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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

- Total contracts secured for the Six-month Period reached HK\$279,500,000, representing a substantial increase of 39.12% as compared to same period of 2021
- Due to supply chain interruptions, registered only revenue of HK\$78,635,000 for the Three-month Period and HK\$167,088,000 for the Six-month Period, representing a corresponding drop of 8.31% and 15.51% as compared to the same preceding periods of 2021
- Due to gain on sale of a subsidiary of HK\$5,667,000, net profit of HK\$1,823,000 was reported for the Three-month Period while net loss for the Six-month Period narrowed to HK\$4,404,000
- Gaming sector continues to be weak. VHL and MDL focus on the Government of Macao and customers in other vertical markets with total contracts of HK\$89,500,000 secured for the Six-month Period
- Business in Hong Kong is on the mend with HK\$34,300,000 worth of contracts secured for the Six-month Period of which Meta-V, which provides managed services, contributed HK\$10,800,000
- The Mainland China team brought in total contracts of HK\$100,700,000 for the Three-month Period, bringing total contracts to reach HK\$128,900,000 for the Six-month Period, representing total contracts secured in 2021 of 107%
- “Vodatel” as a Macao enterprise, continued to bring Macao to the world by becoming the partner-of-choice of a leading Internet technology company that operates creative content platforms and won a series of contracts, valued HK\$65,900,000, to construct a data networks infrastructure at its newly built data centre in Europe
- Operating performance of TTSA continues to show improvements with net profit reported for the fifth consecutive quarter
- The Group continues to enjoy a solid and healthy capital structure with minimal external borrowings and with cash and cash equivalents and yield-enhanced financial instruments totalled HK\$98,672,000 as at 30th June 2022, or approximately 28% of total assets. Equity base stood at HK\$165,631,000
- The Directors do not recommend payment of an interim dividend for the Six-month Period

INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the Three-Month Period and Six-Month Period as follows:

Condensed consolidated statement of profit or loss

	Notes	Unaudited			
		Three-month Period HK\$'000	Three months ended 30th June 2021 Restated HK\$'000	Six-month Period HK\$'000	Six months ended 30th June 2021 Restated HK\$'000
Continuing operations					
Revenue	1(b)	78,635	85,763	167,088	197,753
Cost of sales of goods		(40,011)	(42,048)	(83,990)	(111,565)
Cost of providing services		(19,583)	(25,824)	(48,732)	(42,229)
Gross profit		19,041	17,891	34,366	43,959
Selling, marketing costs and administrative expenses		(23,952)	(23,692)	(46,379)	(47,656)
Gain on sale of a subsidiary	6	5,667	–	5,667	–
Other gains – net		278	287	361	96
Operating profit/(loss)	2(a)	1,034	(5,514)	(5,985)	(3,601)
Finance income		794	738	1,613	1,382
Finance costs		(13)	(28)	(43)	(62)
Finance income – net		781	710	1,570	1,320
Profit/(loss) before income tax		1,815	(4,804)	(4,415)	(2,281)
Income tax credit/(expense)	2(b)	8	(17)	11	(17)
Profit/(loss) from continuing operations		1,823	(4,821)	(4,404)	(2,298)
Loss from discontinued operation	1(a)	–	(1,679)	–	(3,039)
Profit/(loss) for the quarter/half-year		1,823	(6,500)	(4,404)	(5,337)
Profit/(loss) is attributable to:					
Owners of the Company		2,297	(5,707)	(3,156)	(3,692)
NCI		(474)	(793)	(1,248)	(1,645)
		1,823	(6,500)	(4,404)	(5,337)

						Unaudited		
						Three months ended	Six months ended	
						30th June 2021	30th June 2021	
						Restated	Restated	
						HK cent	HK cent	
Notes	Three-month Period	HK cent	Three-month Period	HK cent	Six-month Period	HK cent	Six-month Period	HK cent
Earnings/(loss) per Share for profit/ (loss) from continuing operations attributable to the ordinary equity holders of the Company:								
Basic earnings/(loss) per Share	11(a)	0.37	(0.71)	(0.51)	(0.23)	(0.51)	(0.23)	(0.51)
Diluted earnings/(loss) per Share	11(b)	0.37	(0.70)	(0.51)	(0.23)	(0.51)	(0.23)	(0.51)
Earnings/(loss) per Share for profit/ (loss) attributable to the ordinary equity holders of the Company:								
Basic earnings/(loss) per Share	11(a)	0.37	(0.93)	(0.51)	(0.60)	(0.51)	(0.60)	(0.51)
Diluted earnings/(loss) per Share	11(b)	0.37	(0.92)	(0.51)	(0.60)	(0.51)	(0.60)	(0.51)

Condensed consolidated statement of comprehensive income

	Unaudited	
	Six-month Period HK\$'000	Six months ended 30th June 2021 HK\$'000
Loss for the half-year	(4,404)	(5,337)
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Changes in the fair value of debt instruments at FVOCI	(6,825)	(2,969)
Exchange differences on translation of operations in Mainland China	375	(80)
Release to profit or loss on disposal of a subsidiary	(1,057)	–
Other comprehensive loss for the half-year, net of tax	(7,507)	(3,049)
Total comprehensive loss for the half-year	(11,911)	(8,386)
Total comprehensive loss for the half-year is attributable to:		
Owners of the Company	(10,663)	(6,741)
NCI	(1,248)	(1,645)
	(11,911)	(8,386)
Total comprehensive loss for the period attributable to owners of the Company arises from:		
Continuing operations	(10,663)	(6,675)
Discontinued operation	–	(66)
	(10,663)	(6,741)

Condensed consolidated balance sheet

		Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,142	1,724
Right-of-use assets		490	1,281
Interests in associates		–	–
Financial assets at FVOCI	8(a)	50,572	58,858
		<u>53,204</u>	<u>61,863</u>
Total non-current assets			
Current assets			
Inventory		27,332	15,823
Prepayment		64,663	46,616
Contract assets		40,321	63,190
Trade receivable	8(d)	111,982	113,021
Other receivables and deposits		7,065	8,103
Financial assets at FVOCI	8(a)	2,784	3,800
Cash and cash equivalents (excluding bank overdrafts)		45,316	26,965
		<u>299,463</u>	<u>277,518</u>
Total current assets			
Total assets		<u>352,667</u>	<u>339,381</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		111	357
Current liabilities			
Trade payable	8(e)	75,446	76,126
Other accounts payable and accruals		23,068	20,880
Dividend payable		6,161	–
Contract liabilities		74,080	44,912
Current tax liabilities		7,741	8,131
Borrowing	5	37	3,514
Lease liabilities		392	989
		<u>186,925</u>	<u>154,552</u>
Total current liabilities			
Total liabilities		<u>187,036</u>	<u>154,909</u>
Net current assets		<u>112,538</u>	<u>122,966</u>
Net assets		<u>165,631</u>	<u>184,472</u>

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
EQUITY		
Share capital and share premium	61,771	61,771
Other reserves	129,811	143,676
Accumulated losses	(20,935)	(17,976)
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Capital and reserves attributable to the owners of the Company	170,647	187,471
NCI	(5,016)	(2,999)
	<hr/>	<hr/>
Total equity	165,631	184,472
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Condensed consolidated statement of changes in equity

	Unaudited					
	Attributable to owners of the Company					
	Share capital and share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	NCI HK\$'000	Total equity HK\$'000
Balance as at 1st January 2021	61,570	144,866	(6,288)	200,148	(4,033)	196,115
Total comprehensive loss for the half-year	-	(3,049)	(3,692)	(6,741)	(1,645)	(8,386)
Transactions with owners in their capacity as owners:						
Dividend provided for or paid	-	-	(6,144)	(6,144)	-	(6,144)
Balance as at 30th June 2021	<u>61,570</u>	<u>141,817</u>	<u>(16,124)</u>	<u>187,263</u>	<u>(5,678)</u>	<u>181,585</u>
Balance as at 1st January 2022	61,771	143,676	(17,976)	187,471	(2,999)	184,472
Total comprehensive loss for the Six-month Period	-	(7,507)	(3,156)	(10,663)	(1,248)	(11,911)
Transactions with owners in their capacity as owners:						
Release to accumulated losses on disposal of a subsidiary	-	(197)	197	-	(769)	(769)
Dividend provided for or paid	-	(6,161)	-	(6,161)	-	(6,161)
Balance 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>

Condensed consolidated statement of cash flows

		Unaudited	
		For the six months ended	
		Six-month Period	30th June 2021
Note		HK\$'000	HK\$'000
Cash flows from operating activities			
	Cash generated from operations	20,389	1,629
	Income taxes refund/(paid)	20	(17)
	Net cash inflow from operating activities	20,409	1,612
Cash flows from investing activities			
	Payments for property, plant and equipment	(889)	(191)
4	Payments for financial assets at FVOCI	(4,818)	(35,908)
	Proceeds from disposal of a subsidiary	351	–
	Cash outflows in respect of the disposal of a subsidiary	(466)	–
	Proceeds from sale of financial assets at FVOCI	6,286	16,491
	Proceeds from sale of financial assets at fair value through profit or loss	–	5,929
	Interest received on financial assets	1,613	1,385
	Net cash inflow/(outflow) from investing activities	2,077	(12,294)
Cash flows from financing activities			
	Repayment of borrowing	(3,514)	–
	Principal elements of lease payments	(658)	(863)
	Net cash outflow from financing activities	(4,172)	(863)
	Net increase/(decrease) in cash and cash equivalents	18,314	(11,545)
	Cash and cash equivalents at the beginning of the half-year	26,965	70,891
	Cash and cash equivalents at end of the half-year*	45,279	59,346

* Cash and cash equivalents were net of bank overdrafts (HK\$37,000 as at 30th June 2022 and nil as at 30th June 2021).

Notes to the condensed financial statements

1 Segment and revenue information

(a) Description of segments

The executive Directors examined the performance of the Group from a geographic perspective and identified two 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 sale 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.

During the year ended 31st December 2021, the Group disposed of the customer network management system segment business. Accordingly, certain comparative segment information related to the segment was classified as “loss from discontinued operation” in the condensed consolidated statement of profit or loss. The impact of the abovementioned changes in the reportable operating segment of the Group for the six months ended 30th June 2021 was considered retrospectively and the operating segment information of the Group was restated as if the Group had reallocated the resources in that period.

(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 2021, and also the basis on which revenue is recognised:

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	60,037	107,051	167,088
Adjusted EBITDA/(loss before interest, tax, depreciation and amortisation)	3,841	(7,782)	(3,941)
Six months ended 30th June 2021 (restated)			
Revenue from external customers	52,891	144,862	197,753
Adjusted loss before interest, tax, depreciation and amortisation	(779)	(1,655)	(2,434)
Total segment assets (exclude financial assets at FVOCI)			
30th June 2022	23,740	275,571	299,311
31st December 2021	22,133	254,590	276,723

The executive Directors used adjusted EBITDA as a measure to assess the performance of the segments. This excluded discontinued operation and the effects of significant items of income and expenditure which might have an impact on the quality of earnings, such as impairments when the impairment was the result of an isolated, non-recurring event. It also excluded the effects of gains or losses on financial instruments.

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

A reconciliation of adjusted loss before interest, tax, depreciation and amortisation to loss before income tax as follows:

	Six-month Period	Six months ended 30th June 2021 Restated
	HK\$'000	HK\$'000
Adjusted loss before interest, tax, depreciation and amortisation	(3,941)	(2,434)
Depreciation – property, plant and equipment	(395)	(398)
Depreciation – right-of-use assets	(639)	(775)
Finance income – net	1,570	1,320
Gain on disposal of financial assets at FVOCI	7	6
Impairment losses on financial assets at FVOCI	(1,017)	–
Loss before income tax	<u>(4,415)</u>	<u>(2,281)</u>

The amounts provided to the executive Directors with respect to segment revenue and segment assets were measured in a manner consistent with that of the financial statements. Segment 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 item that was unusual because of its nature, size and incidence:

	Six-month Period	Six months ended 30th June 2021
	HK\$'000	HK\$'000
Expenses		
Impairment losses on financial assets at FVOCI	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 2021: nil).

4 Property, plant and equipment

During the Six-month Period, the Group acquired property, plant and equipment at a cost of HK\$889,000 (six months ended 30th June 2021: HK\$191,000).

5 Borrowing

The amount of HK\$37,000 as at 30th June 2022 represented unsecured bank overdrafts. The unsecured bank loan of HK\$3,514,000 as at 31st December 2021 was repaid during the Six-month Period. It bore interest rate of 5% 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) Key management compensation

Key management compensation amounted to HK\$4,741,000 for the Six-month Period (six months ended 30th June 2021: HK\$4,689,000).

(b) Transactions with other related parties

The following transactions occurred with related parties:

	Six-month Period HK\$'000	Six months ended 30th June 2021 HK\$'000
<i>Sale and purchases of goods and services</i>		
Sale of goods to an entity controlled by a Director	730	403
Purchases of goods from an entity controlled by a Director	7	–

Other transaction

During the Six-month Period, a Director was entitled to receive HK\$689,000 (six months ended 30th June 2021: HK\$707,000) from the Group for leasing certain offices to the Group.

(c) Current accounts payable to related parties

	30th June 2022 HK\$'000	31st December 2021 HK\$'000
Lease liabilities to a Director	503	1,346
Proportional accrual of additional thirteenth-month salary to executive Directors	346	–
Dividend payable to ERL	3,579	–
Dividend payable to Directors	<u>265</u>	<u>–</u>

(d) Terms and conditions

Transactions relating to dividend were on the same terms and conditions that applied to other Members.

Goods were sold during the Six-month Period based on the price lists in force and terms that would be available to third parties. Goods were sold to an entity controlled by a Director on normal commercial terms and conditions. Goods were bought from an entity controlled by a Director on normal commercial terms and conditions.

8 Fair value measurement 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.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classified 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 measured and recognised at fair value as at 30th June 2022 and 31st December 2021 on a recurring basis:

	30th June 2022	31st December 2021
	Level one	Level one
	HK\$'000	HK\$'000
Financial assets at FVOCI		
Debt investments	<u>53,356</u>	<u>62,658</u>

The policy of the Group was to recognise transfers into and 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 2022.

Level one: The fair value of financial instruments traded in active markets (e.g. publicly traded derivatives and equity securities) was based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group was the current bid price. These instruments were included in level one.

Level three: The fair value of financial instruments that were not traded in an active market was determined using valuation techniques which maximised the use of observable market data and relied as little as possible on entity-specific estimates. If one or more of the significant inputs required to fair value an instrument was not based on observable market data, the instrument was included in level three. This was the case for unlisted equity securities.

(b) Valuation technique used to determine fair values

Discounted cash flow analysis was used to value unlisted equity securities.

The fair value of the unlisted equity securities was immaterial. No valuation was performed for the unlisted equity securities.

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

As at 31st December 2021, the Group also had a bank loan which was not measured at fair value in the balance sheet. For this instrument, the fair value was not materially different to its carrying amount, since the instrument was short-term in nature.

(d) Trade receivable

Sales of the Group were on receipts in advance 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 2022 and 31st December 2021, the ageing analysis of the trade receivable based on invoice date was as follows:

	30th June 2022 HK\$'000	31st December 2021 HK\$'000
Within three months	73,421	90,084
>Three months but ≤ six months	30,816	15,976
>Six months but ≤ twelve months	2,658	1,718
Over twelve months	11,551	15,656
	<hr/>	<hr/>
Gross trade receivable	118,446	123,434
	<hr/> <hr/>	<hr/> <hr/>

(e) Trade payable

As at 30th June 2022 and 31st December 2021, the ageing analysis of the trade payable based on invoice date was as follows:

	30th June 2022 HK\$'000	31st December 2021 HK\$'000
Within three months	69,348	68,583
> Three months but ≤ six months	131	–
> Six months but ≤ twelve months	–	2,244
Over twelve months	5,967	5,299
	<hr/>	<hr/>
	75,446	76,126
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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 2021 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

(a) Basic loss per Share

Basic loss per Share was calculated by dividing:

- the loss attributable to owners of the Company
- by the weighted average number of Shares outstanding during the Six-Month Period.

	Six-month Period HK Cent	Six months ended 30th June 2021 HK Cent
From continuing operations attributable to the ordinary equity holders of the Company	(0.51)	(0.23)
From discontinued operation	—	(0.37)
	<u> </u>	<u> </u>
Total basic loss per Share attributable to the ordinary equity holders of the Company	<u>(0.51)</u>	<u>(0.60)</u>

(b) Diluted loss per Share

Diluted loss per Share adjusted the figures used in the determination of basic loss per Share to take into account the weighted average number of additional Shares that would have been outstanding assuming the conversion of all dilutive potential Shares.

	Six-month Period HK Cent	Six months ended 30th June 2021 HK Cent
From continuing operations attributable to the ordinary equity holders of the Company	(0.51)	(0.23)
From discontinued operation	—	(0.37)
	<u> </u>	<u> </u>
Total diluted loss per Share attributable to the ordinary equity holders of the Company	<u>(0.51)</u>	<u>(0.60)</u>

(c) **Reconciliation of loss used in calculating loss per Share**

	Six-month Period HK\$'000	Six months ended 30th June 2021 HK\$'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per Share:		
From continuing operations	(3,156)	(1,391)
From discontinued operation	–	(2,301)
	<u>(3,156)</u>	<u>(3,692)</u>

(d) **Weighted average number of Shares used as the denominator**

	Six-month Period Number	Six months ended 30th June 2021 Number
Weighted average number of Shares used as the denominator in calculating basic loss per Share (thousands)	616,115	614,435
Adjustments for calculation of diluted loss per Share – Options (thousands)	4,344	3,787
	<u>620,459</u>	<u>618,222</u>

(e) **Information concerning the classification of securities – Options**

Options granted to the Directors and employees under the Scheme were considered to be potential Shares. They were included in the determination of diluted loss per Share to the extent to which they were dilutive. The Options were not included in the determination of basic loss per Share.

BUSINESS REVIEW

Business in Macao, Hong Kong and Mainland China

Macao, Hong Kong and Mainland China remain the core operating markets of the Group. Total contracts secured by the Group during the Six-month Period reached HK\$279,500,000, representing a substantial increase of 39.12% as compared to total contracts secured during the initial six months of 2021 of HK\$200,900,000.

The heavy reliance of Macao on mainlanders as its primary source of tourists makes the well-being of the local market highly sensitive to any COVID-19 outbreaks in Mainland China. With the Omicron variant lingering in Mainland China, total number of visitations from Mainland China plunged from 534,899 in April to 336,488 in June while monthly gross revenue from games of fortune reported by the Gaming Inspection and Coordination Bureau dropped from HK\$17,232,000,000 in the first quarter to HK\$8,236,000,000 in the Three-month Period. Business environment within the gaming sector remains tough and the public tender for the new gaming concessions, which is currently under way, adds more uncertainty. With a gloomy outlook, the Group secured only HK\$27,300,000 worth of contracts from different gaming operators during the Six-month Period as different gaming operators playing cautious with their capital expenditures, not to mention that they are still operating well within their pre-pandemic capacity.

As the gaming sector is challenging, the Group continues to focus its efforts on securing works from the Government of Macao and other vertical sectors. With the Government of Macao continues to accelerate public spending to uphold the economy, during the Three-month Period, total contracts secured by VHL and MDL from the Government of Macao and customers in other vertical markets, such as banking, education, healthcare and insurance, both directly or indirectly, amounted to HK\$44,200,000, bringing total contracts secured from the non-gaming sector to HK\$89,500,000 for the Six-month Period. Among the contracts included an extra-low voltage contract of approximately HK\$18,000,000 for a new hospital currently under construction. Other works included areas such as networks infrastructure, surveillance, servers and storage, firewall, maintenance services and software development for customers such as Legal Affairs Bureau, Financial Services Bureau, Public Security Police Force Bureau, Housing Bureau, to name a few.

As the Government of Macao adopts the dynamic zero policy against the pandemic, when Macao faced the Omicron outbreak in July, to contain the situation, the Government of Macao suspended most activities in the territory. The Group will closely monitor whether there will be any prolonged impact to the business of the Group.

In Hong Kong, business is on the mend after the domestic economy suffered from the Omicron variant during the first quarter of 2022. During the Three-month Period, the Group secured HK\$22,700,000 worth of contracts, bringing total contracts for the Six-month Period to HK\$34,300,000, which represented 71% of total contracts signed in 2021. In addition to contracts related to SD-WAN and data networks infrastructure from different regional telecommunications service providers to support their own use and for resell to their end users in Mainland China and Asia Pacific Region, Meta-V is a key business driver for the Group. Meta-V provides managed services with focus on AI and automation capabilities to companies so they can enjoy comprehensive monitoring, optimisation and improvements across all areas of their IT needs. Since its incorporation in December 2021, total contracts secured up to 30th June 2022 reached HK\$10,800,000.

Similar to Macao and Hong Kong, the Omicron variant causes business interruptions to Mainland China. Although the domestic market has been adversely affected, business momentum for SD-WAN and data networks infrastructure from different leading telecommunications service providers, network communication services providers and Internet service providers to support their overseas expansion becomes the key driver for the Group. During the Three-month Period, the Mainland China team brought in total contracts of HK\$100,700,000, bringing total contracts secured for the Six-month Period to reach HK\$128,900,000, or 107% of business generated from Mainland China in 2021. Of the contracts secured, HK\$38,900,000 were generated from a leading provider of Internet value-added services to expand its data networks infrastructure in overseas data centres. “Vodatel” as a Macao enterprise that aims to bring Macao to the world, the Group is proud to become the partner-of-choice of a leading Internet technology company that operates creative content platforms and won a series of contracts to construct a data networks infrastructure at its newly built data centre in Europe. This win is of significance to the Group as not only the combined value of customers contracts amounted to HK\$65,900,000, the project involves installing 100Gb and 400Gb data switches, which are the next era of high-performing platforms to meet ever-increasing demands of customers for improved performance and scalable technology.

Other Investments

Tidestone Group – With respect to Tidestone Group, after a slow start during the first quarter of 2022, it secured HK\$2,300,000 worth of contracts during the Three-month Period, which included a contract to upgrade and reconstruct the alarm system for a telecommunications service provider in the province of Hebei via the deployment of the fault management module of the network management system of Tidestone Group.

TTSA – The operating performance of TTSA continues to show improvements for the fifth consecutive quarter, though at a slower pace. Revenue for the Three-month Period was HK\$47,543,000, which levelled that of the first quarter of HK\$47,764,000. EBITDA and net profit stood at HK\$11,881,000 and HK\$632,000 respectively, which however, fell short as compared to the first quarter by 28.7% and 87.9%. There is still no news over any possible change of shareholding at TTSA. The Group will continue to keep close watch of any latest developments.

Financial Review

With supply chain interruptions becoming more mundane than menacing, the pandemic-driven crunch causes equipment delivery lead time to over six months or even nine months and beyond. Therefore, although the Group secured almost 40% more contracts during the Six-month Period as compared the preceding six months of 2021, such improvements have not been realised. During the Three-month Period, the Group only generated revenue of HK\$78,635,000 or a drop of 8.31% as compared to the same quarter of 2021 of HK\$85,763,000. For the Six-month Period, the Group reported revenue of HK\$167,088,000, representing a drop of 15.51% as compared to the preceding period of 2021 of HK\$197,753,000. Although data networks infrastructure projects for the expansion of overseas data centres carry higher gross profit margins, due to projects in Hong Kong and in particular those in Macao carry lower gross profit margins due to intense competition, gross profit margin for the Six-month Period declined to 20.57%.

Salary costs remain the biggest cost element of the Group. The Group continues to exercise costs control, with human resources being relocated or mobilised to support projects at different group entities. Selling, marketing and administrative expenses decreased to HK\$46,379,000 for the Six-month Period as compared to HK\$47,656,000 for the preceding same period of 2021. During the Three-month Period, to further enhance the return of investment to the Members, the Group reduced its equity stake in a subsidiary that carries a net liability position. With a gain on sale of a subsidiary of HK\$5,667,000 recognised, despite a weak revenue base and lower gross profit margin, the Group registered net profit of HK\$1,823,000 for the Three-month Period while net loss for the Six-month Period narrowed to HK\$4,404,000.

The Group continued to enjoy a healthy capital structure with no minimal external borrowing. Level of inventory increased to HK\$27,332,000 as at 30th June 2022 as the Group stocked up data networks equipment for subsequent delivery to the Internet value-added services provider to expand its overseas data centres. As always, the Group focuses on the timely recovery of its receivables, hence aggregate of contract assets and trade receivable reduced from HK\$176,211,000 as at 31st December 2021 to HK\$152,303,000 as at 30th June 2022. Aggregate of trade payable and contract liabilities increased from HK\$121,038,000 as at 31st December 2021 to HK\$149,526,000 as at 30th June 2022, which aligned the increase of prepayment to HK\$64,663,000 as at 30th June 2022 as the Group sought back-to-back payment terms for deposits from customers against purchases where suppliers requested deposit payments.

Total equity stood at HK\$165,631,000 as at 30th June 2022 with total net cash balances and yield-enhanced financial instruments at a comfortable level of HK\$98,672,000, or approximately 28% of total assets. Despite comfortable cash position, to weather the Group against the current vulnerable market conditions brought by the Omicron variant and to support business operations, the Board does not propose an interim dividend to be paid out for the Six-month Period.

As at 30th June 2022, financial assets at FVOCI (current and non-current) of HK\$53,356,000 comprised of investments in yield-enhanced financial instruments. Among the bond holdings were HK\$3,087,000 from FWD Group Limited (a company incorporated in the Cayman Islands with limited liability), HK\$2,905,000 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\$2,721,000 from Chong Hing Bank Limited (a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board) and HK\$2,669,000 from GLP Pte. Ltd. (a company incorporated in the Republic of Singapore with limited liability). As at 31st July 2022, the market values of interest-bearing instrument of indebtedness issued by CFLD with a coupon rate of 9% per annum and a maturity date of 31st July 2021 and interest-bearing instrument of indebtedness issued by CFLD with a coupon rate of 6.92% per annum and a maturity date of 16th June 2022 were HK\$99,000 and HK\$254,000 respectively.

OTHER DISCUSSIONS

Employees' Information

As at 30th June 2022, the Group had 153 employees, of which 26, 12 and 115 employees were based in Mainland China, Hong Kong and Macao respectively. Employee costs totalled HK\$30,742,000.

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

The Company adopted the Scheme whereby certain Directors and employees of the Group 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

As at 30th June 2022, the Group had significant investments in 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 2022, 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. In May 2022, the Group disposed of 60% of the equity interest of GTVL at the consideration of RMB300,000 (approximately HK\$351,000).

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), the United States dollar (the lawful currency of the United States of America) and RMB. The Group incurred net foreign exchange gains of HK\$183,000 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 2022:

HK\$'000

José Manuel dos Santos	5,616
Kuan Kin Man	1,537
Monica Maria Nunes	1,848

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 2022, 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	–	58.10
Kuan Kin Man	Personal (Note 2)	22,952,500	–	3.73
Monica Maria Nunes	Personal (Note 3)	3,292,500	–	0.53
Ho Wai Chung Stephen	Personal (Note 4)	–	350,000	0.06
Fung Kee Yue Roger	Personal (Note 5)	210,000	350,000	0.09
Wong Tsu An Patrick	Personal (Note 6)	–	350,000	0.06
Wong Kwok Kuen	Personal (Note 7)	–	350,000	0.06

Notes:

- As at 30th June 2022, 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.
- The personal interest of Kuan Kin Man comprised 22,952,500 Shares. The aforesaid interest was held by Kuan Kin Man as beneficial owner.
- The personal interest of Monica Maria Nunes comprised 3,292,500 Shares. The aforesaid interest was held by Monica Maria Nunes as beneficial owner.
- The personal interest of Ho Wai Chung Stephen comprised 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Ho Wai Chung Stephen as beneficial owner.
- The personal interest of Fung Kee Yue Roger comprised 210,000 Shares and 350,000 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.
- The personal interest of Wong Tsu An Patrick comprised 350,000 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.
- The personal interest of Wong Kwok Kuen comprised 350,000 underlying Shares in respect of Options granted to him by the Company. The aforesaid interest was held by Wong Kwok Kuen 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 2022, 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:

- As at 30th June 2022, 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.
- 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 2022 under the Scheme are as follows:

	Number of Options			Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Held as at 1st January 2022	Lapsed during the Six-month Period	Held as at 30th June 2022				
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>15,190,000</u>	<u>(352,000)</u>	<u>14,838,000</u>	0.12	9th April 2020	10th April 2020	9th April 2023
	<u>16,734,000</u>	<u>(352,000)</u>	<u>16,382,000</u>				

COMPETING BUSINESS

As at 30th June 2022, 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; and
- 2 the management do not provide all Directors with monthly updates.

C.1.6 They 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. Nevertheless, Members can send their enquiries and opinions to the Company for the attention of the independent non-executive Directors.

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.

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)
“BVI”	the British Virgin Islands
“CFLD”	CFLD (Cayman) Investment Ltd., a company incorporated in the Cayman Islands with limited liability and a subsidiary of China Fortune Land Development Co., Ltd., a company incorporated in PRC with limited liability and whose shares are listed on Shanghai Stock Exchange
“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)
“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 Shanghai Stock Exchange)

“FVOCI”	fair value through other comprehensive income
“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 FWD Group Limited and Tidestone Group)
“GTVL”	廣州新科元電訊技術有限公司 (formerly known as Guangzhou Thinker Vodatel Limited), 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
“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
“Meta-V”	Meta-V Tech Services Limited, incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“NCI”	non-controlling interest
“OHHL”	Ocean Hope Holdings Limited, a company incorporated in BVI with limited liability

“Option”	an option to subscribe for Shares pursuant to the Scheme
“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
“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 2022
“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 2022
“Tidestone Group”	Capital Instant Limited, incorporated in BVI with limited liability and an indirectly owned associate of the Company, and its subsidiaries
“TTSA”	Timor Telecom, S.A., a company incorporated in the Democratic Republic of Timor-Leste with limited liability
“VHL”	Vodatel Holdings Limited, incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company

By order of the Board
Monica Maria Nunes
Deputy Chairman

Macao, 11th August 2022

Executive Directors

José Manuel dos Santos
Kuan Kin Man
Monica Maria Nunes

Non-executive Director

Ho Wai Chung Stephen

Independent non-executive Directors

Fung Kee Yue Roger
Wong Tsu An Patrick
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*