



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

2015

* *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

Business and Financial Highlights for the Three-Month Period and Six-Month Period

- With focus on the completion of the installation, testing and commissioning of the major surveillance project at Galaxy Resort and on the working on the final acceptance tests on works previously awarded to TSTJX, the Group reported revenue of HK\$66,712,000 and gross profit of HK\$21,839,000 for the Three-Month Period
- With higher total selling, marketing costs and administrative expenses and in the absence of dividend payout from TTSA and gains from the disposal of GTGIL Shares, the Group reported net loss of HK\$2,037,000 and HK\$13,514,000 for the Three-Month Period and Six-Month Period respectively
- During the Six-Month Period, secured a project from a gaming operator to replace the core networks at one of the major gaming premises and penetrated into another gaming operator to supply surveillance equipment
- Majority shareholder of TTSA underwent some major corporate changes, thus management of the Group will be in close watch for any strategic changes from the majority shareholder that will potentially and adversely affect the long-term business growth and development of TTSA
- With the failure to penetrate into the power sector, the shareholders of Vodacabo will proceed to dominate a working group to initiate the disposal or liquidation of Vodacabo
- During the Six-Month Period, the Group had not disposed any GTGIL Shares
- Total cash balances (including restricted cash) and yield-enhanced financial instruments amounted approximately HK\$163,805,000
- 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

	Note	Unaudited			
		Three-Month Period HK\$' 000	Three months ended 30th June 2014 HK\$' 000	Six-Month Period HK\$' 000	Six months ended 30th June 2014 HK\$' 000
			30th June 2014 HK\$' 000		30th June 2014 HK\$' 000
Revenue	7	66,712	115,541	151,755	173,851
Cost of sales		(44,873)	(89,062)	(116,433)	(132,975)
Gross profit		21,839	26,479	35,322	40,876
Selling, marketing costs and administrative expenses		(24,807)	(23,957)	(51,034)	(46,608)
Other income		122	4,279	694	4,506
Operating (loss)/profit	8	(2,846)	6,801	(15,018)	(1,226)
Finance income		1,007	833	2,019	2,020
Finance expenses		(106)	(18)	(171)	(18)
Finance income - net		901	815	1,848	2,002
Share of loss of associates		(92)	(385)	(344)	(1,202)
(Loss)/profit before income tax		(2,037)	7,231	(13,514)	(426)
Income tax expense	9	—	(106)	—	(150)
(Loss)/profit for the period		(2,037)	7,125	(13,514)	(576)

Unaudited					
		Three months ended		Six months ended	
		30th June 2014			30th June 2014
Note	Three-Month Period HK\$' 000	HK\$' 000	Six-Month Period HK\$' 000		
		HK\$' 000	HK\$' 000		
(Loss)/profit attributable to:					
Owners of the Company		(2,267)	7,901	(13,152)	1,729
Non-controlling interests		230	(776)	(362)	(2,305)
		<u>(2,037)</u>	<u>7,125</u>	<u>(13,514)</u>	<u>(576)</u>
(Loss)/earnings per Share attributable to owners of the Company (expressed in HK cents per Share)					
Basic (loss)/earnings per Share	14(a)	<u>(0.37)</u>	<u>1.29</u>	<u>(2.14)</u>	<u>0.28</u>
Diluted earnings per Share	14(b)	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
The notes on pages 9 to 17 are an integral part of this condensed interim consolidated financial information.					
Dividends	10	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Condensed interim consolidated statement of comprehensive income

	<u>Unaudited</u>	
	Six-Month Period HK\$' 000	Six months ended 30th June 2014 HK\$' 000
Loss for the period	<u>(13,514)</u>	<u>(576)</u>
Other comprehensive expense:		
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets	(900)	(1,089)
Currency translation differences	<u>21</u>	<u>(90)</u>
Other comprehensive expense for the period, net of tax	<u>(879)</u>	<u>(1,179)</u>
Total comprehensive expense for the period	<u>(14,393)</u>	<u>(1,755)</u>
Attributable to:		
– Owners of the Company	(14,031)	550
– Non-controlling interests	<u>(362)</u>	<u>(2,305)</u>
Total comprehensive expense for the period	<u>(14,393)</u>	<u>(1,755)</u>

The notes on pages 9 to 17 are an integral part of this condensed interim consolidated financial information.

Condensed interim consolidated balance sheet

		Unaudited As at 30th June 2015 HK\$' 000	Audited As at 31st December 2014 HK\$' 000
	Note		
Assets			
Non-current assets			
PPE	11	1,937	2,274
Investments in associates		3,303	3,647
Available-for-sale financial assets		132,728	124,094
		<u>137,968</u>	<u>130,015</u>
Current assets			
Inventories		29,891	56,500
Trade receivables	12	89,907	194,399
Other receivables, deposits and prepayments		28,014	26,593
Amount due from an associate		3,513	1,909
Available-for-sale financial assets		2,485	2,521
Cash and cash equivalents		86,565	79,305
Restricted cash		27,451	26,475
		<u>267,826</u>	<u>387,702</u>
Liabilities			
Current liabilities			
Trade and bills payables	13	54,821	130,155
Other payables and accruals		65,538	93,719
Dividend payable		6,138	—
Current income tax liabilities		10,897	10,904
Bank borrowing		9,873	3,881
		<u>147,267</u>	<u>238,659</u>
Net current assets		<u>120,559</u>	<u>149,043</u>
Total assets less current liabilities		<u>258,527</u>	<u>279,058</u>

		Unaudited	Audited
		As at	As at
		30th June	31st December
	Note	2015	2014
		HK\$' 000	HK\$' 000
Financed by:			
Equity			
Equity attributable to owners of the Company			
Share capital		61,382	61,382
Other reserves	16	197,274	198,153
(Accumulated losses)/retained earnings			
– Proposed final dividend		—	6,138
– Others		(2,214)	10,938
		256,442	276,611
Non-controlling interests		2,085	2,447
Total equity		258,527	279,058

The notes on pages 9 to 17 are an integral part of this condensed interim consolidated financial information.

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 2015	61,382	198,153	17,076	276,611	2,447	279,058
Total comprehensive income	—	(879)	(13,152)	(14,031)	(362)	(14,393)
Dividend relating to 2014	—	—	(6,138)	(6,138)	—	(6,138)
Total contributions by and distributions to owners of the Company, recognised directly in equity	—	(879)	(19,290)	(20,169)	(362)	(20,531)
Balance as at 30th June 2015	<u>61,382</u>	<u>197,274</u>	<u>(2,214)</u>	<u>256,442</u>	<u>2,085</u>	<u>258,527</u>
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	<u>61,382</u>	<u>230,211</u>	<u>(10,941)</u>	<u>280,652</u>	<u>1,348</u>	<u>282,000</u>

The notes on pages 9 to 17 are an integral part of this condensed interim consolidated financial information.

Condensed interim consolidated statement of cash flows

	Unaudited	
		For the six months ended 30th June 2014 HK\$' 000
	Six- Month Period HK\$' 000	HK\$' 000
Cash flows from operating activities	9,357	(42,689)
Income tax paid	(35)	(44)
Cash flows from operating activities - net	9,322	(42,733)
Cash flows from investing activities		
Proceeds from sale of available-for-sale financial assets	31,602	31,737
Purchases of available-for-sale financial assets	(40,530)	(57,261)
Purchases of PPE	(169)	(320)
Distributions from an associate	—	1,149
Interest received	2,019	2,020
Dividends received	—	85
Cash flows from investing activities - net	(7,078)	(22,590)
Cash flows from financing activities		
Proceeds from borrowing	5,992	—
(Increase)/decrease in restricted bank deposits	(976)	199
Cash flows from financing activities - net	5,016	199
Net increase/(decrease) in cash and cash equivalents	7,260	(65,124)
Cash and cash equivalents at the beginning of the period	79,305	96,864
Cash and cash equivalents at the end of the period	86,565	31,740

The notes on pages 9 to 17 are an integral part of this condensed interim consolidated financial information.

Notes to the condensed consolidated interim financial information

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 2015.

This condensed consolidated interim financial information was reviewed by the audit committee of the Company, not audited.

2 Basis of preparation

This condensed consolidated interim financial information for the Six-Month Period was prepared in accordance with HKAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2014, 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 2014, 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 information 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 this condensed consolidated interim financial information, 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 2014, with the exception of changes in estimates that were required in determining the provision for income taxes.

5 Financial risk management and financial instruments

The table below analysed financial instruments of the Group carried at fair value as at 30th June 2015 by level of the inputs to the valuation technique used to measure fair value. Such inputs were categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level one).
- Inputs other than quoted prices included within level one that were observable for the asset or liability, either directly (that was, as prices) or indirectly (that was, derived from prices) (level two).
- Inputs for the asset or liability that were not based on observable market data (that was, unobservable inputs) (level three).

	Level one HK\$' 000	Level three HK\$' 000	Total HK\$' 000
Assets			
Available-for-sale financial assets			
– Equity securities	12,606	61,488	74,094
– Debt investments	56,375	—	56,375
	<u>68,981</u>	<u>61,488</u>	<u>130,469</u>
Total assets	<u>68,981</u>	<u>61,488</u>	<u>130,469</u>

The following table presents the financial assets of the Group that were measured at fair value as at 31st December 2014.

	Level one HK\$' 000	Level three HK\$' 000	Total HK\$' 000
Assets			
Available-for-sale financial assets			
– Equity securities	14,172	61,488	75,660
– Debt investments	46,978	—	46,978
	<u>61,150</u>	<u>61,488</u>	<u>122,638</u>
Total assets	<u>61,150</u>	<u>61,488</u>	<u>122,638</u>

There were no transfers among levels one, two and three during the period.

There were no changes in valuation technique during the period.

The fair value of equity securities available for sale was determined on an annual basis by an independent qualified valuer based on discounted cash flow. The Directors reviewed the valuation performed by the independent valuer for financial reporting purposes.

The following table gives information about fair value measurements of available-for-sale financial assets using significant unobservable inputs (level three):

Fair value as at 31st December 2014 HK\$' 000	Valuation technique	Unobservable inputs	
61,488	Discounted cash flow	Weighted average cost of capital	19.85%
		Long-term revenue growth rate	5.00%
		Long-term pre-tax operating margin	5.00%
		Discount for lack of marketability	9.14%
		Control premium	16.01%

The fair value of the following financial assets and liabilities approximated their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and banks
- Trade and other payables

6 Seasonality of operations

The business is not subject to seasonal fluctuations.

7 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 allocating resources and assessing performance.

The executive Directors considered the business from both a product and geographic 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.

	Design, sale and implementation of network systems infrastructure; customer data automation, customisation and integration; and provision of technical support services			
	<u>Mainland China</u>	<u>Hong Kong and Macao</u>	<u>CNMS</u>	<u>Total</u>
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Six-Month Period				
Revenue from external customers	10,684	130,712	10,359	151,755
Adjusted EBITDA	(1,291)	(15,708)	2,325	(14,674)
As at 30th June 2015				
Total assets (exclude available-for-sale financial assets)	36,250	214,342	19,989	270,581

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

	Six-Month Period
	HK\$' 000
Adjusted EBITDA	(14,674)
Depreciation	(509)
Finance income - net	1,848
Loss on disposal of available-for-sale financial assets	(179)
	<hr/>
Loss before income tax	<u>(13,514)</u>

8 Operating (loss)/profit

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

	Six-Month Period HK\$' 000	Six months ended 30th June 2014 HK\$' 000
Cost of goods sold	(95,204)	(117,421)
Depreciation	(509)	(551)
Dividend income on available-for-sale financial assets	—	85
(Loss)/profit on disposal of available-for-sale financial assets	(179)	3,215

9 Income tax expense

Hong Kong profits tax was provided at the rate of 16.5% (six months ended 30th June 2014: 16.5%) on the estimated assessable profit for the period. Taxation on non-Hong Kong 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.

	Six-Month Period HK\$' 000	Six months ended 30th June 2014 HK\$' 000
Current tax:		
Current tax on profits for the period		
– Macao complementary profits tax	—	101
– Mainland China corporate income tax	—	5
Adjustments in respect of prior years	—	44
	<u>—</u>	<u>150</u>
Income tax expense	—	150

10 Dividends

The Directors do not recommend payment of interim dividend for the Six-Month Period (six months ended 30th June 2014: nil).

11 PPE

During the Six-Month Period, the Group acquired PPE at a cost of HK\$169,000.

12 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 2015 and 31st December 2014, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30th June 2015 HK\$' 000	As at 31st December 2014 HK\$' 000
Within three months	58,743	155,821
>Three months but ≤ six months	15,656	24,617
>Six months but ≤ twelve months	11,111	8,828
Over twelve months	18,708	19,965
	<hr/>	<hr/>
Gross trade receivables	104,218	209,231
	<hr/> <hr/>	<hr/> <hr/>

13 Trade and bills payables

As at 30th June 2015 and 31st December 2014, 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:

	As at 30th June 2015 HK\$' 000	As at 31st December 2014 HK\$' 000
Within three months	45,294	110,483
> Three months but ≤ six months	239	10,954
> Six months but ≤ twelve months	2,186	1,386
Over twelve months	7,102	7,332
	<hr/>	<hr/>
	54,821	130,155
	<hr/> <hr/>	<hr/> <hr/>

14 (Loss)/earnings per Share

(a) Basic

Basic (loss)/earnings per Share was calculated by dividing the (loss)/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 2014 HK\$' 000
(Loss)/profit attributable to owners of the Company	<u>(13,152)</u>	<u>1,729</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 2014 was presented as there were no outstanding options as at 30th June 2015 and 2014.

15 Related-party transactions

The following transactions were carried out with related parties:

(a) Sale of goods and services

	Six-Month Period HK\$' 000
Sale of goods:	
– An entity controlled by key management personnel	24
Sale of services:	
– An associate (management services)	47
Total	<u>71</u>

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

(b) Purchase of goods

	Six-Month Period HK\$' 000
– An entity controlled by key management personnel	<u><u>16</u></u>

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

	Six-Month Period HK\$' 000
– A Director	<u><u>694</u></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\$4,764,000 for the Six-Month Period.

(e) Balances as at 30th June 2015

	HK\$' 000
Receivable from related parties:	
– An associate	3,513
– An entity controlled by key management personnel	<u><u>163</u></u>
Payables to related parties:	
– An entity controlled by key management personnel	350
– Directors	<u><u>5,122</u></u>

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, proportional accrual of additional thirteenth month salary and discretionary bonuses. The payables bore no interest.

16 Other reserves

	Contributed surplus HK\$' 000	Other reserve HK\$' 000	Capital redemption reserve HK\$' 000	Available- for-sale investments HK\$' 000	Merger reserve HK\$' 000	Statutory reserve HK\$' 000	Translation HK\$' 000	Total HK\$' 000
As at 1st January 2015	97,676	4,178	702	56,715	35,549	49	3,284	198,153
Revaluation loss	—	—	—	(900)	—	—	—	(900)
Currency translation differences	—	—	—	—	—	—	21	21
As at 30th June 2015	97,676	4,178	702	55,815	35,549	49	3,305	197,274
As at 1st January 2014	97,676	4,178	702	89,884	35,549	49	3,352	231,390
Revaluation loss	—	—	—	(1,089)	—	—	—	(1,089)
Currency translation differences	—	—	—	—	—	—	(90)	(90)
As at 30th June 2014	97,676	4,178	702	88,795	35,549	49	3,262	230,211

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

As per the official statistics from the Government of Macao, for the Six-Month Period, total gross revenue from different gaming activities registered a drop of approximately 36.96% from HK\$188,058,000,000 to HK\$118,544,000,000, whereas number of visitor arrivals totaled 14,756,499 and overnight visitors decreased to 6,616,357, representing a year-on-year drop of 3.5% and 6.6% respectively. With the economic environment of Macao principally dominated by gaming and tourism, the Group witnessed a visible slowdown to the capital expenditures momentum of different gaming and hotel operators, among which included those who are in the process of tendering different work packages for their new gaming premises and also those who are contemplating of expanding their existing gaming premises. Coupled with the traditional slower months in the initial six months in works tendered by the Government of Macao, during the Three-Month Period, the Group focused primarily on the completion of the installation, testing and commissioning of the major surveillance project previously secured from Galaxy Resort, the resort of which commenced its grand opening on 27th May 2015.

Despite a rather sluggish operating environment in Macao, the Group secured some landmark wins during the Six-Month Period, among which included a project from a gaming operator to replace the core networks at one of its major gaming premises and the successful penetration into another gaming operator to supply surveillance equipment, both of these gaming operators of which the Group has, in the areas of networking and surveillance, limited business dealings with over the years.

In Hong Kong and Mainland China, the Group is again selected by different telecommunications service providers, securing approximately HK\$18,000,000 value of works from telecommunications service providers in Hong Kong for the provision of networking infrastructure and support services to expand their data networks in the Asia Pacific region and approximately HK\$3,000,000 worth of contracts from telecommunications services providers in Mainland China for the provision of maintenance support services to their existing data networks.

During the Three-Month Period, TSTJX also actively worked on the completion of the final acceptance tests on contracts awarded in prior years to install CNMS, intelligent environment monitoring system, integrated network and service management system and integrated fault management system of TSTSH at the premises of different telecommunications service providers in the provinces of Jiangxi, Jiangsu and Hubei. Concurrently, in the same period, via cross-selling by the marketing teams at Vodatel Holdings Limited (incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company) and Mega Datatech Limited (incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company), TSTSH extended the marketing of its CNMS to different gaming and hotel operators in Macao and to the Government of Macao as information technology systems deployed by these clientele are getting increasingly complicated, thus requiring more sophisticated network management systems to effectively and efficiently facilitate and manage an environment with complex data and transmit equipment, complicated network structure and multiple vendors.

Investments Holdings

TTSA TTSA continued to face fierce competition in the local market of Timor-Leste during the Three-Month Period. During the Six-Month Period, the majority shareholder of TTSA underwent some major corporate changes. Consequently, the management of the Group will be in close watch for any strategic changes from the majority shareholder that will potentially and adversely affect the long-term business growth and development of TTSA.

Vodacabo During April 2015, the shareholders of Vodacabo made a consensus to dispose or liquidate Vodacabo if it fails to successfully expand its market reach from the construction of telecommunications sites, installation of energy structure in the telecommunications sector to construction of power infrastructure in the power sector by end of June 2015. With the failure to penetrate into the power sector, the shareholders of Vodacabo will proceed to dominate a working group to initiate the disposal or liquidation of Vodacabo.

GTGIL With respect to the investments holding of the Group in GTGIL, which principally engaged in the trading of electronic hardware components (display and touch panel modules) with compatibility solutions advisory services and real estate development and investment, in view of the volatile market environment that adversely affected the share performance of GTGIL, the Group has not disposed any GTGIL Shares during the Three-Month Period. As at 30th June 2015, the Group is still holding 82,395,392 GTGIL Shares. Nevertheless, as a non-core asset of the Group, it is the intention of the Group to dispose its shareholdings in GTGIL in the open market.

FINANCIAL REVIEW

With majority of the equipment to be deployed in the major surveillance project at Galaxy Resort delivered in 2014 and the first quarter of 2015, during the Three-Month Period, the Group placed its primary focus on the completion of the installation, testing and commissioning of the above said project and on the working on the final acceptance tests on contracts previously awarded to TSTJX to install its network management systems at the premises of different telecommunications service providers in different provinces. During the Three-Month Period and Six-Month Period, the Group reported revenue of HK\$66,712,000 and HK\$151,755,000, representing a decrease of 42.26% and 12.71% over the same periods of the preceding year. With works completed during the quarter related to installation and software projects, both of which carried higher margins, the Group generated gross profit HK\$21,839,000 for the Three-Month Period, translating to gross profit margin of 32.74%.

To support the installation works of the major surveillance project at Galaxy Resort, the Group heavily engaged sub-contractors and technicians on contract basis to accommodate the demanding site works, which pushed up total selling, marketing costs and administrative expenses of the Group to HK\$24,807,000 for the Three-Month Period and HK\$51,034,000 for the Six-Month Period. Coupled with the suspension of dividend payout from TTSA and the absence of gains from the disposal of GTGIL Shares, despite higher interest income generated from the bond portfolio, the Group reported net loss of HK\$2,037,000 for the Three-Month Period. With net loss narrowed during the Three-Month Period as compared to the first quarter of 2015, the Group reported net loss of HK\$13,514,000 for the Six-Month Period as compared to a net loss of HK\$576,000 for the same period of the preceding year.

The Group continued to enjoy a healthy capital structure. As compared to 31st December 2014, level of inventories retreated back to below HK\$30,000,000 as the Group completed the delivery of the equipment previously purchased to support the construction of the surveillance project at Galaxy Resort. Concurrently, the Group witnessed a drop in its trade receivables from HK\$194,399,000 to HK\$89,907,000 as receivables were recovered and also a corresponding decrease in its trade and bills payables from HK\$130,155,000 to HK\$54,821,000 as purchase orders for equipment were settled.

As at 31st December 2014, the Group had total net cash balances (including restricted cash) and yield-enhanced financial instruments of approximately HK\$151,397,000. With the collection of trade receivables less settlement of trade and bills payables during the Six-Month Period, as at 30th June 2015, total net cash balances (including restricted cash) and yield-enhanced financial instruments increased to approximately HK\$163,805,000.

Given the need to reserve cash to weather the current market uncertainties brought by the challenges to the gaming sector in Macao, 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 2015, the Group had 237 employees, of which 117, 9 and 111 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$26,282,000.

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 2015 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 2015, bank deposit of approximately HK\$27,451,000 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 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\$27,000 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 2015:

	HK\$' 000
José Manuel dos Santos	4,480
Kuan Kin Man	1,158
Monica Maria Nunes	1,515

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

As at 30th June 2015, 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:

- As at 30th June 2015, 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 Yim Hong comprised 7,357,500 Shares. The aforesaid interest was held by Yim Hong as beneficial owner.
- The personal interest of Kuan Kin Man comprised 22,112,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- The personal interest of Monica Maria Nunes comprised 2,452,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- 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 2015, 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/OR 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 2015, 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)	301,538,000	49.12

Notes:

- As at 30th June 2015, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by OHHL, a company wholly-owned by HSBCITL, being the trustee of the existing trust.
- Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in all the interests of José Manuel dos Santos.

COMPETING BUSINESS

As at 30th June 2015, 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">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 shares of that class
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chief Executive”	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
“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
“PPE”	property, plant and equipment
“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 2015
“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 2015
“Timor-Leste”	The Democratic Republic of Timor-Leste
“TSTJX”	泰思通軟件(江西)有限公司, incorporated in PRC with limited liability and an indirectly owned subsidiary of the Company
“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

Yim Hong

Deputy Chairman

Macao, 12th August 2015

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