NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

ANNUAL REPORT 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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.

Contents

Corporate Information

DIRECTORS

Executive Directors

James Ang *(Chairman)*
Wei Ren
Yau Pui Chi, Maria
Zhong Shi

Independent Non-Executive Directors

Chiang Kin Kon
Wong Kwok Fai
Chau Siu Keung

COMPLIANCE OFFICER

James Ang

COMPANY SECRETARY

Ng Yee Man, Fiona

AUTHORISED REPRESENTATIVES

James Ang
Yau Pui Chi, Maria

AUDIT COMMITTEE

Wong Kwok Fai
Chiang Kin Kon
Chau Siu Keung

REMUNERATION COMMITTEE

Chiang Kin Kon
Yau Pui Chi, Maria
Wong Kwok Fai

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

AUDITORS

Lau & Au Yeung C.P.A. Limited

REGISTERED OFFICE

Century Yard Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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373 King's Road
North Point
Hong Kong

REGISTRARS *(in Cayman Islands)*

Butterfield Fund Service (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
Cayman Islands

REGISTRARS *(in Hong Kong)*

Computershare Hong Kong Investor Services Limited
Room 1712-16, 17th Floor
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Hong Kong

COMPANY WEBSITE

http://www.neteltech.com.hk

GEM STOCK CODE

8256

Chairman's Statement

In this fiscal year, there is substantial achievement in our Research and Development team that we made iPhone talk to Android on 3G network. The 3G data network makes multimedia and APPS application more and more popular in the world.

Netel first launched the Android 3G phone applying in voice application and then iPhone. Furthermore, we integrate voice, SMS network and value added applications together in one platform that will be launched later this year. This common platform allows web phone, sip phone, iPhone and Android phone to talk to each other. The value-added applications will also be integrated with conference call, voice mail, call broadcast, and short message broadcast.

This telecom services will be put in the Apple App Store for iPhone and Google Android Market for Android phone. As a matter of fact, Netel already made one telecom product as APPS in iPhone APPS store recently. More resources of the company will focus on the smartphone and APPS business.

In addition to this development, Netel is also excited as our GBjobs Recruitment Service Platform (www.gbjobs.com) already started bringing in revenue in the last quarter of this year and there is significant growth in revenue. This is also a product developed by our Research and Development team in the past two years. The www.gbjobs.com search engine is now serving, Hong Kong, China, Singapore and Australia. Hong Kong is the first region that revenue is generated and we expect China will come next. Netel will make use of this searching engine to further cover other countries and turn it into a global searching engine focusing on the employment industry.

As for horizontal expansion, Netel also involved in recruitment business in China and Hong Kong that several significant head hunt contracts were concluded. The Group expects these recruitment services will become significant revenue under www.gbjobs.com division.

The Group is now mainly composed of telecom, jobs searching and media business units. For media, in addition to the media business with Central Government National Development and Reform Commission in PRC, the Group also formed a joint venture with a group of Filipino media professionals to run the Pinoy World monthly magazine in Hong Kong. It is a good surprise that the Pinoy World attracts many advertisers in the Filipino community.

Although in this fiscal year, the Group had incurred a loss and a big portion was for non-cash item such as expense of share options granted, the Management is very confident that the new business models have been evolved and we expect a fruitful year of 2012 and years ahead.

Finally, I would like to express my sincere thanks to people who have contributed to the success of our Group in this year.

James Ang
Chairman

Hong Kong, 19 August 2011

Management Discussion and Analysis

FINANCIAL REVIEW

Results for the year

The Group recorded a total turnover of HK$3.26 million for the year ended 31 May 2011, a decrease of 1.81% from HK$3.32 million for the year ended 31 May 2010. The decrease was attributable to the decrease in calling card sales, and the sales of equipment. The gross profit margin decreased from 50.20% for last year to 40.83% for this year. The decrease 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 on the cost of IDD minutes in calling card sales.

The Group recorded a consolidated loss attributable to shareholders of HK$16.04 million, with an increase of HK$6.26 million, as compared with the comparative amount of loss of HK$ 9.78 million attained in the previous year. The increase of the loss for the year was mainly due to the decrease of the contributions from calling card sales and increase in directors' and employees' remunerations and the Group's expansion of business in the PRC market.

The administrative expenses were significantly increased by 57.88% from HK$11.49 million for last year to HK$18.14 million for this year, because of the new business development, the new operations in China and the share-based payments of granted share options.

Liquidity and Financing

For the year ended 31 May 2011, the Group incurred a loss of approximately HK$16.04 million and the net cash outflow from operations was approximately HK$12.88 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK$8.30 million, increase in receivable of approximately HK$1.88 million and decrease in payables of approximately HK$2.44 million. The net cash and cash equivalents of the Group was decreased by approximately HK$5.12 million.

As at 31 May 2011, the Group had a cash and cash equivalent balance of approximately HK$1.01 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2011 was not applicable as there was negative shareholders' fund (2010: not applicable). The Group had net current liabilities of approximately HK$2.93 million as at 31 May 2011 as compared with HK$2.09 million as at 31 May 2010.

Most of the transactions of the Group are denominated in US Dollars and HK Dollars. As the exchange rate of US Dollar against HK Dollars is fairly stable, the Board is of the view that the exposure to foreign currency exchange risk is limited. Hence, no other arrangements to reduce the currency risk have been implemented.

Management Discussion and Analysis

BUSINESS REVIEW

Since setting up of the Research and Development team, the Group successfully launched new telecom value-added services, job searching engine and 3G smartphone applications. The team serves them as valuable assets of the Company. Although Research and Development is a medium and long term investment, those new services, such as job searching engine, are generating revenues for the Company. The new applications developed on 3G data and voice and smartphone Apps brought by Google Apps Android and Apple iPhone equip the Group with a more powerful marketing tool and serve as new revenue sources.

In this fiscal year, new business units such as media, www.gbjobs.com have already started contributing revenue to the Group. However, it is still in an introductory stage. The Management believes that more significant revenue will be generated by those new business units.

The Company started its operation in Beijing and Guangzhou about two years ago. It is excited to see the growth of China team. The China team brought in more professionals in this field, gained more experiences in this business, and contributed to the success of the Group as a whole. Human resource is a key asset of a business entity especially in the industry of technology.

The Group is expanding the job searching engine and the new telecom services to the international market. The services are not just growing globally, but also growing in the information technology field such as smartphone Apps from Apple iPhone and Google Android. It is the state of art technology, and the Group is heading to the right direction.

The goal of the Company is gathering the telecom platform/technology into revenue generation model. The Company is pleased to accept all challenging to reach this goal.

BUSINESS OUTLOOK

The job searching engine already started bringing in significant revenue in the market of Hong Kong and the Company expects the China market will be the next major revenue sources. The Research and Development team will further develop more advanced new features for this searching engine and will launch globally into different countries. It is the mission of this business unit.

The recruitment services of the gbjobs.com will be other sources of income for the job search business.

Management Discussion and Analysis

The new media such as Pinoy World will grow internationally. It will serve as not just a marketing tool but also an income contributor to the Group.

3G APPS, telecom applications, integrating voice, data and image through smartphone and computer is a significant new services for the Group. The Company is excited on the Research and Development achievement. The Company is confident to translate this technology into a telecom business model to serve worldwide users.

EMPLOYEE INFORMATION

At 31 May 2011, the Group employed a total of 55 (2010: 35) employees including Directors. The salaries and benefits of the Group's employees are kept at a competitive level. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive Directors and full time employees of the Group. As at 31 May 2011, 89,148,000 share options have been granted from the share option scheme.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. James Ang ("Mr. Ang"), age 52, is the chairman of the Company and the founder of the Group. Mr. Ang is responsible for the business planning on overall development of the Group. He has around 24 years of experience in telecommunications industry. Prior to joining the Group in 1996, he served as a sales manager of Swire Telecom from 1984 to 1986 and was responsible for the establishment of offices in the People's Republic of China (the "PRC"). After being employed with Swire Telecom, Mr. Ang served as a Director of the telecom division of AT&T from 1986 to 1995 and took charge of its business development in different countries. He obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). He is also a graduate from the University of London with bachelor degree in laws. He was called to the bar in United Kingdom and Hong Kong.

Mr. Wei Ren, ("Mr. Wei") aged 72, he has engaged in biomedical engineering and accumulated extensive experience in such field for more than 42 years, he is a senior engineer. He was awarded several prizes of cities and provinces in the PRC. He has been engaged as a committee member of the Associate of China Biomedical Engineering, Tinajin Biofeedback Specialized Committee; deputy chairman and chief secretary of the Associate of Biomedical Engineering and Biofeedback Study in the PRC.

Ms. Yau Pui Chi, Maria ("Ms. Yau"), aged 51, Mr. Ang's spouse, who has more than 22 years of commercial experience, is the vice president of the customer service department of the Group. Ms. Yau obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). After graduation, she has been working in Airland Mattress Co. in charge of marketing and promotion activities in the PRC and Hong Kong. She also worked in Inni Company as an assistant manager from 1984 to 1990. She has been a Director of Charmfine Investments Limited and is responsible for the sales of accessory products. Ms. Yau is experienced in direct interface with dealers and end-users.

Dr. Zhong Shi ("Dr. Zhong"), aged 36, he has been an executive director of the Company since June 2010. He is the Chief Technology Officer of the Group and is the head of the Research and Development Department. Dr. Zhong has more than 12 years of experience in telecommunication and computer systems. Prior to joining the Group, he has been the Senior Research Engineer of TOSHIBA Telecommunication Research Lab in England, and also has been the Project Manager of Nan Tian Computer System in the PRC. He obtained his Ph.D. and MS.C in Department of Computer Science, School of Informatics from the University of Edinburgh, United Kingdom.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiang Kin Kon, ("Mr. Chiang"), aged 62, has been an independent non-executive director of the Company since May 2008. He has over 31 years of experience in property management fields and over 17 years of experience in business management. Mr. Chiang has also been involved in the property management industry in the PRC since 1994. He holds a higher diploma in Business Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University).

Mr. Wong Kwok Fai, ("Mr. Wong"), aged 45, has been an independent non-executive director of the Company since May 2008. He holds a bachelor degree in Accountancy from the City University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in auditing, accounting, financial management and company secretarial in Hong Kong. He has worked for an international accounting firm and has been a financial controller and company secretary of a listed company in Hong Kong.

Mr. Chau Siu Keung, ("Mr. Chau"), aged 54, has been an independent non-executive director of the Company since May 2009. He has over 31 years of experience in sales and marketing field and over 19 years of experience in business management. Mr. Chau is currently a director of a Hong Kong private limited company which is principally engaged in the trading and investment in Hong Kong and the PRC.

SENIOR MANAGEMENT

Ms. Ng Yee Man, Fiona ("Ms. Ng"), is the Company Secretary of the Group. Ms. Ng is a fellow member of the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants. She is also an associate member of both the Institute of Chartered Secretaries and Administrators in United Kingdom and Hong Kong Institute of Chartered Secretaries. Prior to joining the Group, she has been a qualified accountant and a company secretary for a listed company in Hong Kong.

Corporate Governance Report

The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the Code on Corporate Governance Practices, and acknowledges the important role of its Board in providing effective leadership and direction to the Company's business, and ensuring the transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarized as follows:

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 financial year ended 31 May 2011, the Group has compiled 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 separated 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 Articles 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 Rules 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 Directors of the Company, and the Directors have confirmed compliance with the Code during the year ended 31 May 2011.

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 year ended 31 May 2011.

Corporate Governance Report

BOARD OF DIRECTORS

The Board comprises four executive Directors and three independent non-executive Directors. Each Director has relevant experiences, competence and skills appropriate to the requirement of the business of the Company.

The Directors of the Board members of the Company during the year ended 31 May 2011 and up to the date of this report were as follows:

Executive Directors

Mr. James Ang *(Chairman)*
Mr. Wei Ren
Ms. Yau Pui Chi, Maria
Dr. Zhong Shi (Appointed on 17 June 2010)

Independent Non-Executive Directors ("INEDs")

Mr. Chiang Kin Kon
Mr. Wong Kwok Fai
Mr. Chau Siu Keung

The Board is responsible for directing the Group to success and enhancing shareholders' value by formulating the Group's overall strategy, key objectives and policies. The Board monitors and oversees the operating and financial performance of the Group pursuant to these objectives.

The Board has established two Board Committees, namely the Audit Committee and the Remuneration Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of certain aspects of the Board's responsibilities.

The Board has also delegated the day-to-day management and operation of the Group's business to the management team.

There is currently three of the non-executive Directors on the Board, all of whom are independent. All the non-executive Directors have been appointed for no specific term and they are subject to retirement by rotation in accordance with the Company's Articles of Association and thus submit themselves, on a rotation basis, for re-election by shareholders.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board as a whole is responsible for the appointment of its own members. The Board does not establish a Nomination Committee and is not considering to establish the same in view of the small size of the Board. The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration.

All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting. The Board will review profiles of the candidates recommended by the Chairman and make recommendation for the appointment, re-election and retirement of the Directors. Candidates are appointed to the Board on the basis of their skills, competence and experience that they can contribute to the Company.

The Company believes that members of the Board, individually and collectively, have satisfactorily discharged duties and will review the need for Nomination Committee at a later time.

BOARD MEETINGS

The full Board met fourteen times in last year to discuss relevant business and strategy of the Company. The discussion also covered the financial performance, new products and services to be deployed by the Company and also suggestion to further improve the operation.

The members of the Board fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliances.

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results, set annual budgets as well as discuss on the corporate directions.

The Chairman ensures that management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information.

ATTENDANCE RECORD AT BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETINGS

The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 May 2011 is set out below:

	Attendance/Number of Meetings		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. James Ang	14/14	Not applicable	Not applicable
Mr. Wei Ren	13/14	Not applicable	Not applicable
Ms. Yau Pui Chi, Maria	14/14	Not applicable	1/1
Dr. Zhong Shi *(Appointed on 17 June 2010)*	12/12	Not applicable	Not applicable
Independent Non-Executive Directors			
Mr. Chiang Kin Kon	13/14	4/4	1/1
Mr. Wong Kwok Fai	13/14	4/4	1/1
Mr. Chau Siu Keung	13/14	4/4	Not applicable

Note:

The counting of attendance for existing Directors started from the joining date of Directors or committee members.

The Board complied with Rules 5.01 and 5.02 of the GEM Listing Rules relating to the appointment of all the three independent non-executive Directors. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

SUPPLY OF AND ACCESS TO INFORMATION AND ACCESS TO LEGAL AND OTHER PROFESSIONAL ADVICE

To allow the Directors, in particular, all the independent non-executive Directors to make informed decisions and properly discharge their duties and responsibilities; the Company Secretary ensures the relevant Board papers are sent to all the Directors in a timely manner. All Board papers and minutes are also made available for inspection by the Directors and the Committees. All Directors, in particular, the independent non-executive Directors are informed and authorized to seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if they consider necessary to discharge their duties as Directors of the Company.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established 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, an 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.

During the year under review, one meeting was held by the Remuneration Committee.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of the affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 May 2011, the Directors have selected suitable accounting policies and applied them consistently by adopting appropriate Hong Kong Financial Reporting Standards.

Corporate Governance Report

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.

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 included reviewing the Group's financial control, internal control and risk management, reviewing and monitoring 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 annual, interim, first and third quarter results of the Company for the year ended 31 May 2011, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

AUDITORS' REMUNERATION

Lau & Au Yeung C.P.A. Limited has been appointed by the shareholders annually as the external auditors of the Group since 2002. For the year ended 31 May 2011, the fees charged to accounts of the Group for Lau & Au Yeung statutory audit amounted to approximately HK$380,000.

SHAREHOLDERS' RELATIONS

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of annual, interim and quarterly reports, announcements, circulars, annual general meeting and other general meetings. The Group's website provides regularly updated Group information to shareholders. Enquires on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner.

The Group encourages all shareholders to attend annual general meeting which provides a useful forum for shareholders to exchange views with the Board.

Report of the Directors

The Board of Directors (the "Board") of Netel Technology (Holdings) Limited (the "Company") is pleased to present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 May 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and is incorporated in the Cayman Islands. The activities of the subsidiaries are set out in Note 17 respectively to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 May 2011 are set out in the Group's consolidated statement of comprehensive income on page 25 of the annual report.

DIVIDEND

The Board of Directors does not recommend the payment of a dividend in respect of the year ended 31 May 2011 (2010: NIL).

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 28 and Note 26 to the consolidated financial statements respectively.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 80 of the annual report.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the articles of association of the Company (the "Articles of Association") requiring the Company to offer new shares to the existing shareholders in proportion to their shareholding, and there is no restriction against such rights under the laws of the Cayman Islands.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2011, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION 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 participants as at 31 May 2011 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 1.6.2010	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.05.2011
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	4,800,000	–	–	–	4,800,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	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
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	1,000,000	–	–	1,000,000
Ms. Yau Pui Chi, Maria	13.10.2009	0.233	13.10.2009 to 12.10.2019	4,800,000	–	–	–	4,800,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	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
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	2,000,000	–	–	2,000,000
Mr. Chiang Kin Kon	13.10.2009	0.233	13.10.2009 to 12.10.2019	2,300,000	–	–	–	2,300,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	800,000	–	–	800,000
Mr. Wong Kwok Fai	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	–	–	–	1,200,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	800,000	–	–	800,000
Mr. Chau Siu Keung	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	–	–	–	1,200,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	800,000	–	–	800,000
				19,000,000	15,000,000	–	–	34,000,000
Other employees and individuals In aggregate								
	08.12.2010	0.150	08.12.2010 to 07.12.2020	–	6,348,000	–	–	6,348,000
	31.01.2011	0.182	31.01.2011 to 30.01.2021	–	22,800,000	–	–	22,800,000
	30.05.2011	0.1486	30.05.2011 to 29.05.2021	–	26,000,000	–	–	26,000,000
				–	55,148,000	–	–	55,148,000
Total				19,000,000	70,148,000	–	–	89,148,000

Report of the Directors

DIRECTORS

The Directors of the Company, during the year and up to the date of this report were:

Executive Directors

Mr. James Ang *(Chairman)*
Mr. Wei Ren
Ms. Yau Pui Chi, Maria
Dr. Zhong Shi (Appointed on 17 June 2010)

Independent Non-Executive Directors ("INEDs")

Mr. Chiang Kin Kon
Mr. Wong Kwok Fai
Mr. Chau Siu Keung

In accordance with Article 87(1) of the Company's Articles of Association, Mr. James Ang , and Mr. Chau Siu Keung will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

All the Directors have been appointed for no specific term, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the service contracts, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year ended 31 May 2011.

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

At 31 May 2011, 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 Personal interests	 Family interests	 Corporate interests	Number of share options held	Exercise price of share options *HK$*	Total interests	% of total issued shares
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	–	–	16,836,000 (Note 1)	–		16,836,000	3.21
	Beneficial owner	450,064,822 (Note 2)	10,399,000 (Note 3)	–	4,800,000 4,800,000	0.233 0.150	470,063,822	89.63
Ms. Yau Pui Chi, Maria (Spouse of Mr. Ang)	Beneficial owner	799,000	476,500,822 (Note 4)	–	4,800,000 4,800,000	0.233 0.150	486,899,822	92.84
Mr. Wei Ren	Beneficial owner	500,000	–	–	1,500,000 1,000,000	0.233 0.150	3,000,000	0.57
Dr. Zhong Shi	Beneficial owner	–	–	–	3,200,000 2,000,000	0.233 0.150	5,200,000	0.99
Mr. Chiang Kin Kon	Beneficial owner	–	–	–	2,300,000 800,000	0.233 0.150	3,100,000	0.59
Mr. Wong Kwok Fai	Beneficial owner	–	–	–	1,200,000 800,000	0.233 0.150	2,000,000	0.38
Mr. Chau Siu Keung	Beneficial owner	–	–	–	1,200,000 800,000	0.233 0.150	2,000,000	0.38

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 173,141,746 shares and 276,923,076 shares representing the shares to be issued upon exercise of the 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 9,600,000 share options held by Ms. Yau in person.

4) These shares are registered as to 173,141,746 shares, 9,600,000 share options; and 276,923,076 shares representing the shares to be issued upon exercise of the 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 interests 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 31 May 2011.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to its five largest customers did not exceed 14% of the Group's total turnover for the year ended 31 May 2011.

Purchases for the largest supplier for the year ended 31 May 2011 represented approximately 33% of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group for the year ended 31 May 2011 accounted for approximately 74% of the total purchases of the Group for the year ended 31 May 2011.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

Report of the Directors

CONNECTED TRANSACTIONS

The follow connected transactions were entered into by the Group during the year:

(a) On 15 October 2010, the Company entered into an agreement with an executive director of the Company, Mr. James Ang ("Mr. Ang") to subscribe for convertible bonds in the principal amount of HK$7,200,000 with a maturity of five years due 2016 (the "Subscription Agreement"). Pursuant to the GEM Listing Rules, the Subscription Agreement constituted a connected transaction of the Company. The Subscription Agreement and transactions contemplated thereunder were approved by independent shareholders of the Company at the EGM held on 1 December 2010.

Details are disclosed in Note 28 to Note 30 to the consolidated financial statements.

(b) Significant related party transactions entered by the Group during the year ended 31 May 2011, which constitute exempted connected transactions under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"), are disclosed in Note 33 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in Director's interests and short positions under the section "Director's and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation, and in the share option scheme under the section "Share Option Scheme" of this report, at no time during the year 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 COMPETING BUSINESS

For the year ended 31 May 2011, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule").

Report of the Directors

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Particulars of the MPF are set out in Note 2.19 to the consolidated financial statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 9 to 14 of the annual report.

AUDIT COMMITTEE

The Audit Committee presently comprises three independent non-executive Directors of Mr. Chiang Kin Kon, Mr. Wong Kwok Fai and Mr. Chau Siu Keung. The Audit Committee has reviewed the accounting policies and practices adopted and the annual report, interim report, first quarter and third quarter reports of the Group for the year. The Audit Committee has held regular meeting since its formation, at a frequency of at least four times a year.

REMUNERATION COMMITTEE

The Remuneration Committee presently comprises two independent non-executive Directors of Mr. Chiang Kin Kon, Mr. Wong Kwok Fai and one executive Director Ms. Yau Pui Chi, Maria. The Remuneration Committee has formulated and implemented the remuneration policy relating to directors and employees of the Group.

AUDITORS

The accompanying consolidated financial statements have been audited by Lau & Au Yeung C.P.A. Limited. Lau & Au Yeung C.P.A. Limited will retire and a resolution to re-appoint Lau & Au Yeung C.P.A. Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

James Ang
Chairman

Hong Kong, 19 August 2011

Independent Auditor's Report

LAU AU YEUNG 劉歐陽會計師事務所有限公司 LAU & AU YEUNG C.P.A. LIMITED

Lau & Au Yeung C.P.A. Limited
21/F., Tai Yau Building
181 Johnston Road, Wanchai
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NETEL TECHNOLOGY (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Netel Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 79, which comprise the consolidated and company statements of financial position as at 31 May 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 May 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2.1(a) in the consolidated financial statements which indicates that the Group incurred a total comprehensive loss of approximately HK$15,940,000 during the year ended 31 May 2011 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$2,925,000. These conditions, along with other matters as set out in Note 2.1(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Lau & Au Yeung C.P.A. Limited
Certified Public Accountants

Hong Kong, 19 August 2011

Chan Kong Wang
Director
Practising Certificate Number P4083

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	5&6	**3,255**	3,317
Cost of sales		**(1,926)**	(1,652)
Gross profit		**1,329**	1,665
Other revenues	6	**1,848**	666
Selling and marketing expenses		**(626)**	(415)
Administrative expenses		**(18,143)**	(11,489)
Operating loss	7	**(15,592)**	(9,573)
Finance costs	8	**(261)**	(21)
Share of loss of an associated company	18	**(184)**	(185)
Loss for the year		**(16,037)**	(9,779)
Other comprehensive income			
Translation of foreign exchange reserve		**97**	137
Total comprehensive loss for the year		**(15,940)**	(9,642)
Loss for the year attributable to:			
– Equity holders of the Company		**(16,037)**	(9,779)
– Non-controlling interest		**–**	–
		(16,037)	(9,779)
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		**(15,940)**	(9,642)
– Non-controlling interest		**–**	–
		(15,940)	(9,642)
Loss per share attributable to equity holders of the Company			
– Basic and diluted	12	**HK (3.4 cents)**	HK (2.3 cents)

The notes on pages 30 to 79 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 May 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	15	**2,100**	2,733
Intangible assets	16	**1,982**	1,098
Investment in an associated company	18	**–**	87
		4,082	3,918
Current assets			
Inventories	19	**346**	92
Trade receivables	20	**286**	162
Prepayment, deposit and other receivables	20	**4,028**	2,293
Financial assets at fair value through profit or loss	21	**–**	278
Bank balances and cash	22	**1,007**	6,124
		5,667	8,949
Total assets		**9,749**	12,867
EQUITY			
Capital and reserves			
Share capital	25	**10,488**	9,265
Share premium and reserves	26	**(9,586)**	(7,786)
		902	1,479
Non-controlling interest		**–**	–
Total equity		**902**	1,479
LIABILITIES			
Non-current liabilities			
Borrowings	24	**255**	353
Current liabilities			
Trade payables	23	**7,591**	9,364
Receipt in advance, accruals and other payables	23	**883**	1,553
Borrowings	24	**118**	118
		8,592	11,035
Total liabilities		**8,847**	11,388
Total equity and liabilities		**9,749**	12,867
Net current liabilities		**(2,925)**	(2,086)
Total assets less current liabilities		**1,157**	1,832

James Ang
Director

Yau Pui Chi, Maria
Director

The notes on pages 30 to 79 form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 May 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17	**1**	1
Current assets			
Other receivables	20	**69**	15
Total assets		**70**	16
EQUITY			
Capital and reserves			
Share capital	25	**10,488**	9,265
Share premium and reserves	26	**(11,321)**	(10,310)
Total equity		**(833)**	(1,045)
LIABILITIES			
Current liabilities			
Receipt in advance, accruals and other payables	23	**903**	1,061
Total liabilities		**903**	1,061
Total equity and liabilities		**70**	16
Net current liabilities		**(834)**	(1,046)
Total assets less current liabilities		**(833)**	(1,045)

James Ang
Director

Yau Pui Chi, Maria
Director

The notes on pages 30 to 79 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 May 2011

	Share Capital HK$'000	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Option Bonds Reserve HK$'000	Exchange Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total Equity HK$'000
Balance at 1 June 2009	5,248	32,372	–	–	–	13	(53,527)	(15,894)	–	(15,894)
Comprehensive loss of the year	–	–	–	–	–	–	(9,779)	(9,779)	–	(9,779)
Other comprehensive income										
Translation of foreign exchange reserve	–	–	–	–	–	137	–	137	–	137
Total comprehensive loss for the year	–	–	–	–	–	137	(9,779)	(9,642)	–	(9,642)
Transactions with owners										
Issue of shares by subscriptions	1,389	8,730	–	–	–	–	–	10,119	–	10,119
Issue of shares by placing	1,200	6,388	–	–	–	–	–	7,588	–	7,588
Issue of shares by capitalisation of shareholder's loan	1,428	6,108	–	–	–	–	–	7,536	–	7,536
Equity settled share-based transactions	–	–	1,772	–	–	–	–	1,772	–	1,772
Total transactions with owners	4,017	21,226	1,772	–	–	–	–	27,015	–	27,015
Balance at 1 June 2010	9,265	53,598	1,772	–	–	150	(63,306)	1,479	–	1,479
Comprehensive loss of the year	–	–	–	–	–	–	(16,037)	(16,037)	–	(16,037)
Other comprehensive income										
Translation of foreign exchange reserve	–	–	–	–	–	97	–	97	–	97
Total comprehensive loss for the year	–	–	–	–	–	97	(16,037)	(15,940)	–	(15,940)
Transactions with owners										
Issue of convertible bonds	–	–	–	2,462	8,828	–	(8,828)	2,462	–	2,462
Issue of shares by subscriptions	300	2,064	–	–	–	–	–	2,364	–	2,364
Issue of shares upon conversion of convertible bonds	923	5,669	–	(2,462)	–	–	–	4,130	–	4,130
Equity settled share-based transactions	–	–	6,407	–	–	–	–	6,407	–	6,407
Total transactions with owners	1,223	7,733	6,407	–	8,828	–	(8,828)	15,363	–	15,363
Balance at 31 May 2011	10,488	61,331	8,179	–	8,828	247	(88,171)	902	–	902

The notes on pages 30 to 79 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 May 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash used in operations	31	**(12,882)**	(10,011)
Interest paid		**(17)**	(21)
Net cash used in operating activities		**(12,899)**	(10,032)
Cash flow from investing activities			
Acquisition of intangible assets		**(928)**	(958)
Purchases of plant and equipment		**(232)**	(506)
Sales / (purchases) of financial assets at fair value through profit or loss		**320**	(278)
Dividend received		**8**	–
Net cash used in investing activities		**(832)**	(1,742)
Cash flow from financing activities			
Net proceeds from issuance of ordinary shares		**2,364**	17,243
Net proceeds from issue of convertible bonds		**6,348**	–
Decrease in amount due to a director		**–**	(127)
Repayment of finance lease liabilities		**(98)**	(117)
Net cash generated from financing activities		**8,614**	16,999
Net (decrease) / increase in cash and cash equivalents		**(5,117)**	5,225
Cash and cash equivalents at beginning of the year		**6,124**	899
Cash and cash equivalents at end of the year		**1,007**	6,124
Analysis of balances of cash and cash equivalents			
– Bank balances and cash	22	**1,007**	6,124

The notes on pages 30 to 79 form an integral part of these consolidated financial statements.

Notes to the 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 Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in trading of telecommunication equipment and provision of long distance call services in Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors of the Company on 19 August 2011.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and principal accounting policies

(a) The consolidated financial statements have been prepared on a going concern basis, the Group had incurred a loss attributable to shareholders of HK$16.04 million for the year ended 31 May 2011 and had net current liabilities of HK$2.93 million as at 31 May 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In preparing the consolidated financial statements, the Directors have carefully reviewed the Group's cash position as at the end of the reporting period and the cash flow forecast for the next twelve months. In reviewing the Group's cash flows, the Directors have considered the following factors:

- A major and controlling shareholder confirms that fund, if required, will be made available to the Company either through shareholder's loans or the exercise of warrants and option to subscribe convertible bonds, to meet the present and future cashflow requirement from operation and settlement of its outstanding obligations

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and principal accounting policies *(Continued)*

- Continuous development and improvement of the Group's products and services and future cash flows to be generated from new revenue source and new businesses
- Continuous effort to control cost of the Group

The Directors believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of consolidated financial statements on going concern basis is appropriate.

(b) The consolidated financial statements of the Group have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the progress of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) Standards, amendment and interpretations effective in 2010

In the current year, the Group has applied the following new and amended HKFRSs issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and principal accounting policies *(Continued)*

(i) Standards, amendment and interpretations effective in 2010 *(Continued)*

The application of the new and amended HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in those consolidated financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[2]
HKAS 24 (as revised in 2009)	Related Party Disclosures[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[5]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Venture[5]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[1]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and principal accounting policies *(Continued)*

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

The above standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods. The Group has started considering their potential impact. Based on the preliminary assessment, the Group believes that the adoption of these standards, amendments and interpretations to existing standards, if applicable, will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these standards and interpretations to existing standards, if applicable, in the financial statements for the year ended 31 May 2011.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 May 2011.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than those which were under common control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective to the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated except where there is any indication of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

Details of the unconsolidated subsidiaries are set out in Note 17 to the consolidated financial statements.

2.3 Associated company

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates include goodwill, net of any accumulated impairment loss, identified on acquisition.

The Group's share of its associates post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses of associates equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investment in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.5 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate the costs to their residual values over their estimated useful lives, as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Computer and software	$33^1/_3$%
Telecommunication equipment	10%
Motor vehicle	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposal of plant and equipment are determined by comparing proceeds with carrying amount and are recognised within "other operating income / expense", in the statement of comprehensive income.

2.6 Intangible assets

Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets *(Continued)*

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

An intangible asset with an infinite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortised using the straight-line method or units of production method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortised.

The Group shall review the useful life of intangible asset with an infinite useful life and the amortisation method applied at least at the end of each reporting period. A change in the useful life or amortisation method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group shall estimate the useful life of that asset and apply the accounting policies accordingly.

(i) Website development costs

Website software development costs recognised as assets are amortised over their estimated useful lives of five years. The assets' useful lives and their amortisation method are reviewed annually.

(ii) Telecommunication applications and value-added service software development costs

Telecommunication application and value-added service software development costs with finite useful lives are amortised over their estimated useful lives of five years when the assets are available for use. The assets' useful lives and their amortisation method are reviewed annually.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered impairments are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets at fair value through profit or loss

The Company classifies its financial assets as fair value through profit or loss. The classification depends on the purposes for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Gains or losses arising from change in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated statement of comprehensive income within "other revenues / operating expenses" in the period in which they arise.

2.9 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.9 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to shareholders' equity. When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.10 Leases

(a) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are classified as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the statement of comprehensive income on a straight-line basis over the lease periods.

(b) Finance leases

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.10 Leases *(Continued)*

(b) Finance leases *(Continued)*

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is expensed in the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.11 Inventories

Inventories comprise mainly long distance calling cards and telecommunication equipments and are stated at the lower of cost and net realisable value. Cost comprises purchase costs which are assigned to individual items on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held at call with banks less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax

The income tax expense comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the Hong Kong's tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.18 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Revenue in respect of long distance call services provided to customers is recognised upon delivery of the services.

(ii) Revenue from the sale of equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the equipment is delivered to customers and the title has passed.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2.19 Employee benefits

(a) Employee leave entitlements

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(b) Pension obligations

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Share based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from directors and employees as consideration for equity instruments (options) of the Group.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed over the relevant vesting periods to the statement of comprehensive income, with the corresponding amount credited to share based employee option reserve within equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified at fair value through profit or loss of which the interest is included in net gains or losses.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.20 Financial liabilities and equity instruments *(Continued)*

(a) Convertible bonds – with option to subscribe for convertible bonds

Convertible bonds issued by the Group with conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are separated into two components, liability and equity elements. Such convertible bonds are classified separately into respective items on initial recognition.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in convertible bond equity reserve under equity.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the conversion option is exercised in which case the balance stated in convertible bond equity reserve will be transferred to share premium. Where the conversion option remains unexercised at the expiry date, the balance stated in the convertible bond equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or at the expiry date of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly against equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

When an entity extinguishes a convertible instrument before maturity through repurchase in which the original conversion privileges are unchanged, the entity allocates the consideration paid and any transaction costs for the repurchase to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.20 Financial liabilities and equity instruments *(Continued)*

(a) Convertible bonds – with option to subscribe for convertible bonds *(Continued)*

Once the allocation of the consideration is made, any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows:

(i) the amount of gain or loss relating to the liability component is recognised in profit or loss; and

(ii) the amount of consideration relating to the equity component is recognised in equity.

Options to subscribe for convertible bonds are classified as equity instruments based on the contractual terms of the options and convertible bonds. On initial recognition, the fair value of the options to subscribe for convertible bonds is determined using option pricing model and recognised in "Option Bonds Reserve" included in equity. When the options are exercised, the carrying amount of options to subscribe for convertible bonds in "Option Bonds Reserve" will be transferred to "convertible bonds" together with the consideration received. Where the options to subscribe for convertible bonds remained unexercised at the expiry date, the balance stated in "Option Bonds Reserve" will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the options to subscribe for convertible bonds.

(b) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(c) Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments is an equity instrument. Otherwise, they would be classified as derivative financial instruments, which are recognised at their fair values at the date of issue. Changes in fair values in subsequent periods are recognised in profit or loss.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.21 Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party:

(a) controls, is controlled by, or is under common control with, the Group;

(b) has an interest in the Group that gives it significant influence over the Group; or

(c) has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) to (v).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group is exposed to credit risk, cash flow interest rate risk, foreign currency risk and liquidity risk. These risks are managed by the Group's financial management policies and practices as described below to minimize potential effects on the Group's financial performance.

(a) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, trade receivables, deposits and other receivables, and financial assets at fair value through profit or loss. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

To manage this risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable. The Group currently adopts the following rates for provision on long outstanding debts to ensure that adequate impairment provision is made for any irrecoverable amounts:

Over 180 but less than 365 days	50%
Over 365 days	100%

The credit risk on deposits with bank and financial assets at fair value through profit or loss is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

The credit risk on deposits and other receivables is limited as management are of the opinion that the recoverability of these balances are highly probable.

(b) Cash flow interest rate risk

The Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

(c) Foreign exchange risk

Operations of the Group are mainly conducted in Hong Kong Dollars ("HK$") and its revenue, expenses, assets and liabilities and borrowings are principally denominated in HK$, which do not pose significant foreign currency risk at present. Procedures are in place to monitor possible exposure to foreign currency risk in the operations on a continuous basis.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to finance its operations with its own capital and earnings and borrowings or credit facilities utilised during the year. Management considers that the Group does not have any significant liquidity risk.

The table analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	**Less than 1 year HK$'000**	**Between 2 and 5 years HK$'000**
As at 31 May 2011		
Trade and other payables	**8,474**	**–**
Borrowings	**118**	**255**
	8,592	**255**

	Less than 1 year HK$'000	Between 2 and 5 years HK$'000
As at 31 May 2010		
Trade and other payables	10,917	–
Borrowings	118	353
	11,035	353

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

Company	**Less than 1 year HK$'000**
As at 31 May 2011	
Trade and other payables	**903**

	Less than 1 year HK$'000
As at 31 May 2010	
Trade and other payables	1,061

3.2 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Group consists of equity and advances from directors. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and equity instruments to raise fund or sell assets to reduce debts. The Group monitors capital on the mechanism of comparing total debts and total equity, to determine when new investment or advance from directors is required to commit the current debts.

The gearing ratio, defined as total borrowings divided by the shareholders' fund as at 31 May 2011 was not applicable as there was no significant interest bearing liability except for a finance lease (2010: not applicable).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

(a) The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(b) Fair value measurements recognised in the consolidated statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	2011				2010			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Financial assets at fair value through profit or loss	–	–	–	–	278	–	–	278
Total assets	–	–	–	–	278	–	–	278

The fair value of financial assets at fair value through profit or loss is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

There was no transfer between Level 1 and 2 for the years ended 31 May 2011 and 2010.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are discussed below:

(a) Going concern

The Group's management's assessment of the going concern assumption involves making a judgment, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 2(a) to the consolidated financial statements.

(b) Useful lives of plant and equipment

The directors determine the estimated useful lives and residual values for its plant and equipment. The directors revise the depreciation charge when useful lives are different from previous estimates. Obsolete or non-strategic assets, that have been abandoned or sold, shall be written off or written down.

(c) Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims mainly in respect of certain carrier purchases in the past. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation, if appropriate, are made based on management's best estimates and judgements.

(d) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimate. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and bills receivable and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Impairment of intangibles and non-financial assets

Included in the consolidated statement of financial position as at 31 May 2011 are intangible assets in relation to website related and telecommunication application development projects ("the "Projects"). In reviewing impairment on the Group's intangible assets, the directors have reviewed the discounted future cash flows of the Projects and have considered, based on their estimates and judgments, on the future prospects and economic benefits of the Projects.

The Company tests annually whether non-financial assets have suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of management's assumptions and estimates.

(f) Share-based payments

The fair value of option granted is measured using the Binomial Option Pricing Model based on various assumptions on volatility, option life and nature, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at date of grant.

(g) Useful lives of telecommunication application and value-added service software development costs

During the year, the directors reviewed the useful lives of telecommunication application and value-added service software development costs, and considered that their useful lives were changed from indefinite to finite. Accordingly, the telecommunication application and value-added service software development costs are amortised over their estimated useful lives of five years when the assets are available for use. Such a change is accounted for as a change in accounting estimate and applied prospectively in accordance with HKAS 8.

As at 31 May 2011, there was no significant impact on the results and financial position of the Group.

5 SEGMENT INFORMATION

(a) Business segments – primary reporting format

The following table presents revenue, results and certain assets, liabilities and expenditures information for the Group's business segments.

	2011			
		Long distance call services		
	Sale of equipment HK$'000	End-users direct sales HK$'000	Carrier sales HK$'000	Group HK$'000
Turnover	810	1,852	593	3,255
Segment results	(2,065)	(5,602)	(620)	(8,287)
Other revenues				1,848
Operating loss				(6,439)
Unallocated cost				(9,337)
Finance costs				(261)
Loss for the year				(16,037)
Segment assets	1,416	2,780	417	4,613
Unallocated assets				5,136
Total assets				9,749
Segment liabilities	50	1,858	5,205	7,113
Unallocated liabilities				1,734
Total liabilities				8,847
Capital expenditures	–	31	–	31
Unallocated capital expenditures				1,129
				1,160
Depreciation	74	504	58	636
Unallocated depreciation				221
				857

5 SEGMENT INFORMATION *(Continued)*

(a) Business segments – primary reporting format *(Continued)*

	2010			
		Long distance call services		
	Sale of equipment HK$'000	End-users direct sales HK$'000	Carrier sales HK$'000	Group HK$'000
Turnover	1,005	2,270	42	3,317
Segment results	(2,124)	(5,523)	(171)	(7,818)
Other revenues				666
Operating loss				(7,152)
Unallocated cost				(2,606)
Finance costs				(21)
Loss for the year				(9,779)
Segment assets	4,151	3,395	2,435	9,981
Unallocated assets				2,886
Total assets				12,867
Segment liabilities	215	2,193	6,526	8,934
Unallocated liabilities				2,454
Total liabilities				11,388
Capital expenditures	–	–	–	–
Unallocated capital expenditures				2,058
				2,058
Depreciation	16	774	148	938
Unallocated depreciation				134
				1,072

5 SEGMENT INFORMATION *(Continued)*

(b) Geographical segments – secondary reporting format

2011

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditures HK$'000
Hong Kong	**2,528**	**(16,340)**	**7,023**	**1,125**
Mainland China and other countries	**727**	**(1,545)**	**2,726**	**35**
	3,255	**(17,885)**	**9,749**	**1,160**
Other revenues		**1,848**		
Operating loss		**(16,037)**		

2010

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditures HK$'000
Hong Kong	2,336	(8,390)	12,468	2,058
Mainland China and other countries	981	(2,055)	399	–
	3,317	(10,445)	12,867	2,058
Other revenues		666		
Operating loss		(9,779)		

6 TURNOVER AND OTHER REVENUES

The Group is principally engaged in the provision of long distance call services and trading of telecommunication equipment. Revenues recognised during the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Turnover		
Long distance call services	**2,445**	2,312
Sale of equipment	**810**	1,005
	3,255	3,317
Other revenues		
Dividend income on financial assets at fair value through profit or loss	**8**	–
Gain on disposal of financial assets at fair value through profit or loss	**42**	–
Over-provision of accruals and trade payable	**1,665**	–
Sundry income	**133**	666
	1,848	666
	5,103	3,983

7 OPERATING LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Operating loss is stated after charging the following:		
Auditor's remuneration		
– Provision for current year	**386**	380
– Under provision in prior years	**–**	35
Amortisation of intangible assets	**44**	44
Cost of inventories sold	**1,926**	1,652
Depreciation		
– owned	**739**	1,013
– leased	**118**	59
Operating lease-land and buildings	**1,033**	679
Provision for doubtful debts	**22**	149
Staff costs (including directors' remuneration)	**13,023**	6,479

8 FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Effective interest expense on convertible bonds	**244**	–
Finance lease interests	**17**	21
	261	21

9 INCOME TAX

No provision for Hong Kong Profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profit for the year (2010: Nil).

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets or liabilities which are expected to be crystallized in the foreseeable future (2010: Nil).

9 INCOME TAX *(Continued)*

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using taxation rate of the home country of the Group as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Loss for the year	**(16,037)**	(9,779)
Calculated at a statutory rate of 16.5% (2010: 16.5%)	**(2,646)**	(1,614)
Income not subject to taxation	**(6)**	–
Expenses not deductible for taxation purposes	**391**	67
Tax losses not recognised	**2,341**	1,596
Accelerated depreciation not recognised	**(80)**	(49)
Taxation charges	**–**	–

10 NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to equity holders of the Company for the year ended 31 May 2011 dealt with in the consolidated financial statements was approximately HK$16,037,000 (2010: HK$9,779,000).

11 DIVIDENDS

The Directors do not recommend the payment of dividend in respect for the year ended 31 May 2011 (2010: Nil).

12 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the year of approximately HK$16,037,000 (2010: HK$9,779,000) and the weighted average number of 474,925,839 ordinary shares in issue during the year (2010: 430,699,844 shares).

The dilutive loss per share are equal to the basic loss per share for the years ended 31 May 2011 and 2010, as the share options, warrants and option to subscribe convertible bonds outstanding had an anti-dilutive effect.

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group 2011 HK$'000	Group 2010 HK$'000
Wages and salaries	**6,254**	4,598
Share-based payments	**6,407**	1,772
Pension cost-defined contribution plans	**362**	109
	13,023	6,479

14 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amount of emoluments paid and payable to the directors of the Company are as follows:

	Group 2011 Fees HK$'000	Group 2011 Salaries, allowances and benefit in kind HK$'000	Group 2011 Retirement benefits scheme contributions HK$'000	Group 2011 Employee share option benefits HK$'000	Group 2011 Total HK$'000	2010 Total HK$'000
Executive Directors						
Mr. James Ang	–	1,860	44	389	2,293	1,956
Mr. Wei Ren	30	40	–	81	151	164
Ms. Yau Pui Chi, Maria	–	821	25	389	1,235	1,429
Dr. Zhong Shi	–	610	12	162	784	–
	30	3,331	81	1,021	4,463	3,549
Non-executive Directors						
Mr. Chiang Kin Kon	–	–	–	65	65	214
Mr. Wong Kwok Fai	30	–	–	65	95	136
Mr. Chau Siu Keung	30	–	–	65	95	136
Ms. Tam May Yuk	–	–	–	–	–	22
	60	–	–	195	255	508

14 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2010: two) directors whose emoluments have been reflected in the analysis presented above. The emoluments payable to the remaining two (2010: three) individuals during the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**778**	1,049
Retirement benefit scheme contributions	**24**	32
	802	1,081

The emoluments of these individuals fell within the following bands:

	Group Number of individuals	
	2011	2010
Emolument bands		
Nil to HK$1,000,000	**2**	3
	2	3

During the current and prior years, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

15 PLANT AND EQUIPMENT

Group

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Computer and software HK$'000	Telecom-munication equipment HK$'000	Motor Vehicle HK$'000	Total HK$'000
At 1 June 2009						
Cost	885	1,159	981	11,515	–	14,540
Accumulated depreciation	(766)	(1,159)	(981)	(8,917)	–	(11,823)
Net book value	119	–	–	2,598	–	2,717
Year ended 31 May 2010						
Opening net book value	119	–	–	2,598	–	2,717
Additions	172	126	208	–	588	1,094
Depreciation	(59)	(8)	(31)	(921)	(59)	(1,078)
Closing net book value	232	118	177	1,677	529	2,733
At 31 May 2010						
Cost	1,057	1,285	1,189	11,515	588	15,634
Accumulated depreciation	(825)	(1,167)	(1,012)	(9,838)	(59)	(12,901)
Net book value	232	118	177	1,677	529	2,733
Year ended 31 May 2011						
Opening net book value	**232**	**118**	**177**	**1,677**	**529**	**2,733**
Additions	**–**	**45**	**187**	**–**	**–**	**232**
Depreciation	**(72)**	**(29)**	**(96)**	**(551)**	**(117)**	**(865)**
Closing net book value	**160**	**134**	**268**	**1,126**	**412**	**2,100**
At 31 May 2011						
Cost	**1,057**	**1,330**	**1,376**	**11,515**	**588**	**15,866**
Accumulated depreciation	**(897)**	**(1,196)**	**(1,108)**	**(10,389)**	**(176)**	**(13,766)**
Net book value	**160**	**134**	**268**	**1,126**	**412**	**2,100**

Note:

(i) As at 31 May 2011, the carrying amount of motor vehicle of approximately HK$412,000 (2010: HK$529,000) was held under a finance lease.

(ii) Deprecation charges of approximately HK$9,000 (2010: HK$6,000) for certain computer and software, which were wholly and exclusively utilised for the development of telecommunication application and value-added service software, were capitalised as intangible assets as at 31 May 2011.

16 INTANGIBLE ASSETS

Group

	Website development HK$'000	Telecommunication application and value-added service software development HK$'000	Total HK$'000
At 1 June 2009			
Cost	222	–	222
Accumulated amortisation	(44)	–	(44)
Net book value	178	–	178
Year ended 31 May 2010			
Opening net book value	178	–	178
Additions	–	964	964
Amortisation	(44)	–	(44)
Closing net book value	134	964	1,098
At 31 May 2010			
Cost	222	964	1,186
Accumulated amortisation	(88)	–	(88)
Net book value	134	964	1,098
Year ended 31 May 2011			
Opening net book value	134	964	1,098
Additions	–	928	928
Amortisation	(44)	–	(44)
Closing net book value	90	1,892	1,982
At 31 May 2011			
Cost	222	1,892	2,114
Accumulated amortisation	(132)	–	(132)
Net book value	90	1,892	1,982

17 INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	2010 HK$'000
Unlisted investments at cost (Note a)	**1**	1
Amounts due from subsidiaries (Note b)	**26,185**	34,215
	26,186	34,216
Less: Provision for investments in and amounts due from subsidiaries	**(26,185)**	(34,215)
	1	1

Note:

(a) Details of the principal subsidiaries at 31 May 2011 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held
DIRECTLY HELD:				
Think Gold Assets Limited	British Virgin Islands ("BVI")	Investment holding	100 ordinary shares of US$1 each	100%
Nation Power Limited	BVI	Investment holding	1 ordinary share of US$1 each	100%
INDIRECTLY HELD:				
Netel Technology Limited	Hong Kong	Trading of telecommunication equipment and provision of long distance call services	10,000 ordinary shares of HK$1 each	100%

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note: *(Continued)*

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held
INDIRECTLY HELD: *(Continued)*				
Pacific Long Distance Telephone Corporation Limited	Hong Kong	Provision of long distance call services and sale of long distance call cards	10,000 ordinary shares of HK$1 each	100%
Netel Cyber Education Limited	Hong Kong	Provision of web education services	10,000 ordinary shares of HK$1 each	100%
3G Lab Limited	Hong Kong	Research and development of telecommunication application software	1 ordinary share of HK$1 each	100%
Lotus Communication Limited	Hong Kong	Research and development and provision of long distance call and value-added service application software	1 ordinary share of HK$1 each	100%
北京金利德科技有限公司	The People's Republic of China (The "PRC")	Research and development of telecommunication application software and provision of recruitment agency services	Registered capital of RMB2,000,000	100%
GBjobs.com Limited	Hong Kong	Provision of recruitment agency services	10,000 ordinary shares of HK$1 each	100%
Lotus 118 Limited	Hong Kong	Research and development and provision of long distance call and value-added service application software	100 ordinary shares of HK$1 each	51%
Dolphins HR Consultancy Limited	Hong Kong	Provision of human resource consultancy services	10,000 ordinary shares of HK$1 each	100%

(b) The amounts due are unsecured, interest-free and not repayable within the next twelve months from the end of the reporting period.

18 INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2011	2010
	HK$'000	HK$'000
Beginning of year	**87**	135
Share of results, net of tax	**(184)**	(185)
Exchange difference	**97**	137
End of the year	**–**	87

The Group's interests in its principal associates, which are unlisted, are as follows:

Name	Place of incorporation	Registered capital	Assets	Liabilities	Revenues	Loss	Group's interest
			HK$'000	HK$'000	HK$'000	HK$'000	
Crown Multimedia & Information Services Corp.	Philippine	Ordinary shares of 1 PHP each Preferred shares of 1 PHP each	1,607	1,897	53	460	40%

19 INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Telecommunication equipments	**346**	92

As at 31 May 2011 and 2010, all inventories are stated at cost.

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note a)	**286**	162	**–**	–
Other receivables, prepayments and deposits	**4,028**	2,293	**69**	15
	4,314	2,455	**69**	15

All the carrying amounts of trade receivables are denominated in Hong Kong dollars.

20 TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

(a) Majority of the Group's turnover are entered into on credit terms ranging from 30 to 120 days. Aging analysis of trade receivables at the respective end of the reporting period is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	**79**	98
31 – 60 days	**90**	22
61 – 90 days	**53**	9
91 – 180 days	**24**	8
181 – 365 days	**79**	34
Over 365 days	**3,948**	3,980
	4,273	4,151
Less: provision for doubtful debt	**(3,987)**	(3,989)
	286	162

(b) Trade receivables that are less than four months are not considered impaired. As at 31 May 2011, trade receivables of HK$56,000 (2010: HK$31,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Past due but not impaired:		
0 – 60 days	**17**	6
61 – 120 days	**39**	25
	56	31

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed equities in Hong Kong, at fair value	**–**	278

Financial assets at fair value through profit or loss are presented within "investing activities" in the consolidated statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other operating expenses / income" in the consolidated statement of comprehensive income.

The fair value of listed equity securities is based on their bid prices in an active market.

Notes to the Consolidated Financial Statements

22 BANK BALANCES AND CASH

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group	
	2011	2010
	HK$'000	HK$'000
Bank balances and cash	**1,007**	6,124
Denominated in:		
Hong Kong dollars	**390**	6,124
Renminbi	**614**	–
USD	**3**	–
	1,007	6,124

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Note a)	**7,591**	9,364	**724**	401
Other payables and accruals	**734**	1,116	**179**	660
Receipt in advance	**149**	437	**–**	–
	8,474	10,917	**903**	1,061

The carrying amounts of trade payables are denominated in Hong Kong dollars.

Note:

(a) Majority of the Group's purchases are entered into on credit terms ranging from 60 to 90 days. Aging analysis of trade payables at respective end of the reporting period is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	**643**	459
31 – 60 days	**320**	27
61 – 90 days	**–**	18
91 – 180 days	**–**	42
181 – 365 days	**67**	–
Over 365 days	**6,561**	8,818
	7,591	9,364

24 BORROWINGS

	Group 2011 HK$'000	2010 HK$'000
Non-current		
Finance lease liabilities	**255**	353
Current		
Finance lease liabilities	**118**	118
Total borrowings	**373**	471

(a) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Group 2011 HK$'000	2010 HK$'000
Gross finance lease liabilities – minimum lease payments:		
Not later than 1 year	**138**	138
Later than 1 year but not later than 5 years	**300**	415
	438	553
Future finance charges on finance leases	**(65)**	(82)
Present value of finance lease liabilities	**373**	471
The present value of finance lease liabilities is as follows:		
Not later than 1 year	**118**	118
Later than 1 year but not later than 5 years	**255**	353
	373	471

25 SHARE CAPITAL

	Company			
	2011		2010	
	Number of shares ('000)	**HK$'000**	Number of shares ('000)	HK$'000
Authorised ordinary shares of HK$0.02 (2010: HK$0.02) each				
At 1 June	**5,000,000**	**100,000**	1,000,000	10,000
Consolidation of shares	**–**	**–**	(500,000)	–
Increase of authorised share capital	**–**	**–**	4,500,000	90,000
At 31 May	**5,000,000**	**100,000**	5,000,000	100,000
Issued and fully paid ordinary shares of HK$0.02 (2010: HK$0.02) each				
At 1 June	**463,268**	**9,265**	524,821	5,248
Consolidation of shares	**–**	**–**	(283,839)	–
Issue of shares by subscriptions (Note a)	**15,000**	**300**	90,856	1,389
Issue of shares upon conversion of convertible bonds (Note b)	**46,154**	**923**	–	–
Issue of shares by placing	**–**	**–**	60,000	1,200
Issue of shares by capitalisation of shareholder's loan	**–**	**–**	71,430	1,428
At 31 May	**524,422**	**10,488**	463,268	9,265

Note:

(a) On 31 May 2010, the Company entered into a subscription agreement with a third party subscriber (the "Subscriber") for the allotment and issuance of 15,000,000 new shares at the subscription price of HK$0.17. On 1 September 2010, 19 November 2010 and 23 December 2010, 2,500,000, 6,883,000 and 5,617,000 new shares respectively of HK$0.02 each were allotted and issued to the Subscriber at the price of HK$0.17 per share pursuant to the subscription agreement. These shares rank pari passu in all respects with the existing shares.

(b) On 15 October 2010, the Company entered into a subscription agreement with an executive director of the Company, Mr. James Ang ("Mr. Ang"), in relation to the subscription of the convertible bonds in the principal amount of HK$7,200,000 with bonus issue on the basis of two warrants for every subscription of convertible bonds with principal amount of HK$0.156 and the grant of Option Bonds (Note 30). The conversion price is HK$0.156 per conversion share. On 3 May 2011, 46,153,846 new shares of HK$0.02 each were allotted and issued to Mr. Ang pursuant to the subscription agreement. These shares rank pari passu in all respects with the existing shares.

Notes to the Consolidated Financial Statements

26 RESERVES

(a) Group

	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Option Bonds Reserve HK$'000	Exchange Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 1 June 2009	32,372	–	–	–	13	(53,527)	(21,142)
Comprehensive loss for the year	–	–	–	–	–	(9,779)	(9,779)
Other comprehensive income:							
– Translation of foreign exchange reserve	–	–	–	–	137	–	137
Total comprehensive loss for the year	–	–	–	–	137	(9,779)	(9,642)
Transactions with owners:							
– Issue of shares by subscriptions	8,730	–	–	–	–	–	8,730
– Issue of shares by placing	6,388	–	–	–	–	–	6,388
– Issue of shares by capitalisation of shareholder's loan	6,108	–	–	–	–	–	6,108
– Equity-settled share-based transactions	–	1,772	–	–	–	–	1,772
Total transactions with owners	21,226	1,772	–	–	–	–	22,998
Balance at 1 June 2010	53,598	1,772	–	–	150	(63,306)	(7,786)
Comprehensive loss for the year	–	–	–	–	–	(16,037)	(16,037)
Other comprehensive income:							
– Translation of foreign exchange reserve	–	–	–	–	97	–	97
Total comprehensive loss for the year	–	–	–	–	97	(16,037)	(15,940)
Transactions with owners:							
– Issue of convertible bonds	–	–	2,462	8,828	–	(8,828)	2,462
– Issue of shares by subscriptions	2,064	–	–	–	–	–	2,064
– Issue of shares upon conversion of convertible bonds	5,669	–	(2,462)	–	–	–	3,207
– Equity-settled share-based transactions	–	6,407	–	–	–	–	6,407
Total transactions with owners	7,733	6,407	–	8,828	–	(8,828)	14,140
Balance at 31 May 2011	61,331	8,179	–	8,828	247	(88,171)	(9,586)

26 RESERVES *(Continued)*

(b) Company

	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Option Bonds Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 1 June 2009	38,853	–	–	–	(47,871)	(9,018)
Comprehensive loss for the year	–	–	–	–	(24,290)	(24,290)
Transactions with owners:						
– Issue of shares by subscriptions	8,730	–	–	–	–	8,730
– Issue of shares by placing	6,388	–	–	–	–	6,388
– Issue of shares by capitalisation of shareholder's loan	6,108	–	–	–	–	6,108
– Equity-settled share-based transactions	–	1,772	–	–	–	1,772
Total transactions with owners	21,226	1,772	–	–	–	22,998
Balance at 1 June 2010	60,079	1,772	–	–	(72,161)	(10,310)
Comprehensive loss for the year	–	–	–	–	(15,151)	(15,151)
Transactions with owners:						
– Issue of convertible bonds	–	–	2,462	8,828	(8,828)	2,462
– Issue of shares by subscriptions	2,064	–	–	–	–	2,064
– Issue of shares upon conversion of convertible bonds	5,669	–	(2,462)	–	–	3,207
– Equity-settled share-based transactions	–	6,407	–	–	–	6,407
Total transactions with owners	7,733	6,407	–	8,828	(8,828)	14,140
Balance at 31 May 2011	67,812	8,179	–	8,828	(96,140)	(11,321)

27 SHARE-BASED PAYMENTS

(a) Share Option Scheme

Under a share option scheme approved and adopted by the shareholders on 4 December 2002 (the "Share Option Scheme"), the Directors of the Company may, at their discretion, invite eligible participants including the Company's directors, independent non-executive directors, other employees of the Group, any consultants, advisers, managers or officers of the Group, and the shareholders of the Company, to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the Share Option Scheme).

The subscription price determined by the board of directors will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant and; (iii) the nominal value of the Company's shares.

(b) The terms and conditions of the grant that existed during the year are as follows, whereby all options are settled by physical delivery of shares.

	Number of share options outstanding as at 31 May 2011	Vesting condition	Contractual life of option
Options granted on 13 October 2009:			
– to Executive Directors	11,100,000	Not Applicable	10 years
– to Independent Non-executive Directors ("INEDs")	4,700,000	Not Applicable	10 years
– to Employees	3,200,000	Not Applicable	10 years
Options granted on 8 December 2010:			
– to Executive Directors	12,600,000	Not Applicable	10 years
– to Independent Non-executive Directors ("INEDs")	2,400,000	Not Applicable	10 years
– to Employees	6,348,000	Not Applicable	10 years
Options granted on 31 January 2011:			
– to Individuals	22,800,000	Not Applicable	10 years
Options granted on 30 May 2011:			
– to Individuals	26,000,000	Not Applicable	10 years

27 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

On 8 December 2010, the Company granted 21,348,000 share options to the Directors, the INEDs and the employees at a consideration of HK$1 respectively with an exercise price of HK$0.15 per share.

On 31 January 2011, the Company granted 22,800,000 share options to the individual grantees at a consideration of HK$1 respectively with an exercise price of HK$0.182 per share.

On 30 May 2011, the Company granted 26,000,000 share options to the individual grantees at a consideration of HK$1 respectively with an exercise price of HK$0.1486 per share.

The fair values of the share options granted on 8 December 2010 and 31 January 2011 were determined by an independent valuer, Ascent Partners Transaction Service Limited and the fair value of the share option granted on 30 May 2011 was determined by an independent valuer, LCH (Asia-Pacific) Surveyors Limited, using the Binomial Option Pricing model. The following principal assumptions were adopted in the valuation:

Share options granted date	8 December 2010	31 January 2011	30 May 2011
Spot price	HK$0.14	HK$0.162	HK$0.144
Exercise price	HK$0.15	HK$0.182	HK$0.1486
Annual risk-free interest rate	1.568%	1.699%	1.47%
Expected option life	5 years	5 years	5 years
Expected dividend yield	Nil	Nil	Nil
Expected volatility	71.71%	71.456%	97.10%
Fair value at grant date	HK$1,731,000	HK$2,102,000	HK$2,574,000

The expected volatility was determined based on the historical volatility of the share price of the Company.

In total, approximately HK$6,407,000 (2010: HK$1,772,000) of share-based payment expense has been included in the consolidated statement of comprehensive income for the year ended 31 May 2011, the corresponding amount of which has been credited to share option reserve.

27 SHARE-BASED PAYMENTS *(Continued)*

(c) The number and weighted average exercise price of share options are as follows:

	Group			
	2011		2010	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
At beginning of the year	**19,000,000**	**0.233**	–	–
Granted during the year	**70,148,000**	**0.160**	19,000,000	0.233
At the end of the year	**89,148,000**	**0.175**	19,000,000	0.233

The options outstanding at 31 May 2011 had a weighted average exercise price at HK$0.175 (2010: HK$0.233) and a weighted average remaining contractual life of 9.44 years (2010: 9.33 years).

28 CONVERTIBLE BONDS

On 15 October 2010, the Company entered into an agreement with an executive director of the Company, Mr. James Ang ("Mr. Ang") to subscribe for convertible bonds denominated in HK$ (the "Convertible Bonds") in the principal amount of HK$7,200,000 with a maturity of five years due 2016 (the "Subscription Agreement"). On 28 January 2011, the Convertible Bonds in the principal amount of HK$7,200,000 were issued to Mr. Ang with bonus issue on the basis of two bonus warrants (the "Warrants") for every subscription of Convertible Bonds with the principal amount of HK$0.156 and with embedded option to subscribe for additional convertible bonds of the Company (the "Option Bonds") in the principal amount of up to HK$28,800,000, with substantive terms of subscription identical to those of the Convertible Bonds.

The principal terms of the Convertible Bonds were as follows:

(i) The Convertible Bonds bear zero-coupon with a maturity of five years due on 28 January 2016 (the "Maturity Date").

(ii) Conversion rights are exercisable at any time between 28 April 2011 (being three months after the issue date of the Convertible Bonds) and 14 January 2016 (being the day falling fourteen days prior to the Maturity Date).

(iii) The holders of the Convertible Bonds are entitled to convert the bonds into ordinary shares of the Company at a conversion price of HK$0.156 per share (subject to adjustments).

(iv) If any of the Convertible Bonds have not been converted, they will be redeemed on the maturity date at 100% of the outstanding principal amounts of the Convertible Bonds.

28 CONVERTIBLE BONDS *(Continued)*

On 28 April 2011, Mr. Ang exercised the conversion rights of the Convertible Bonds in the principal amount of HK$7,200,000 in full. On 3 May 2011, 46,153,846 ordinary shares of the Company were allotted and issued to Mr. Ang at the conversion price of HK$0.156 per share. These shares rank pari passu in all respects with the shares of the Company in issue as at the date of conversion.

As at 31 May 2011, Warrants attached to the subscription of the Convertible Bonds and the Option Bonds remain outstanding.

The movements of the liability component and the equity component of the Convertible Bonds are as follows:

Company

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 June 2010	–	–	–
Issuance during the year	4,356	2,462	6,818
Effective interest expenses charged for the year	244	–	244
Conversion during the year	(4,600)	(2,462)	(7,062)
At 31 May 2011	–	–	–

29 WARRANTS

On 28 January 2011, 92,307,692 unlisted warrants, as bonus issue to and on the basis of two bonus warrants for every subscription of Convertible Bonds in the principal amount of HK$7,200,000 (the "Warrants"), were issued to an executive director of the Company, Mr. James Ang (Note 28). No amount of the principal amount on the issue of Convertible Bonds is attached to the Warrants. The holders of the Warrants shall have the right at any time during the period of commencing from 28 April 2011 (being three months after the issue date of the Warrants) to 28 January 2016 to subscribe for one new share at the exercise price of HK$0.156.

As at 31 May 2011, there were 92,307,692 Warrants outstanding (2010: Nil) carrying subscription rights up to HK$14,400,000 (2010: Nil).

30 OPTION BONDS

Pursuant to the Subscription Agreement dated 15 October 2010, the Company granted, in the nominal consideration of HK$1, the option to an executive director of the Company, Mr. James Ang, conferring the rights to the holders of the option to subscribe for convertible bonds of the Company in the principal amount of up to HK$28,800,000 that can be convertible to the Company's shares with a conversion price of HK$0.156 (subject to adjustments) (the "Option Bonds"), at any time during the period of commencing from 28 April 2011 (being three months after the issue date of the Convertible Bonds) and 14 January 2016 (being the day falling fourteen days prior to the Maturity Date).

The fair value of the Option Bonds amounting to approximately HK$8,828,000, which was estimated after taking into account the market prices of the Company's ordinary shares, at issue date of the options, is recognised in equity and the difference between the deemed consideration received and fair value of the options to subscribe for Option Bonds is deducted from the retained earnings.

The fair value of the Option Bonds on date of issuance was determined by an independent valuer, BMI Appraisals Limited using the Binomial Option Pricing Model with the following key attributes:

Expected Volatility	67.768%
Spot price	HK$0.104 (note)
Expected life	4.5 years
Dividend yield	0%
Risk free rate	1.66%

Note: The share price of the Company was determined with reference to the spot price of the Company as at the valuation date taking the dilution effect into consideration.

As at 31 May 2011, the Option Bonds outstanding carried subscription rights up to HK$28,800,000 (2010: Nil).

31 CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating loss to net cash used in operations:

	Group 2011 HK$'000	Group 2010 HK$'000
Operating loss	**(15,592)**	(9,573)
Dividend income on financial assets at fair value through profit or loss	**(8)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(42)**	–
Amortisation	**44**	44
Depreciation	**865**	1,072
Share-based payments	**6,407**	1,772
Provision for impairment of receivables	**22**	149
Operating loss before working capital changes	**(8,304)**	(6,536)
Increase in inventories	**(254)**	(92)
Increase in trade and other receivables	**(1,881)**	(19)
Decrease in trade and other payables	**(2,443)**	(3,364)
Net cash used in operations	**(12,882)**	(10,011)

32 COMMITMENTS

(a) Commitments under operating leases

The future aggregate minimum lease payments under non-cancellable operating lease in respect of building are as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
Not later than one year	**494**	850
Later than one year but not later than five years	**501**	836
Later than five years	**360**	480
	1,355	2,166

(b) The Group did not have material capital commitment as at 31 May 2011 and 2010.

33 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the consolidated financial statements, significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

		Group	
		2011	2010
	Note	**HK$'000**	HK$'000
Rental expenses paid to Charmfine Investment Limited ("Charmfine")	(a)	**120**	120

Note:

(a) Charmfine is beneficially owned by Mr. James Ang and Ms. Yau Pui Chi, Maria. Rental expenses were charged at arm's length rates in accordance with the terms of the underlying agreements.

34 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 telecommunication operator (the "Defendant"). In August 2008, the Defendant submitted statements of defence and counter 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, a trial is fixed on 2 November 2011 with a pre-trial scheduled on 7 September 2011. 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 significant impact on the financial position of the Group.

(b) On 16 December 2004, a writ was issued by a telecommunication 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 the 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 ultimate liability under these proceedings would not have significant impact on the financial position of the Group.

34 LITIGATIONS *(Continued)*

(c) The Group has a number of outstanding litigations in respect of liabilities arising from the normal course of its business of approximately HK$685,000. The amounts of the liabilities are adequately recorded as accounts payable as at 31 May 2011. 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.

35 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with current year's presentation.

36 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2011.

Five Years Financial Summary

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Turnover	**3,255**	3,317	4,943	5,326	6,355
Loss attributable to shareholders	**(16,037)**	(9,779)	(2,972)	(598)	(6,007)
Assets and liabilities					
Total assets	**9,749**	12,867	6,514	7,850	8,044
Total liabilities	**(8,847)**	(11,388)	(22,408)	(22,666)	(34,372)
Non-controlling interests	**–**	–	–	(88)	–
Shareholders' fund/(deficits)	**902**	1,479	(15,894)	(14,904)	(26,328)