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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

- With a strong order book brought forward from 2022, the Group reported revenue of HK\$132,909,000 for the Three-month Period, bringing total revenue booked for the Six-month Period to reach HK\$218,308,000, or an increase of 30.65% over the same comparable period of 2022
- Almost achieved breakeven for the Three-month Period, with net loss for the Six-month Period at HK\$10,678,000
- During the Six-month Period, the Macao team secured HK\$56,000,000 worth of contracts from different gaming operators, which exceeded total contracts secured during full year of 2022 of HK\$44,700,000 by over 25%
- In Hong Kong, weakness experienced with SD-WAN business and managed service business, yet total contracts for data network infrastructure reached HK\$17,900,000 for the Six-month Period, or 107% of total contracts received in 2022
- Mainland China team ended the second quarter with an order book of just HK\$52,500,000 as compared to approximately HK\$100,000,000 for the same corresponding period of 2022 due to increasing competition from different local and international SD-WAN vendors and its two core customers slowing down their investments in construction of new, and expansion of existing data centres, in particular in overseas markets
- No further update in relation to the conditional sale and purchase of the shareholding in TTSA of Oi to the Government of Timor-Leste
- Equity base at HK\$194,165,000 as at 30th June 2023, with net cash balances and yield-enhanced financial instruments of HK\$84,050,000
- The Directors do not recommend payment of interim dividend for the Three-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 statement of profit or loss

	Notes	Unaudited			
		Three-month Period HK\$'000	Three months ended 30th June 2022 HK\$'000	Six-month Period HK\$'000	Six months ended 30th June 2022 HK\$'000
REVENUE	1	132,909	78,635	218,308	167,088
Cost of sales		(110,642)	(59,594)	(179,990)	(132,722)
Gross profit		22,267	19,041	38,318	34,366
Other (loss)/income and gains		(551)	278	(3,365)	361
Selling, marketing costs and administrative expenses		(22,730)	(23,952)	(48,282)	(46,379)
Gain on sale of a subsidiary	6	-	5,667	-	5,667
Operating (loss)/profit	2(a)	(1,014)	1,034	(13,329)	(5,985)
Finance income		980	794	1,862	1,613
Finance costs		(25)	(13)	(56)	(43)
Finance income, net		955	781	1,806	1,570
(LOSS)/PROFIT BEFORE TAX		(59)	1,815	(11,523)	(4,415)
Income tax credit	2(b)	-	8	845	11
(LOSS)/PROFIT FOR THE QUARTER/ HALF-YEAR		(59)	1,823	(10,678)	(4,404)
Attributable to:					
Owners of the parent		183	2,297	(10,426)	(3,156)
Non-controlling interests		(242)	(474)	(252)	(1,248)
		(59)	1,823	(10,678)	(4,404)
EARNINGS/(LOSS) PER SHARE FOR EARNINGS/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT:					
Basic and diluted earnings/(loss) per Share	11	0.03 HK cent	0.37 HK cent	(1.69 HK cents)	(0.51 HK cent)

Condensed consolidated statement of comprehensive income

	Unaudited	
	Six-month Period HK\$'000	Six months ended 30th June 2022 HK\$'000
LOSS FOR THE HALF-YEAR	(10,678)	(4,404)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Changes in the fair value	2,274	(6,825)
Release to profit or loss on disposal of a subsidiary	–	(1,057)
Exchange differences on translation of foreign operations	434	375
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE HALF-YEAR, NET OF TAX	2,708	(7,507)
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR	(7,970)	(11,911)
Attributable to:		
Owners of the parent	(7,718)	(10,663)
Non-controlling interests	(252)	(1,248)
	(7,970)	(11,911)

Condensed consolidated balance sheet

		Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,699	2,106
Right-of-use assets		1,715	2,493
Investments in associates		–	–
Equity investment designated at fair value through other comprehensive income	8(a)	37,477	37,477
Debt investments at fair value through other comprehensive income	8(a)	35,689	37,391
Total non-current assets		<u>76,580</u>	<u>79,467</u>
CURRENT ASSETS			
Inventory		12,450	13,628
Trade receivables	8(b)	130,127	183,554
Contract assets		32,198	35,459
Prepayment		71,456	63,998
Other receivables and deposits		6,709	8,105
Debt investments at fair value through other comprehensive income	8(a)	92	843
Pledged deposit		3,470	3,470
Cash and cash equivalents		48,269	23,825
Total current assets		<u>304,771</u>	<u>332,882</u>
CURRENT LIABILITIES			
Trade payable	8(c)	67,464	93,250
Other accounts payable and accruals		25,502	17,433
Dividend payable		6,161	–
Interest-bearing bank borrowings	5	–	30,792
Lease liabilities		1,469	1,517
Contract liabilities		59,989	41,106
Tax payable		5,835	6,784
Warranty provision		20,484	12,174
Total current liabilities		<u>186,904</u>	<u>203,056</u>
Net current assets		<u>117,867</u>	<u>129,826</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>194,447</u>	<u>209,293</u>

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	<u>282</u>	<u>997</u>
Net assets	<u>194,165</u>	<u>208,296</u>
EQUITY		
Share capital and share premium	<u>61,771</u>	61,771
Other reserves	<u>138,462</u>	<u>152,341</u>
Non-controlling interests	<u>200,233</u> <u>(6,068)</u>	214,112 <u>(5,816)</u>
Total equity	<u>194,165</u>	<u>208,296</u>

Condensed consolidated statement of changes in equity

	Unaudited					
	Attributable to owners of the parent				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
As at 1st January 2022	61,771	143,676	(17,976)	187,471	(2,999)	184,472
Total comprehensive loss for the half-year	–	(7,507)	(3,156)	(10,663)	(1,248)	(11,911)
Disposal of a subsidiary	–	(197)	197	–	(769)	(769)
2021 final dividend provided for	–	(6,161)	–	(6,161)	–	(6,161)
As at 30th June 2022	<u>61,771</u>	<u>129,811</u>	<u>(20,935)</u>	<u>170,647</u>	<u>(5,016)</u>	<u>165,631</u>
As at 1st January 2023	<u>61,771</u>	<u>164,660</u>	<u>(12,319)</u>	<u>214,112</u>	<u>(5,816)</u>	<u>208,296</u>
Total comprehensive loss for the Six-month Period	–	2,708	(10,426)	(7,718)	(252)	(7,970)
2022 final dividend provided for	–	(6,161)	–	(6,161)	–	(6,161)
As at 30th June 2023	<u>61,771</u>	<u>161,207</u>	<u>(22,745)</u>	<u>200,233</u>	<u>(6,068)</u>	<u>194,165</u>

Condensed consolidated statement of cash flows

		Unaudited	
		For the six months ended	
		Six-month Period	30th June 2022
Note		HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash generated from operations	53,585	20,389
	Income taxes refund	–	20
	Net cash flows from operating activities	<u>53,585</u>	<u>20,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
	Interest received on financial assets	1,862	1,613
4	Purchases of items of property, plant and equipment	(126)	(889)
	Cash outflows in respect of disposal of a subsidiary	–	(115)
	Purchases of debt instruments designated at fair value through other comprehensive income	(4,838)	(4,818)
	Proceeds from disposal of debt instruments designated at fair value through other comprehensive income	5,507	6,286
	Net cash flows from investing activities	<u>2,405</u>	<u>2,077</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
	Repayment of bank loans	(30,792)	(3,514)
	Principal portion of lease payments	(754)	(658)
	Net cash flows used in financing activities	<u>(31,546)</u>	<u>(4,172)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		24,444	18,314
	Cash and cash equivalents at the beginning of the half-year	<u>23,825</u>	<u>26,965</u>
CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR*		<u>48,269</u>	<u>45,279</u>

* Cash and cash equivalents were net of bank overdrafts (Nil as at 30th June 2023 and HK\$37,000 as at 30th June 2022).

Notes to the condensed financial statements

1 Operating segment information

For management purposes, the Group was organised into business units based on their products and services and a geographic perspective and had two reportable operating segments as follows:

- (a) design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services – Mainland China; and
- (b) 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.

Management monitored the results of the operating segments of the Group separately for the purpose of making decisions about resource allocation and performance assessment. The executive Directors primarily used a measure of adjusted EBITDA to assess the performance of the operating segments. However, they also received information about the revenue and assets of the segments on a monthly basis.

Six-month Period	Design, sale and implementation of network and systems infrastructure; customer data automation, customisation and integration; and provision of technical support services		
	Mainland China HK\$'000	Hong Kong and Macao HK\$'000	Total HK\$'000
Revenue from external customers	89,662	128,646	218,308
Adjusted loss before interest, tax, depreciation and amortisation	(6,431)	(1,548)	(7,979)
Six months ended 30th June 2022			
Revenue from external customers	60,037	107,051	167,088
Adjusted EBITDA/(loss before interest, tax, depreciation and amortisation)	3,841	(7,782)	(3,941)
Total segment assets (exclude debt and equity investments at fair value through other comprehensive income)			
30th June 2023	18,090	290,003	308,093
31st December 2022	24,803	311,835	336,638

Reconciliation:

	Six-month Period HK\$'000	Six months ended 30th June 2022 HK\$'000
Adjusted loss before interest, tax, depreciation and amortisation	(7,979)	(3,941)
Depreciation – property, plant and equipment	(513)	(395)
Depreciation – right-of-use assets	(770)	(639)
Finance income – net	1,805	1,570
(Loss)/gain on disposal of financial assets at fair value through other comprehensive income	(4,066)	7
Impairment of debt investments at fair value through other comprehensive income	<u>–</u>	<u>(1,017)</u>
Loss before tax	<u>(11,523)</u>	<u>(4,415)</u>

2 Profit and loss information

(a) Significant items

Loss for the half-year includes the following item that was unusual because of its nature, size and incidence:

	Six-month Period HK\$'000	Six months ended 30th June 2022 HK\$'000
Expenses		
Impairment of debt investments at fair value through other comprehensive income	–	1,017

(b) Income tax

Income tax expense was 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 2022: nil).

4 Property, plant and equipment

During the Six-month Period, the Group acquired property, plant and equipment at a cost of HK\$126,000 (six months ended 30th June 2022: HK\$889,000).

5 Borrowing

The unsecured bank loans of HK\$30,792,000 as at 31st December 2022 were repaid during the Six-month Period. It bore interest rate of 4.6-7% annually.

6 Details of the sale of the subsidiary

In May 2022, the Group disposed of 60% of the equity interest of GTVL at the consideration of RMB300,000 (approximately HK\$351,000). Prior to the disposal, GTVL was an indirect partly-owned subsidiary of the Company as to 81.6%. Upon disposal, GTVL ceased to be a subsidiary of the Company and the financial results of GTVL was no longer consolidated with the results of the Group thereafter. GTVL is then held as to 21.6% by the Group.

7 Related-party transactions

- (a) The Group had the following transactions with related parties during the Six-month Period:

	Six-month Period HK\$'000	Six months ended 30th June 2022 HK\$'000
<i>Sale and purchases of goods and services</i>		
Sale of goods to a company of which a Director was a controlling shareholder	533	730
Purchases of goods from a company of which a Director was a controlling shareholder	9	7

The sales and purchases were made from and to a company of which a Director was a controlling shareholder. The Directors considered that the sales and purchases were made according to the published prices and conditions similar to those offered to the major customers of the Group and offered by the related company to its major customers, respectively.

- (b) Other transaction with a related party:

During the Six-month Period, a Director was entitled to receive HK\$593,000 (six months ended 30th June 2022: HK\$689,000) from the Group for leasing certain offices to the Group.

- (c) Compensation of key management personnel of the Group:

Key management compensation amounted to HK\$4,752,000 for the Six-month Period (six months ended 30th June 2022: HK\$4,741,000).

- (d) Current accounts payable to related parties

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Lease liabilities to a Director	1,340	2,376
Proportional accrual of additional thirteenth-month salary to executive Directors	347	–
Dividend payable to ERL	3,579	–
Dividend payable to Directors	265	–

8 Fair value and fair value hierarchy of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair value of the financial instruments since the last annual financial report.

Management assessed that the fair values of cash and cash equivalents, the pledged deposit, trade receivables, contract assets, trade payable, other receivables, deposits and financial liabilities included in other accounts payable approximated to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities were included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income were estimated using a market-based valuation technique based on assumptions that were not supported by observable market prices or rates. The valuation required the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as EV to EBITDA multiple, for each comparable company identified. The multiple was calculated by dividing the EV of the comparable company by an earnings measure. The trading multiple was then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple was applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believed that the estimated fair values resulting from the valuation technique, which were recorded in the consolidated balance sheet, and the related changes in fair values, which were recorded in other comprehensive income, were reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation technique	Significant unobservable inputs	Weighted average	Sensitivity of fair value to the input
Unlisted equity investment	Market approach	Discount for lack of marketability	24.86%	An increase/decrease in discount would result in decrease/increase in fair value
		Median EV/EBITDA multiple of peers	5.4	An increase/decrease in multiple would result in increase/decrease in fair value

The discount for lack of marketability represented the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

(a) **Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the financial instruments of the Group:

Assets measured at fair value:

As at 30th June 2023

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level one) HK\$'000	Significant observable inputs (Level two) HK\$'000	Significant unobservable inputs (Level three) HK\$'000	
Equity investment designated at fair value through other comprehensive income	–	–	37,477	37,477
Debt investments at fair value through other comprehensive income	<u>35,781</u>	–	–	<u>35,781</u>
	<u>35,781</u>	–	<u>37,477</u>	<u>73,258</u>

As at 31st December 2022

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level one) HK\$'000	Significant observable inputs (Level two) HK\$'000	Significant unobservable inputs (Level three) HK\$'000	
Equity investment designated at fair value through other comprehensive income	–	–	37,477	37,477
Debt investments at fair value through other comprehensive income	<u>38,234</u>	–	–	<u>38,234</u>
	<u>38,234</u>	–	<u>37,477</u>	<u>75,711</u>

The Group did not have any financial liabilities measured at fair value as at 30th June 2023 and 31st December 2022.

During the Six-month Period, there were no transfers of fair value measurements between level one and level two and no transfers into or out of level three for both financial assets and financial liabilities (six months ended 30th June 2022: Nil).

(b) Trade receivable

The trading terms of the Group with its customers were mainly on receipts in advance, letter of credit or 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. Each customer had a maximum credit limit. The Group sought to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances were reviewed regularly by senior management. In view of the aforementioned and the fact that the trade receivables of the Group related to a large number of diversified customers, there was no significant concentration of credit risk. The Group did not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables were non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, was as follows:

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Within three months	112,285	165,157
Four to six months	10,238	11,102
Seven to twelve months	2,105	1,139
Over twelve months	5,499	6,156
	<u>130,127</u>	<u>183,554</u>

(c) Trade payable

As at 30th June 2023 and 31st December 2022, the ageing analysis of the trade payable based on invoice date was as follows:

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Within three months	61,155	87,652
Four to six months	272	1
Seven to twelve months	910	311
Over twelve months	5,127	5,286
	<u>67,464</u>	<u>93,250</u>

9 Basis of preparation of half-year report

This condensed consolidated interim financial report for the Six-month Period was prepared in accordance with Hong Kong Accounting Standard 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, this report is to be read in conjunction with the annual report for the year ended 31st December 2022 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 and amended standards. A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

10 Seasonality of operations

The business is not subject to seasonal fluctuations.

11 Loss per Share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per Share amounts was based on the loss for the Six-month Period attributable to ordinary equity holders of the parent, and the weighted average number of Shares of 616,115,000 (six months ended 30th June 2022: 616,115,000) in issue during the Six-month Period.

The calculation of the diluted earnings per Share amounts for the six months ended 30th June 2022 was based on the loss for the period attributable to ordinary equity holders of the parent. The weighted average number of Shares used in the calculation was the number of Shares in issue during the six months ended 30th June 2022, as used in the basic earnings per Share calculation, and the weighted average number of Shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential Shares into Shares.

The calculations of basic and diluted loss per Share were based on:

	Six-month Period HK\$'000	Six months ended 30th June 2022 HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per Share calculation:	<u>(10,426)</u>	<u>(3,156)</u>
	Number of Shares	
		Six months ended 30th June 2022
Shares		
Weighted average number of Shares in issue during the Six-month Period used in the basic loss per Share calculation (thousands)	616,115	616,115
Effect of dilution – weighted average number of Shares: Options (thousands)	<u>–</u>	<u>4,344</u>
	<u>616,115</u>	<u>620,459</u>

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

Macao, Hong Kong and Mainland China remain the three core operating markets of the Group. With performance of different market sectors reacts differently in the post-pandemic era, the Group only secured HK\$204,000,000 worth of contracts during the Six-month Period, trailing behind the same comparable period of 2022 by approximately 27%.

Since Macao reopened in January 2023, Macao experienced a bullish growth in visitation numbers as total number of arriving tourists reached 11,600,000 for the Six-month Period as compared to just 3,400,000 for the first six months of 2022. Brought by strong and solid return of mass markets, accumulated gross revenue from games of fortune reported by DICJ for the Six-month Period reached HK\$77,688,000,000 as compared to HK\$25,467,000,000 for the first six months of 2022. With the gaming market enjoying a robust atmosphere, the Group saw new business opportunities from different gaming operators, in particular in relation to the area of surveillance where existing surveillance systems have to be upgraded/replaced to meet new guidelines from DICJ. As a result, during the Six-month Period, the Group secured HK\$56,000,000 worth of contracts from different gaming operators for the provision of surveillance and different IT solutions, which already exceeded total contracts secured during full year of 2022 of HK\$44,700,000 by over 25%.

During the pandemic, the Government of Macao acknowledged the impact to the gaming industry and the local economy as a whole, hence significantly accelerated its public spending to uphold the activities of the economy. With the pandemic behind the scene, the Group saw the Government of Macao reverting back to its pre-pandemic spending pattern. During the Six-month Period, Vodatel Holdings Limited (incorporated in BVI with limited liability) and Mega Datatech Limited (incorporated in Macao with limited liability), both indirect wholly-owned subsidiaries of the Company, acquired HK\$76,300,000 worth of new contracts from the Government of Macao and other non-gaming vertical markets, as compared to HK\$89,500,000 worth of contracts secured during the same corresponding period of last year. New contracts include works in the areas of networks infrastructure, servers and storage, firewall and maintenance services with customers being Transport Bureau, Legal Affairs Bureau, Macao Post, Health Bureau, Judiciary Police, Municipal Affairs Bureau, Housing Bureau, Health Bureau, to name a few.

In Hong Kong, as the local IT market reshapes itself to adapt to the post-pandemic era and to adjust to international technology conglomerates as they revisit their strategies and risk profiles, the Hong Kong team secured only HK\$29,000,000 worth of new contracts during the Six-month Period, which represented a decline of 15.5% as compared to the same corresponding period of 2022. Weakness is primarily experienced with SD-WAN business and managed service business carried out by Meta-V Tech Services Limited (incorporated in Hong Kong with liability and an indirect subsidiary to the Company) due to increasing competition from different local and international SD-WAN vendors and long selling cycle of managed services respectively. Despite so, the Hong Kong team secured a series of data networks infrastructure contracts, totalled HK\$12,300,000, from a regional ICT solutions provider for the expansion and partial replacement of its data network infrastructure in Mainland China, which brought total contracts of data networks infrastructure reaching HK\$17,900,000 for the Six-month Period, or 107% of total data networks infrastructure contracts received in 2022.

While the pandemic accelerated business momentum of SD-WAN and data networks infrastructure in Mainland China, as business reverts back to normal, the Mainland China team ended the second quarter with an order book of just HK\$52,500,000 from different leading telecommunications service providers, network communication services providers and Internet service providers for the Six-month Period, as compared to approximately HK\$100,000,000 of contracts generated during the same corresponding period of last year. Attributable to a weaker order book included increasing competition from different local and international SD-WAN vendors and the two core customers of the Group – one being a leading provider of Internet value-added services and the other being a leading Internet technology company that operates creative content platforms – slowing down their investments in construction of new and expansion of existing data centres, in particular in overseas markets as they assess the demand of their end users for social media and online entertainment after living through the pandemic.

Other Investments

Tidestone Group – During the Three-month Period, Tidestone Group only managed to add one contract, valued HK\$1,000,000, for a network communications provider in the province of Guangdong. This project involves the development of an automatic configuration system for an electric power communications network.

TTSA – TTSA continued to report positive results. TTSA generated revenue of HK\$47,090,000 for the Three-month Period, which remained at the same level as the comparable period of 2022. EBITDA and net profit for the second quarter improved to HK\$12,988,000 and HK\$2,098,000 respectively, as compared to HK\$11,881,000 and HK\$632,000 for the same second quarter of 2022.

Subsequent to the news on 3rd May 2023 where the Government of Timor-Leste entered into a conditional sale and purchase with Oi for the purchase of the 57.06% of Oi in TTSA for cash payment of HK\$42,627,000 and assumption of over HK\$122,789,000 worth of debts, as at the date of this announcement, there is no further update. The Group will continue to keep close watch of any latest developments.

As at 30th June 2023, the fair value of the investment in TTSA was HK\$37,477,000, which represented 9.83% of the total assets of the Company.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held	Investment cost HK\$'000
Timor Telecom, S.A.	Timor-Leste	Provision of telecommunications services	78,565 ordinary shares of US\$10 each	17.86%	10,501

The investment cost was impaired in the year ended 31st December 2017.

Financial Review

The Group entered 2023 with a strong order book brought forward from 2022, which included over HK\$70,000,000 of backlogs of switches and high-end routers to be deployed for use at the data centres of a tier-one Internet technology leader that operates creative content platforms in Europe and North America. With partial delivery made in May, the Group reported revenue of HK\$132,909,000 for the Three-month Period, bringing total revenue booked for the Six-month Period to reach HK\$218,308,000, or an increase of 30.65% over the same comparable period of 2022. Gross profit margin for the Three-month Period and Six-month Period dropped to 16.75% and 17.55% respectively due to increasing competition. With heated competition experienced across all business sectors and all operating markets, it is expected to continue to put pressure on the gross profit margin of the Group.

Despite furlough leave continued to be extended to Directors and selected senior management and employees during the Six-month Period, selling, marketing and administrative expenses still increased by approximately HK\$2,000,000 to HK\$48,282,000. Factors that explained the increase included decrease of net foreign exchange gains due to depreciation of RMB, engagement of short-term contractors to assist with the implementation of different projects in Hong Kong and increased travelling expenses as employees resumed both local and overseas travelling to attend events and conferences hosted by different vendors and to arrange visits to customers to introduce and demonstrate new products and solutions.

Almost breaking even, the Group registered a mere net loss of HK\$59,000 for the Three-month Period, with net loss of the Group for the Six-month Period at HK\$10,678,000. Although net loss for the Six-month Period more than double as compared to the same corresponding period of 2022, worth noting is that net loss for the Six-month Period included a full write-down to its HK\$2,353,000 holdings of Additional Tier 1 bonds issued by Credit Suisse Group AG (a company incorporated in the Swiss Confederation with limited liability) while net loss for the first six months of 2022 included a gain on sale of a subsidiary of HK\$5,667,000. In the absence of the write-down and the gain on sale, the Group would have reported net loss of HK\$8,325,000 for the Six-month Period as compared to net loss of HK\$10,071,000 for the first six months of 2022.

The Group continued to enjoy a healthy capital structure with no external borrowing. Level of inventory remained at low level of HK\$12,450,000 as at 30th June 2023. The Group continues to focus on timely recovery of its receivables with aggregate of contract assets and trade receivables reduced from HK\$219,013,000 as at 31st December 2022 to HK\$162,325,000 as at 30th June 2023. Aggregate of trade payable and contract liabilities also decreased from HK\$134,356,000 as at 31st December 2022 to HK\$127,453,000 30th June 2023.

Total equity stood at HK\$194,165,000 as at 30th June 2023 with total net cash balances and yield-enhanced financial instruments of HK\$84,050,000, or approximately 23% of total assets. To provide sufficient working capital, the Board does not propose an interim dividend to be paid out for the Six-month Period.

As at 30th June 2023, debt investments at fair value through other comprehensive income (current and non-current) of HK\$35,781,000 comprised of investments in yield-enhanced financial instruments. Among the bond holdings were HK\$2,821,000 from a subsidiary of Hysan Development Company Limited (a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board), HK\$2,603,000 from Chong Hing Bank Limited (a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board), HK\$2,258,000 from HSBC Holdings PLC (a company incorporated in England, UK with limited liability and whose ordinary shares of US\$0.50 each are listed on the Main Board and the London Stock Exchange in UK) and HK\$2,222,000 from LS Finance (2017) Limited (a company incorporated in BVI with limited liability).

OTHER DISCUSSIONS

Employees' Information

As at 30th June 2023, the Group had 150 employees, of which 25, 15 and 110 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$31,139,000.

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

A new share option scheme was approved by the Members at the AGM on 17th June 2022, whereby certain Directors and employees of the Group were granted Options under the Terminated Scheme.

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 2023, the Group had significant investments in TTSA and yield-enhanced financial instruments. Save as disclosed, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

As at 30th June 2023, bank deposit of HK\$3,470,000 was pledged for issuing a performance bond against a project in Hong Kong. Saved as disclosed, the Group did not have any charges on assets of the Group.

Details of Material Acquisitions and Disposals

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

Details of Future Plans for Material Investment or Capital Assets

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

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in HK\$, the pataca (the lawful currency of Macao), US\$ and RMB. The Group incurred net foreign exchange gains of HK\$106,000 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 2023:

	HK\$'000
José Manuel dos Santos	5,644
Kuan Kin Man	1,524
Monica Maria Nunes	1,857

Addition of a Director's professional qualification

During the Six-month Period, Wong Kwok Kuen was admitted as a fellow of the Institute of Financial Accountants and the Institute of Public Accountants.

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

As at 30th June 2023, 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	Approximate % of the issued share capital of the Company
José Manuel dos Santos	Corporate (Note 1)	357,945,500	58.10
Kuan Kin Man	Personal (Note 2)	22,952,500	3.73
Monica Maria Nunes	Personal (Note 3)	3,292,500	0.53
Fung Kee Yue Roger	Personal (Note 4)	210,000	0.03

Notes:

- 1 As at 30th June 2023, 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 22,952,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- 3 The personal interest of Monica Maria Nunes comprised 3,292,500 Shares. 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. The aforesaid interest was held by Fung Kee Yue Roger 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 2023, 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)	357,945,500	58.10
OHHL	Corporate (Note 1)	357,945,500	58.10
Lei Hon Kin	Family (Note 2)	357,945,500	58.10

Notes:

- 1 As at 30th June 2023, 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 Options lapsed under the Terminated Scheme are as follows:

	Number of Options			Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Held as at 1st January 2023	Lapsed during the Six-month Period	Held as at 30th June 2023				
Directors							
Ho Wai Chung Stephen	350,000	(350,000)	–	0.12	9th April 2020	10th April 2020	9th April 2023
Fung Kee Yue Roger	350,000	(350,000)	–	0.12	9th April 2020	10th April 2020	9th April 2023
Wong Tsu An Patrick	350,000	(350,000)	–	0.12	9th April 2020	10th April 2020	9th April 2023
Wong Kwok Kuen	350,000	(350,000)	–	0.12	9th April 2020	10th April 2020	9th April 2023
Director's daughter							
Sonia Andreia dos Santos	144,000	(144,000)	–	0.12	9th April 2020	10th April 2020	9th April 2023
Continuous contract employees	<u>14,838,000</u>	<u>(14,838,000)</u>	<u>–</u>	0.12	9th April 2020	10th April 2020	9th April 2023
	<u>16,382,000</u>	<u>(16,382,000)</u>	<u>–</u>				

COMPETING BUSINESS

As at 30th June 2023, 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 an independent non-executive Director did not attend the AGM held in the Six-month Period; and
- 2 the management do not provide all Directors with monthly updates.

C.1.6 He was away on a business trip on the date of AGM.

D.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. Management is also available to address any inquiries from the Directors.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry of all Directors that they have complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

There is no event of non-compliance with the required standard of dealings.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of the Shares during the Six-month Period. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the Six-month Period.

DEFINITIONS

“AGM”	annual general meeting
“Associated Corporation”	a corporation: <ol style="list-style-type: none">1 which is a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company; or2 (not being a subsidiary of the Company) in which the Company has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued shares of that class
“Board”	the board of Directors (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
“Code”	the code provisions of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules

“Company”	Vodatel Networks Holdings Limited (not applicable to Hysan Development Company Limited)
“DICJ”	Direcção de Inspeção e Coordenação de Jogos (Gaming Inspection and Coordination Bureau) of the Government of Macao
“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
“EV”	enterprise value
“Exchange”	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability (not applicable to the London Stock Exchange and the New York Stock Exchange)
“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 (not applicable to Tidestone Group)
“GTVL”	廣州新科元電訊技術有限公司, incorporated in PRC with limited liability and an indirectly owned associate of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HK cent”	Hong Kong cent, where 100 HK cents equal HK\$1
“Hong Kong”	the Hong Kong Special Administrative Region of PRC (not applicable to Hong Kong Accounting Standard, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited)
“Macao”	the Macao Special Administrative Region of PRC
“Main Board”	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM

“Mainland China”	PRC, other than the regions of Hong Kong, Macao and Taiwan
“Member”	the holder of the Shares
“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 B3 S.A. – Brasil, Bolsa, Balcão in Brazil
“Option”	an option to subscribe for Shares pursuant to the Terminated Scheme
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of Mainland China
“SD-WAN”	software-defined networking in a wide area network
“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 2023
“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
“Terminated Scheme”	the share option scheme approved at the AGM on 22nd June 2012 and terminated on 17th June 2022 by the Members
“Three-month Period”	three months ended 30th June 2023
“Tidestone Group”	Capital Instant Limited, incorporated in BVI with limited liability and an indirectly owned associate of the Company, and its subsidiaries
“Timor-Leste”	The Democratic Republic of Timor-Leste
“TTSA”	Timor Telecom, S.A., a company incorporated in Timor-Leste with limited liability

“UK” The United Kingdom of Great Britain and Northern Ireland
“US\$” United States dollar, the lawful currency of USA
“USA” The United States of America

By order of the Board
José Manuel dos Santos
Chairman

Macao, 10th August 2023

Executive Directors	Non-executive Director	Independent non-executive Directors
José Manuel dos Santos	Ho Wai Chung Stephen	Fung Kee Yue Roger
Kuan Kin Man		Wong Tsu An Patrick
Monica Maria Nunes		Wong Kwok Kuen

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*