



**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**

**2013**

\* *for identification purpose only*

## Characteristics of 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**

- Stronger financial performance of TSTSH pushed gross profit margin of the Group to reach 36.88% for the Three-Month Period
- Operating profit of HK\$2,294,000 and net profit of HK\$3,796,000 registered for the Three-Month Period, while operating loss narrowed considerably to HK\$5,867,000 for the Six-Month Period
- MDL again selected as one of the key service providers to support the upcoming 2013 Eleições para a Assembleia Legislativa (Legislative Assembly Election) in Macao
- Subsequent to a turnaround during 2012, TSTSH continued such positive momentum and secured over HK\$8,000,000 worth of contracts during the Three-Month Period
- Reflecting new market competition in Timor-Leste, TTSA reported a drop in its revenue and EBITDA for the Six-Month Period
- Vodacabo secured approximately HK\$20,000,000 worth of contracts during the Six-Month Period
- With the business focus of MTNHL deviating away from those of the Group, the Group disposed 40,000,000 MTNHL Shares during the Three-Month Period with intention to dispose the remaining shareholding
- Net cash and cash equivalents and value of yield-enhanced financial instruments aggregated HK\$144,168,000 or HK\$0.23 per Share
- The Directors do not recommend payment of an 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 income statement

	Note	Unaudited			
		Three-Month Period HK\$' 000	Three months ended 30th June 2012 HK\$' 000	Six-Month Period HK\$' 000	Six months ended 30th June 2012 HK\$' 000
<b>Revenue</b>	6	<b>53,421</b>	43,483	<b>94,834</b>	92,041
Cost of sales		<b>(33,717)</b>	(30,535)	<b>(65,521)</b>	(71,484)
<b>Gross profit</b>		<b>19,704</b>	12,948	<b>29,313</b>	20,557
Selling, marketing costs and administrative expenses		<b>(18,711)</b>	(18,220)	<b>(37,409)</b>	(37,727)
Other income		<b>1,301</b>	453	<b>2,229</b>	33,026
<b>Operating profit/(loss)</b>	7	<b>2,294</b>	(4,819)	<b>(5,867)</b>	15,856
Finance income		<b>793</b>	1,472	<b>1,652</b>	2,930
Finance costs		<b>(2)</b>	—	<b>(2)</b>	—
Finance income-net		<b>791</b>	1,472	<b>1,650</b>	2,930
Share of profit of associates		<b>733</b>	1,225	<b>749</b>	2,238
<b>Profit/(loss) before income tax</b>		<b>3,818</b>	(2,122)	<b>(3,468)</b>	21,024
Income tax expense	8	<b>(22)</b>	(15)	<b>(22)</b>	(15)
<b>Profit/(loss) for the period</b>		<b>3,796</b>	(2,137)	<b>(3,490)</b>	21,009
<b>Profit/(loss) attributable to:</b>					
– Owners of the Company		<b>3,715</b>	(1,029)	<b>(2,771)</b>	22,484
– Non-controlling interests		<b>81</b>	(1,108)	<b>(719)</b>	(1,475)
		<b>3,796</b>	(2,137)	<b>(3,490)</b>	21,009
<b>Earnings/(loss) per Share attributable to owners of the Company</b>		<b>HK cent per Share</b>	HK cent per share	<b>HK cent per Share</b>	HK cents per share
– Basic earnings/(loss) per Share	13(a)	<b>0.61</b>	(0.17)	<b>(0.45)</b>	3.66
– Diluted (loss)/ earnings per Share	13(b)	<b>Not applicable</b>	(0.17)	<b>Not applicable</b>	3.66
The notes on pages 8 to 15 are an integral part of these condensed interim consolidated financial statements.					
		<b>HK\$' 000</b>	HK\$' 000	<b>HK\$' 000</b>	HK\$' 000
<b>Dividends</b>	9	<b>—</b>	3,069	<b>—</b>	3,069

## Condensed interim consolidated statement of comprehensive income

	<b>Unaudited</b>	
	<b>Six-Month Period HK\$' 000</b>	Six months ended 30th June 2012 HK\$' 000
<b>(Loss)/profit for the period</b>	<b>(3,490)</b>	21,009
<b>OCI:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Change in value on available-for-sale financial assets	(12,936)	(15,365)
Currency translation differences	(9)	(285)
<b>OCI for the period, net of tax</b>	<b>(12,945)</b>	(15,650)
<b>Total comprehensive income for the period</b>	<b>(16,435)</b>	5,359
<b>Attributable to:</b>		
– Owners of the Company	(15,716)	6,834
– Non-controlling interests	(719)	(1,475)
<b>Total comprehensive income for the period</b>	<b>(16,435)</b>	5,359

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

## Condensed interim consolidated balance sheet

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
	<b>Note</b>	<b>30th June</b>	31st December
		<b>2013</b>	2012
		<b>HK\$' 000</b>	HK\$' 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>1,919</b>	1,705
Investments in associates		<b>4,349</b>	3,600
Available-for-sale financial assets		<b>155,845</b>	151,429
		<b>162,113</b>	156,734
<b>Current assets</b>			
Inventories		<b>17,084</b>	8,606
Trade receivables	11	<b>72,452</b>	129,054
Other receivables, deposits and prepayments		<b>33,044</b>	23,365
Available-for-sale financial assets		<b>5,352</b>	19,681
Pledged bank deposits		—	615
Cash and cash equivalents		<b>93,851</b>	78,328
		<b>221,783</b>	259,649

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30th June</b>	31st December
	Note	<b>2013</b>	2012
		<b>HK\$' 000</b>	HK\$' 000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and bills payables	12	37,177	58,524
Other payables and accruals		63,464	53,508
Current income tax liabilities		5,795	5,936
Borrowing		7,756	—
		<u>114,192</u>	<u>117,968</u>
<b>Net current assets</b>		<u>107,591</u>	<u>141,681</u>
<b>Total assets less current liabilities</b>		<u><u>269,704</u></u>	<u><u>298,415</u></u>
<b>Financed by:</b>			
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Shares		61,382	61,382
Other reserves	15	219,048	231,993
Retained earnings/ (accumulated losses)			
– Proposed final dividend		—	6,138
– Proposed special dividend		—	6,138
– Others		(11,522)	(8,751)
		<u>268,908</u>	<u>296,900</u>
<b>Non-controlling interests</b>		<u>796</u>	<u>1,515</u>
<b>Total equity</b>		<u><u>269,704</u></u>	<u><u>298,415</u></u>

The notes on pages 8 to 15 are 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	Retained earnings/ (accumulated losses) HK\$' 000	Total HK\$' 000	Non- controlling interests HK\$' 000	Total equity HK\$' 000
	61,382	231,993	3,525	296,900	1,515	298,415
	—	(12,945)	(2,771)	(15,716)	(719)	(16,435)
9	—	—	(12,276)	(12,276)	—	(12,276)
	—	(12,945)	(15,047)	(27,992)	(719)	(28,711)
	61,382	219,048	(11,522)	268,908	796	269,704
	61,382	165,334	(19,611)	207,105	1,040	208,145
	—	(15,650)	22,484	6,834	(1,475)	5,359
9	—	—	(3,069)	(3,069)	—	(3,069)
	—	(15,650)	19,415	3,765	(1,475)	2,290
	61,382	149,684	(196)	210,870	(435)	210,435

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

## Condensed interim consolidated statement of cash flows

	<b>Unaudited</b>	
	<b>Six- Month Period HK\$' 000</b>	For the six months ended 30th June 2012 HK\$' 000
<b>Cash flows from operating activities - net</b>	<b>1,943</b>	(15,416)
<b>Cash flows from investing activities - net</b>	<b>5,209</b>	3,106
<b>Cash flows from financing activities - net</b>	<b>8,371</b>	(4)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,523</b>	(12,314)
Cash and cash equivalents at the beginning of the period	<b>78,328</b>	98,752
<b>Cash and cash equivalents at the end of the period</b>	<b>93,851</b>	86,438

The notes on pages 8 to 15 are 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 2013.

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.

### **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 2012, 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 2012, 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 2012, 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 adjusted EBITDA. This measurement basis excluded the effects of non-recurring income and expenditure from the operating segments such as profit on disposal of available-for-sale financial assets. Interest income and expenditures were not allocated to segments, as this type of activity was managed by the executive Directors, who managed the cash position of the Group.

The revenue from external parties reported to the executive Directors was measured in a manner consistent with that in the condensed consolidated income statement.

Investments in equity and debt instruments (classified as available-for-sale financial assets) held by the Group were not considered to be segment assets but rather were managed centrally.

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

	<b>Design, sale and implementation of network systems infrastructure; customer data automation, customisation and integration; and provision of technical support services</b>			
	<u>Mainland</u>	<u>Hong Kong</u>		
	China	and Macao	CNMS	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
<b>Six-Month Period</b>				
Revenue from external customers	11,412	72,688	10,734	94,834
Adjusted EBITDA	1,532	(8,741)	564	(6,645)
<b>As at 30th June 2013</b>				
Total assets (exclude available-for-sale financial assets)	36,154	172,095	14,450	222,699

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

	<b>Six-Month Period HK\$' 000</b>
Adjusted EBITDA	(6,645)
Depreciation	(381)
Finance income - net	1,650
Profit on disposal of available-for-sale financial assets	1,908
<b>Loss before income tax</b>	<b><u><u>(3,468)</u></u></b>

## 7 Operating profit/(loss)

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

	<b>Six-Month Period HK\$' 000</b>	Six months ended 30th June 2012 HK\$' 000
Cost of goods sold	<b>(52,842)</b>	(57,914)
Depreciation	<b>(381)</b>	(322)
Dividend income on available-for-sale financial assets	<b>85</b>	32,450
Profit on disposal of available-for-sale financial assets	<b>1,908</b>	—

## 8 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (six months ended 30th June 2012: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits was calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions in which the Group operated.

	<b>Six-Month Period HK\$' 000</b>	Six months ended 30th June 2012 HK\$' 000
Current tax:		
– Current tax on profits for the period	<b>7</b>	—
– Macao complementary profits tax	<b>15</b>	15
Adjustments in respect of prior years	<b>15</b>	15
<b>Income tax expense</b>	<b>22</b>	15

## 9 Dividends

Dividends of HK\$12,276,000 that related to the period to 31st December 2012 was paid in July 2013 (2012: HK\$3,069,000).

The Directors do not recommend payment of interim dividend for the Six-Month Period (six months ended 30th June 2012: HK\$3,069,000).

## 10 Property, plant and equipment

During the Six-Month Period, the Group acquired property, plant and equipment at a cost of HK\$446,000.

## 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 individual customers and the Group. As at 30th June 2013 and 31st December 2012, the ageing analysis of the trade receivables based on invoice date was as follows:

	<b>As at 30th June 2013 HK\$' 000</b>	As at 31st December 2012 HK\$' 000
Within three months	57,656	83,948
>Three months but ≤ six months	7,253	14,998
>Six months but ≤ twelve months	4,093	4,247
Over twelve months	<u>71,349</u>	<u>93,921</u>
Gross trade receivables	<u><u>140,351</u></u>	<u><u>197,114</u></u>

## 12 Trade and bills payables

As at 30th June 2013 and 31st December 2012, 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:

	<b>As at 30th June 2013 HK\$' 000</b>	As at 31st December 2012 HK\$' 000
Within three months	26,310	50,513
> Three months but ≤ six months	3,355	1,038
> Six months but ≤ twelve months	3,278	138
Over twelve months	<u>4,234</u>	<u>6,835</u>
	<u><u>37,177</u></u>	<u><u>58,524</u></u>

### 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.

	<b>Six-Month Period HK\$' 000</b>	Six months ended 30th June 2012 HK\$' 000
(Loss)/profit attributable to owners of the Company	<u>(2,771)</u>	<u>22,484</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. No diluted earnings per Share for the Six-Month Period was presented as there were no options, warrants or other convertible instruments in issue as at 30th June 2013. As at 30th June 2012, 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 period ended 30th June 2012. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the period ended 30th June 2012.

## 14 Related-party transactions

The following is a summary of significant related party transactions:

### (a) Sale of goods and services

	<b>Six-Month Period HK\$' 000</b>
Sale of goods:	
– An entity controlled by key management personnel	159
Sale of services:	
– An associate	12
	<hr/>
<b>Total</b>	<b>171</b>
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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

	<b>Six-Month Period HK\$' 000</b>
– An entity controlled by key management personnel	70
	<hr/> <hr/>

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

	<b>Six-Month Period HK\$' 000</b>
– A Director	480
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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\$4,289,000 for the Six-Month Period.

(e) **Balances as at 30th June 2013**

	<b>HK\$' 000</b>
Receivable from related parties:	
– An associate	<b>33</b>
– An entity controlled by key management personnel	<b>9</b>
	<hr/> <hr/>
Payables to related parties:	
– An entity controlled by key management personnel	<b>350</b>
– Certain Directors	<b>1,760</b>
	<hr/> <hr/>

The receivables from related parties arose mainly from sale transactions. These balances were denominated in MOP, unsecured in nature, bore no interest and repayable on demand. No provisions were held against receivables from related parties.

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 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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30th June 2012	97,676	4,178	702	8,365	35,549	49	3,165	149,684
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1st January 2013	97,676	4,178	702	90,661	35,549	49	3,178	231,993
Revaluation-gross	—	—	—	(12,936)	—	—	—	(12,936)
Currency translation differences	—	—	—	—	—	—	(9)	(9)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30th June 2013	97,676	4,178	702	77,725	35,549	49	3,169	219,048
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## **BUSINESS REVIEW**

### ***Business in Macao, Hong Kong and Mainland China***

Macao, being a main gaming hub in Asia, remains a city with strong potential as gaming operators aggressively expanding and strengthening their presence in the enclave. During the Three-Month Period, while continuing to provide the premium customer base of the Group with turnkey solutions in the areas of surveillance and networking infrastructure, trunking radio, server and office platforms, the Group has been actively involved in the pre-qualification and tendering processes of different gaming operators which will be establishing or expanding their presence in the Cotai Strip.

During the Three-Month Period, the Group secured an increasing number of projects from the University of Macau, which engaged Vodatel Holdings Limited (incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company) and MDL to provide solutions in networking infrastructure, trunking radio and office networks at their new campus on Hengqin Island. During the same period, the Group is proud that MDL is again selected as one of the key service providers to support the upcoming 2013 Legislative Assembly Election in Macao, which will take place on 15th September 2013.

In Hong Kong and Mainland China, the Group is again selected by different telecommunications service providers for the provision of networking infrastructure and support services to either expand their data networks in the Asia Pacific Region or to provide maintenance support services to their existing data networks. Total contracts secured during the Six-Month Period exceeded HK\$20,000,000.

### ***TSTSH***

Subsequent to a turnaround during 2012, TSTSH continued such positive momentum and delivered encouraging results, bringing in EBITDA to the Group during the Six-Month Period. In addition to focusing on working on final acceptances of contracts previously secured, TSTSH successfully scored wins with telecommunications service providers in the province of Hubei, municipality of Chongqing and autonomous region of Xinjiang Uygur to install its CNMS. In addition, TSTSH is again entrusted by an armed police force in Mainland China to install its operational control and duty carrying information system. The off-the-shelf food production quality control and trace module continued to be well-received by the market too, successfully selling to over ten manufacturers of wines during the Three-Month Period. TSTSH also successfully deployed a customised food production quality control and trace module, valued over HK\$1,500,000, to a tea manufacturer, extending the reach of TSTSH to a new sector within the food industry. Total value of contracts secured by TSTSH exceeded over HK\$8,000,000 during the Three-Month Period.

## ***Investments Holding Activities***

### ***TTSA***

During the Six-Month Period, reflecting new market competition subsequent to the award of two new licences by the Government of Timor-Leste, TTSA generated HK\$261,032,000 and EBITDA of HK\$48,830,000, representing a decrease of 4.0% and 16.4% respectively over the corresponding six-month period of 2012. To combat new competition and to maintain its position as the market leader, TTSA introduced segmented mobile broadband and data offers, voice and data stimulation campaigns and mobile packages with competitive tariffs. Concurrently, TTSA increased its capital expenditures to improve its distribution networks via launching new shops and renovating existing ones and strengthening its indirect distribution channels.

### ***Vodacabo***

Vodacabo continued to deliver positive results. With HK\$5,000,000 worth of contracts added during the Three-Month Period, total value of contracts Vodacabo secured during the Six-Month Period reached approximately HK\$20,000,000. Contracts covered principally construction of telecommunications sites, installation of energy structures and provision of network audits.

### ***MTNHL***

During the Three-Month Period, MTNHL announced its intention to acquire another property development project company in Mainland China. Since the change of hands of the majority shareholder in 2010, MTNHL has gradually transformed from a company that provides communications telecommunications solutions to one that also engages in property development and trading of electronic parts and components in relation to display modules and touch panel modules, these lines of business of which deviate from the business focus of the Group. Consequently, during the Three-Month Period, the Group disposed 40,000,000 MTNHL Shares. As it has become a non-core asset, it is the intention of the Group to gradually dispose all its shareholdings in MTNHL. Subsequent to the initial disposal, as at 30th June 2013, the Group is holding 115,419,392 MTNHL Shares.

## FINANCIAL REVIEW

During the Three-Month Period, gross profit margin improved considerably to 36.88%, attributable to TSTSH concluding final acceptances on contracts previously secured and the successful sale of its food production quality control and trace module to different wine and tea manufacturers, and subsidiaries in Mainland China providing network maintenance services to various local telecommunications service providers, these works of which carried higher margins. Consequently, the Group reported operating profit of HK\$2,294,000 and net profit of HK\$3,796,000 for the Three-Month Period.

Selling, marketing costs and administrative expenses continued to warrant attention of the Group, in particular with its business operations in Macao due to the challenges it faced in recruiting and retaining talents. Acknowledging that it would not be able to best compete using monetary rewards, during the Six-Month Period, without increasing its staff expenses, the Group continued to realign its human resources across entities to fill up vacant positions and improved its fringe benefits by adjusting working hours and introducing projects incentives and training programmes.

With improved operating performance, in particular from TSTSH, operating loss of the Group narrowed considerably from HK\$16,551,000 (with the dividend income from TTSA excluded) for the six months ended 30th June 2012 to HK\$5,867,000 for the Six-Month Period. Nevertheless, in the absence of dividend income from TTSA, the Group reported net loss of HK\$3,490,000 for the Six-Month Period.

The balance sheet of the Group remained strong and healthy. Net cash and cash equivalents and value of yield-enhanced financial instruments aggregated HK\$144,168,000 or HK\$0.23 per Share. Close monitoring of its level of trade receivables to avoid doubtful debts and inventories level to avoid stock obsolescence continued.

In anticipation of the working capital potentially required for the upcoming projects where pre-qualification and tendering processes are in progress, the Directors do not propose an interim dividend to be paid out for the Six-Month Period.

## **OTHER DISCUSSIONS**

### **Employees' Information**

As at 30th June 2013, the Group had 293 employees, of which 181, 9 and 103 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$25,965,000.

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

The Company adopted a share option scheme whereby 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 2013 are set out in the paragraphs above. Save as disclosed, the Group did not have any significant capital commitments.

### **Charges on Group Assets**

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 acquired 4,205 ordinary shares of US\$10 each in the share capital of TTSA with a purchase price of approximately HK\$4,709,000. Save 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 losses of HK\$326,000 in the Six-Month Period.

### **Change of biographical detail of a Director**

During the Six-Month Period, Monica Maria Nunes was appointed as an independent non-executive director of AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and ordinary shares of HK\$0.002 each in its share capital are listed on GEM.

### **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 2013:

	<b>HK\$' 000</b>
José Manuel dos Santos	3,966
Yim Hong	1,889
Kuan Kin Man	1,011
Monica Maria Nunes	1,351

### **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 2013, 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**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate % of the issued share capital of the Company</b>
José Manuel dos Santos	Settlor of a discretionary trust (note 1)	301,538,000	49.12
Yim Hong	Personal (note 2)	7,357,500	1.20
Kuan Kin Man	Personal (note 3)	22,112,500	3.60
Monica Maria Nunes	Personal (note 4)	2,452,500	0.40
Fung Kee Yue Roger	Personal (note 5)	210,000	0.03

*Notes:*

- 1 As at 30th June 2013, 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.
- 2 The personal interest of Yim Hong comprised 7,357,500 Shares. The aforesaid interest was held by Yim Hong as beneficial owner.
- 3 The personal interest of Kuan Kin Man comprised 22,112,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- 4 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- 5 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.

ERL, José Manuel dos Santos and his nephews (that is 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 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 2013, 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 2013, 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**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate % of the issued share capital of the Company</b>
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)	301,538,000	49.12

#### *Notes:*

- 1 As at 30th June 2013, 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 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 2013	Lapsed during the Six-Month Period	held as at 30th June 2013				
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	10,886,000	(10,886,000)	—	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>15,706,000</u>	<u>(15,706,000)</u>	<u>—</u>				

## COMPETING BUSINESS

As at 30th June 2013, 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 applied the principles of the Code by complying with the Code throughout the Six-Month Period, except that:

- 1 the independent non-executive Directors did not attend the AGM held in the Six-Month Period;
- 2 the management do not provide all Directors with monthly updates; and
- 3 the Chairman of the Board did not attend the AGM held in the Six-Month Period.

A.6.7 The independent non-executive Directors consider that such attendance could not help to develop a balanced understanding of the views of the Members because not many Members attended the AGM in past few years.

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.

E.1.2 The Chairman of the Board was away on a business trip 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"><li>1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or</li><li>2 (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 shares of that class</li></ol>
“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
“Code”	the code provisions of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules (not applicable to Code on Takeovers and Mergers)
“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
“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.
“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
“MDL”	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
“Member”	the holder of the Shares

“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
“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
“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 2013
“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 2013
“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, 9th August 2013

**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