VODATEL

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

- Supported by a stronger operating performance during the Three-Month Period, the Group registered revenue of HK$179,512,000 for the Six-Month Period, or an increase of 20.23% over the corresponding six months of 2017
- With higher revenue and a more balanced product mix comprising of sale of equipment and provision of installation and maintenance support services, gross profit for the Three-Month Period hiked up from HK$19,302,000 to HK$24,146,000 and with bottom-line almost breaking even
- As compared to adding only approximately HK$90,000,000 to the order book of the Group during the first six months of 2017, VHL signed over HK$175,000,000 of contracts in Macao, Hong Kong and Mainland China during the Six-Month Period
- No update over the proposed disposal of the equity participation in TTSA by Oi
- Total net cash balances and yield-enhanced financial instruments as at 30th June 2018 totalled HK$113,382,000, or approximately 30% of total assets
- The Directors do not recommend payment of 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 consolidated income statement

		Unaudited			
	Notes	**Three-Month Period HK$'000**	Three months ended 30th June 2017 HK$'000	**Six-Month Period HK$'000**	Six months ended 30th June 2017 HK$'000
Revenue	1	**95,664**	73,595	**179,512**	149,304
Cost of sales of goods		**(57,677)**	(44,118)	**(107,691)**	(93,738)
Cost of providing services		**(13,841)**	(10,175)	**(27,616)**	(20,890)
Gross profit		**24,146**	19,302	**44,205**	34,676
Selling, marketing costs and administrative expenses		**(25,571)**	(21,814)	**(51,254)**	(47,774)
Other gains		**354**	416	**788**	416
Operating loss	2	**(1,071)**	(2,096)	**(6,261)**	(12,682)
Finance income		**631**	480	**1,205**	1,131
Finance costs		**(25)**	–	**(25)**	–
Finance income - net		**606**	480	**1,180**	1,131
Loss before income tax		**(465)**	(1,616)	**(5,081)**	(11,551)
Income tax expense	2	**(106)**	–	**(106)**	–
Loss for the quarter/half-year		**(571)**	(1,616)	**(5,187)**	(11,551)
Loss is attributable to:					
Owners of the Company		**(81)**	(2,144)	**(4,522)**	(10,535)
Non-controlling interests		**(490)**	528	**(665)**	(1,016)
		(571)	(1,616)	**(5,187)**	(11,551)
Loss per Share for loss attributable to the ordinary equity holders of the Company (expressed in HK cents per Share)					
Basic and diluted loss per Share		**(0.01)**	(0.35)	**(0.74)**	(1.71)

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

Condensed consolidated statement of comprehensive income

	Unaudited	
	Six-Month Period HK$'000	Six months ended 30th June 2017 HK$'000
Loss for the half-year	**(5,187)**	(11,551)
(Other comprehensive expense)/OCI:		
Items that may be reclassified to profit or loss		
Changes in the fair value of debt instruments at FVOCI	**(1,661)**	–
Changes in the fair value of AFS financial assets	**–**	2,614
Exchange differences on translation of Mainland China operations	**44**	(91)
(Other comprehensive expense)/OCI for the half-year, net of tax	**(1,617)**	2,523
Total comprehensive expense for the half-year	**(6,804)**	(9,028)
Total comprehensive expense for the half-year is attributable to:		
Owners of the Company	**(6,139)**	(8,012)
Non-controlling interests	**(665)**	(1,016)
	(6,804)	(9,028)

Condensed consolidated balance sheet

	Notes	**Unaudited 30th June 2018 HK$'000**	Audited 31st December 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**3,827**	4,775
Interest in an associate		**808**	808
Financial assets at FVOCI	8	**36,785**	–
AFS financial assets		**–**	39,029
Total non-current assets		**41,420**	44,612
Current assets			
Inventories		**23,551**	22,822
Trade receivables	12	**148,765**	184,112
Other receivables, deposits and prepayments		**54,710**	37,131
Financial assets at FVOCI	8	**5,565**	–
Financial assets at amortised cost		**4,740**	–
AFS financial assets		**–**	7,141
Cash and cash equivalents (excluding bank overdrafts)		**72,488**	75,342
Total current assets		**309,819**	326,548
Total assets		**351,239**	371,160
LIABILITIES			
Current liabilities			
Trade and bills payables	13	**47,453**	82,245
Other payables and accruals		**79,717**	63,815
Dividend payable		**6,144**	–
Current tax liabilities		**10,735**	10,717
Borrowings	5	**5,755**	–
Total liabilities		**149,804**	156,777
Net current assets		**160,015**	169,771
Net assets		**201,435**	214,383

	Note	**Unaudited 30th June 2018 HK$'000**	Audited 31st December 2017 HK$'000
EQUITY			
Share capital and share premium	6	**61,570**	61,570
Other reserves		**143,204**	144,821
(Accumulated losses)/retained earnings			
– Proposed final dividend		**–**	6,144
– Others		**(595)**	3,927
Capital and reserves attributable to the owners of the Company		**204,179**	216,462
Non-controlling interests		**(2,744)**	(2,079)
Total equity		**201,435**	214,383

Condensed consolidated statement of changes in equity

		Unaudited					
		Attributable to owners of the Company					
	Note	Share capital and share premium 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 2017		**61,382**	**156,501**	**21,042**	**238,925**	**(1,144)**	**237,781**
Total comprehensive expense for the half-year		**—**	**2,523**	**(10,535)**	**(8,012)**	**(1,016)**	**(9,028)**
Transactions with owners in their capacity as owners:							
Scheme: proceeds froms Shares issued	6	188	—	—	188	—	188
Dividend provided for or paid		—	—	(6,144)	(6,144)	—	(6,144)
		188	**—**	**(6,144)**	**(5,956)**	**—**	**(5,956)**
Balance as at 30th June 2017		**61,570**	**159,024**	**4,363**	**224,957**	**(2,160)**	**222,797**
Balance as at 1st January 2018		**61,570**	**144,821**	**10,071**	**216,462**	**(2,079)**	**214,383**
Total comprehensive expense for the Six-Month Period		**—**	**(1,617)**	**(4,522)**	**(6,139)**	**(665)**	**(6,804)**
Transactions with owners in their capacity as owners:							
Dividend provided for or paid		**—**	**—**	**(6,144)**	**(6,144)**	**—**	**(6,144)**
Balance as at 30th June 2018		**61,570**	**143,204**	**(595)**	**204,179**	**(2,744)**	**201,435**

Condensed consolidated statement of cash flows

	Notes	Unaudited **Six-Month Period HK$'000**	For the six months ended 30th June 2017 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations		**(6,841)**	14,900
Income taxes paid		**—**	(18)
Net cash (outflow)/inflow from operating activities		**(6,841)**	14,882
Cash flows from investing activities			
Payments for property, plant and equipment	4	**(259)**	(1,666)
Payments for financial assets at FVOCI (2017: AFS financial assets)		**(8,650)**	(33,242)
Proceeds from sale of financial assets at FVOCI (2017: AFS financial assets)		**5,936**	7,948
Interest received on financial assets held as investments		**1,205**	1,131
Net cash outflow from investing activities		**(1,768)**	(25,829)
Cash flows from financing activities			
Proceeds from issue of Shares	6	**—**	188
Proceeds from borrowings	5	**5,716**	—
Increase in restricted bank deposits		**—**	(901)
Net cash inflow/(outflow) from financing activities		**5,716**	(713)
Net decrease in cash and cash equivalents		**(2,893)**	(11,660)
Cash and cash equivalents at the beginning of the half-year		**75,342**	64,122
Cash and cash equivalents at end of the half-year		**72,449**	52,462
Cash and cash equivalents comprised:			
Bank overdrafts		**(39)**	(38)
Cash and banks		**72,488**	52,500
Cash and cash equivalents		**72,449**	52,462

Notes to the condensed financial statements

1 Segment and revenue information

(a) Description of segments

The executive Directors examined the performance of the Group both from a product and geographic perspective and identified three reportable segments of its business:

(i) Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services – Mainland China

The founding business of the Group mainly comprised of provision of networking equipment and technical support services.

(ii) Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services – Hong Kong and Macao

This segment was mainly for the Government of Macao and gaming and hotel operators in Macao, and various telecommunications solutions providers located in Hong Kong, with branches across the world. It began to grow since 2003 and specialised in the IT and surveillance systems in casinos. It also included the provision of computer software, hardware and system integration, network management services and customised software in Macao, carried under MDL.

(iii) CNMS

It engaged in software consultancy services in PRC.

(b) Segment information provided to the executive Directors

The table below shows the segment information provided to the executive Directors for the reportable segments for the Six-Month Period and the six months ended 30th June 2017, and also the basis on which revenue is recognised:

	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services			
Six-Month Period	**Mainland China HK$'000**	**Hong Kong and Macao HK$'000**	**CNMS HK$'000**	**Total HK$'000**
Revenue from external customers	**8,857**	**166,744**	**3,911**	**179,512**
Adjusted EBITDA	**(563)**	**(3,601)**	**(821)**	**(4,985)**
Six months ended 30th June 2017				
Revenue from external customers	**4,809**	**140,770**	**3,725**	**149,304**
Adjusted EBITDA	**(2,635)**	**(7,328)**	**(1,969)**	**(11,932)**
Total segment assets (exclude financial assets at FVOCI and amortised cost (2017: AFS financial assets))				
30th June 2018	16,455	265,344	22,350	304,149
31st December 2017	14,806	288,590	21,594	324,990

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

	Six-Month Period HK$'000	Six months ended 30th June 2017 HK$'000
Adjusted EBITDA	**(4,985)**	(11,932)
Depreciation	**(1,209)**	(633)
Finance income - net	**1,180**	1,131
Loss on disposal of financial assets at FVOCI (2017: AFS financial assets)	**(67)**	(117)
Loss before income tax	**(5,081)**	(11,551)

The executive Directors used adjusted EBITDA to assess the performance of the segments. However, they also received information about the revenue and assets of the segments on a monthly basis.

Adjusted EBITDA excluded the effects of gains or losses on financial instruments.

Interest income and finance cost were not allocated to segments, as this type of activity was driven by the executive Directors, who managed the cash position of the Group.

Segment assets were measured in the same way as in the financial statements. These assets were allocated based on the operations of the segment and the physical location of the asset.

2 Profit and loss information

(a) Significant items

Loss for the half-year includes the following items that are unusual because of their incidence:

	Six-Month Period HK$'000	Six months ended 30th June 2017 HK$'000
Gains		
Reversal of provision on trade receivables	**155**	462
Expenses		
Provision on inventories	**507**	—

(b) Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

3 Dividends

The Directors do not recommend payment of interim dividend for the Six-Month Period (six months ended 30th June 2017: nil).

4 Property, plant and equipment

During the Six-Month Period, the Group acquired property, plant and equipment at a cost of HK$259,000 (six months ended 30th June 2017: HK$1,666,000).

5. Borrowings

In June 2017, the Group renewed banking facilities to finance the acquisition of merchandise. The total available amount under these facilities is HK$30,000,000 of which HK$5,716,000 were drawn down on 15th May 2018. It is repayable in mid-August 2018.

The loan is a fixed rate, US$ denominated loan which is carried at amortised cost. It therefore did not have any impact on the exposure to foreign exchange and cash flow interest rate risk of the entity.

6 Equity securities issued

Issue of Shares during the half-year	**Six-Month Period Shares (thousands)**	Six months ended 30th June 2017 Shares (thousands)	**Six-Month Period HK$'000**	Six months ended 30th June 2017 HK$'000
Exercise of Options under the Scheme	—	616	—	188

7 Related-party transactions

(a) Key management compensation

Key management compensation amounted to HK$4,250,000 for the Six-Month Period (six months end 30th June 2017: HK$4,077,000).

(b) Transactions with other related parties

The following transactions occurred with related parties:

	Six-Month Period HK$'000	Six months ended 30th June 2017 HK$'000
Sale and purchases of goods and services		
Sale of goods to an entity controlled by key management personnel	**39**	40
Purchases of goods from an entity controlled by key management personnel	**31**	93
Entertainment expenses paid to a restaurant owned by a child of key management personnel	**11**	—
Other transaction		
Operating lease payments to an executive Director	**688**	670

(c) Outstanding balances arising from sales/purchases of goods and services

The following balance was outstanding at the end of the reporting period in relation to transactions with related parties:

	30th June 2018 HK$'000	31st December 2017 HK$'000
Current receivables (sale of goods and services)		
An entity controlled by key management personnel	**—**	17

(d) Current payables to related parties

Bonus to executive Directors	**2,809**	2,851
Proportional accrual of additional thirteenth month salary to executive Directors	**313**	—

(e) Terms and conditions

Operating lease payments were paid to an executive Director, José Manuel dos Santos, on normal commercial terms and conditions.

The receivables from related parties were denominated in MOP, unsecured in nature, bore no interest and repayable on demand. No provisions were held against receivables from related parties (2017: Nil).

The payables bore no interest.

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. 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. Goods were bought from an entity controlled by key management personnel on normal commercial terms and conditions.

8 Fair value measurement of financial instruments

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the two levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the financial assets of the Group that were measured and recognised at fair value as at 30th June 2018 and 31st December 2017 on a recurring basis:

As at 30th June 2018	**Level one HK$'000**	**Level three HK$'000**	**Total HK$'000**
Financial assets			
Financial assets at FVOCI			
Equity securities	**—**	**1,456**	**1,456**
Debt investments	**40,894**	**—**	**40,894**
Total financial assets	**40,894**	**1,456**	**42,350**

As at 31st December 2017	Level one HK$'000
Financial assets	
AFS financial assets	
Debt investments	39,911

The policy of the Group is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30th June 2018.

Level one: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and AFS securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level one.

Level three: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs required to fair value an instrument is not based on observable market data, the instrument is included in level three. This is the case for unlisted equity securities.

(b) Valuation technique used to determine fair value

Specific valuation technique used to value financial instruments was cost.

The resulting fair value is included in level three.

(c) Fair value measurements using significant unobservable inputs (level three)

The following table presents the changes in level three instruments for the Six-Morth Period:

	Unlisted equity securities HK$'000
Opening balance as at 31st December 2017	—
Transfer from AFS financial assets	1,456
Closing balance as at 30th June 2018	**1,456**

(d) Fair value of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

9 Basis of preparation of half-year report

This condensed consolidated interim financial report for the Six-Month Period was prepared in accordance with HKAS 34 *Interim Financial Reporting*. It was reviewed by the audit committee of the Company and was not audited.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly the report is to be read in conjunction with the annual report for the year ended 31st December 2017 and any public announcements made by the Company during the Six-Month Period.

The accounting policies adopted were consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standard as set out below.

New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standard:

- HKFRS 9 *Financial Instruments*

The impact of the adoption of this standard and the new accounting policies are disclosed in note 10 below. The other standards did not have any impact on the accounting policies of the Group and did not require retrospective adjustments.

10 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 on the financial statements of the Group and also discloses the new accounting policies that have been applied from 1st January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As explained in note (b) below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications are therefore not reflected in the balance sheet as at 31st December 2017.

(b) HKFRS 9 – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1st January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1st January 2018 (the date of initial application of HKFRS 9), the management of the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

(I) Reclassification from AFS to amortised cost

Certain investments were reclassified from AFS to amortised cost (HK$4,802,000 as at 1st January 2018). At the date of initial application the business model of the Group is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of HK$4,802,000 as at 1st January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings as at 1st January 2018.

The fair value as at 30th June 2018 is HK$4,740,000 and the diffence is due to exchange.

(II) Equity investments previously classified as AFS

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$1,453,000 were reclassified from AFS financial assets to financial assets at FVOCI and fair value gains of HK$346,000 were reclassified from the AFS financial assets reserve to the FVOCI reserve on 1st January 2018.

(III) AFS debt instruments classified as FVOCI

Listed bonds were reclassified from AFS to FVOCI, as the business model of the Group is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, listed bonds with a fair value of HK$44,717,000 were reclassified from AFS financial assets to financial assets at FVOCI and fair value gains of HK$143,000 were reclassified from the AFS financial assets reserve to the FVOCI reserve on 1st January 2018.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to new expected credit loss model of HKFRS 9:

- trade receivables for sales of inventory and from the provision of consulting services, and
- debt investments carried at FVOCI.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(I) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

(II) Debt investments

All of the other debt investments at FVOCI of the entity are considered to have low credit risk. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(c) HKFRS 9 – Accounting policies applied from 1st January 2018 - Investments and other financial assets

(i) Classification

From 1st January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVOCI, and
- those to be measured at amortised cost.

The classification depends on the business model of the entity for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(iii) Debt instruments

Subsequent measurement of debt instruments depends on the business model of the Group for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the cash flows of the assets represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

(iv) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the management of the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the right of the Group to receive payments is established.

(v) Impairment

From 1st January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

11 Seasonality of operations

The business is not subject to seasonal fluctuations.

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 the individual customers and the Group. As at 30th June 2018 and 31st December 2017, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Within three months	**134,120**	159,920
>Three months but ≤ six months	**5,405**	11,743
>Six months but ≤ twelve months	**5,647**	5,143
Over twelve months	**18,215**	22,418
Gross trade receivables	**163,387**	199,224

13 Trade and bills payables

As at 30th June 2018 and 31st December 2017, the ageing analysis of the trade and bills payables based on invoice date was as follows:

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Within three months	**33,513**	72,278
> Three months but ≤ six months	**5,299**	199
> Six months but ≤ twelve months	**3,353**	4,371
Over twelve months	**5,288**	5,397
	47,453	82,245

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

In Macao, with gaming remains as a core economic pillar, business generated from different gaming operators continues to be one of the main revenue drivers for the Group. As per the official statistics from the Government of Macao, total gross revenue generated from different gaming activities for the Six-Month Period chalked up to HK$145,842,000,000, representing a year-on-year growth of 18.86%. Despite global tensions caused by the trade wars and currency volatility, the month of June 2018 marked the twenty-third month of consecutive gaming revenue growth. With visible signs of recovery in the gaming sector, the Group also witnessed different gaming operators making gradual capital expenditures and secured over HK$55,000,000 worth of contracts during the Three-Month Period, representing approximately 3.7 times of work contracts awarded by different gaming operators to the Group during the same quarter of 2017.

Although the Group continued to experience a customarily slower start for 2018, during the Three-Month Period, VHL reported some very encouraging results which boosted the overall operating performance of the Group for the Six-Month Period. As compared to adding only approximately HK$90,000,000 to the order book of the Group during the first six months of 2017, riding on the business momentum of the fourth quarter of 2017, VHL and its subsidiaries in Hong Kong and Mainland China signed over HK$175,000,000 of contracts in Macao, Hong Kong and Mainland China during the Six-Month Period. This result was in particular promising as the growth was not attributable to the presence of any major projects, such as to supply and build a surveillance system or a data network infrastructure solution for a gaming operator, rather the main drivers were the result of capitalising the aggressive road map of a leading provider of Internet value-added services in Mainland China as it develops network infrastructure in countries to support the "One Belt One Road Initiative" and riding on the expansion plans of different telecommunications service providers in Hong Kong and Mainland China and data centre providers in Mainland China as they broadened their reaches in their domestic markets and as they extended their footprints to different key markets in the Asia Pacific Region.

In addition to VHL reporting stronger results, MDL also registered positive result for the Six-Month Period. Similar to past years, the Government of Macao, public utilities, hospitals and educational institutions have remained as some of the key clients of MDL. During the Six-Month Period, MDL continued to deliver solutions in the areas of servers, storage, networks, customised software and maintenance support services for public utilities, banks, educational institutions and different departments of the Government of Macao, such as the Civic and Municipal Affairs Bureau, the Housing Bureau, Macao Customs, Public Security Police Force, to name a few, with revenue registered during the Six-Month Period exceeding the same period of 2017 by over 20%.

In Mainland China, the operating performance of TSTSH and TSTJX remained stagnant. Although revenue generated by the "Tidestone" brand also experienced over 20% growth during the Six-Month Period, the operating subsidiaries continued to report an operating loss. More effort of the Group will be focused on TSTSH and TSTJX to improve their business performance.

Other Investments

TTSA

The operating performance of TTSA seemed to have stabilised, yet the Group will continue to observe its results. During the Six-Month Period, although TTSA reported revenue of HK$109,888,000 and EBITDA of HK$41,061,000, which represented a respective decline of 4.85% and 14.73% as compared to the corresponding six months of 2017, net loss narrowed by 8.41% to HK$45,841,000.

During the Three-Month Period, there is no update regarding the disposal of the shareholding of Oi in TTSA. With political unrest in Timor-Leste settled as the new parliamentary election in May 2018 resulted in a majority government, the Group will continue to keep close watch of any latest developments subsequent to the new election.

Financial Review

With a stronger Three-Month Period, the Group registered revenue of HK$95,664,000 for the period, representing an increase of HK$22,069,000 or a 29.99% over the corresponding three months of 2017. Total revenue for the Six-Month Period reached HK$179,512,000, or an increase of 20.23% over the same corresponding period of last year of HK$149,304,000. During the Three-Month Period, with higher revenue and a more balanced product mix comprising of sale of equipment and provision of installation and maintenance support services, gross profit improved from HK$19,302,000 to HK$24,146,000, Higher selling, marketing costs and administrative expenses was also observed as a result of higher import duties and transportation costs paid by the Group, especially related to various contracts that required delivery of equipment to different countries in the Asia Pacific Region, Bottom-line for the Three-Month Period almost broke even, resulting in net loss of the Group for the Six-Month Period narrowed from HK$11,551,000 to HK$5,187,000.

The Group continued to enjoy a healthy capital structure with minimum leverage on external borrowing. Level of inventories remained stable at approximately HK$24,000,000 as at 30th June 2018, while level of trade receivables and level of trade and bills payable experienced a similar drop as the Group applied trade receivables recovered of approximately HK$35,000,000 to settle against its trade payables.

Total net cash balances and yield-enhanced financial instruments stood at approximately HK$113,382,000 as at 30th June 2018, or approximately 30% of total assets. As at 30th June 2018, financial assets at FVOCI (non-current and current) of HK$42,350,000 comprised primarily of investments in yield-enhanced financial instruments. Among the bond holdings were HK$4,009,000 from Nippon Life Insurance Company (a mutual company in Japan), HK$3,962,000 from a subsidiary of Guangzhou R&F Properties Co., Ltd. (a company incorporated in PRC with limited liability and whose ordinary shares of RMB0.25 each are listed on the Main Board) and HK$3,905,000 from Agile Property Holdings Limited (a company incorporated in the Cayman Islands with limited liability and whose ordinary shares of HK$0.0001 each are listed on the Main Board). Despite comfortable cash position of the Group, to support business expansion and to reserve cash as working capital, 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 2018, the Group had 222 employees, of which 85, 11 and 126 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK$33,778,000.

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

The Company adopted the Scheme whereby certain employees of the Group were 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

The Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

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 RMB. The Group incurred net foreign exchange losses of HK$130,000 during 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 2018:

	HK$'000
José Manuel dos Santos	5,051
Kuan Kin Man	1,393
Monica Maria Nunes	1,696

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 2018, the relevant interests and short positions of the Directors or Chief Executives in the Shares, underlying Shares and debentures of the Company or its Associated Corporations which will be required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he took or deemed to have taken under such provisions of SFO) or required pursuant to Section 352 of SFO, to be entered in the register referred to therein or required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Aggregate long positions in the Shares

Name of Director	**Nature of interest**	**Number of Shares held**	**Number of underlying Shares (in respect of Options held)**	**Approximate % of the issued share capital of the Company**
José Manuel dos Santos	Corporate (Note 1)	357,945,500	–	58.26
Kuan Kin Man	Personal (Note 2)	22,112,500	960,000	3.76
Monica Maria Nunes	Personal (Note 3)	2,452,500	960,000	0.56
Fung Kee Yue Roger	Personal (Note 4)	210,000	400,000	0.10
Wong Tsu An Patrick	Personal (Note 5)	–	400,000	0.07
Tou Kam Fai	Personal (Note 6)	–	400,000	0.07

Notes:

1 As at 30th June 2018, 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 José Manuel dos Santos.

2 The personal interest of Kuan Kin Man comprised 22,112,500 Shares and 960,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Kuan Kin Man as beneficial owner.

3 The personal interest of Monica Maria Nunes comprised 2,452,500 Shares and 960,000 underlying Shares in respect of Options granted to her by the Company. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.

4 The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 400,000 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.

5 The personal interest of Wong Tsu An Patrick comprised 400,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Tsu An Patrick as beneficial owner.

6 The personal interest of Tou Kam Fai comprised 400,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Tou Kam Fai as beneficial owner.

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 2018, 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 Executives:

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 (Note 1)	301,538,000	49.08
OHHL	Corporate (Note 1)	301,538,000	49.08
Lei Hon Kin	Family (Note 2)	357,945,500	58.26

Notes:

1 As at 30th June 2018, 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 José Manuel dos Santos.

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 Shares outstanding on which Options were granted as at 30th June 2018 under the Scheme are as follows:

	Number of Options						
	held as at 1st January 2018	cancelled during the Six-Month Period	held as at 30th June 2018	Exercise price HK$	Grant date	Exercisable from	Exercisable until
Directors							
Kuan Kin Man	960,000	–	960,000	0.305	27th September 2016	28th September 2016	27th September 2019
Monica Maria Nunes	960,000	–	960,000	0.305	27th September 2016	28th September 2016	27th September 2019
Fung Kee Yue Roger	400,000	–	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Wong Tsu An Patrick	400,000	–	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Tou Kam Fai	400,000	–	400,000	0.305	27th September 2016	28th September 2016	27th September 2019
Director's associate				0.305	27th September 2016	28th September 2016	27th September 2019
Kuan Ieng Cheok	30,000	–	30,000	0.305	27th September 2016	28th September 2016	27th September 2019
Continuous contract employees	24,674,000	(524,000)	24,150,000	0.305	27th September 2016	28th September 2016	27th September 2019
Others	508,000	–	508,000	0.305	27th September 2016	28th September 2016	27th September 2019
	28,332,000	(524,000)	27,808,000				

COMPETING BUSINESS

As at 30th June 2018, 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 attand 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 consider 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

"AFS"	available-for-sale
"AGM"	annual general meeting
"Associated Corporation"	a corporation: 1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or 2 (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued shares of that class
"Board"	the board of Directors (not applicable to Main Board)
"Brazil"	The Federative Republic of Brazil
"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
"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 (not applicable to New York Stock Exchange)
"FVOCI"	fair value through OCI
"GEM"	GEM 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$"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HK cent"	Hong Kong Cent, where 100 HK cents equal HK$1
"HKFRS"	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
"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)

"Macao"	the Macao Special Administrative Region of PRC
"Mainland China"	PRC, other than the regions of Hong Kong, Macao and Taiwan
"MDL"	Mega Datatech Limited, incorporated in Macao with limited liability and an indirect wholly-owned subsidiary of the Company
"Member"	the holder of the Shares
"OCI"	other comprehensive income
"OHHL"	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability
"Oi"	Oi S.A. - In Judicial Reorganisation, a company incorporated in Brazil with limited liability and whose shares are listed on the New York Stock Exchange in USA and BM&FBOVESPA in Brazil
"Option"	an option to subscribe for Shares pursuant to the Scheme
"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
"MOP"	Pataca, the lawful currency of Macao
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of Mainland China
"Scheme"	the share option scheme approved by the Members at the AGM on 22nd June 2012
"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
"Six-Month Period"	six months ended 30th June 2018
"Substantial Shareholder"	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 2018
"Timor-Leste"	The Democratic Republic of Timor-Leste
"TSTJX"	秦思通軟件（江西）有限公司, incorporated in PRC with limited liability and an indirect subsidiary of the Company

"TSTSH"	秦思通軟件（上海）有限公司, incorporated in PRC with limited liability and an indirect 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 USA
"USA"	The United States of America
"VHL"	Vodatel Holdings Limited, incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company

By order of the Board
José Manuel dos Santos
Chairman

Macao, 10th August 2018

Executive Directors	**Independent non-executive Directors**
José Manuel dos Santos	Fung Kee Yue Roger
Kuan Kin Man	Wong Tsu Au Patrick
Monica Maria Nunes	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 the information contained in this announcement 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.

* *for identification purpose only*