



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

2012

* *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

- In the absence of major projects, the Group generated revenue of HK\$43,483,000 and HK\$92,041,000 for the Three-Month Period and Six-Month Period respectively
- Operating under a labour-oriented business model, total staff remunerations accounted for approximately 70% of total selling, marketing costs and administrative expenses of the Group
- Despite a drop in revenue, higher software revenue, exchange gain from appreciation of RMB, stronger dividend income from TTSA and higher finance income from investment in yield-enhanced financial instruments were registered. Net profit reached HK\$21,009,000 for the Six-Month Period
- Secured over HK\$55,000,000 worth of contracts from its premium clientele in Macao, Hong Kong and Mainland China
- TSTSH secured another win from China Unicom and successfully commercialised and deployed the mobile application of its INMS at a telecommunications service provider in the province of Jiangxi
- Government of Timor-Leste awarded two new licences to an Indonesian telecommunications operator and a Vietnamese telecommunications operator to provide telecommunications services in Timor-Leste
- Albeit net profit being reported, depressed stock performance of MTNHL Shares resulted in total equity base of the Group improving only marginally to HK\$210,435,000 as at 30th June 2012
- Aggregate cash balances and value of yield-enhanced financial instruments strengthened to HK\$131,842,000 or HK\$0.21 per Share as at 30th June 2012
- The Directors recommend payment of an interim dividend of HK\$0.005 per Share 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 income statement

		Unaudited			
		Three months ended		Six months ended	
		30th June	2011	30th June	2011
Note	Three-Month Period	HK\$' 000	HK\$' 000	Six-Month Period	HK\$' 000
	Revenue	43,483	48,788	92,041	131,845
	Cost of sales	<u>(30,535)</u>	<u>(39,712)</u>	<u>(71,484)</u>	<u>(109,765)</u>
	Gross profit	12,948	9,076	20,557	22,080
	Other gains	453	121	33,026	30,669
	Selling, marketing costs and administrative expenses	<u>(18,220)</u>	<u>(19,072)</u>	<u>(37,727)</u>	<u>(37,718)</u>
	Operating (loss)/profit	(4,819)	(9,875)	15,856	15,031
	Finance income	1,472	161	2,930	255
	Share of post-tax profits of associates	<u>1,225</u>	<u>5,753</u>	<u>2,238</u>	<u>5,620</u>
	(Loss)/profit before income tax	(2,122)	(3,961)	21,024	20,906
	Income tax expense	<u>(15)</u>	<u>—</u>	<u>(15)</u>	<u>—</u>
	(Loss)/profit for the period	<u>(2,137)</u>	<u>(3,961)</u>	<u>21,009</u>	<u>20,906</u>
	(Loss)/profit attributable to:				
	– Owners of the Company	<u>(1,029)</u>	<u>(3,718)</u>	<u>22,484</u>	<u>22,474</u>
	– Non-controlling interests	<u>(1,108)</u>	<u>(243)</u>	<u>(1,475)</u>	<u>(1,568)</u>
		<u>(2,137)</u>	<u>(3,961)</u>	<u>21,009</u>	<u>20,906</u>
	(Loss)/earnings per Share attributable to owners of the Company				
		HK cent per Share	HK cent per share	HK cents per Share	HK cents per share
	– Basic and diluted (loss)/earnings per Share	<u>(0.17)</u>	<u>(0.61)</u>	<u>3.66</u>	<u>3.66</u>
		HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	Dividends	<u>3,069</u>	<u>—</u>	<u>3,069</u>	<u>—</u>

The notes on pages 8 to 15 form an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of comprehensive income

	Unaudited	
	Six-Month Period HK\$' 000	Six months ended 30th June 2011 HK\$' 000
Profit for the period	21,009	20,906
OCI		
Fair value losses on available-for-sale financial assets, net of tax	(15,365)	(3,698)
Currency translation differences	(285)	89
OCI for the period, net of tax	(15,650)	(3,609)
Total comprehensive income for the period	5,359	17,297
Total comprehensive income for the period attributable to:		
– Owners of the Company	6,834	18,865
– Non-controlling interests	(1,475)	(1,568)
	5,359	17,297

The notes on pages 8 to 15 form an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated balance sheet

		Unaudited	Audited
		As at	As at
	Note	30th June	31st December
		2012	2011
		HK\$' 000	HK\$' 000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,611	1,297
Investments in associates		3,213	2,131
Available-for-sale financial assets		75,966	69,914
Total non-current assets		80,790	73,342
Current assets			
Inventories		21,856	13,074
Trade receivables	11	76,720	104,368
Other receivables, deposits and prepayments		35,107	18,144
Pledged bank deposits		614	610
Cash and cash equivalents		86,438	98,752
Total current assets		220,735	234,948

		Unaudited As at 30th June 2012 HK\$' 000	Audited As at 31st December 2011 HK\$' 000
LIABILITIES			
Current liabilities			
Trade and bills payables	12	32,127	49,658
Other payables and accruals		54,493	45,549
Current income tax liabilities		4,470	4,938
		<u>91,090</u>	<u>100,145</u>
Net current assets		<u>129,645</u>	<u>134,803</u>
Total assets less current liabilities		<u><u>210,435</u></u>	<u><u>208,145</u></u>
Financed by:			
EQUITY			
Equity attributable to owners of the Company			
Share capital		61,382	61,382
Other reserves	15	149,684	165,334
Accumulated losses			
– Proposed final dividends		3,069	3,069
– Others		(3,265)	(22,680)
		<u>210,870</u>	<u>207,105</u>
Non-controlling interests		<u>(435)</u>	<u>1,040</u>
Total equity		<u><u>210,435</u></u>	<u><u>208,145</u></u>

The notes on pages 8 to 15 form an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of changes in equity

Unaudited						
Attributable to owners of the Company						
Note	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1st January 2012	61,382	165,334	(19,611)	207,105	1,040	208,145
Total comprehensive income for the Six-Month Period	—	(15,650)	22,484	6,834	(1,475)	5,359
Transaction with owners in their capacity as owners						
Dividend relating to 2011 approved by Members in June 2012	9	—	(3,069)	(3,069)	—	(3,069)
Total transaction with owners	—	(15,650)	19,415	3,765	(1,475)	2,290
Balance as at 30th June 2012	<u>61,382</u>	<u>149,684</u>	<u>(196)</u>	<u>210,870</u>	<u>(435)</u>	<u>210,435</u>
Balance as at 1st January 2011	<u>61,382</u>	<u>153,330</u>	<u>(43,227)</u>	<u>171,485</u>	<u>2,183</u>	<u>173,668</u>
Total comprehensive income for the six months ended 30th June 2011	—	(3,609)	22,474	18,865	(1,568)	17,297
Transaction with owners in their capacity as owners						
Dividends relating to 2010 paid in June 2011	9	—	(3,069)	(3,069)	—	(3,069)
Total transaction with owners	—	(3,609)	19,405	15,796	(1,568)	14,228
Balance as at 30th June 2011	<u>61,382</u>	<u>149,721</u>	<u>(23,822)</u>	<u>187,281</u>	<u>615</u>	<u>187,896</u>

The notes on pages 8 to 15 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 2011 HK\$' 000
Cash flows from operating activities - net	(15,416)	(9,154)
Cash flows from investing activities - net	3,106	(22,386)
Cash flows from financing activities - net	(4)	(3,080)
Net decrease in cash and cash equivalents	(12,314)	(34,620)
Cash and cash equivalents at the beginning of the period	98,752	124,246
Cash and cash equivalents at the end of the period	86,438	89,626
Bank overdraft	—	38
Cash and cash equivalents	86,438	89,664

The notes on pages 8 to 15 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 10th August 2012.

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.

2 Basis of preparation

These condensed consolidated interim financial statements for the Six-Month Period were prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2011, which were prepared in accordance with financial reporting 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, and 3. Interpretations.

3 Accounting policies

The accounting policies applied were consistent with those of the annual financial statements for the year ended 31st December 2011, 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.

There were no amended standards or interpretations that were effective for the first time for the Six-Month Period that could be expected to have a material impact on the Group.

4 Estimates

The preparation of interim financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the accounting policies of the Group and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2011, with the exception of changes in estimates that were required in determining the provision for income taxes.

5 Seasonality of operations

The business is not subject to seasonal fluctuations.

6 Segment information

The executive Directors were the chief operating decision-makers of the Group. Management determined the operating segments based on the information reviewed by the executive Directors for the purposes of allowing resources and assessing performance.

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. 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.

The following table presents revenue and EBITDA information regarding the operating segments of the Group for the Six-Month Period.

**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	13,224	74,508	4,309	92,041
Adjusted EBITDA	3,843	17,483	(2,910)	18,416
As at 30th June 2012				
Total assets (exclude available- for- sale financial assets)	30,561	183,446	11,552	225,559

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

	Six-Month Period HK\$' 000
Adjusted EBITDA	18,416
Depreciation	(322)
Finance income	2,930
Profit before income tax	<u>21,024</u>

7 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 2011 HK\$' 000
Cost of goods sold	(57,914)	(94,049)
Depreciation	(322)	(262)
Dividend income on available-for-sale financial assets	32,450	30,541

8 Income tax expense

Hong Kong and overseas profits tax was provided at the rate of 16.5% (six months ended 30th June 2011: 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 2011 HK\$' 000
Current income tax		
– Adjustments in respect of prior years	15	—

9 Dividends

A dividend of HK\$3,069,000 that related to the period to 31st December 2011 was paid in July 2012 (2011: HK\$3,069,000).

In addition, an interim dividend of HK\$0.005 per Share (2011: Nil) was approved by the Board on 10th August 2012. It is payable on or about 7th September 2012 to Members who are on the register at 31st August 2012. This interim dividend, amounting to HK\$3,069,000 (2011: Nil), has not been recognised as a liability in this interim financial information. It will be recognised in equity attributable to owners of the Company in the year ending 31st December 2012.

10 Property, plant and equipment

During the Six-Month Period, the Group acquired property, plant and equipment at a cost of HK\$630,000.

11 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 2012 and 31st December 2011, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30th June 2012 HK\$' 000	As at 31st December 2011 HK\$' 000
Within three months	65,097	95,648
> Three months but ≤ six months	4,333	4,671
> Six months but ≤ twelve months	3,908	1,686
Over twelve months	72,181	71,619
	<hr/>	<hr/>
Gross trade receivables	145,519	173,624
	<hr/> <hr/>	<hr/> <hr/>

12 Trade and bills payables

As at 30th June 2012 and 31st December 2011, the ageing analysis of the trade and bills payables (including amounts due to a related party of trading in nature) based on invoice date was as follows:

	As at 30th June 2012 HK\$' 000	As at 31st December 2011 HK\$' 000
Within three months	20,632	38,829
> Three months but ≤ six months	72	688
> Six months but ≤ twelve months	480	182
Over twelve months	10,943	9,959
	<hr/>	<hr/>
	32,127	49,658
	<hr/> <hr/>	<hr/> <hr/>

13 Earnings per Share

(a) Basic

Basic earnings per Share was calculated by dividing the profit attributable to owners 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 2011 HK\$' 000
Profit attributable to owners of the Company	<u><u>22,484</u></u>	<u><u>22,474</u></u>
Weighted average number of Shares in issue (thousands)	<u><u>613,819</u></u>	<u><u>613,819</u></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 Share 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 2011. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Six-Month Period and the period ended 30th June 2011.

14 Related-party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties.

(a) Sale of goods and services

	Six-Month Period HK\$' 000
Sale of goods:	
– An entity controlled by key management personnel	91
Sale of services:	
– An associate	12
	<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	171
	<u>171</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	447
	<u>447</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\$4,534,000 for the Six-Month Period.

(e) Balances as at 30th June 2012

HK\$' 000

Payables to related parties:

- An entity controlled by key management personnel
- Certain Directors

367
2,009

The payables to related parties arose mainly from purchase transaction, proportional accrual of additional thirteenth month salary and discretionary bonuses. The payables bore no interest.

15 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 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>
As at 1st January 2012	97,676	4,178	702	23,730	35,549	49	3,450	165,334
Revaluation-gross	—	—	—	(15,365)	—	—	—	(15,365)
Currency translation differences	—	—	—	—	—	—	(285)	(285)
As at 30th June 2012	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>8,365</u>	<u>35,549</u>	<u>49</u>	<u>3,165</u>	<u>149,684</u>

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

During the Three-Month Period, the Group continued to offer to its customers solutions in the areas of surveillance, trunking radio, server and storage systems, data and office networks, firewall and storage, backup, blade server systems and networking infrastructure and after-sales maintenance support services. Serving a premium clientele including the Government of Macao, gaming and hospitality operators in Macao and telecommunications service providers in Hong Kong and Mainland China, the Group continued to focus on penetrating deeper into each individual client to unleash further business opportunities while extending its reach to new clients. During May 2012, the Group, via Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-subsiary of the Company, again hosted the annual Mega Tech Forum, inviting renowned suppliers, including Hewlett-Packard, Microsoft, Extreme Networks, Juniper Networks and FS Networks, to share the latest market trends and developments on a number of hot topics, in particular data centres management and virtualisation, with existing and potential customers of the Group.

Despite the absence of major projects, during the Three-Month Period, the Group continued to receive new orders and secured over HK\$55,000,000 worth of contracts from Public Security Forces Affairs Bureau, Judiciary Police, Identification Bureau and Financial Services Bureau under the Government of Macao, regional-operated telecommunications service providers in Hong Kong, gaming operators, local utility companies, airlines and major food distributors in Macao.

TSTSH

In addition to projects awarded to implement its passive optical network INMS and integrated fault and alert management system at telecommunications service providers in the province of Jiangxi and the Xinjiang Uygur Autonomous Region, TSTSH broke new grounds during the Three-Month Period. Subsequent to the implementation of its CNSMS at China Unicom in the provinces of Shandong, Shanxi and Guangdong, TSTSH was awarded a new contract to implement its CNSMS at China Unicom in the province of Jiangxi. TSTSH also successfully extended the deployment of the application of its food production quality control and trace module from dairy manufacturers to flour and additives manufacturers.

During the Three-Month Period, TSTSH won a new project from a telecommunications service provider in the province of Jiangxi to implement the mobile version of its INMS (Android and iOS). With increasing number of telecommunications service providers using smartphones as a convenient and effective means of interface, this win is of significance to TSTSH as it signifies the successful commercialisation and deployment of the mobile application of its INMS, bringing TSTSH into the arena of mobile technology with network management system.

To further promote cross-selling opportunities, in May 2012, TSTSH participated in the Mega Tech Forum as a guest speaker – leveraging the platform to introduce TSTSH, its solutions and successes in network management and environmental monitoring to existing and potential customers of the Group in Macao.

Investments Holding Activities

TTSA

With new additions of over 16,000 mobile customers, total number of mobile customers at TTSA now exceeded 630,000 as at 30th June 2012. During the Three-Month Period, TTSA continued to deliver another quarter of strong results, generating HK\$131,044,000 of revenue and HK\$76,425,000 of EBITDA. Average revenue per user per month was at approximately HK\$51.

Of the total dividends of HK\$32,407,000 entitled to be received by the Group during 2012 in relation to dividends declared against 2011 operating results, the first instalment of HK\$9,722,000 and the second instalment of HK\$11,347,000 have been received in April 2012 and June 2012 respectively. Balance payment of HK\$11,338,000 is expected to be received during October 2012.

During March 2012, subsequent to the early termination of the exclusive concession contract of TTSA to provide telecommunications services in Timor-Leste, the Government of Timor-Leste awarded two new licences to an Indonesian telecommunications operator and a Vietnamese telecommunications operator, with the former licensee promising to commence services within six months and committing ultimately to reach 94% of the population with GSM mobile telephone and high speed 3G Internet access, whereas the latter licensee committing to provide GSM mobile telephone and high speed 3G Internet access initially reaching 93% of the Timor-Leste population and 95% within 3 years.

Vodacabo

During the Three-Month Period, Vodacabo continued to engage in the construction of telecommunications towers and energy structures and in the provision of installation works of transmission networks and backbone networks. While concurrently working on the final acceptance tests against the orders previously secured during 2010 and 2011, Vodacabo successfully secured approximately HK\$30,000,000 of new works during the Six-Month Period.

Due to the liberalisation of the telecommunications market in Timor-Leste, TTSA has realigned its strategic plans, hence delayed certain capital expenditure projects. Nevertheless, to strengthen the footing in the territory, it is anticipated that TTSA will soon resume their expansion and development plans. Coupled with the entry of two new market players, both of which have undertakings to the Government of Timor-Leste on offerings of telecommunications services to be provided and market coverage, it is expected that, with an established foothold and a team of experienced engineers in Timor-Leste, Vodacabo will be able to capture new business opportunities.

MTNHL

Business activities of MTNHL now spanned from mobile applications to property investments, sale and manufacturing of liquid crystal display and touch-screen panels. During the first quarter of 2012, MTNHL announced its intention to acquire a company that engaged in the trading of electronic parts and components in relation to display modules. As per the latest announcement of MTNHL, despatch of the circular has been postponed to 24th August 2012.

During the Three-Month Period, MTNHL announced its annual results for financial year ended 31st March 2012. With total consolidated equity of HK\$116,895,000 as at 31st March 2012, MTNHL posted an annual turnover of HK\$31,602,000 and net loss of HK\$26,862,000 for the financial year.

The Group did not dispose any of its shareholding in MTNHL during the Three-Month Period. As at 30th June 2012, fair value of the shareholding of MTNHL tagged at HK\$23,935,000.

FINANCIAL REVIEW

In the absence of major projects to implement solutions at mega resorts of gaming operators, the Group generated revenue of HK\$43,483,000 and HK\$92,041,000 for the Three-Month Period and the Six-Month Period respectively, trailing the corresponding periods by 10.87% and 30.19%. Nevertheless, attributable to stronger software revenue recognised at TSTSH and exchange gain from the appreciation of RMB booked as the Group gradually recovered its receivables, gross profit reached HK\$12,948,000 and HK\$20,557,000 for the Three-Month Period and the Six-Month Period respectively, translating to gross profit margin of 29.78% and 22.33%.

Operating under a people-oriented business model, “Vodatel” is committed to deliver high-quality and high-performance turnkey solutions and customised software applications to its customers. Although the Group does elect to engage sub-contractors or labours on short-term basis to perform the more labour-intensive nature of installation works as a means to control costs and maintain flexibility, in order to ensure that the Group has a team of stable and highly-skilled and experienced technical and software engineers to meet the stringent requirements of its customers, the Group has built a team of over 300 staff located in Macao, Hong Kong and Mainland China. Total staff remunerations remained the highest cost element and accounted for approximately 70% of total selling, marketing costs and administrative expenses of the Group of HK\$37,727,000 for the Six-Month Period. So long as inflationary pressures and competition for talents in Macao and Mainland China remain, the Group will continue to be challenged with the upward pressure on its total selling, marketing costs and administrative expenses.

Despite a drop in revenue, operating profit for the Six-Month Period levelled that of the preceding period as higher software revenue, exchange gain from appreciation of RMB and stronger dividend income from TTSA were registered. Coupled with higher finance income generated from the investment in yield-enhanced financial instruments, though offset by lower post-tax profit at Vodacabo, net profit reached HK\$21,009,000 for the Six-Month Period.

The Group continued to enjoy a strong and healthy capital structure with no external borrowings (save and except for normal trade and bills payables). Albeit net profit being reported, depressed stock performance of MTNHL Shares reduced the carrying fair value of MTNHL Shares in the books of the Group to HK\$23,935,000 as at 30th June 2012. Consequently, total equity base of the Group improved only marginally from HK\$208,145,000 as at 31st December 2011 to HK\$210,435,000 as at 30th June 2012.

With global market conditions remain vulnerable, the Group will continue to practise prudent cash management. TTSA is the core investment and has been generating stable and hefty dividends for the Group. Consequently, balancing the longer-term needs of cash requirements for business expansion and taking into consideration that aggregate cash balances and value of yield-enhanced financial instruments strengthened to HK\$131,842,000 or HK\$0.21 per Share as at 30th June 2012, the Board approved payment of an interim dividend of HK\$0.005 per Share for the Six-Month Period.

OTHER DISCUSSIONS

Employees' Information

As at 30th June 2012, the Group had 311 employees, of which 201, 9 and 101 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$23,156,000.

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 2012 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 2012, bank deposits of approximately HK\$614,000 was pledged for issuing performance bonds against 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 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, US\$ and RMB. The Group incurred net foreign exchange losses of HK\$103,000 in the Six-Month Period.

Change of biographical detail of a Director

During the Six-Month Period, Monica Maria Nunes was admitted as an associate of the Chartered Institute of Management Accountants and is entitled to use the description Chartered Management Accountant. She is also entitled to hold and use the designation of Chartered Global Management Accountant.

Change of Directors' emoluments

The amounts payable per annum to each of the following Directors under their service contracts have been revised with effect from 1st January 2012:

	HK\$
José Manuel dos Santos	4,355,585
Yim Hong	1,822,938
Kuan Kin Man	929,500
Monica Maria Nunes	929,500

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 2012, 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 2012, 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 2012, 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 2012, 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	Family interest (note 2)	302,338,000	49.26

Notes:

- 1 As at 30th June 2012, 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.
- 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 2012 which were granted under the Scheme are as follows:

	Number of Options				
	held as at	Exercise	Grant date	Exercisable	Exercisable
	1st January	Price		from	until
	and 30th	HK\$			
	June 2012				
José Manuel dos Santos	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Yim Hong	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Kuan Kin Man	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Monica Maria Nunes	800,000	0.38	14th June 2010	15th June 2010	14th June 2013
Fung Kee Yue Roger	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Wong Tsu An Patrick	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Tou Kam Fai	500,000	0.38	14th June 2010	15th June 2010	14th June 2013
Continuous contract					
employees	11,502,000	0.38	14th June 2010	15th June 2010	14th June 2013
Consultants	120,000	0.38	14th June 2010	15th June 2010	14th June 2013
	<u>16,322,000</u>				

COMPETING BUSINESS

As at 30th June 2012, 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 which 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 throughout the Six-Month Period, except that the management is yet to provide all Directors with monthly updates and there were slight differences between the terms of reference of the Audit Committee and the minimum requirements stated in the Code.

C.1.2 Management considers that quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates are sufficient for the Board to discharge its duties.

C.3.3(e)(i) and C.3.7 The terms of reference of the Audit Committee are amended in accordance with the Code on the date of this announcement.

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

“3G”	third generation of mobile telephony technology
“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
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors (not applicable to Main Board)
“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
“CNSMS”	customer network and service management system
“Code”	the code provisions of the Code of Corporate Governance Practices (on and before 31st March 2012) or Corporate Governance Code (or and after 1st April 2012) set out in Appendix 15 of the GEM Listing Rules
“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
“GSM”	Global System/Standard for Mobile Communication
“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
“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited, Hong Kong Financial Reporting Standards, the 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.
“INMS”	integrated network management system
“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 continue 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
“Member”	the holder of the Shares
“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
“OCI”	other comprehensive income
“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
“RMB”	Renminbi, the lawful currency of Mainland China
“Scheme”	the share option scheme approved by the Members 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 2012
“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 2012
“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, S.A., 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 indirectly owned associate of the Company

By order of the Board
José Manuel dos Santos
Chairman

Macao, 10th August 2012

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