

*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.*



## **VODATEL NETWORKS HOLDINGS LIMITED**

**愛達利網絡控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8033

### **BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE THREE-MONTH PERIOD AND SIX-MONTH PERIOD**

- Due to slowdown of capital expenditures by selected gaming and hotel operators in Macao, the Group reported turnover of HK\$45,047,000 and HK\$89,155,000 for the Three-Month Period and Six-Month Period respectively
- Conclusion of the installation and service part of the structured cabling system for one of the major gaming operators in Macao and increased revenue derived from the provision of support services, gross profit of the Group for the Six-Month Period reached HK\$32,039,000, translating to gross profit margin of 35.94%
- Registered operating profit of HK\$1,953,000 for the Three-Month Period and total dividend of approximately HK\$19,723,000 entitled by the Group against 2008 operating results of TTSA
- Net profit of HK\$29,794,000 reported by the Group for the Six-Month Period
- During the Three-Month Period, TSTSH completed the installation, commissioning and initial acceptance tests of its CNMS at the telecommunications service providers in the province of Anhui and in the municipality of Chongqing
- Successfully secured approximately HK\$19,000,000 worth of contracts for the provision of after-sales maintenance support services
- Cash balance as at 30th June, 2009 amounted to HK\$110,788,000 with equity base at HK\$142,136,000
- The Board does not recommend payment of interim dividend

## 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 Consolidated Interim Balance Sheet

		<b>Unaudited</b>	<b>Audited</b>
		<b>As at</b>	<b>As at</b>
		<b>30th June,</b>	<b>31st December,</b>
	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>873</b>	1,046
Investment in an associate		<b>591</b>	656
Available-for-sale financial assets		<b>22,373</b>	16,226
		<b>23,837</b>	17,928
<b>Current assets</b>			
Inventories		<b>20,061</b>	13,620
Trade receivables	5	<b>51,800</b>	70,254
Other receivables, deposits and prepayments		<b>28,741</b>	18,454
Pledged bank deposits		<b>4,573</b>	9,108
Cash and cash equivalents		<b>106,215</b>	89,961
		<b>211,390</b>	201,397

		<b>Unaudited</b>	<b>Audited</b>
		<b>As at</b>	<b>As at</b>
		<b>30th June,</b>	<b>31st December,</b>
	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and bills payables	6	<b>40,260</b>	50,796
Other payables and accruals		<b>44,873</b>	45,151
Current income tax liabilities		<b>7,958</b>	17,172
		<b>93,091</b>	113,119
<b>Net current assets</b>		<b>118,299</b>	88,278
<b>Total assets less current liabilities</b>		<b>142,136</b>	106,206
<b>Financed by:</b>			
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Shares		<b>61,382</b>	61,382
Other reserves	15	<b>145,928</b>	139,792
Accumulated losses		<b>(69,345)</b>	(100,264)
		<b>137,965</b>	100,910
<b>Minority interest in equity</b>		<b>4,171</b>	5,296
<b>Total equity</b>		<b>142,136</b>	106,206

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.

## Condensed Consolidated Interim Income Statement

		Unaudited			
			Three months ended		Six months ended
		Three-Month Period	30th June, 2008	Six-Month Period	30th June, 2008
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>					
Revenue	4	45,047	52,171	89,155	112,908
Cost of sales		(28,709)	(36,921)	(57,116)	(89,029)
<b>Gross profit</b>		<b>16,338</b>	<b>15,250</b>	<b>32,039</b>	<b>23,879</b>
Selling, marketing costs and administrative expense		(15,805)	(17,534)	(32,314)	(36,917)
Other gains - net		21,143	8,087	21,528	8,231
<b>Operating profit/(loss)</b>	7	<b>21,676</b>	<b>5,803</b>	<b>21,253</b>	<b>(4,807)</b>
Finance income		51	188	296	477
Share of profit/(loss) of an associate		81	179	(65)	48
<b>Profit/(loss) before income tax</b>		<b>21,808</b>	<b>6,170</b>	<b>21,484</b>	<b>(4,282)</b>
Income tax (expense)/credit	8	(251)	(1,226)	8,310	13,170
<b>Profit for the period from continuing operations</b>		<b>21,557</b>	<b>4,944</b>	<b>29,794</b>	<b>8,888</b>
<b>Discontinued operations</b>	11				
(Loss)/profit for the period from discontinued operations		—	(369)	—	1,670
<b>Profit for the period</b>		<b>21,557</b>	<b>4,575</b>	<b>29,794</b>	<b>10,558</b>
<b>Attributable to:</b>					
Equity holders of the Company		22,358	4,253	30,919	10,215
Minority interest		(801)	322	(1,125)	343
		<b>21,557</b>	<b>4,575</b>	<b>29,794</b>	<b>10,558</b>

		Unaudited			
			Three months ended		Six months ended
	Note	Three-Month Period	30th June, 2008	Six-Month Period	30th June, 2008
<b>Earnings/(loss) per Share for profit from continuing and (loss)/profit from discontinued operations attributable to the equity holders of the Company during the period (expressed in HK cents per Share)</b>					
<b>Basic and diluted earnings per Share</b>	9				
From continuing operations		<b>3.64</b>	0.75	<b>5.04</b>	1.39
From discontinued operations		—	(0.06)	—	0.27
		<u><b>3.64</b></u>	<u>0.69</u>	<u><b>5.04</b></u>	<u>1.66</u>
<b>Dividends</b>	10	—	—	—	—

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.

## Condensed Consolidated Interim Statement of Comprehensive Income

	<b>Unaudited</b>	
	<b>Six-Month Period HK\$'000</b>	Six months ended 30th June, 2008 HK\$'000
<b>Profit for the period</b>	<b>29,794</b>	10,558
<b>Other comprehensive income</b>		
Fair value gains/(loss) on available-for-sale financial assets, net of tax	<b>6,147</b>	(5,958)
Currency translation differences	<b>(11)</b>	1,876
<b>Other comprehensive income for the period, net of tax</b>	<b>6,136</b>	(4,082)
<b>Total comprehensive income for the period</b>	<b>35,930</b>	6,476
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>37,055</b>	6,133
Minority interest	<b>(1,125)</b>	343
	<b>35,930</b>	6,476

The notes on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Interim Statement of Changes in Equity

	Unaudited					
	Attributable to equity holders of the Company				Minority interest HK\$'000	Total equity HK\$'000
	Shares HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
<b>Balance as at 1st January, 2008</b>	61,382	136,718	(93,377)	104,723	6,731	111,454
Profit for the six months ended 30th June, 2008	—	—	10,215	10,215	343	10,558
Other comprehensive income:						
Fair value loss for available-for-sale financial assets	—	(5,958)	—	(5,958)	—	(5,958)
Currency translation differences	—	1,876	—	1,876	—	1,876
<b>Total comprehensive income for the six months ended 30th June, 2008</b>	—	(4,082)	10,215	6,133	343	6,476
<b>Balance as at 30th June, 2008</b>	61,382	132,636	(83,162)	110,856	7,074	117,930
<b>Balance as at 1st January, 2009</b>	61,382	139,792	(100,264)	100,910	5,296	106,206
Profit for the Six-Month Period	—	—	30,919	30,919	(1,125)	29,794
Other comprehensive income:						
Fair value gains for available-for-sale financial assets	—	6,147	—	6,147	—	6,147
Currency translation differences	—	(11)	—	(11)	—	(11)
<b>Total comprehensive income for the Six-Month Period</b>	—	6,136	30,919	37,055	(1,125)	35,930
<b>Balance as at 30th June, 2009</b>	61,382	145,928	(69,345)	137,965	4,171	142,136

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.

## Condensed Consolidated Interim Cash Flow Statement

	<b>Unaudited</b>	
	<b>Six- Month Period HK\$'000</b>	For the six months ended 30th June, 2008 HK\$'000
Net cash (used in)/generated from operating activities	<b>(4,299)</b>	12,161
Net cash generated from investing activities	<b>16,018</b>	489
Net cash generated from/(used in) financing activities	<b>4,535</b>	(3,160)
<b>Net increase in cash and bank balances</b>	<b>16,254</b>	9,490
Cash and bank balances at beginning of period	<b>89,961</b>	64,429
<b>Cash and bank balances at end of period</b>	<b>106,215</b>	73,919

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.



## *Notes to the condensed consolidated interim financial information:*

### **1. General information**

These condensed consolidated interim financial information are presented in HK\$, unless otherwise stated. This condensed consolidated interim financial information is approved for issue on 11th August, 2009.

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

### **2. Basis of preparation**

This condensed consolidated interim financial information for the Six-Month Period were prepared in accordance with HKAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December, 2008, which were prepared in accordance with HKFRS.

### **3 Accounting policies**

Except as described below, the accounting policies applied were consistent with those of the annual financial statements for the year ended 31st December, 2008, 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January, 2009:

- HKAS 1 (Revised), ‘Presentation of Financial Statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements were prepared under the revised disclosure requirements.

- HKFRS 8, ‘Operating Segments’. HKFRS 8 replaced HKAS 14, ‘Segment Reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported segment of design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment was split into Mainland China, Hong Kong and Macao and CNMS.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers were identified as the executive Directors who make strategic decisions.

- Amendment to HKFRS 7, 'Financial Instruments: Disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31st December, 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January, 2009, but are not currently relevant to the Group.

- HKAS 23 (Amendment), 'Borrowing Costs'.
- HKAS 32 (Amendment), 'Financial Instruments: Presentation'.
- HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'.
- HKFRS 2 (Amendment), 'Share-Based Payment'.
- HK(IFRIC)-Int 9 (Amendment), 'Reassessment of Embedded Derivatives' and HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'.
- HK(IFRIC)-Int 13, 'Customer Loyalty Programmes'.
- HK(IFRIC)-Int 15, 'Agreements for the Construction of Real Estate'.
- HK(IFRIC)-Int 16, 'Hedges of a Net Investment in a Foreign Operation'.

#### **4 Segment information**

The chief operating decision-makers were identified as the executive Directors. They review the internal reporting of the Group in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

The executive Directors consider the business from both a geographic and product perspective. From a product perspective, management assesses the performance of the segment of design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment and the segment of CNMS. The first segment is further evaluated on a geographic basis (Mainland China and Hong Kong and Macao).

The executive Directors assess the performance of the operating segments based on a measure of EBITDA. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the executive Directors. Other information provided, except as noted below, to the executive Directors is measured in a manner consistent with that in the financial statements.

Total assets exclude deferred tax and available-for-sale financial assets, both of which are managed on a central basis.

Sales between segments were carried out on terms equivalent to those that prevailed in arm's length transactions. The revenue from external parties reported to the executive Directors were measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment			Total continuing operations	Total discontinued operations (sale of mobile phones)	Total Group
	Mainland China HK\$'000	Hong Kong and Macao HK\$'000	CNMS HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six-Month Period</b>						
<b>Revenue (from external customers)</b>	12,736	72,726	3,693	89,155	—	89,155
<b>EBITDA</b>	(3,866)	26,694	(1,412)	21,416	—	21,416
Depreciation	(54)	(97)	(77)	(228)	—	(228)
Reversal of impairment of trade receivables	—	2,119	—	2,119	—	2,119
Finance income	112	175	9	296	—	296
Share of loss from an associate	—	(65)	—	(65)	—	(65)
Income tax (expense)/credit	(43)	8,490	(137)	8,310	—	8,310
Additions to non-current assets (other than financial instruments)	12	24	20	56	—	56
<b>Six months ended 30th June, 2008</b>						
<b>Revenue (from external customers)</b>	21,678	89,043	2,187	112,908	10,556	123,464
<b>EBITDA</b>	1,776	(6,043)	(216)	(4,483)	1,689	(2,794)
Depreciation	(54)	(132)	(90)	(276)	(19)	(295)
Reversal of impairment of trade receivables	—	—	541	541	—	541
Finance income	60	400	17	477	—	477
Share of profit from an associate	—	48	—	48	—	48
Income tax (expense)/credit	(945)	14,243	(128)	13,170	—	13,170
Additions to non-current assets (other than financial instruments)	—	63	42	105	—	105

	Design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment			
	Mainland China HK\$'000	Hong Kong and Macao HK\$'000	CNMS HK\$'000	Total Group HK\$'000
<b>As at 30th June, 2009</b>				
Total assets (exclude available-for-sale financial assets)	44,645	158,621	9,588	212,854
Total assets included:				
Investment in an associate	—	591	—	591
<b>As at 31st December, 2008</b>				
Total assets (exclude available-for-sale financial assets)	47,330	144,339	11,430	203,099
Total assets included:				
Investment in an associate	—	656	—	656

A reconciliation of total EBITDA to total profit/(loss) before income tax and discontinued operations is provided as follows:

	<b>Six-Month Period HK\$'000</b>	<b>Six months ended 30th June, 2008 HK\$'000</b>
EBITDA for reportable segments	<b>21,416</b>	(4,483)
Depreciation	<b>(228)</b>	(276)
Finance income	<b>296</b>	477
Profit/(loss) before income tax and discontinued operations	<b>21,484</b>	(4,282)

The Company is domiciled in Bermuda. There was no revenue from external customers in Bermuda for the Six-Month Period and the six months ended 30th June, 2008, and the total of its revenue from external customer from other regions was HK\$89,155,000 (six months ended 30th June, 2008: HK\$112,908,000).

As at 30th June, 2009 and 31st December, 2008, there was no non-current assets other than financial instruments (there was no deferred tax assets, employment benefit assets and rights arising under insurance contracts) located in Bermuda, and the total of these non-current assets located in other regions was HK\$1,464,000 (as at 31st December, 2008: HK\$1,702,000).

For the Six-Month Period, revenues of approximately HK\$18,697,000 (six-months ended 30th June, 2008: HK\$18,067,000) were derived from a single external customer. These revenues were attributable to the segment of design, sale and implementation of data networking systems, provision of related engineering services and sale of networking equipment in Hong Kong and Macao.

## 5. Trade receivables

Sales of the Group were on receipts in advance, letter of credit documents against payment and open terms credit. The credit terms granted to customers varied and were generally the result of negotiations between the individual customers and the Group. As at 30th June, 2009 and 31st December, 2008, the ageing analysis of the trade receivables was as follows:

	As at 30th June, 2009 HK\$'000	As at 31st December, 2008 HK\$'000
Within three months	29,115	58,226
>Three months but ≤ six months	5,845	2,110
>Six months but ≤ twelve months	8,610	4,715
Over twelve months	72,137	71,509
	<u>115,707</u>	<u>136,560</u>

## 6. Trade and bills payables

As at 30th June, 2009 and 31st December, 2008, the ageing analysis of the trade and bills payables (including amounts due to a related party of trading in nature) was as follows:

	As at 30th June, 2009 HK\$'000	As at 31st December, 2008 HK\$'000
Within three months	21,460	25,959
> Three months but ≤ six months	2,364	1,137
> Six months but ≤ twelve months	3,396	1,709
Over twelve months	13,040	21,991
	<u>40,260</u>	<u>50,796</u>

## 7. Operating profit/(loss)

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

	Six-Month Period HK\$'000	Six months ended 30th June, 2008 HK\$'000
Cost of goods sold	(40,599)	(77,353)
Depreciation	(228)	(276)
Dividend income on available-for-sale financial assets	19,723	8,228
Gain on disposal of property	—	2,565
Reversal of impairment of trade receivables	2,119	541

## 8. Income tax (expense)/credit

Hong Kong and overseas profits tax was provided at the rate of 16.5% (six months ended 30th June, 2008: 16.5%) and at the rates of taxation prevailing in the regions in which the Group operated respectively.

	<b>Six-Month Period HK\$'000</b>	<b>Six months ended 30th June, 2008 HK\$'000</b>
Current income tax		
– Hong Kong profits tax	(90)	(128)
– Macao complementary profits tax	(13)	(186)
– Mainland China profits tax	(158)	(641)
– Over-provision in prior years	<b>8,571</b>	<b>14,125</b>
Income tax credit	<b>8,310</b>	<b>13,170</b>

## 9. Earnings per Share

Diluted earnings per Share was calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. The Company has Options as dilutive potential Shares. A calculation was done to determine the number of Shares that could have been acquired at fair value (determined as the average market price of the Shares for the Six-Month Period) 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. All potential Shares arising from the Options (if converted) would have an anti-dilutive effect on the earnings per Share for the Six-Month Period and the six months ended 30th June, 2008. Accordingly, diluted earnings per Share was identical to basic earnings per Share for the Six-Month Period and the six months ended 30th June, 2008.

## 10. Dividends

The Board did not recommend the payment of an interim dividend for the Six-Month Period (six months ended 30th June, 2008: Nil).

## 11. Discontinued operations

The Group disposed of CAOCL on 30th June, 2008.

## 12. Contingencies

The Group gave guarantees issued by certain banks arising in the ordinary course of business amounting to HK\$12,126,000 (as at 31st December, 2008: HK\$12,126,000).

It was not anticipated that any material liabilities would arise from the contingent liabilities.

### 13. Related party transactions

During the Six-Month Period, the Group had significant transactions with related parties which were carried out in the normal course of business at terms determined and agreed by both parties, details of which were as follows:

- (a) The Group had transactions with a related company owned by a Director, José Manuel dos Santos, as follows:

	<b>Six-Month Period HK\$'000</b>	Six months ended 30th June, 2008 HK\$'000
Sale of goods	<b>52</b>	3
Purchase of goods	<b>(19)</b>	(24)
Operating lease payments	<b>—</b>	(54)
	<b>=====</b>	<b>=====</b>

- (b) During the Six-Month Period, the Group received service fee income of approximately HK\$12,000 (six months ended 30th June, 2008: Nil) from STL.
- (c) During the Six-Month Period, the Group paid operating lease payments of approximately HK\$372,000 (six months ended 30th June, 2008: HK\$357,000) to a Director, José Manuel dos Santos.
- (d) Key management compensation amounted to HK\$4,014,000 for the Six-Month Period (six months ended 30th June, 2008: HK\$3,992,000).
- (e) As at 30th June, 2009, there were no trade receivables from a related company owned by a Director, José Manuel dos Santos (as at 31st December, 2008: HK\$307,000). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.
- (f) As at 30th June, 2009, other receivables, deposits and prepayments consisted of receivable from a director of a subsidiary of approximately HK\$100,000 (as at 31st December, 2008: HK\$100,000). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.
- (g) As at 30th June, 2009, other receivables, deposits and prepayments consisted of receivable from STL of approximately HK\$12,000 (as at 31st December, 2008: HK\$186,000). The receivables were unsecured in nature and bore no interest. There were no provisions held against such receivables.
- (h) As at 30th June 2009, trade and bills payables consisted of payable to a related company owned by a Director, José Manuel dos Santos, of approximately HK\$4,000 (as at 31st December, 2008: Nil). The payables bore no interest.
- (i) As at 30th June, 2009, other payables and accruals consisted of payable to a Director, José Manuel dos Santos, of approximately HK\$498,000 (as at 31st December, 2008: HK\$362,000). The payables bore no interest.
- (j) As at 30th June, 2009, other payables and accruals consisted of Directors' fees and salaries payable to the Directors of approximately HK\$296,000 (as at 31st December, 2008: Nil).

- (k) As at 30th June, 2009, other payables and accruals consisted of payable to a related company owned by a Director, José Manuel dos Santos, of approximately HK\$350,000 (as at 31st December, 2008: HK\$350,000). The payables bore no interest.
- (l) On 19th February, 2008, a sale and purchase deed was entered into between CAOCL and José Manuel dos Santos, a Director, relating to the sale of property for HK\$4,800,000. The Group disposed of CAOCL on 30th June, 2008.

#### 14. Seasonality

The business is not subject to seasonal fluctuations.

#### 15. Other reserves

	Contributed surplus HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Available- for-sale investments reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Total HK\$'000
As at 1st January, 2008	97,676	2,289	702	(918)	35,549	1,371	49	136,718
Revaluation	—	—	—	(5,958)	—	—	—	(5,958)
Currency translation differences	—	—	—	—	—	1,876	—	1,876
As at 30th June, 2008	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>(6,876)</u>	<u>35,549</u>	<u>3,247</u>	<u>49</u>	<u>132,636</u>
As at 1st January, 2009	97,676	2,289	702	346	35,549	3,181	49	139,792
Revaluation	—	—	—	6,147	—	—	—	6,147
Currency translation differences	—	—	—	—	—	(11)	—	(11)
As at 30th June, 2009	<u>97,676</u>	<u>2,289</u>	<u>702</u>	<u>6,493</u>	<u>35,549</u>	<u>3,170</u>	<u>49</u>	<u>145,928</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF BUSINESS ACTIVITIES

#### Role as a Provider of Networks Solutions

Amidst lagging effects from the financial turmoil, the Group witnessed increasing business activities in Macao during the Three-Month Period, among which included the initial opening of City of Dreams at Cotai and different gaming and hotel operators re-engaging development of new gaming premises and upgrading of existing establishments to further strengthen their market positioning in the territory. Consequently, the Group successfully secured a number of projects in the areas of radio communications, networking and surveillance for different gaming and hotel operators, among which included a contract that involved major variations to the mass gaming hall of one of the gaming operators. During the Three-Month Period, the Government of Macao continued to be the major driver of business activities for the Group, allowing the Group to capture works that involved the provision of radio communications and networking systems and design and install different software and storage systems for various departments under the Government of Macao.



In Mainland China, during the Three-Month Period, TSTSH focused principally on the installation, commissioning and initial acceptance tests of its CNMS at different telecommunications service providers, among which included the CNMS installed at a telecommunications service provider in the province of Anhui for improved network resources management, remote alert monitoring of networks and environmental monitoring at equipment control room. In the same period, TSTSH also completed the initial acceptance test of its CNMS for a telecommunications service provider in the municipality of Chongqing. Via the deployment of regular time intervals feature, the CNMS of TSTSH greatly enhanced the efficiency of networks resources and network service quality, allowing the telecommunications service provider to further strengthen product quality and market positioning in the local market.

### **Role as a Provider of Support Services**

The focus of the Group to emerge as a major provider of support services in Macao and Mainland China, so as to create stable and recurring revenue stream, continues to produce positive results. As a provider of networks solutions to different gaming and hotel operators in Macao and the Government of Macao, the Group successfully secured approximately HK\$15,000,000 worth of contracts to provide after-sales maintenance support services during the Six-Month Period. In Mainland China, the Group also successfully secured approximately HK\$4,000,000 worth of support services contracts from different telecommunications service providers in the same period. With contracts for the provision of support services yielding higher profit margins and representing ongoing business, this will continue to be a major focus area for the Group.

### **International Investments**

Due to the exceptional operating performance at TTSA as a result of strong growth in the number of mobile customers during 2008, the Group was eligible to receive total dividends of approximately HK\$19,723,000 against their 2008 operating results. Approximately HK\$15,469,000 of dividends have been received during April, 2009 with the balance HK\$4,254,000 received during July, 2009.

During the Six-Month Period, mobile net additions at TTSA reached forty-three thousand, bringing total mobile customer base to one hundred and sixty-eight thousand at the end of June, 2009, which represented an increase of 63.3% over the same corresponding period last year. Despite mobile minutes of use and average revenue per user decreased by 11.9% and 13.6% to seventy-eight minutes and approximately HK\$172 respectively, revenue at TTSA during the Six-Month Period increased to approximately HK\$178,000,000, representing an increase of 29.4% on a year-on-year basis.

## REVIEW OF OPERATING RESULTS

### Financial Review

Although the revenue base of the Group has been adversely affected by the slowdown of capital expenditures by selected gaming and hotel operators in Macao, thus resulting in a drop of 13.66% and 21.04% in turnover to HK\$45,047,000 and HK\$89,155,000 for the Three-Month Period and Six-Month Period respectively, the conclusion of the installation and service part of the structured cabling system for one of the major gaming operators in Macao and higher revenue derived from the provision of support services, the Group reported gross profit of HK\$16,338,000 and HK\$32,039,000 for the Three-Month Period and Six-Month Period respectively, representing an increase of 7.13% and 34.17% over the respective corresponding period last year. Gross profit margin for the Six-Month Period reached 35.94%.

With continuous effort to recover aged receivables, the Group recovered over HK\$2,000,000 of aged receivables. This resulted in a reversal of approximately HK\$2,119,000 of impairment of trade receivables during the Three-Month Period. Together with lower selling and marketing costs in line with lower turnover and a restructuring exercise underwent as a means to streamline its operations and improve operating efficiency, selling, marketing costs and administrative expense for the Six-Month Period decreased 12.47% from HK\$36,917,000 to HK\$32,314,000 over the same corresponding period last year.

With operating profit of HK\$1,953,000 reported during the Three-Month Period and dividend payments of HK\$19,723,000 entitled to receive from TTSA, the Group reported operating profit of HK\$21,676,000 and HK\$21,253,000 for the Three-Month Period and Six-Month Period respectively. Coupled with the reversal of income tax provision overprovided in earlier years, for the Six-Month Period, the Group reported net profit of HK\$29,794,000.

The Group continued to enjoy a debt-free capital structure with cash balances (including pledged deposits) reaching HK\$110,788,000 and equity base standing at HK\$142,136,000 as at 30th June, 2009. Prudent cash management remains a practice with ongoing effort to recover and avoid aged receivables and inventories.

## **Employees' Information**

As at 30th June, 2009, the Group had 289 employees, of which 174, 9 and 106 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$21,896,000.

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

The Company adopted the Scheme whereby certain Directors and 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**

As at 30th June, 2009, the Group did not have any significant capital commitments and significant investments.

## **Charges on Group Assets**

As at 30th June, 2009, time deposit of approximately HK\$4,573,000 was charged to obtain banking facilities for the issue of performance bonds against certain projects. Save as disclosed, the Group did not have other charges on assets of the Group.

## **Details of Material Acquisitions and Disposal**

During the Six-Month Period, the Group had no material acquisitions or disposals.

## **Details of Future Plans for Material Investment or Capital Assets**

The Directors do not have any future plans for material investments or capital assets.

## **Foreign Exchange Exposure**

The Group mainly earns revenue and incurs cost in HK\$, Patacas (the lawful currency of Macao), Renminbi (the lawful currency of Mainland China) and United States Dollar (the lawful currency of the United States of America). The Directors consider that the impact of foreign exchange exposure on the Group is minimal.

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

As at 30th June, 2009, the relevant interests and short positions of the Directors or Chief Executive in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to section 352 of SFO, to be entered in the register referred to therein or required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

### Aggregate long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares (in respect of Options) held (note 7)	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate interest/founder of a discretionary trust (note 1)	293,548,000	—	47.82%
	Personal (note 2)	—	800,000	0.13%
Yim Hong	Personal (note 3)	7,357,500	800,000	1.33%
Kuan Kin Man	Personal (note 4)	22,112,500	800,000	3.73%
Monica Maria Nunes	Personal (note 5)	2,452,500	800,000	0.53%
Fung Kee Yue Roger	Personal (note 6)	210,000	500,000	0.12%

#### Notes:

- As at 30th June, 2009, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL, a company wholly-owned by José Manuel dos Santos as trustee of the existing trust whereby the family members of José Manuel dos Santos were discretionary objects and which assets included a controlling stake of 47.82% of the issued share capital of the Company.
- The personal interest of José Manuel dos Santos comprised 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by José Manuel dos Santos as beneficial owner.
- The personal interest of Yim Hong comprised 7,357,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Yim Hong as beneficial owner.
- The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 800,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

5. The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 800,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
6. The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 500,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Fung Kee Yue Roger as beneficial owner.
7. The number of Options held by the Directors outstanding at the beginning of the Six-Month Period was the same as shown above. The Options were granted on 11th July, 2007 and exercisable from 12th July, 2007 to 11th July, 2010 at HK\$0.32 per Share.

ERL, José Manuel dos Santos and his nephews (who are Rui Nuno dos Santos, Luis Alberto dos Santos and Antonio dos Santos Robarts, all of whom hold interests in the Shares through Best Eastern Limited, Back Support Properties Limited and Yat Yi Properties Limited (companies incorporated in BVI with limited liability) respectively) have also informed the Company that they have been, and continue to be, acting in concert for the purposes of the Code on Takeovers and Mergers approved by the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance and continuing in existence under section 3 of SFO as amended from time to time. As at 30th June, 2009, the parties acting in concert with ERL and José Manuel dos Santos held approximately 58.50% 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, 2009, 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)	293,548,000	47.82%
LRL	Corporate interest (note 1)	293,548,000	47.82%
Lei Hon Kin (note 2)	Family interest	294,348,000	47.95%

*Notes:*

1. As at 30th June, 2009, these Shares were held in the name of ERL. The entire issued share capital in ERL was held by LRL.
2. Lei Hon Kin, the spouse of José Manuel dos Santos, was deemed to be interested in all the interests of José Manuel dos Santos.

## OPTIONS

Details of the Options outstanding as at 30th June, 2009 which were granted under the Scheme are as follows:

	Number of Options			Subscription Price HK\$	Grant date	Exercisable from	Exercisable until
	Held as at 1st January, 2009	Lapsed during the Six-Month Period	Held as at 30th June, 2009				
José Manuel dos Santos	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Yim Hong	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Kuan Kin Man	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Monica Maria Nunes	800,000	—	800,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Lo King Chiu Charles (resigned as Director on 1st April, 2009)	500,000	—	500,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Fung Kee Yue Roger	500,000	—	500,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Continuous contract employees	16,416,000	(1,026,000)	15,390,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
Consultants	190,000	—	190,000	0.32	11th July, 2007	12th July, 2007	11th July, 2010
	20,806,000	(1,026,000)	19,780,000				

## COMPETING BUSINESS

As at 30th June, 2009, none of the Directors, or any person who was (or group of persons who together were) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who was (or were) able, as a practical matter, to direct or influence the management of the Company or any of their respective Associates had any interest in a business, which competed or might compete with the business of the Group.

## **CORPORATE GOVERNANCE**

The Company complied with the code provisions of the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

## **NON COMPLIANCE WITH RULES 5.05(1) AND 5.28 OF THE GEM LISTING RULES**

Following the resignation of Lo King Chiu Charles on 1st April, 2009 and until the appointment of Tou Kam Fai on 13th May, 2009, the Company had only two independent non-executive Directors and two members in the Audit Committee which fell below the minimum number of three independent non-executive Directors and three members in the Audit Committee as required by the GEM Listing Rules.

## **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**

“Associate”	has the meaning ascribed thereto in the GEM Listing Rules
“Associated Corporation”	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 share of that class</li></ol>
“Audit Committee”	the audit committee of the Company
“Board”	the board of the Directors

“BVI”	the British Virgin Islands
“CAOCL”	Communications Appliances Ou Chung Limited, a company incorporated in Macao with limited liability
“Chief Executive”	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the Board for the conduct of the business of the Company
“CNMS”	customer network management system
“Company”	Vodatel Networks Holdings Limited
“Directors”	the directors 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 cents”	Hong Kong cents, where 100 HK cents equal HK\$1
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	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 (formerly Statement of Standard Accounting Practice) and 3. Interpretations
“HK(IFRIC)–Int”	Hong Kong (IFRIC) Interpretation



“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to the Hong Kong Institute of Certified Public Accountants, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, Hong Kong (IFRIC) Interpretation, The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited)
“LRL”	Lois Resources Limited, a company incorporated in BVI with limited liability
“Macao”	the Macao Special Administrative Region of PRC
“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“Option”	a right to subscribe for the Shares granted pursuant to the Scheme
“PRC”	The People’s Republic of China
“Scheme”	the share option scheme approved by the holders of the Shares at a special general meeting on 5th November, 2002
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share”	share of HK\$0.10 each in the capital of the Company (not applicable to “Share-Based Payment”)
“Six-Month Period”	six months ended 30th June, 2009
“STL”	Source Tech Limited, a company incorporated in Macao with limited liability and an indirectly held associated company of the Company
“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, 2009

“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 the Democratic Republic of Timor-Leste with limited liability

By order of the Board  
**José Manuel dos Santos**  
*Chairman*

Macao, 11th August, 2009

**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

*This announcement, 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: 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this document misleading; and 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the Internet website operated by the Exchange for the purposes of GEM on the “Latest Company Announcements” page for at least seven days from the date of posting and on [www.irasia.com/listco/hk/vodatell/announcement/index.htm](http://www.irasia.com/listco/hk/vodatell/announcement/index.htm).*

\* *for identification purpose only*