,923	241,130
		<hr/>	<hr/>

		Unaudited As at 30th June 2011 HK\$'000	Audited As at 31st December 2010 HK\$'000
LIABILITIES			
Current liabilities			
	7	42,053	51,235
		52,999	39,118
		38	—
		4,972	4,819
		<u>100,062</u>	<u>95,172</u>
Net current assets		<u>130,861</u>	<u>145,958</u>
Total assets less current liabilities		<u><u>187,896</u></u>	<u><u>173,668</u></u>
Financed by: EQUITY			
Equity attributable to owners of the Company			
		61,382	61,382
	14	149,721	153,330
		—	3,069
		(23,822)	(46,296)
		<u>187,281</u>	<u>171,485</u>
Non-controlling interests		<u>615</u>	<u>2,183</u>
Total equity		<u><u>187,896</u></u>	<u><u>173,668</u></u>

The notes on pages 8 to 16 form an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

		Unaudited			
		Three months ended		Six months ended	
Note	Three-Month Period HK\$'000	30th June 2010 HK\$'000	Six-Month Period HK\$'000	30th June 2010 HK\$'000	
	4	48,788	37,435	131,845	69,112
		(39,712)	(26,160)	(109,765)	(49,417)
		9,076	11,275	22,080	19,695
		(19,072)	(16,594)	(37,718)	(32,769)
		121	6,878	30,669	30,503
	8	(9,875)	1,559	15,031	17,429
		161	102	255	146
		5,753	(90)	5,620	(152)
		(3,961)	1,571	20,906	17,423
	9	—	(299)	—	(299)
		(3,961)	1,272	20,906	17,124
		(3,718)	1,045	22,474	17,087
		(243)	227	(1,568)	37
		(3,961)	1,272	20,906	17,124
		HK cent per Share	HK cent per share	HK cents per Share	HK cents per share
	10	(0.61)	0.17	3.66	2.78

The notes on pages 8 to 16 form an integral part of these condensed interim consolidated financial statements.

		HK\$	HK\$	HK\$	HK\$
Dividends	11	—	—	—	—

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Unaudited	
	Six-Month Period HK\$'000	Six months ended 30th June 2010 HK\$'000
Profit for the period	20,906	17,124
Other comprehensive income		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(3,698)	8,857
Currency translation differences	89	(470)
Other comprehensive income for the period, net of tax	(3,609)	8,387
Total comprehensive income for the period	17,297	25,511
Total comprehensive income for the period attributable to:		
- Owners of the Company	18,865	25,474
- Non-controlling interests	(1,568)	37
	17,297	25,511

The notes on pages 8 to 16 form an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six- Month Period HK\$'000	For the six months ended 30th June 2010 HK\$'000
Cash flows from operating activities - net	(9,154)	10,038
Cash flows from investing activities - net	(22,386)	4,845
Cash flows from financing activities - net	(3,080)	(2,654)
Net (decrease)/increase in cash and cash equivalents	(34,620)	12,229
Cash and cash equivalents at the beginning of the period	124,246	95,670
Cash and cash equivalents and bank overdraft at end of the period	89,626	107,899
Bank overdraft	38	—
Cash and cash equivalents	89,664	107,899

The notes on pages 8 to 16 form an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

1. General information

This condensed consolidated interim financial information is presented in HK\$, unless otherwise stated. This condensed consolidated interim financial information is approved for issue on 9th August 2011.

This condensed consolidated interim financial information was not audited. The unaudited consolidated results of the Group for the Three-Month Period and the Six-Month Period were reviewed by the audit committee of the Company.

Key event

On 4th April 2011, MTNHL announced a 1:1 rights issue at a price of HK\$0.10 per MTNHL Share. On 8th June 2011, the Group subscribed its respective share under the rights issue for HK\$7,779,000.

As at 30th June 2011, the Group held approximately HK\$22,000,000 fixed income investment for yield enhancement.

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 2010, 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 2010, 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.

(a) New and amended standards adopted by the Group

The following amendment to standard is mandatory for the first time for the financial year beginning 1st January 2011.

- Amendment to HKAS 34 was effective for annual periods beginning on or after 1st January 2011. It emphasised the existing disclosure principles in HKAS 34 and added further guidance to illustrate how to apply these principles. Greater emphasis was placed on the disclosure principles for significant events and transactions. Additional requirements covered disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only resulted in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- HKAS 24 (Revised) “Related Party Disclosures” was effective for annual periods beginning on or after 1st January 2011. It introduced an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures were replaced with a requirement to disclose:
 - The name of the government and the nature of their relationship;
 - The nature and amount of any individually significant transactions; and
 - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarified and simplified the definition of a relation party.

- Amendment to HKAS 32 “Financial Instruments: Presentation”, ‘Classification of rights issues’ was effective for annual periods beginning on or after 1st February 2010. This was not currently applicable to the Group, as it had not made any rights issue.

- Amendment to HK(IFRIC)-Int-14 “HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, ‘Prepayments of a minimum funding requirement’ was effective for annual periods beginning on or after 1st January 2011. This was not currently relevant to the Group, as it did not have a minimum funding requirement.
- HK(IFRIC)-Int 19 “Extinguishing Financial Liabilities with Equity Instruments” was effective for annual periods beginning on or after 1st July 2010. This was not currently applicable to the Group, as it had no extinguishment of financial liabilities replaced with equity instruments currently.
- Third improvements to HKFRS 2010 were issued in May 2010 by HKICPA, except for amendment to HKAS 34 as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all were not currently relevant to the Group. All improvements are effective in the financial year of 2011.

4. Segment information

The chief operating decision-makers were identified as the executive Directors. They reviewed 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 considered the business from both a geographic and product perspective. From a product perspective, management assessed the performance of the segment of design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services and the segment of CNMS. The first segment was further evaluated on a geographic basis (Mainland China, and Hong Kong and Macao).

The executive Directors assessed the performance of the operating segments based on a measure of EBITDA. This measurement basis excluded the effects of non-recurring expenditure from the operating segments, such as profit on disposal of available-for-sale financial assets. Interest income was not allocated to segments, as this type of activity was driven by the executive Directors, who managed the cash position of the Group.

Total segment assets excluded available-for-sale financial assets, which were 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 was measured in a manner consistent with that in the condensed consolidated income statement.

**Design, sale and implementation of
network systems infrastructure;
customer data automation,
customisation and integration;
and provision of
technical support services**

	Mainland China HK\$'000	Hong Kong and Macao HK\$'000	CNMS HK\$'000	Total HK\$'000
Six-Month Period				
Revenue from				
external customers	78,194	50,480	3,171	131,845
Adjusted EBITDA	(7,407)	31,062	(2,742)	20,913
As at 30th June 2011				
Total assets (exclude available-for-sale financial assets)	125,500	99,460	13,335	238,295

A reconciliation of total adjusted EBITDA to profit before income tax is provided as follows:

	Six-Month Period HK\$'000
Adjusted EBITDA	20,913
Depreciation	(262)
Finance income	255
Profit before income tax	<u>20,906</u>

5. Property, plant and equipment

During the Six-Month Period, the Group acquired property, plant and equipment at a consideration of HK\$336,000.

6. 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 2011 and 31st December 2010, the ageing analysis of the trade receivables was as follows:

	As at 30th June 2011 HK\$'000	As at 31st December 2010 HK\$'000
Within three months	62,114	59,375
>Three months but ≤ six months	1,565	6,291
>Six months but ≤ twelve months	3,101	559
Over twelve months	75,668	77,552
	<hr/>	<hr/>
Gross trade receivables	142,448	143,777
	<hr/> <hr/>	<hr/> <hr/>

7. Trade and bills payables

As at 30th June 2011 and 31st December 2010, 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 2011 HK\$'000	As at 31st December 2010 HK\$'000
Within three months	25,978	39,583
> Three months but ≤ six months	2,676	382
> Six months but ≤ twelve months	2,014	63
Over twelve months	11,385	11,207
	<hr/>	<hr/>
	42,053	51,235
	<hr/> <hr/>	<hr/> <hr/>

8. Operating (loss)/profit

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

	Six-Month Period HK\$'000	Six months ended 30th June 2010 HK\$'000
Cost of goods sold	(94,049)	(37,753)
Depreciation	(262)	(215)
Dividend income on available-for-sale financial assets	30,541	23,617
Profit on disposal of available-for-sale financial assets	—	5,652

9. Income tax expense

Hong Kong and overseas profits tax was provided at the rate of 16.5% (six months ended 30th June 2010: 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 2010 HK\$'000
Current income tax		
– Macao complementary profits tax	—	(249)
– Mainland China enterprise income tax	—	(50)
	<u>—</u>	<u>(299)</u>
	<u>—</u>	<u>(299)</u>

10. Earnings per Share

(a) Basic

Basic earnings per Share was calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Shares in issue during the Six-Month Period.

	Six-Month Period HK\$'000	Six months ended 30th June 2010 HK\$'000
Profit attributable to equity holders of the Company	<u>22,474</u>	<u>17,087</u>
Weighted average number of Shares in issue (thousands)	<u>613,819</u>	<u>613,819</u>

(b) Diluted

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 had 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) 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. The conversion of all potential Shares arising from the Options would have an anti-dilutive effect on the earnings per Share for the Six-Month Period and the period ended 30th June 2010. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Six-Month Period and the period ended 30th June 2010.

11. Dividends

A dividend that related to the period to 31st December 2010 and that amounted to HK\$3,069,000 was paid in June 2011 (2010: HK\$3,069,000).

The Board does not recommend payment of interim dividend for the Six-Month Period (six months ended 30th June 2010: Nil).

12. Related-party transactions

The following transactions were carried out with related parties:

- (a) Sale of goods and services

	Six-Month Period HK\$'000
Sale of goods:	
- An entity controlled by key management personnel	20
Sale of services:	
- An associate	<u>12</u>

Goods were sold based on the price lists in force and terms that would be available to third parties. Goods were sold to an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to José Manuel dos Santos, a Director. Sales of services were negotiated with related parties at terms determined and agreed by both parties and carried out in the normal course of business.

- (b) Purchase of goods

	Six-Month Period HK\$'000
- An entity controlled by key management personnel	<u>74</u>

Goods were bought from an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by a key management personnel is a firm belonging to José Manuel dos Santos, a Director.

- (c) Operating lease payments

	Six-Month Period HK\$'000
- A Director	<u>441</u>

Operating lease payments were paid to a Director, José Manuel dos Santos, on normal commercial terms and conditions.

(d) Key management compensation

Key management compensation amounted to HK\$4,117,000 for the Six-Month Period.

(e) Balances as at 30th June 2011

	HK\$'000
Receivables from a related party:	
- A director of a subsidiary	101
Payables to related parties:	
- An entity controlled by key management personnel	353
- Certain Directors	1,709
	<u>1,709</u>

These balances were denominated in HK\$ or MOP, unsecured, interest free and repayable on demand, except HK\$1,000,000 to certain Directors which was paid in July 2011. There were no provisions held against receivables from related parties.

The payables bore no interest.

13. Seasonality of operations

The business is not subject to seasonal fluctuations.

14. Other reserves

	Contributed surplus	Other reserve	Capital redemption reserve	Available-for-sale investments	Merger reserve	Statutory reserve	Translation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2010	97,676	2,289	702	3,940	35,549	49	3,188	143,393
Revaluation-gross	-	-	-	8,857	-	-	-	8,857
Currency translation differences	-	-	-	-	-	-	(470)	(470)
Scheme: value of services	-	816	-	-	-	-	-	816
As at 30th June 2010	<u>97,676</u>	<u>3,105</u>	<u>702</u>	<u>12,797</u>	<u>35,549</u>	<u>49</u>	<u>2,718</u>	<u>152,596</u>
As at 1st January 2011	97,676	4,178	702	11,768	35,549	49	3,408	153,330
Revaluation-gross	-	-	-	(3,698)	-	-	-	(3,698)
Currency translation differences	-	-	-	-	-	-	89	89
As at 30th June 2011	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>8,070</u>	<u>35,549</u>	<u>49</u>	<u>3,497</u>	<u>149,721</u>

BUSINESS REVIEW

Macao

On 15th May 2011, Galaxy Macau at the Cotai Strip became the 34th casino to be in operation in the enclave, bringing the total number of gaming tables from 4,791 to 5,237 and the total number of slot machines from 14,050 to 15,098. With this new attraction, as per the latest gaming statistics announced by the Gaming Inspection and Coordination Bureau, gross revenue from games of fortune for the seven months ended 31st July 2011 reached HK\$144,100,000,000, representing an increase of 45.26% over the same corresponding period of 2010 of HK\$99,200,000,000. With increasing number of tourists visiting Macao and growing gaming revenues, the Group believes that different gaming operators will continue to make investments, via either upgrading their existing gaming facilities or building new and attractive structures to increase competitiveness and to gain more market share.

With a solid footing in Macao, the prime focus of the Group remains on serving its core customers, namely the six gaming operators and the Government of Macao. During the Six-Month Period, the Group geared its resources towards the completion of the installation and commissioning of a major surveillance project, which involved over 4,000 surveillance cameras at a mega gaming and hospitality resort at the Cotai Strip. Being one of the most advanced and sophisticated surveillance systems in Macao, the successful completion further signifies the technical capability and financial strength of the Group to support a project of such magnitude in the area of surveillance.

In the same period, other projects carried out by the Group for different gaming operators included the construction of a data center and the provision of equipment and services in the areas of surveillance and trunking radio.

The Government of Macao continues to be a key customer of the Group. During the Three-Month Period, Mega Datatech Limited (incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company) continued to focus on serving different departments under the Government of Macao, including but not limited to Public Security Forces Affairs Bureau, Judiciary Police, Identification Bureau, Civic and Municipal Affairs Bureau, Maritime Administration, Transport Bureau and Commission Against Corruption. Systems and solutions provided to these departments varied from data and office networks, storage, backup and firewall systems to equipment and services in the area of trunking radio.

Mainland China

The solutions developed by TSTSH continue to receive positive market responses. With the development and commercialisation of the food production quality control and trace application and the successful deployment of such application at different dairy manufacturers in the provinces of Jiangxi and Shaanxi, during the Three-Month Period, TSTSH expanded its reach to the province of Gansu, winning its first contract to deploy the food production trace application at a dairy manufacturer. Going forward, with the gradual commercialisation of the standard, off-the-shelf version of the food production quality control and trace application, TSTSH may explore the possibility of distributing this application via channels so as to more effectively extend its market coverage.

The food production quality control and trace application and the integrated fault and alert management module have both received positive market recognitions among dairy manufacturers and telecommunications service providers. Other applications of TSTSH, such as the integrated central alarming system, have also made encouraging results. During the Three-Month Period, TSTSH successfully secured contracts from telecommunications service providers in the province of Guangdong and the autonomous region of Xinjiang Uygur to upgrade and install the integrated central alarming system respectively. This module, which best fits to be deployed in environment with complex data and transmission equipment and complicated network structure, systematically helps telecommunications service providers to provide effective central maintenance and synthesise SLA service monitoring. Telecommunications service providers will then be able to resolve issues such as technical bottle-neck in operations, maintenance and SLA services, thus establishing an efficient functional foundation for network-oriented, service-oriented and customer-oriented integrated network management system.

Investments Holding Activities

With respect to the HK\$70,000,000 worth of contracts secured by Vodacabo during 2010, which covered the building of telecommunications towers infrastructure, constructing energy structures (using either traditional generators or solar panels) and laying optic fibres rings, as at 30th June 2011, Vodacabo completed a major part of these contracts. It is anticipated that all the works, including installation, commissioning and acceptance tests, will be completed within this fiscal year.

Concurrently, during the Three-Month Period, Vodacabo successfully secured a contract which calls for the provision of installation services to a transmission backbone and access network in Timor-Leste. Value of this contract amounted approximately HK\$5,600,000.

For MTNHL, during the Three-Month Period, the Group fully subscribed its pro-rata share under a 1:1 rights issue (at a price of HK\$0.10 per MTNHL Share), thus making an additional investment of approximately HK\$7,779,000 in MTNHL. In July 2011, MTNHL announced that it has entered into a memorandum of understanding which involved an investment in a company in Mainland China that principally engages in technology development, design, manufacturing and sale of liquid crystal display modules.

FINANCIAL REVIEW

With a handful of projects still under construction, the Group reported HK\$48,788,000 of revenue for the Three-Month Period. Nevertheless, attributable to the completion of a major surveillance project for a gaming operator at the Cotai Strip, revenue of the Group for the Six-Month Period edged up to HK\$131,845,000, representing an increase of 90.77% over the same corresponding period of last year of HK\$69,112,000. Mix of revenue contained a higher percentage of hardware sales, which carried lower margin, thus gross profit of the Group for the Six-Month Period amounted HK\$22,080,000, equaling a gross profit margin of 16.75%.

Inflationary pressures, competition for talents due to the opening of the mega gaming and hospitality resort at Cotai Strip, and the need to increase workforce on short-term engagements to cope with the works under the major surveillance project pushed up selling, marketing and administrative expenses by HK\$2,478,000 and HK\$4,949,000 for the Three-Month Period and the Six-Month Period respectively.

Operating loss of HK\$9,875,000 was noted during the Three-Month Period due to a handful of projects still under construction, higher cost structure and absence of gain from disposal of MTNHL Shares. Nevertheless, with strong dividends from TTSA and share of profit of HK\$5,625,000 from Vodacabo as majority of the works under the contracts to construct telecommunications infrastructure and energy structures were completed, the Group reported net profit of HK\$20,906,000 for the Six-Month Period.

With net profit of HK\$20,906,000 recognised, equity base of the Group stood at HK\$187,896,000 as at 30th June 2011. With no external borrowings (save and except for normal trade and bills payables and a minor bank overdraft), the Group continued to enjoy a strong and healthy capital structure.

Worth noting was the increase in available-for-sale financial assets, which was explained by the full subscription of the pro-rata share of the Group in MTNHL under a 1:1 rights issue and the holding of fixed income instruments of approximately HK\$22,000,000 as a means to enhance yields. With dividends of HK\$22,900,000 has yet to be received from TTSA, cash balances (including pledged deposits) of the Group stood at HK\$90,218,000 as at 30th June 2011.

OTHER DISCUSSIONS

Employees' Information

As at 30th June 2011, the Group had 315 employees, of which 201, 9 and 105 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$22,847,000.

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 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

Details of the significant investments of the Group as at 30th June 2011 are set out in the paragraphs above. Saved as disclosed, the Group did not have any significant capital commitments.

Charges on Group Assets

As at 30th June 2011, bank deposits of approximately HK\$554,000 was pledged for tendering certain projects in Mainland China. Save as disclosed, the Group did not have any charges on assets of the Group.

Details of Material Acquisitions and Disposal

During the Six-Month Period, the Group fully subscribed MTNHL Shares under the 1:1 rights issue. Saved as disclosed, 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\$, MOP, US\$ and Renminbi (the lawful currency of Mainland China). The Group incurred net foreign exchange loss of HK\$207,000 in the Six-Month Period.

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

As at 30th June 2011, 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)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Settlor of a discretionary trust (note 1)	301,538,000	–	49.12
	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
Wong Tsu An Patrick	Personal (note 7)	–	500,000	0.08
Tou Kam Fai	Personal (note 8)	–	500,000	0.08

Notes:

- As at 30th June 2011, 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 HSBCITL, which is a trustee of the existing trust whereby the family members of José Manuel dos Santos (the settlor of the trust) were the discretionary objects and which assets included a controlling stake of 49.12% 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.

3. The personal interest of Yim Hong comprised 7,357,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Yim Hong as beneficial owner.
4. The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
5. The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 800,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
6. The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.
7. The personal interest of Wong Tsu An Patrick comprised 500,000 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.
8. The personal interest of Tou Kam Fai comprised 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Tou Kam Fai as beneficial owner.

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 at 30th June 2011, the parties acting in concert with ERL and José Manuel dos Santos held approximately 59.80% of all the Shares in issue.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

The register of Substantial Shareholders required to be kept under section 336 of Part XV of SFO showed that as at 30th June 2011, 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)	301,538,000	49.12
OHHL	Corporate interest (note 1)	301,538,000	49.12
HSBCITL	Corporate interest (note 1)	301,538,000	49.12
Lei Hon Kin (note 2)	Family interest	302,338,000	49.26

Notes:

- As at 30th June 2011, 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 HSBCITL, being the trustee of the existing trust.
- 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 2011 which were granted under the Scheme are as follows:

	Number of Options			Exercise Price HK\$	Grant date	Exercisable from	Exercisable until
	held as at 1st January 2011	lapsed during the Six-Month Period	held as at 30th June 2011				
José Manuel dos Santos	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Yim Hong	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Kuan Kin Man	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Monica Maria Nunes	800,000	—	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Fung Kee Yue Roger	500,000	—	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Wong Tsu An Patrick	500,000	—	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Tou Kam Fai	500,000	—	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Continuous contract							
employees	12,110,000	(310,000)	11,800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Consultants	120,000	—	120,000	0.38	14th June 2010	15th June 2010	14th June 2013
	<u>16,930,000</u>	<u>(310,000)</u>	<u>16,620,000</u>				

COMPETING BUSINESS

As at 30th June 2011, 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 as set out in Appendix 15 of the GEM Listing Rules throughout the Six-Month Period, except that the Chairman of the Board did not attend the AGM held in the Six-Month Period.

E.1.2 The Chairman of the Board was ill on the date of AGM.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has 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 is no event of non-compliance with the required standard of dealings.

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

“AGM”	annual general meeting
“Associate”	has the meaning ascribed thereto in the GEM Listing Rules
“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
“CNMS”	customer network management system
“Company”	Vodatel Networks Holdings Limited

“Director”	the director 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 cent”	Hong Kong Cent, where 100 HK cents equal HK\$1
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	financial reporting standards and interpretations issued by HKICPA. They comprise 1. Hong Kong Financial Reporting Standards, 2. HKAS and 3. Interpretations
“HK(IFRIC)-Int”	Hong Kong (IFRIC) Interpretation
“HKICPA”	the Hong Kong Institute of Certified Public Accountants, established under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong (IFRIC) Interpretation, Hong Kong Institute of Certified Public Accountants and The Stock Exchange of Hong Kong Limited)
“HSBCITL”	HSBC International Trustee 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 the 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
“MOP”	Patacas, the lawful currency of Macao
“MTNHL”	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and MTNHL Shares are listed on GEM
“MTNHL Share”	ordinary share of US\$0.01 each in the share capital of MTNHL
“OHHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
“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”	ordinary share of HK\$0.10 each in the share capital of the Company (not applicable to MTNHL Share)
“Six-Month Period”	six months ended 30th June 2011
“SLA”	service level agreement
“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 2011
“Timor-Leste”	the Democratic Republic of Timor-Leste
“TSTSH”	泰思通軟件（上海）有限公司，incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
“TTSA”	Timor Telecom, SA, a company incorporated in Timor-Leste with limited liability
“US\$”	United States Dollar, the lawful currency of the United States of America
“Vodacabo”	Vodacabo, S A, incorporated in Timor-Leste with limited liability and an indirect associate of the Company

By order of the Board
José Manuel dos Santos
Chairman

Macao, 9th August 2011

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