



NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256



2010/2011

INTERIM REPORT



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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 Rules Governing the Listing of Securities on the Growth Enterprise market of The Stock Exchange of Hong Kong Limited (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 the information contained in this report 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 report misleading.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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 2010 together with the comparative unaudited figures for the corresponding period in 2009:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	3	1,022	1,213	2,186	2,085
Cost of sales		(449)	(609)	(1,161)	(1,178)
Gross profit		573	604	1,025	907
Selling and marketing expenses		(69)	(83)	(465)	(188)
Administrative expenses		(2,761)	(4,217)	(5,715)	(5,965)
Net gain on disposal of financial assets		24	-	51	-
Profit/(Loss) from operations	4	(2,233)	(3,696)	(5,104)	(5,246)
Finance costs	5	(5)	(10)	(10)	(10)
Share of loss of an associated company		(50)	(59)	(109)	(103)
Profit/(Loss) before taxation		(2,288)	(3,765)	(5,223)	(5,359)
Taxation	7	-	-	-	-
Profit/(Loss) for the period attributable to equity holders of the Company		(2,288)	(3,765)	(5,223)	(5,359)
Other comprehensive income					
Translation of foreign exchange reserve		23	-	23	(1)
Total comprehensive loss for the period attributable to equity holders of the Company		(2,265)	(3,765)	(5,200)	(5,360)
Loss per share – basic and diluted	8	HK(0.49 cents)	HK(0.93 cents)	HK(1.12 cents)	HK(1.38 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 November 2010 <i>HK\$'000</i> (Unaudited)	As at 31 May 2010 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-Current Assets			
Plant and equipment	6	2,356	2,733
Intangible asset		1,365	1,098
Investment in an associated company		–	87
		<u>3,721</u>	<u>3,918</u>
Current Assets			
Inventories		72	92
Trade receivables	9	428	162
Prepayment, deposit and other receivables	9	4,515	2,293
Financial assets at fair value through profit or loss		–	278
Bank balances and cash		756	6,124
		<u>5,771</u>	<u>8,949</u>
Total Assets		<u>9,492</u>	<u>12,867</u>
Current Liabilities			
Trade payables	10	(8,740)	(9,364)
Receipt in advance, accruals and other payables	10	(1,754)	(1,553)
Amount due to a director		(835)	–
Borrowings		(118)	(118)
		<u>(11,447)</u>	<u>(11,035)</u>
Net Current Liabilities		<u>(5,676)</u>	<u>(2,086)</u>
Total Assets Less Current Liabilities		<u>(1,955)</u>	<u>1,832</u>

	As at 30 November 2010 <i>Notes</i> HK\$'000 (Unaudited)	As at 31 May 2010 <i>HK\$'000</i> <i>(Audited)</i>
Non-Current Liabilities		
Borrowings	<u>(294)</u>	<u>(353)</u>
Net Assets/(Liabilities)	<u>(2,249)</u>	<u>1,479</u>
Equity Capital and Reserves Attributable to the Equity Holders of the Company		
Share capital	9,453	9,265
Share premium and reserves	<u>(11,702)</u>	<u>(7,786)</u>
	(2,249)	1,479
Minority interests	<u>–</u>	<u>–</u>
Total Equity	<u>(2,249)</u>	<u>1,479</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 November	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(7,529)	(7,206)
Net cash (used in)/generated from investing activities	(87)	(921)
Net cash generated from financing activities	<u>2,248</u>	<u>13,419</u>
(Decrease)/increase in cash and cash equivalents	(5,368)	5,292
Cash and cash equivalents at beginning of the period	<u>6,124</u>	<u>899</u>
Cash and cash equivalents at the end of the period	<u>756</u>	<u>6,191</u>
Analysis of balance of cash equivalents		
Bank balances and cash	<u>756</u>	<u>6,191</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Share Option Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
Balance as at 1 June 2009	5,248	32,372	13	-	(53,527)	(15,894)
Total comprehensive loss for the year	-	-	137	-	(9,779)	(9,642)
Issuance of new shares	4,017	21,226	-	-	-	25,243
Equity settled share-based transactions	-	-	-	1,772	-	1,772
Balance as at 31 May 2010 (audited)	9,265	53,598	150	1,772	(63,306)	1,479
Total comprehensive loss for the period	-	-	23	-	(5,223)	(5,200)
Issuance of new shares	188	1,284	-	-	-	1,472
Balance as at 30 November 2010 (unaudited)	9,453	54,882	173	1,772	(68,529)	(2,249)

NOTES TO THE CONDENSED CONSOLIDATED 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 2010.

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 2010 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 2010 as set out below.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

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 no material impact on the results and the financial position of the Group.

HKAS 24 (Revised)	Related Party Disclosures*
HKFRS 9	Financial Instruments*
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments*

* *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 2010			Group HK\$'000
	Sale of equipment HK\$'000	Long distance call services End-users direct sales HK\$'000	Carrier sales HK\$'000	
Revenue	23	1,606	557	2,186
Segment results	(19)	(2,877)	(212)	(3,108)
Gain on disposal of financial assets				51
Operating loss				(3,057)
Unallocated cost				(2,156)
Finance costs				(10)
Loss before taxation				(5,223)
Taxation				-
Loss for the period				(5,223)

Results (unaudited)

	For the six months ended 30 November 2009			
	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)
Gain on disposal of financial assets				—
Operating loss				(3,182)
Unallocated cost				(2,167)
Finance costs				(10)
Loss before taxation				(5,359)
Taxation				—
Loss for the period				(5,359)

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		Segment result	
	For the six months ended 30 November		For the six months ended 30 November	
	2010	2009	2010	2009
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
By geographical market:				
Hong Kong	1,720	1,647	(2,445)	(2,513)
Mainland China	76	19	(108)	(29)
Other countries	390	419	(555)	(640)
	2,186	2,085		
Gain on disposal of financial assets			51	—
Loss from operations			(3,057)	(3,182)

4. Loss from operations

	For the six months ended	
	30 November	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss from operations has been arrived at after charging/(crediting):		
Cost of inventories sold	1,161	1,178
Depreciation and amortisation:		
Owned	416	559
Leased	59	–
Operating lease-land and buildings	558	267
Staff costs, (including directors' remuneration)		
Retirement benefits scheme contributions	126	55
Share base payment	–	1,772
Salaries and other benefits	3,687	2,380

5. Finance costs

	For the six months ended	
	30 November	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on finance lease	10	10

6. Plant and equipment

As at the period ended 30 November 2010, the Group's plant and equipment was amounting to approximately HK\$2,356,000 (31 May 2010: approximately HK\$2,733,000). The directors consider that the fair value of the plant and equipment at 30 November 2010 does not change significantly from their carrying amount at 31 May 2010.

The Group had not disposed any Plant and Equipment (the same period ended of 2009: Nil), and had not acquire any Plant and Equipment (the same period ended of 2009: Nil) during the six months ended 30 November 2010.

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 (2009: 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 (2009: Nil).

8. Loss per share

The calculation of basic loss per share is for the three months and six months ended 30 November 2010 are based on the unaudited consolidated loss for the three months and six months ended 30 November 2010 period of approximately HK\$2,288,000 and HK\$5,223,000 respectively (loss for the same period ended of 2009: HK\$3,765,000 and HK\$5,359,000) and the weighted average number of 466,675,998 and 464,962,864 ordinary shares in issue during the three months and the six months ended 30 November 2010 (the same period ended of 2009: 405,268,350 & 389,582,190 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.

9. Trade and other receivables

	As at 30 November 2010 <i>HK\$'000</i> (unaudited)	As at 31 May 2010 <i>HK\$'000</i> (audited)
Trade receivables (<i>Note (a)</i>)	428	162
Other receivables, prepayments and deposits	4,515	2,293
	4,943	2,455

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 2010 <i>HK\$'000</i> (unaudited)	As at 31 May 2010 <i>HK\$'000</i> (audited)
0 – 30 days	81	98
31 – 60 days	135	22
61 – 90 days	13	9
Over 90 days	4,188	4,022
	4,417	4,151
Less: provision for impairment of receivables	(3,989)	(3,989)
	428	162

10. Trade and other payables

	As at 30 November 2010 <i>HK\$'000</i> (unaudited)	As at 31 May 2010 <i>HK\$'000</i> (audited)
Trade payables (<i>Note (a)</i>)	8,740	9,364
Other payables and accruals	1,297	1,116
Receipt in advance	457	437
	10,494	10,917

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 2010 <i>HK\$'000</i> (unaudited)	As at 31 May 2010 <i>HK\$'000</i> (audited)
0 – 30 days	226	459
31 – 60 days	77	27
61 – 90 days	527	18
Over 90 days	7,910	8,860
	8,740	9,364

11. Litigations

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

- (a) In September 2006, one of the subsidiaries (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 2 December 2009, the matter was adjourned for the parties to amend the pleadings. As at the date of this report, no trial date has been fixed. 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 (the "Plaintiff") against two wholly owned subsidiaries of the Group and a director of the Company (the "Director") 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 a number of outstanding litigations in respect of liabilities arising in the normal course of its business of approximately HK\$685,000. The amount of the liabilities is adequately recorded in accounts payable for the period ended 30 November 2010. 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.

12. Events after the reporting period

(a) *Grant of Share Options*

On 8 December 2010, the Company granted share options to certain directors and employees of the Group to subscribe for a total of 21,348,000 ordinary shares of HK\$0.02 each in the capital of the Company, subject to acceptance of the Grantee, under option scheme of the Company adopted on 4 December 2002. Further details regarding the Share Options granted are set out in the Company's announcement dated 8 December 2010.

(b) *Subscription Agreements*

On 31 May 2010, the Company entered into two subscription agreements with two third party subscribers, each of them would allot and issue 15,000,000 new Shares at the subscription price of HK\$0.17. The Subscriptions will be completed on or before 30 August 2010. On 30 August 2010, the Company and the subscribers mutually agreed to extend the date of completion to 28 November 2010, or such other days as the parties may agree. On 26 November 2010, the Company and the Subscriber A have agreed to terminate the Subscription Agreement with effect on 26 November 2010. The Company and the Subscriber B also agreed to further extend the completion date of the Subscription Agreement to 28 December 2010 (which date will not be further extended). Further details regarding the Subscription Agreements, the extension and termination of the Subscription Agreements are set out in the Company's announcements dated 31 May 2010, 30 August 2010 and 26 November 2010 respectively.

(c) *Acquisition Agreement*

On 16 December 2009, the Company entered into the Acquisition Agreement with 廣州市新科信息技術有限公司 (the "Vendor") for conditional sales and purchases agreement in connection with the acquisition of the 49% equity interest in 廣州數科網絡有限公司. The proposal completion date was 16 June 2010. On 15 June 2010, the Company and the Vendor have mutually agreed to extend the date of Completion from 16 June 2010 to 16 December 2010 (or such date as the parties may agree). On 16 December 2010, the Company announced that the Acquisition Agreement had not been fulfilled and the parties to the agreement did not further extend the Completion Date, the Acquisition Agreement should be lapsed and the parties should have no further obligation to each other with effect on 16 December 2010. Further details regarding the Acquisition Agreement, the extension of the completion date and the lapse of the Acquisition Agreement are set out in the Company's announcements dated 16 December 2009, 17 December 2009, 15 June 2010 and 16 December 2010 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded a total revenue of approximately HK\$2.19 million in the first six months ended 30 November 2010, a increase of HK\$0.10 million from HK\$2.09 million for the same period of last year. The increase was attributable to the increase in carrier sales. The loss for the period was also narrowed down HK\$0.14 million from HK\$5.36 million in the same period of last year to HK\$5.22 million in this period, reflecting a slightly improvement in the cost of the operations.

The administrative expenses decreased by approximately HK\$0.25 million from HK\$5.97 million of the same period of last year to HK\$5.72 million for this period.

Liquidity and financial resources

As at 30 November 2010, the Group had total assets of approximately HK\$9.49 million (31 May 2010: HK\$12.87 million), including bank and cash balance of approximately HK\$0.76 million (31 May 2010: HK\$6.12 million).

As at 30 November 2010, the gearing ratio was not applicable, defined as total bank and finance lease borrowings divided by the shareholders' fund as there was no significant interest bearing liability except for a finance lease (31 May 2010: not applicable). The Group had net current liabilities of approximately HK\$5.68 million (31 May 2010: HK\$2.09 million).

Business Review

During the past six months, the Company has introduced the GBjobs Recruitment Service Platform (www.gbjobs.com) in Hong Kong and Guangzhou. The feedback was affirmative and optimistic. It has been observed that the hit rate has been steadily increased and advertisement orders placed have been expanding gradually. To continue the progression, the Research and Development team has worked on developing new features for the search engine. New services and features should be ready to launch in the coming quarter.

On the other hand, the Group has developed new business in the logistic service industry in China. The Group entered into a cooperation agreement with an electronic cargo tracking devices provider in China. The Company believed the potential for this application will be tremendous in China and overseas. Revenues from this sector will be reflected in the coming quarters.

The Group also started new business in short messages broadcasting services. Obtaining the service-based operator license (the "SBO" License) issued by the Office of Telecommunication Authority (the "OFTA") of the HKSA, the Company provides mobility solutions for different enterprises with messages broadcast services. The Company received positive feedback from different sectors of industries, and expects this service should grow in the coming quarters.

To conclude, the Company had gone through a development period for new products and applications in the past quarter, and had built up a strong sales team, different distribution channels and customer base in Hong Kong, China and the Philippines.

Business outlook

Riding on the economic booming in the mainland, the Company views businesses in China as the core market. The Group is confident that those internet-related businesses should have a strong growth in coming quarters.

As to speed up the expansion of business, acquisition of potential enterprise will be one of the keys to success. The Company will be keen on looking for potential joint venture and acquisitions opportunities, in order to maximize shareholders benefits.

In addition, the GBjobs Recruitment Service Platform (www.gbjobs.com) with new application features will branch out to the whole national coverage in China, as well as many other countries throughout the world in the coming quarters. The new features include data mining, data analysis, employment matching etc. These features would not only be the key to the company's success, but also one of the leading technologies in the industry. The Company is proud to have their own Research & Development team in bringing out these new features and new technologies.

The Group is successful in intergrating different communication platforms together, such as personal computers, mobile phones and smart phones. This technology can serve various applications including GBjobs Recruitment Service Platform (www.gbjobs.com), Short Message Communication System, Distance Learning Service Platform (www.ncecyber.com). The Group believes there are still many new applications to be developed by the R&D team, and the target is to transfer such technologies into a revenue driving mechanism for the Company and also serve the community.

The Company has received funds from one of the major shareholders, by means of convertible bonds, to support GBjobs Recruitment Service Platform (www.gbjobs.com) and to develop new applications. As the new applications become more mature, the Company will attract more potential investors, and the Group will expect to raise more funds in the market to speed up the market penetration.

INTERIM DIVIDEND

The Company does not recommend the payment of any interim dividend for the half year ended 30 November 2010.

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

At 30 November 2010, 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	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	-	-	16,836,000 (Note 1)	-	-	16,836,000	3.56
	Beneficial owner	450,064,822 (Note 2)	5,599,000 (Note 3)	-	4,800,000	0.233	460,463,822	97.42
Ms. Yau Pui Chi, Maria ("Ms. Yau", spouse of Mr. Ang)	Beneficial owner	799,000	471,700,822 (Note 4)	-	4,800,000	0.233	477,299,822	100.98
Mr. Wei Ren	Beneficial owner	500,000	-	-	1,500,000	0.233	2,000,000	0.42
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000	0.233	3,200,000	0.68
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000	0.233	2,300,000	0.49
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000	0.233	1,200,000	0.25
Mr. Chau Siu Keung	Beneficial owner	-	-	-	1,200,000	0.233	1,200,000	0.25

Note:

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 13,646,000 shares held by Bluechip Combination Investments Limited ("Bluechip"). Cyber Wealth and Bluechip are companies wholly-owned by Mr. Ang;
- 2) These shares are registered as 126,987,900 shares and 323,076,922 shares representing the shares to be issued upon exercise of the convertible notes, warrants and options to be issued to it by the Company held by Mr. Ang in person;
- 3) These shares are registered as 799,000 shares and 4,800,000 share options held by Ms. Yau in person;
- 4) These shares are registered as to 126,987,900 shares, 4,800,000 share options; and 323,076,922 shares representing the shares to be issued upon exercise of the convertible notes, warrants and options to be issued to it by the Company held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 13,646,000 shares held by Bluechip Combination Investments Limited ("Bluechip"). Cyber Wealth and Bluechip are companies wholly-owned by Mr. Ang.

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 2010.

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 2010.

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-month 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 of the Directors as at 30 November 2010 with respect to their share options granted under the Share Option Scheme:

Name of Directors	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 01.06.2010	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 30.11.2010
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
Dr. Zhong Shi	13.10.2009	0.233	13.10.2009 to 12.10.2019	3,200,000	-	-	-	3,200,000
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
Total				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 2010, 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 2010, 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 CEO 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 2010.

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 2010.

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 month ended 30 November 2010 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; Mr. Chiang Kin Kon, an independent non-executive Director, is the Chairman of the Remuneration Committee, and other members are Mr. Wong Kwok Fai, an independent non-executive Director, and Ms. Yau Pui Chi, Maria, 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 2010, 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, 14 January 2011

Directors of the Company as at the date hereof:

Executive Directors

Mr. James Ang

Mr. Wei Ren

Ms. Yau Pui Chi, Maria

Dr. Zhong Shi

Independent Non-executive Directors

Mr. Chiang Kin Kon

Mr. Wong Kwok Fai

Mr. Chau Siu Keung