



**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**

**2014**

\* *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.**

*Hong Kong Exchanges and Clearing Limited (a company incorporated in Hong Kong with limited liability) and the Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*

*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 undertaking of the major surveillance project at Galaxy Resort, revenue grew to HK\$115,541,000 for the Three-Month Period and HK\$173,851,000 for the Six-Month Period
- Gain from the disposal of partial shareholding in GTGIL and stable interest income generated from its bond portfolio lifted the net profit of the Group to HK\$7,125,000 for the Three-Month Period and to almost achieve breakeven for the Six-Month Period
- Selected again by UM as the partner to install a surveillance system at the new campus on Hengqin Island
- In the process of setting up a test laboratory in Macao to demonstrate and promote different modules of CNMS of TSTSH
- Faced with fierce competition, TTSA reported a drop in its revenue and reported net loss for the Six-Month Period
- Disposed 21,680,000 GTGIL Shares in the open market with holding of 93,323,392 GTGIL Shares as at 30th June 2014
- Total cash balances (including pledged bank deposits) and yield-enhanced financial instruments amounted to approximately HK\$122,000,000
- 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

		Unaudited				
		Three months ended		Six months ended		
		Three-Month Period	30th June 2013	Six-Month Period	30th June 2013	
Note		HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	
	Revenue	6	115,541	53,421	173,851	94,834
	Cost of sales		(89,062)	(33,717)	(132,975)	(65,521)
	<b>Gross profit</b>		<b>26,479</b>	19,704	<b>40,876</b>	29,313
	Selling, marketing costs and administrative expenses		(23,957)	(18,711)	(46,608)	(37,409)
	Other income		4,279	1,301	4,506	2,229
	<b>Operating profit/(loss)</b>	7	<b>6,801</b>	2,294	<b>(1,226)</b>	(5,867)
	Finance income		833	793	2,020	1,652
	Finance expenses		(18)	(2)	(18)	(2)
	Finance income - net		815	791	2,002	1,650
	Share of (loss)/profit of associates		(385)	733	(1,202)	749
	<b>Profit/(loss) before income tax</b>		<b>7,231</b>	3,818	<b>(426)</b>	(3,468)
	Income tax expense	8	(106)	(22)	(150)	(22)
	<b>Profit/(loss) for the period</b>		<b>7,125</b>	3,796	<b>(576)</b>	(3,490)

<b>Unaudited</b>					
		Three months ended	Six months ended		
		30th June 2013	30th June 2013		
<b>Note</b>	<b>Three-Month Period</b>	<b>30th June 2013</b>	<b>Six-Month Period</b>	<b>30th June 2013</b>	
		<b>HK\$' 000</b>	<b>HK\$' 000</b>	<b>HK\$' 000</b>	
<b>Profit/(loss) attributable to:</b>					
	Owners of the Company	7,901	3,715	1,729	(2,771)
	Non-controlling interests	(776)	81	(2,305)	(719)
		<u>7,125</u>	<u>3,796</u>	<u>(576)</u>	<u>(3,490)</u>
<b>Earnings/(loss) per Share attributable to owners of the Company (expressed in HK cent per Share)</b>					
	Basic earnings/(loss) per Share	13(a) <u>1.29</u>	<u>0.61</u>	<u>0.28</u>	<u>(0.45)</u>
	Diluted earnings per Share	13(b) <u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
The notes on pages 9 to 16 are an integral part of these condensed interim consolidated financial statements.					
	Dividends (HK\$)	9 <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

## Condensed interim consolidated statement of comprehensive income

	<b>Unaudited</b>	
	<b>Six-Month Period HK\$' 000</b>	Six months ended 30th June 2013 HK\$' 000
<b>Loss for the period</b>	<b>(576)</b>	(3,490)
<b>Other comprehensive expense:</b>		
<i><u>Items that may be reclassified to profit or loss</u></i>		
Revaluation - loss	<b>(1,089)</b>	(12,936)
Currency translation differences	<b>(90)</b>	(9)
<b>Other comprehensive expense for the period, net of tax</b>	<b>(1,179)</b>	(12,945)
<b>Total comprehensive expense for the period</b>	<b>(1,755)</b>	(16,435)
<b>Attributable to:</b>		
– Owners of the Company	<b>550</b>	(15,716)
– Non-controlling interests	<b>(2,305)</b>	(719)
<b>Total comprehensive expense for the period</b>	<b>(1,755)</b>	(16,435)

The notes on pages 9 to 16 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>2014</b>	2013
		<b>HK\$' 000</b>	<b>HK\$' 000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2,253	2,337
Investments in associates		2,958	4,806
Available-for-sale financial assets		151,677	135,917
		<u>156,888</u>	<u>143,060</u>
<b>Current assets</b>			
Inventories		68,972	14,657
Trade receivables	11	123,371	86,576
Other receivables, deposits and prepayments		39,443	22,220
Available-for-sale financial assets		16,983	5,074
Pledged bank deposits		26,435	26,634
Cash and cash equivalents		31,740	96,864
		<u>306,944</u>	<u>252,025</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and bills payables	12	117,974	60,155
Other payables and accruals		56,407	43,569
Current income tax liabilities		7,451	7,606
		<u>181,832</u>	<u>111,330</u>
<b>Net current assets</b>		<u>125,112</u>	<u>140,695</u>
<b>Total assets less current liabilities</b>		<u><u>282,000</u></u>	<u><u>283,755</u></u>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30th June</b>	31st December
	<b>Note</b>	<b>2014</b>	2013
		<b>HK\$' 000</b>	HK\$' 000
<b>Financed by:</b>			
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Shares		<b>61,382</b>	61,382
Other reserves	15	<b>230,211</b>	231,390
Accumulated losses		<b>(10,941)</b>	(12,670)
		<hr/>	<hr/>
		<b>280,652</b>	280,102
<b>Non-controlling interests</b>		<b>1,348</b>	3,653
		<hr/>	<hr/>
<b>Total equity</b>		<b>282,000</b>	283,755
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 16 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					
	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
Balance as at 1st January 2013	61,382	231,993	3,525	296,900	1,515	298,415
Total comprehensive income	—	(12,945)	(2,771)	(15,716)	(719)	(16,435)
Dividends relating to 2012	—	—	(12,276)	(12,276)	—	(12,276)
Total contributions by and distributions to owners of the Company, recognised directly in equity	—	(12,945)	(15,047)	(27,992)	(719)	(28,711)
Balance as at 30th June 2013	61,382	219,048	(11,522)	268,908	796	269,704
Balance as at 1st January 2014	61,382	231,390	(12,670)	280,102	3,653	283,755
Total comprehensive income, total contributions by and distributions to owners of the Company, recognised directly in equity	—	(1,179)	1,729	550	(2,305)	(1,755)
Balance as at 30th June 2014	61,382	230,211	(10,941)	280,652	1,348	282,000

The notes on pages 9 to 16 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 2013 HK\$' 000
<b>Cash flows from operating activities - net</b>	<b>(42,733)</b>	1,943
<b>Cash flows from investing activities - net</b>	<b>(22,590)</b>	5,209
<b>Cash flows from financing activities - net</b>	<b>199</b>	8,371
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(65,124)</b>	15,523
Cash and cash equivalents at the beginning of the period	<b>96,864</b>	78,328
<b>Cash and cash equivalents at the end of the period</b>	<b>31,740</b>	93,851

The notes on pages 9 to 16 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 thousands of units of HK\$ (HK\$' 000), unless otherwise stated. This condensed consolidated interim financial information is approved for issue by the Board on 12th August 2014.

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 of the Company 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 2013, 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 2013, 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 2013, 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>			
	<b>Mainland China HK\$' 000</b>	<b>Hong Kong and Macao HK\$' 000</b>	<b>CNMS HK\$' 000</b>	<b>Total HK\$' 000</b>
<b>Six-Month Period</b>				
<b>Revenue from external customers</b>	6,169	165,179	2,503	173,851
<b>Adjusted EBITDA</b>	(7,802)	7,089	(4,379)	(5,092)
<b>As at 30th June 2014</b>				
<b>Total assets (exclude available-for-sale financial assets)</b>	16,119	257,176	21,877	295,172

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

	<b>Six-Month Period HK\$' 000</b>
<b>Adjusted EBITDA</b>	(5,092)
Depreciation	(551)
Finance income - net	2,002
Profit on disposal of available-for-sale financial assets	3,215
<b>Loss before income tax</b>	<u>(426)</u>

## 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 2013 HK\$' 000
Cost of goods sold	<b>(117,421)</b>	(52,842)
Depreciation	<b>(551)</b>	(381)
Dividend income on available-for-sale financial assets	<b>85</b>	85
Profit on disposal of available-for-sale financial assets	<b>3,215</b>	1,908

## 8 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (six months ended 30th June 2013: 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 2013 HK\$' 000
Current tax:		
Current tax on profits for the period		
– Macao complementary profits tax	<b>101</b>	7
– Mainland China corporate income tax	<b>5</b>	–
Adjustments in respect of prior years	<b>44</b>	15
<b>Income tax expense</b>	<b>150</b>	22

## 9 Dividends

The Directors do not recommend payment of interim dividend for the Six-Month Period (six months ended 30th June 2013: nil).

## 10 Property, plant and equipment

During the Six-Month Period, the Group acquired property, plant and equipment at a cost of HK\$320,000.

## 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 2014 and 31st December 2013, the ageing analysis of the trade receivables based on invoice date was as follows:

	<b>As at 30th June 2014 HK\$' 000</b>	As at 31st December 2013 HK\$' 000
Within three months	<b>109,387</b>	75,425
>Three months but ≤ six months	<b>3,735</b>	5,989
>Six months but ≤ twelve months	<b>8,377</b>	2,566
Over twelve months	<b>16,391</b>	17,240
	<hr/>	<hr/>
Gross trade receivables	<b>137,890</b>	101,220
	<hr/> <hr/>	<hr/> <hr/>

## 12 Trade and bills payables

As at 30th June 2014 and 31st December 2013, the ageing analysis of the trade and bills payables (including amounts due to related parties of a trading nature) based on invoice date was as follows:

	<b>As at 30th June 2014 HK\$' 000</b>	As at 31st December 2013 HK\$' 000
Within three months	<b>107,902</b>	52,104
> Three months but ≤ six months	<b>940</b>	277
> Six months but ≤ twelve months	<b>1,734</b>	52
Over twelve months	<b>7,398</b>	7,722
	<hr/>	<hr/>
	<b>117,974</b>	60,155
	<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.

	<b>Six-Month Period HK\$' 000</b>	Six months ended 30th June 2013 HK\$' 000
Profit/(loss) attributable to owners of the Company	<u>1,729</u>	<u>(2,771)</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 and the six months ended 30th June 2013 was presented as all the rights to subscribe for the Shares granted pursuant to the share option scheme approved by the Members at a special general meeting on 5th November 2002 expired during the six months ended 30th June 2013 and there were no outstanding options as at 30th June 2014.

## 14 Related-party transactions

The following transactions were carried out with related parties:

### (a) Sale of goods and services

	<b>Six-Month Period HK\$' 000</b>
Sale of goods:	
– An entity controlled by key management personnel	68
Sale of services:	
– An associate (management services)	12
<b>Total</b>	<b>80</b>

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	49

Goods were bought from 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.

### (c) Operating lease payments

	<b>Six-Month Period HK\$' 000</b>
– A Director	483

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\$4,559,000 for the Six-Month Period.

**(e) Balances as at 30th June 2014**

**HK\$' 000**

Receivable from related parties:

– An entity controlled by key management personnel **107**

Payables to related parties:

– An entity controlled by key management personnel **399**

– Certain Directors **1,529**

The receivables from related parties arose mainly from sale transactions. These balances were denominated in MOP and HK\$, 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 transactions and proportional accrual of additional thirteenth month salary. 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 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)
As at 30th June 2013	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>77,725</u>	<u>35,549</u>	<u>49</u>	<u>3,169</u>	<u>219,048</u>
As at 1st January 2014	97,676	4,178	702	89,884	35,549	49	3,352	231,390
Revaluation-gross	–	–	–	(1,089)	–	–	–	(1,089)
Currency translation differences	–	–	–	–	–	–	(90)	(90)
As at 30th June 2014	<u>97,676</u>	<u>4,178</u>	<u>702</u>	<u>88,795</u>	<u>35,549</u>	<u>49</u>	<u>3,262</u>	<u>230,211</u>

## **BUSINESS REVIEW**

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

During the Three-Month Period, in addition to actively working on the major surveillance project previously secured from Galaxy Resort, the Group continued to focus on providing turnkey solutions in the areas of surveillance and networking infrastructure, trunking radio, server and office platforms to the Government of Macao and different gaming and hotel operators, adding over HK\$40,000,000 to its order book. During 2013, the Group has been engaged by UM to provide turnkey solutions in the areas of networking infrastructure, trunking radio and office networks at its new campus on Hengqin Island. The Group is proud to be again selected by UM as the partner to install a surveillance system at the new campus, this project of which further strengthens the foothold of the Group in Macao as a trusted partner when it comes to the design, installation and commissioning of surveillance solutions.

With growing complexity of the information technology systems deployed by gaming operators due to the need to manage multiple gaming premises and equipment from multiple vendors, the Group witnessed a close resemblance of the challenges faced by local gaming operators to those previously encountered by telecommunications service providers in Mainland China. Consequently, the Group is in the process of setting up a test laboratory in Macao to demonstrate and promote to local gaming operators the integrated network management platform offered by TSTSH, whose deployment can assist gaming operators to better facilitate and manage an environment with complex data and transmit equipment and complicated network structure.

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\$13,000,000.

TSTSH started the year on a soft footing, yet during the Three-Month Period, it added over HK\$20,000,000 to its order book, including contracts to install its CNMS, intelligent environment monitoring system, integrated network and service management system and integrated fault management system at the premises of different telecommunications service providers in the provinces of Guangdong, Jiangxi, Jiangsu, Shanxi, Shandong and Hubei and in the municipality of Chongqing. In addition, TSTSH is again selected as the trusted partner to install its operational control and duty carrying information system at an armed police force in Mainland China.

### ***Investment Holdings***

At TTSA, it continued to face fierce competition from the two market competitors, with one competitor offering very competitive price on international and Internet services, with special target to the corporate sector, and the other competitor offering package deals of bundling free local traffic and low price international traffic. To combat competition, TTSA has been diligent in its capital expenditures programme and concurrently, has been finding ways to optimise its networks, strengthen its services in customer care, marketing and direct and indirect distributions and roll out innovative packages. Due to intense competition and the need to offer services at competitive tariffs, TTSA registered a drop of its revenue to HK\$177,540,000 and reported a net loss of HK\$15,179,000 for the Six-Month Period.

With Vodacabo being one of the major subcontractors of TTSA and with TTSA exercising cautions with its capital expenditures programme, Vodacabo has been expanding its market reach and has been actively pursuing opportunities in the power sector in Timor-Leste. Should the changing landscape continue to disadvantage the market positioning of Vodacabo, it is expected that the Group will need to make a critical judgement with respect to its on-going viability before end of 2014.

With GTGIL being a non-core asset of the Group, during the Six-Month Period, the Group disposed 21,680,000 GTGIL Shares in the open market. As at 30th June 2014, the Group is holding 93,323,392 GTGIL Shares.

## FINANCIAL REVIEW

In the absence of the final acceptance of major software development projects by TSTSH, gross profit margin of the Group retreated to its average norm and stood at approximately 23.51%. Nevertheless, attributable to the undertaking of the major surveillance project at Galaxy Resort, the revenue base of the Group grew to HK\$115,541,000 for the Three-Month Period and reported an aggregate revenue of HK\$173,851,000 for the Six-Month Period, representing an increase of 116.28% and 83.32% respectively over the corresponding three-month period and six-month period of the preceding year. Gross profit of the Group hiked to HK\$26,479,000 for the Three-Month Period and HK\$40,876,000 for the Six-Month Period.

To support the surveillance project, the Group has to engage sub-contractors and technicians on contract basis to accommodate the site works, thus pushing up total selling, marketing costs and administrative expenses of the Group to HK\$23,957,000 for the Three-Month Period and HK\$46,608,000 for the Six-Month Period. Although TTSA continued to suspend declaration and payment of dividends in 2014, the bottom-line figure of the Group has been lifted by the gain from the disposal of partial shareholding in GTGIL. Together with stable interest income generated from its bond portfolio, the Group reported net profit of HK\$7,125,000 for the Three-Month Period, or 87.70% increase over the corresponding three-month period of the preceding year, and achieved almost breakeven for the Six-Month Period, as compared to a net loss of HK\$3,490,000 for the six-month period of 2013.

The Group continued to enjoy a strong and healthy capital structure. Level of inventories hiked up considerably from HK\$14,657,000 as at 31st December 2013 to HK\$68,972,000 as at 30th June 2014 as a result for the need to support the construction of the surveillance project at Galaxy Resort. Concurrently, the Group witnessed an increase to its trade and bills payables by HK\$57,819,000. Accounts receivables also jumped from HK\$86,576,000 as at 31st December 2013 to HK\$123,371,000 as at 30th June 2014, of which over HK\$35,000,000 have been recovered during July 2014.

As at 31st December 2013, the Group has total cash balances (including pledged cash deposits) and yield-enhanced financial instruments of approximately HK\$156,000,000. As at 30th June 2014, total cash balances (including pledged cash deposits) and yield-enhanced financial instruments amounted approximately HK\$122,000,000, with a major portion of the cash depletion deployed as working capital to support the surveillance project at Galaxy Resort.

With the need to reserve cash balances to support the working capital requirements of current projects and different upcoming projects, the Directors do not recommend payment of an interim dividend to be paid out for the Six-Month Period.

## **OTHER DISCUSSIONS**

### **Employees' Information**

As at 30th June 2014, the Group had 260 employees, of which 147, 9 and 104 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$23,480,000.

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 2014 are set out in the paragraphs above. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

### **Charges on Group Assets**

As at 30th June 2014, bank deposit of approximately HK\$26,435,000 was pledged for obtaining banking facilities. Save as disclosed, the Group did not have any charges on assets of the Group.

### **Details of Material Acquisitions and Disposals**

During the Six-Month Period, the Group disposed 21,680,000 GTGIL Shares for HK\$5,080,000. 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\$673,000 in the Six-Month Period.

## 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 2014:

	<b>HK\$' 000</b>
José Manuel dos Santos	4,234
Yim Hong	2,104
Kuan Kin Man	1,073
Monica Maria Nunes	1,437

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

As at 30th June 2014, 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	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
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 2014, 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 and Share Buy-backs approved by the Securities and Futures Commission established under Section 3 of the Securities and Futures Commission Ordinance and continuing in existence under Section 3 of SFO as amended from time to time. As at 30th June 2014, 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 2014, 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 2014, 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.

## **COMPETING BUSINESS**

As at 30th June 2014, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective Close Associates had any interest in a business, which competed or might compete with the business of the Group.

## **CORPORATE GOVERNANCE**

The Company applied the principles in 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
“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
“Close Associate”	has the meaning ascribed thereto in the GEM Listing Rules
“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 and Share Buy-backs)
“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

“Galaxy Resort”	Galaxy Resort & Casino, Cotal City, Macao
“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
“GTGIL”	Gold Tat Group International Limited, a company incorporated in the Cayman Islands with limited liability and GTGIL Shares are listed on GEM
“GTGIL Share”	ordinary share of US\$0.001 each in the share capital of GTGIL
“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
“Member”	the holder of the Shares
“MOP”	Patacas, the lawful currency of Macao
“OHHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability

“PRC”	The People’s Republic of China
“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 Code on Takeovers and Mergers and Share Buy-backs and GTGIL Share)
“Six-Month Period”	six months ended 30th June 2014
“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 2014
“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
“UM”	University of Macau
“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

**Yim Hong**

*Deputy Chairman*

Macao, 12th August 2014

**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