



# NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

INTERIM REPORT

2007/2008



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors of Netel Technology (Holdings) Limited (“Netel”) 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 Netel. The directors of Netel, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded bases and assumption that are fair and reasonable.*

## NETEL TECHNOLOGY (HOLDINGS) LIMITED

### CONDENSED CONSOLIDATED INCOME STATEMENT

The directors (the "Directors") of Netel Technology (Holdings) Limited (the "Company") are pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 November 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

		For the three months Ended 30 November		For the six months Ended 30 November		
		2007	2006	2007	2006	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Notes						
	Turnover	3	1,389	1,510	2,490	3,250
	Cost of sales		(790)	(997)	(1,451)	(2,201)
	Gross profit		599	513	1,039	1,049
	Other revenues	4	817	-	818	-
	Selling and marketing expenses		(100)	(78)	(207)	(103)
	Administrative expenses		(2,418)	(1,999)	(3,463)	(3,934)
	Profit/(Loss) from operating	5	(1,102)	(1,564)	(1,813)	(2,988)
	Finance costs		-	-	(7)	(8)
	Profit/(Loss) before taxation		(1,102)	(1,564)	(1,820)	(2,996)
	Taxation	7	-	-	-	-
	Profit/(Loss) after taxation		(1,102)	(1,564)	(1,820)	(2,996)
	<b>Attributable to:</b>					
	Equity holders of the Company		(1,102)	(1,552)	(1,820)	(2,982)
	Minority interests		-	(12)	-	(14)
	<b>Loss for the year</b>		<b>(1,102)</b>	<b>(1,564)</b>	<b>(1,820)</b>	<b>(2,996)</b>
	Loss per share					
	- basic and diluted	8	HK (0.28 cents)	HK (0.41 cents)	HK (0.47 cents)	HK (0.78 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 November 2007 HK\$'000 (Unaudited)	As at 31 May 2007 HK\$'000 (Audited)
<b>Non-Current Assets</b>			
Property, plant and equipment	6	4,587	5,121
<b>Current Assets</b>			
Inventories		86	86
Trade and other receivables	9	1,152	2,538
Bank balances and cash		327	299
		1,565	2,923
Total Assets		6,152	8,044
<b>Current Liabilities</b>			
Trade and other payables	10	(19,097)	(22,788)
Amount due to a director		(14,026)	(11,329)
Current portion of long-term liabilities		(173)	(173)
		(33,296)	(34,290)
<b>Net Current Liabilities</b>		<b>(31,731)</b>	<b>(31,367)</b>
<b>Total Assets Less Current Liabilities</b>		<b>(27,144)</b>	<b>(26,246)</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities		(82)	(82)
<b>Net Liabilities</b>		<b>(27,226)</b>	<b>(26,328)</b>
<b>Equity</b>			
Share capital		3,887	3,862
Share premium and reserves		(31,113)	(30,190)
Equity attributable to equity holders of the Company		(27,226)	(26,328)
Minority interests		-	-
<b>Total Equity</b>		<b>(27,226)</b>	<b>(26,328)</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 November	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(3,542)	(2,329)
Net cash (used in)/generated from investing activities	(48)	-
Net cash (used in)/generated from financing activities	3,618	2,221
(Decrease)/increase in cash and cash equivalents	28	(108)
Cash and cash equivalents at beginning of the period	299	164
Cash and cash equivalents at the end of the period	327	56
Analysis of balance of cash equivalents		
Bank balances and cash	327	56

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Minority	
	Share Capital	Share Premium	Merger Reserve	Accumulated Losses	Total	Interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A 31 May 2006	3,862	19,855	39,307	(83,343)	(20,319)	(2)	(20,321)
Transfer due to Group restructuring	-	-	(39,307)	39,307	-	-	0
Loss for the period	-	-	-	(6,009)	(6,009)	2	(6,007)
Balance as at 31 May 2007 (audited)	3,862	19,855	-	(50,045)	(26,328)	-	(26,328)
Issuance of shares	25	975	-	-	1,000	-	1,000
Share issue expenses	-	(78)	-	-	(78)	-	(78)
Loss for the period	-	-	-	(1,820)	(1,820)	-	(1,820)
Balance at 30 November 2007 (unaudited)	3,887	20,752	-	(51,865)	(27,226)	-	(27,226)

Note: Merger reserve represents the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of shares issued by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation of financial statements

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the Stock Exchange).

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are trading of telecommunication equipment, provision of long distance call services and provision of value added telecom service.

### 2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable the disclosure requirements of GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the interim financial statements are the consistent those adopted in preparing the annual audited financial statements for the year ended 31 May 2007 except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRS"), which also include HKASs and interpretations, amendments to standards and interpretations (collectively "New Standards") which are effective for accounting periods beginning on or after 1 June 2007 as set out below.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK (IFRIC)-Int 12	HKFRS2 Group and Treasury Share Transactions

The adoption of the above New Standards has no material impact on the accounting policies of the Group and the methods of computation in the Groups' unaudited condensed consolidated interim financial statements.

The Group has not early applied any new and revised standards and interpretations that have been issued but are not yet effective for the current accounting period.

## NETEL TECHNOLOGY (HOLDINGS) LIMITED

### 3. Turnover and Segment information

Turnover represents the aggregate of the service income from the provision of long distance call services and the sales revenue from the trading of telecommunication equipment in Hong Kong, Mainland China and other countries.

Segment information about these businesses is presented below:

#### *Business segments*

#### Results (unaudited)

	For the six months ended 30 November 2007			Group <i>HK\$'000</i>
	Sale of equipment <i>HK\$'000</i>	End-users direct sales <i>HK\$'000</i>	Carrier sales <i>HK\$'000</i>	
Turnover	18	2,267	205	2,490
Segment results	–	(1,596)	(179)	(1,775)
Other revenues				818
Operating loss				(957)
Unallocated cost				(856)
Finance costs				(7)
Loss before taxation				(1,820)
Taxation				–
Loss for the period				(1,820)



## NETEL TECHNOLOGY (HOLDINGS) LIMITED

(unaudited)

	For the six months ended 30 November 2006			Group HK\$'000
	Sale of equipment HK\$'000	Long distance call services End-users direct sales HK\$'000	Carrier sales HK\$'000	
Turnover	20	3,172	58	3,250
Segment results	–	(2,054)	(215)	(2,269)
Other revenues				–
Operating loss				(2,269)
Unallocated cost				(719)
Finance costs				(8)
Loss before taxation				(2,996)
Taxation				–
Loss for the period				(2,996)

### Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

(unaudited)

	Turnover For the six months ended 30 November		Segment result For the six months ended 30 November	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
By geographical market:				
Hong Kong	2,267	3,209	(1,596)	(2,269)
Mainland China	–	–	–	–
Other countries	223	41	(179)	–
	<u>2,490</u>	<u>3,250</u>		
Other revenues			818	–
Loss from operations			<u>(957)</u>	<u>(2,269)</u>

## NETEL TECHNOLOGY (HOLDINGS) LIMITED

### 4. Other Revenues

Other revenues mainly comprises income from gain on disposal of fixed assets and reversal of over provision of impairment of receivables in respect of prior year.

### 5. Loss from operations

	For the six months ended 30 November	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Loss from operations has been arrived at after charging/(crediting):		
Cost of inventories sold	–	168
Depreciation and amortisation on:		
– Owned assets	583	699
– Leased assets	–	60
Operating lease-land and buildings	163	394
Provision for impairment of receivables	–	300
Staff costs, (including directors' remuneration)		
Retirement benefits scheme contributions	65	34
Salaries and other benefits	1,188	1,366

### 6. Plant and equipment

During the six months ended 30 November 2007, the Group's plant and equipment was amounting to approximately HK\$4,587,000 (31 May 2007: approximately HK\$5,121,000). The directors consider that the fair value of the plant and equipment at 30 November 2007 does not change significantly from their carrying amount at 31 May 2007.

Plant and equipment amounting to approximately HK\$217,000 (the same period ended of 2006: Nil) were disposed, approximately of HK\$263,000 (the same period of 2006: Nil) were brought during the six months ended of 30 November 2007.

### 7. Taxation

No provision for Hong Kong profits tax has been made in current period as the Group has no estimated assessable profits for the period (2006: Nil)

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets/liabilities which are expected to be crystallized in the foreseeable future (2006: Nil).

## NETEL TECHNOLOGY (HOLDINGS) LIMITED

### 8. Loss per share

The calculation of basic loss per share is for the three months and six months ended 30 November 2007 are based on the unaudited consolidated loss for the three months and six months ended 30 November 2007 of approximately HK1,102,000 and HK1,820,000 respectively (loss for the same period ended of 2006: HK\$1,564,000 and HK\$2,996,000) and the weighted average of 387,896,667 shares in issue during the three months and the six months ended 30 November 2007 (the same period ended of 2006: 386,230,000).

Diluted loss per share for the current and prior period is not presented as there is no dilutive instrument granted by the Company.

### 9. Trade and other receivables

	As at 30 November 2007 HK\$'000 (unaudited)	As at 31 May 2007 HK\$'000 (audited)
Trade receivables (Note (a))	641	688
Other receivables, prepayments and deposits	511	1,850
	<u>1,152</u>	<u>2,538</u>

Note:

- (a) Majority of the Group's turnover are entered into on credit terms ranging from 30 to 90 days. Ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 30 November 2007 HK\$'000 (unaudited)	As at 31 May 2007 HK\$'000 (audited)
0 – 30 days	239	209
31 – 60 days	96	100
61 – 90 days	47	48
Over 90 days	4,393	4765
	<u>4,775</u>	<u>5,122</u>
Less: provision for impairment of receivables	<u>(4,134)</u>	<u>(4,434)</u>
	<u>641</u>	<u>688</u>

## NETEL TECHNOLOGY (HOLDINGS) LIMITED

### 10. Trade and other payables

	As at 30 November 2007 <i>HK\$'000</i> (unaudited)	As at 31 May 2007 <i>HK\$'000</i> (audited)
Trade payables ( <i>Note (a)</i> )	10,239	11,718
Other payables and accruals	8,558	10,459
Receipt in advance	300	611
	19,097	22,788

Notes:

- (a) Majority of the Group's purchase are entered into on credit terms ranging from 60 to 90 days. Ageing analysis of trade payables at respective balance sheet dates is as follows:

	As at 30 November 2007 <i>HK\$'000</i> (unaudited)	As at 31 May 2007 <i>HK\$'000</i> (audited)
0 – 30 days	532	237
31 – 60 days	152	211
61 – 90 days	256	267
Over 90 days	9,299	11,003
	10,239	11,718

## **NETEL TECHNOLOGY (HOLDINGS) LIMITED**

### **11. Litigations**

As at the date of this report, the Group has been involved in the following litigations:

- (a) On 16 December 2004, a writ was issued by a telecom service provider ("Plaintiff") against two wholly-owned subsidiaries of the Group and a director of the Company for outstanding and disputed invoices amounting to approximately HK\$4,357,000 and claimed that the subsidiaries and the director have no right to defense. On 20 July 2005, the High Court ruled that the subsidiaries and the director had right to defense and refused to grant order to the Plaintiff. The directors are of the opinion that the negotiation of the disputed balances and the reconciliation of call records will involve lengthy process. As such, settlement of the case is not expected in the near future. As at 30 November 2007, the net payable recorded in the consolidated balance sheet of the Group to the service provider was approximately HK\$3,649,000 and is considered adequate by the directors.
  
- (b) Other than the writs as mentioned above, up to the date of this report, the Group has a number litigation processing in respect of outstanding liabilities arising in the normal course of its business of approximately HK\$571,000. The Directors of the Company are in the process to negotiate with the creditors for revision of repayment schedule of the outstanding balances.

The Directors are of the opinion that the ultimate liability under these proceedings, if any, would not have any significant impact on the financial position of the Group as adequate provisions have been made in the accounts for the six months ended 30 November 2007.

Apart from the actions against the Group disclosed above, there were no other material outstanding writs and litigations against the Group and/or the Company.

### **12. Events after the date of period ended**

As at the circular dated 23 October 2007, the Company entered an agreement, acquiring 40% interest in Crown Multimedia in Philippines, which is engaged in VOIP services in the Philippines. The completion is expected to be in the second half of the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$2.49 million in the first six months ended 30 November 2007, a decrease of 23.4% from approximately HK\$3.25 million for the same period of last year. The decrease was attributable to the decrease in calling card sales and carrier sales. Although the turnover dropped in this period, the gross profit margin increased from 32.3% for the same period of last year to 41.7% for this period. The increase in overall gross profit margin was mainly attributable to the significant decrease in carrier sales that only contributed very thin profit margin and the increase in sales of web phones. The loss for the period was also down from approximately HK\$3.00 million in the same period of last year to approximately HK\$1.82 million in this period, reflecting a significant improvement. The reduction in the loss for the period was contributed by the improvement of gross profit margin as the company is expanding the business of wholesales minutes into voice over IP service and the significant reduction on the cost of retail outlets.

The administrative expenses was decreased by 12.0% from approximately HK\$3.93 million of the same period of last year to approximately HK\$3.46 million for this period.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 November 2007, the Group had total assets of approximately HK\$6.15 million (31 May 2007: HK\$8.04 million), including bank and cash balance of approximately HK\$0.33 million (31 May 2007: HK\$0.29 million).

As at 30 November 2007, the gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund was not applicable as there was negative shareholders' fund (31 May 2007: not applicable). The Group had net current liabilities of approximately HK\$31.73 million (31 May 2007: 31.37 million).

## **NETEL TECHNOLOGY (HOLDINGS) LIMITED**

### **BUSINESS REVIEW**

During the six months ended period, the Company has re-set the business strategy that is to move from IDD business and get into voice over IP and value added telecom services. As to cope with this strategy, Netel acquired 40% equity interest of Crown Multimedia in Philippines who has a voice over IP license there.

Furthermore, our team is working hard to launch IP technology value added services, such as distance learning etc.

In addition, the Company is also focusing on other Merger and Acquisition opportunities that are telecom or non-telecom related venture. The purpose is to improve the revenue and profit of the company.

### **BUSINESS OUTLOOK**

Since the company has streamlined the operation, the overhead cost has been brought down to a minimum level and the existing calling card business still generate satisfactory profit, once others add in business pick up, the company should be in good shape.

The Group has diversified out of Hong Kong, such as Philippines, and now looks for opportunities in China and other countries. The existing telecom IP platform has been invested, once the value added services is launched, then will be additional revenue and profit to bring in.

However, the quickest way to grow the business is to pursue Merger and Acquisition projects and the Company is also working hard on this.

### **INTERIM DIVIDEND**

The Company does not recommended the payment of any interim dividend for the half year ended 30 November 2007.

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

At 30 November 2007, apart from the details as follows, the Directors and Chief Executive do not have any other interests and short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company:

**Ordinary Shares of HK\$0.01 each in the Company**

Name of Directors		Number of Shares held	Nature of interest	Percentage
Mr. James Ang ("Mr. Ang")	Long position	204,272,000	Corporate interest ( <i>Note</i> )	52.55%
Ms. Yau Pui Chi, Maria (Spouse of Mr. Ang)	Long position	204,272,000	Family interest ( <i>Note</i> )	52.55%

*Note:* These Shares are registered as to 192,200,000 Shares in the name of Nanette Profits Limited ("Nanette"), 5,692,000 Shares in the name of Benevolent Trading Limited ("Benevolent") and 6,380,000 Shares in the name of Cyber Wealth Company Group Limited ("Cyber Wealth"). Mr. Ang is the beneficial owner of the entire issued share capital of Nanette, Benevolent and Cyber Wealth and is deemed to be interested in the shares registered in the name of such companies.



## NETEL TECHNOLOGY (HOLDINGS) LIMITED

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company under Section 336 of the SFO shows that as at 30 November 2007, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name of Shareholders		Number of Shares held	Nature of interest	Percentage
Mr. Mah Bing Hong	Long position	11,244,000	Beneficial Owner	2.89%
	Long position	11,244,000	Corporate interest (Note)	2.89%
		<hr/>		<hr/>
		22,488,000		5.78%

Note: These shares are owned by LeeMah Holdings, Ltd, a wholly owned by LeeMah Corporation which is owned as to 98.62% by Mah Family Partnership in which Mr. Mah Bing Hong is the beneficial owner. Mr. Mah Bing Hong is deemed to be interested in 11,244,000 shares held by LeeMah Holdings, Ltd.

### PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 November 2007.

## SHARE OPTIONS SCHEME

Pursuant to written resolution of the sole shareholder of the Company dated 4 December 2002, the Company has conditionally adopted the Share Option Scheme whereby eligible participants of the scheme who the Board considers, in its sole discretion, have contributed to the Group, may be granted option to subscribe for shares.

As at 30 November 2007, no share option was granted under the Share Option Scheme.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the share option scheme under the section "Share Option Scheme" of this report, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the six months ended 30 November 2007, the directors are not aware of any business or interest of the directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

### CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the six months ended 30 November 2007, the Group has complied with the code provisions in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A 2.1 stipulated in the following paragraphs.

The Code provision A 2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. James Ang is both the Chairman and CEO of the Company who is responsible for managing the Board and the Group’s business. Mr. Ang has been the Chairman and CEO since the establishment of the Company. The Board considers that, with the present board structure and scope of business, there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group’s corporate governance structure to assess whether the separation of the position of Chairman and CEO is necessary.

### MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

The Board confirms, having made specific enquiries with all directors and supervisors, that during the six months ended 30 November 2007, all members of the Board and all supervisors have complied with the required standards set out in the Model Code for Securities Transaction by Directors of Listed Issuer as contained in Chapter 5 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee (“AC”) with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three independent non-executive Directors, Mr. Li Chi Wing, Mr. Chan Chun Chung, William and Mr. Yeung Kam Yuen, Roderick who together have sufficient accounting and financial management expertise, legal and business experience to carry out their duties.

The AC’s principal duties include reviewing the Group’s financial control, internal control and risk management, review and monitor the integrity of financial statements and reviewing annual, interim and quarterly financial statements and report before submission to the Board. The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly.

The AC has reviewed the half year results of the Company for the six months ended 30 November 2007 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

## **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

The Company has established a Remuneration Committee (RC) with specific terms of reference which deals clearly with its authorities and duties. Mr. Li Chi Wing, an independent non executive Director, is the Chairman of the RC and other members are Mr. Chan Chun Chung, William, an independent non-executive Director, and Ms. Yau Pui Chi, Maria, an executive Director. A majority of the RC members are independent non-executive Directors of the Company.

The role and function of RC is to oversee Board remuneration matters, including recommend the Board the Company’s policies and structure for the remuneration of the Directors and senior management, determine the remuneration packages of all executive Directors and senior management, review compensation to Directors and senior management in connection with any loss or termination of their office or appointment and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

## **NETEL TECHNOLOGY (HOLDINGS) LIMITED**

### **INTERNAL CONTROL**

The Board is responsible for maintaining sound and effective internal systems for the Company to safeguard its assets and shareholders' interests.

The Board, through the Audit Committee, reviews the internal control system of the Group annually and will take any necessary and appropriate action to maintain adequate internal control system to safeguard Company's equity. The effectiveness of the internal control system was discussed on annual basis with the Audit Committee.

### **BOARD PRACTICES AND PROCEDURES**

During the six months ended 30 November 2007, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

By Order of the Board  
**Netel Technology (Holdings) Limited**  
**James Ang**  
*Chairman*

Hong Kong, 11 January 2008

Directors of the Company as at the date hereof:

Executive Directors:

Mr. James Ang

Ms. Yau Pui Chi, Maria

Non-Executive Directors:

Mr. Yeung Kam Yuen, Roderick

Mr. Li Chi Wing

Mr. Chan Chun Chung, William