



NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256



Interim Report
2009/2010



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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.

CONDENSED CONSOLIDATED INCOME STATEMENT

The directors (the "Directors") of Netel Technology (Holdings) Limited (the "Company") are pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 November 2009 together with the comparative unaudited figures for the corresponding period in 2008:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	3	1,213	1,637	2,085	2,931
Cost of sales		(609)	(828)	(1,178)	(1,255)
Gross profit		604	809	907	1,676
Other revenues	4	-	1	-	30
Selling and marketing expenses		(83)	(64)	(188)	(94)
Administrative expenses		(4,217)	(1,238)	(5,965)	(2,608)
Loss from operating	5	(3,696)	(492)	(5,246)	(996)
Finance costs	6	(10)	-	(10)	-
Share of loss of an associated company		(59)	(59)	(103)	(112)
Loss before taxation		(3,765)	(551)	(5,359)	(1,108)
Taxation	7	-	-	-	-
Loss after taxation		(3,765)	(551)	(5,359)	(1,108)
Attributable to:					
Equity holders of the Company		(3,765)	(574)	(5,359)	(1,131)
Minority interests		-	23	-	23
Loss for the period		(3,765)	(551)	(5,359)	(1,108)
Loss per share					
- basic and diluted	8	HK(0.93 cents)	HK(0.12 cents)	HK(1.38 cents)	HK(0.23 cents)

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

	For the six months ended 30 November	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(5,359)	(1,108)
Other comprehensive income:		
Currency translation differences	(1)	–
Total comprehensive income for the period	(5,360)	(1,108)
Total comprehensive income attributable to:		
– equity holders of the Company	(5,360)	(1,131)
– minority interests	–	23
	(5,360)	(1,108)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 November 2009 HK\$'000 (Unaudited)	As at 31 May 2009 HK\$'000 (Audited)
Non-Current Assets			
Plant and equipment	7	3,079	2,717
Intangible asset		156	178
Investment in an associated company		32	135
		<u>3,267</u>	<u>3,030</u>
Current Assets			
Inventories		–	–
Trade receivables	10	700	305
Prepayment, deposit and other receivables	10	1,627	2,280
Bank balances and cash		6,191	899
		<u>8,518</u>	<u>3,484</u>
Total Assets		<u>11,785</u>	<u>6,514</u>
Current Liabilities			
Trade payables	11	(9,384)	(9,720)
Receipt in advance, accruals and other payables	11	(2,109)	(4,561)
Amount due to a director		(54)	(8,127)
		<u>(11,547)</u>	<u>(22,408)</u>
Net Current Liabilities		<u>(3,029)</u>	<u>(18,924)</u>
Total Assets Less Current Liabilities		<u>238</u>	<u>(15,894)</u>
Equity Capital and reserves attributable to the equity holders of the Company			
Share capital	12	8,705	5,248
Share premium and reserves		(8,467)	(21,142)
		<u>238</u>	<u>(15,894)</u>
Minority interests		–	–
Total Equity		<u>238</u>	<u>(15,894)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 November	
	2009 (unaudited) <i>HK\$'000</i>	2008 (unaudited) <i>HK\$'000</i>
Net cash used in operating activities	(7,206)	(2,250)
Net cash (used in)/generated from investing activities	(921)	–
Net cash generated from financing activities	13,419	2,065
(Decrease)/increase in cash and cash equivalents	5,292	(185)
Cash and cash equivalents at beginning of the period	899	454
Cash and cash equivalents at the end of the period	6,191	269
Analysis of balance of cash equivalents		
Bank balances and cash	6,191	269

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Exchange Reserve	Share Option Reserve	Accumulated Losses	Total	Minority Interests	Total Equity
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Balance as at 1 June 2008	4,878	30,800	61	-	(50,643)	(14,904)	88	(14,816)
Issuance of new shares	370	1,572	-	-	-	1,942	-	1,942
Translation of foreign reserve	-	-	(48)	-	-	(48)	-	(48)
Transfer upon cessation of business of a subsidiary	-	-	-	-	88	88	(88)	-
Loss for the year	-	-	-	-	(2,972)	(2,972)	-	(2,972)
Balance as at 31 May 2009 (audited)	5,248	32,372	13	-	(53,527)	(15,894)	-	(15,894)
Issuance of new shares	3,457	16,263	-	-	-	19,720	-	19,720
Grant of Share Option	-	-	-	1,772	-	1,772	-	1,772
Loss for the period	-	-	-	-	(5,360)	(5,360)	-	(5,360)
Balance as at 30 November 2009 (unaudited)	8,705	48,635	13	1,772	(58,887)	238	-	238



NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law 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 services.

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.

This condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended 31 May 2009.

The accounting policies and methods of computation used in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 May 2009 except for the adoption of new and revised 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 2009 as set out below.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 23 (Amendment)	Borrowing Costs
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 31 (Amendment)	Interests in Joint Ventures
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellation
HKFRS 8	Operating Segments

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 the following new and revised standards and interpretations that have been issued but are not yet effective for the current accounting period. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have not material impact on the results and the financial position of the Group.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements*
HKFRS 3 (Revised)	Business Combination*
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations*

* Effective for annual periods beginning on or after 1 June 2011

3. REVENUE AND SEGMENT INFORMATION

Revenue 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 2009			
	Long distance call services			
	Sale of equipment	End-users direct sales	Carrier sales	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	444	1,602	39	2,085
Segment results	210	(3,351)	(41)	(3,182)
Other revenues				–
Operating loss				(3,182)
Unallocated cost				(2,168)
Finance costs				(10)
Loss before taxation				(5,360)
Taxation				–
Loss for the period				(5,360)

Results (unaudited)

For the six months ended 30 November 2008

Long distance call services

	Sale of equipment <i>HK\$'000</i>	End-users direct sales <i>HK\$'000</i>	Carrier sales <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	72	2,297	562	2,931
Segment results	49	(871)	80	(742)
Other revenues				30
Operating loss				(712)
Unallocated cost				(396)
Finance costs				-
Loss before taxation				(1,108)
Taxation				-
Loss for the period				(1,108)

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)

	Revenue For the six months ended 30 November		Segment result For the six months ended 30 November	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
By geographical market:				
Hong Kong	1,647	2,266	(2,513)	(574)
Mainland China	19	155	(29)	(39)
Other countries	419	510	(640)	(129)
	2,085	2,931		
Other revenues			-	30
Loss from operations			(3,182)	(712)

4. OTHER REVENUES

Other revenues mainly comprises income from reversal of over provision of impairment of receivable in respect of prior year.

5. LOSS FROM OPERATIONS

	For the six months ended 30 November	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss from operations has been arrived at after charging:		
Cost of inventories sold	1,178	1,255
Depreciation and amortisation on owned assets	559	631
Operating lease-land and buildings	267	105
Staff costs		
Retirement benefits scheme contributions	55	38
Share base payment	1,772	–
Salaries and other benefits	2,380	1,259

6. FINANCE COSTS

	For the six months ended 30 November	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on finance lease	10	–

7. PLANT AND EQUIPMENT

As at the period ended 30 November 2009, the Group's plant and equipment was amounting to approximately HK\$3,079,000 (31 May 2009: approximately: HK\$2,717,000).

During the period ended 30 November 2009, the Group had acquired Plant and Equipment was amounting to approximately HK\$921,000 (the same period of 2008: Nil).

8. 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 (2008: 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 (2008: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is for the three months and six months ended 30 November 2009 are based on the unaudited consolidated loss for the three months and six months ended 30 November 2009 period of approximately HK\$3,765,000 and HK\$5,359,000 respectively (loss for the same period ended of 2008: approximately HK\$574,000 and HK\$1,131,000) and the weighted average number of 405,268,350 and 389,582,190 ordinary shares in issue during the three months and the six months ended 30 November 2009 (the same period ended of 2008: 498,770,590 & 493,245,618 ordinary shares).

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

10. TRADE AND OTHER RECEIVABLES

	As at 30 November 2009 HK\$'000 (unaudited)	As at 31 May 2009 HK\$'000 (audited)
Trade receivables (<i>Note (a)</i>)	700	305
Other receivables, prepayments and deposits	1,627	2,280
	2,327	2,585

Note:

- (a) Majority of the Group's turnover are entered into on credit terms ranging from 30 to 120 days. Ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 30 November 2009 HK\$'000 (unaudited)	As at 31 May 2009 HK\$'000 (audited)
0 – 30 days	479	87
31 – 60 days	27	35
61 – 90 days	15	45
Over 90 days	<u>4,019</u>	<u>3,978</u>
	4,540	4,145
Less: provision for impairment of receivables	<u>(3,840)</u>	<u>(3,840)</u>
	<u>700</u>	<u>305</u>

11. TRADE AND OTHER PAYABLES

	As at 30 November 2009 HK\$'000 (unaudited)	As at 31 May 2009 HK\$'000 (audited)
Trade payables (<i>Note (a)</i>)	9,384	9,720
Other payables and accruals	1,709	2,761
Receipt in advance	<u>400</u>	<u>1,800</u>
	<u>11,493</u>	<u>14,281</u>

Note:

- (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 2009 HK\$'000 (unaudited)	As at 31 May 2009 HK\$'000 (audited)
0 – 30 days	447	27
31 – 60 days	107	44
61 – 90 days	43	14
Over 90 days	8,787	9,635
	9,384	9,720

12. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
As at 30 November 2009		
Ordinary Shares of HK\$ 0.02 each	5,000,000,000	100,000
Authorised share capital		
Issued and fully paid share capital	435,268,350	8,705
As at 31 May 2009		
Ordinary Shares of HK\$ 0.01 each	1,000,000,000	10,000
Authorised share capital		
Issued and fully paid share capital	524,820,700	5,248



13. LITIGATIONS

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

- (a) In September 2006, one of the subsidiary (the "Subsidiary") of the Group filed a statement of claim, including potential claims and disputed invoices of approximately HK\$2,700,000, against a telecom operator (the "Defendant"). In August 2008, the Defendant submitted statements of defence and claimed the Subsidiary outstanding amount of approximately HK\$3,200,000. In May 2009, the Court directed the parties to set down the case for trial and the trial was scheduled in November 2009. On November 2009, the trial was rescheduled to 2010. The Directors of the Company, having taken into consideration the advice from the Group's legal advisor, are of the opinion that the ultimate liability under these proceedings would not have a further impact on the financial position of the Group.
- (b) 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 and claimed that the subsidiaries and the director have no right to defence. On 20 July 2005, the High Court ruled that the subsidiaries and the director had right to defence and refused to grant order to the Plaintiff. The Plaintiff failed to comply with the Court's direction that the case be set down for trial in August 2006 and up to date of this report the Plaintiff has failed to submit further evidence to substantiate the claim. The Directors of the Company, having taken into consideration the advice from the Group's legal advisor, are of the opinion that the Group has a strong ground to defence and the recorded account payable approximately HK\$2,200,000 to the Plaintiff is considered adequate.
- (c) The Group has litigation processing in respect of outstanding payable liabilities arising in the normal course of its business of approximately HK\$1,100,000. The amount of the liabilities is adequately recorded in accounts payable for the year ended 31 May 2009. The Directors of the Company 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.

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.

14. POST BALANCE SHEET EVENTS

a) *Subscription Agreement*

On 16 November 2009, the Company entered into a subscription agreement with Vincent Top Limited for subscription of 12,000,000 Shares at a subscription price of HK0.2778 per share. The subscription will be completed on or before 16 January 2010, or such other days as the parties may agree. Further details regarding the subscription agreement are set out in the Company's announcement dated 16 November 2009.

b) *Acquisition Agreement*

On 16 December 2009, the subsidiary of the Company entered into a sales and purchase agreement with 廣州市新科新信息技術有限公司 to acquire 49% equity interest of a PRC domestic company, a telecommunication value added service provider at RMB850,000. The Acquisition will be completed in the first quarter of 2010. Further details regarding the agreement are set out in the Company's announcement dated 16 December 2009 and 17 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a total revenue of approximately HK\$2.09 million in the first six months ended 30 November 2009, a decrease of approximately HK\$0.84 million from approximately HK\$2.93 million for the same period of last year. The decrease was attributable to the decrease in calling card sales, SIP Service revenue and carrier sales. The loss for the period was also up by approximately HK\$4.25 million from approximately HK\$1.11 million in the same period of last year to approximately HK\$5.36 million in this period.

The administrative expenses increased by approximately HK\$3.36 million from approximately HK\$2.61 million of the same period of last year to approximately HK\$5.97 million for this period.



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 November 2009, the Group had total assets of approximately HK\$11.79 million (31 May 2009: approximately HK\$6.51 million), including bank and cash balance of approximately HK\$6.19 million (31 May 2009: approximately HK\$0.90 million).


As at 30 November 2009, the gearing ratio is 26.0, defined as total bank and finance lease borrowings divided by the shareholders' fund (31 May 2009: not applicable). The Group had net assets of approximately HK\$0.24 million (31 May 2009: net liabilities approximately HK\$15.89 million).

BUSINESS REVIEW

In the past six months, the Group diversified its business by investing significant amount of resources in Research and Development for value-added services and telecom equipment including IPABX. The Research and Development Centre was established in China and a professional team of engineers was formed to support the development.

In addition to investment in Research and Development, the Group was pleased to acquire a telecom services provider with an operation license (the "ICP" License) in China and leveraging on its network and clientele. Through this acquisition, the Group was able to gain a foothold in the value-added services telecom market in China in the first quarter of 2010.

The Group also announced the launching of a series of new products and services, including Customer Relation Management (CRM) System, Call Filter, IPABX equipment as well as a series of text message and IP services. Moreover, the Office of the Telecommunication Authority (the "OFTA") of the HKSAR issued the Group a service-based operator license (the "SBO" License), which allowed the Group to bundle the telecom equipment, value-added services together with fixed network and IP network services.



The Group also formed a joint venture with Mr. James Ang, Chairman of the Group, venturing into the voice recognition business. The voice recognition project is preliminary under the Research and Development stage, which marks the Group's entry into another strategic area of technology development.

According to the Group's clear vision and developmental roadmap, China will be the Group's core market and telecom value-added services will be the key business in the future. The Group will keep on looking for profitable acquisition opportunities to fulfill the Group's business goal as well as maximizing shareholders' benefits.

BUSINESS OUTLOOK

The Group has launched the virtual office services for individual users in Hong Kong with integrated functions, like routing fax to email, answering phone calls by personalized recorded greeting message, converting voice messages into SMS text messages to mobile and call filtering services etc. Furthermore, the Group has started sale of IPABX equipment in Hong Kong and China which includes numerous value-added features, that were developed by the Group's professional Research and Development team.

The Group has recently established offices in Beijing and Guangzhou with an attempt to deliver the Group's services through dealer networks in China. It is expected that starting from the first quarter of 2010, the provision of these value-added services in different provinces of China, will greatly contribute to the Group's income.

A similar model of provision of these value-added services is planned to be deployed in the Philippines and other countries globally. The Group will further invest on sales and marketing in distributing those services worldwide.

In 2009, the Group has been investing significant amount in Research and Development and a series of new products are expected to be launched in the year of 2010. Subsequent to the investment in Research and Development, the Group will focus on sales and marketing, to effectively utilize our Research and Development resources and strive for most revenues through provision of these services.

INTERIM DIVIDEND

The Company does not recommend the payment of any interim dividend for the six months ended 30 November 2009.

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 2009, apart from the details as follows, the Directors and Chief Executive do not have any other interests and short positions 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 otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.49 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

ORDINARY SHARES OF HK\$0.02 EACH IN THE COMPANY

Name of Directors		Number of Shares held	Nature of Interest	Percentage
Mr. James Ang ("Mr. Ang")	Long position	158,964,900	Personal, Family and Corporate Interest (<i>Note</i>)	36.52%
Ms. Yau Pui Chi, Maria (Spouse of Mr. Ang)	Long position	158,964,900	Personal and Family Interest (<i>Note</i>)	36.52%

Note: These Shares are registered as to 141,305,900 shares and 4,800,000 share options held by Mr. Ang in person, 799,000 shares and 4,800,000 share options held by Ms. Yau in person, and 3,190,000 Shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 4,070,000 Shares held by Bluechip Combination Investments Limited ("Bluechip"). Cyber Wealth and Bluechip are companies wholly-owned by Mr. Ang.

The interests of the Directors in the share options of the Company are disclosed under the section "Share Option Scheme" of this report.



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

Save as the interest disclosed above in respect of certain Directors, the Company has not been notified of any other shareholders who had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 30 November 2009.

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 2009.

SHARE OPTIONS SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted on 4 December 2002 with a purpose to providing incentives and rewards to employees who have made contribution to the development of the Company. Under the terms of the Share Option Scheme, the Board may, at its discretion may grant share options to employees including directors, executives or officers of the Group, at a price not less than the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date, the closing price of the shares on the Stock Exchange on the offer day or the nominal value of the shares, whichever is higher.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one participant must not exceed 30% of the maximum number of shares in issue from time to time. The total number of shares of the Company issued and to be issued upon exercise the options granted to each participant of the Share Option Scheme (including both exercised and outstanding options) in any 12-months period must not exceed 1% of the issued share capital of the Company.

A nominal consideration of HK\$1 is payable within 21 days from the offer date for each lot of share options granted. An option may be exercised in accordance with the terms of the Share Option Scheme during a period to be notified by the Board.

The Share Option Scheme is valid for a period of 10 years commencing from 4 December 2002.

The following shows the outstanding position as at 30 November 2009 with respect to their share options granted under the Share Option Scheme:

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2009	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2009
Directors								
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	-	4,800,000	-	-	4,800,000
Mr. Wei Ren	13.10.2009	0.233	13.10.2009 to 12.10.2019	-	1,500,000	-	-	1,500,000
Ms. Yau Pui Chi, Maria	13.10.2009	0.233	13.10.2009 to 12.10.2019	-	4,800,000	-	-	4,800,000
Mr. Chiang Kin Kon	13.10.2009	0.233	13.10.2009 to 12.10.2019	-	2,300,000	-	-	2,300,000
Mr. Wong Kwok Fai	13.10.2009	0.233	13.10.2009 to 12.10.2019	-	1,200,000	-	-	1,200,000
Mr. Chau Siu Keung	13.10.2009	0.233	13.10.2009 to 12.10.2019	-	1,200,000	-	-	1,200,000
				-	15,800,000	-	-	15,800,000
Other employees								
In aggregate	13.10.2009	0.233	13.10.2009 to 12.10.2019	-	3,200,000	-	-	3,200,000
				-	19,000,000	-	-	19,000,000



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 2009, 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 period ended 30 November 2009, the Group has complied with the code provisions in the Code on Corporate Governance Practices (the "Code Provision(s)") as set out in Appendix 15 of the GEM Listing Rules, except for the Code Provision A 2.1 and A 4.1 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.

Under the Code Provision A 4.1, non-executive Directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Article of Association of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company in this aspect of the Code Provisions.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rule 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). The Company has made specific enquiry of all Director of the Company, and the Directors have confirmed compliance with the Code during the period ended 30 November 2009.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code. No incident of non-compliance was noted by the Company for the period ended 30 November 2009.



AUDIT COMMITTEE

The Company has established an Audit Committee with specific terms of reference explaining its role and authorities delegated by the Board. The Audit Committee currently consists of three independent non-executive Directors, Mr. Chiang Kin Kon, Mr. Wong Kwok Fai, and Mr. Chau Siu Keung who together have sufficient accounting and financial management expertise, and business experience to carry out their duties.

The duties of Audit Committee are included 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 Audit Committee meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly.

The Audit Committee has reviewed the interim results of the Company for the six months ended 30 November 2009 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 with specific terms of reference which deals clearly with its authorities and duties. The Remuneration Committee currently consists of two independent non-executive Directors and an executive Director; Ms. Yau Pui Chi, Maria, executive Director, is the Chairman of the Remuneration Committee, and other members are Mr. Wong Kwok Fai, an independent non-executive Director, and Mr. Chiang Kin Kon, an independent non-executive Director. The majority members of the Remuneration committee are independent non-executive Directors of the Company.



The role and function of Remuneration Committee 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.

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 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 2009, 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, 8 January 2010



Directors of the Company as at the date hereof:

Executive Directors

Mr. James Ang

Mr. Wei Ren

Ms. Yau Pui Chi, Maria

Independent Non-executive Directors

Mr. Chiang Kin Kon

Mr. Wong Kwok Fai

Mr. Chau Siu Keung