



NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

Interim
Report
2012/2013

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly, disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 for the purpose of giving information with regard to Netel. The directors of Netel, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The directors (the "Directors") of Netel Technology (Holdings) Limited (the "Company") are pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 November 2012 together with the comparative unaudited figures for the corresponding period in 2011:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	4	493	496	891	1,250
Cost of sales		(311)	(221)	(534)	(648)
Gross profit		182	275	357	602
Selling and marketing expenses		(269)	(56)	(334)	(71)
Administrative expenses		(2,630)	(3,431)	(7,375)	(6,623)
Net gain on disposal of financial assets		-	-	-	-
Profit/(Loss) from operations	5	(2,717)	(3,212)	(7,352)	(6,092)
Finance costs	6	(3)	(4)	(10)	(11)
Share of gain/(loss) of an associated company		(10)	12	(21)	(28)
Profit/(Loss) before taxation		(2,730)	(3,204)	(7,383)	(6,131)
Taxation	8	-	-	-	-
Profit/(Loss) for the period attributable to equity holders of the Company		(2,730)	(3,204)	(7,383)	(6,131)
Other comprehensive income		(29)	(10)	(29)	(10)
Total comprehensive loss for the period attributable to equity holders of the Company		(2,759)	(3,214)	(7,412)	(6,141)
Loss per share – basic and diluted	9	HK(0.49 cents)	HK(0.61 cents)	HK(1.33 cents)	HK(1.17 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 November 2012 <i>HK\$'000</i> (Unaudited)	As at 31 May 2012 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Assets			
Non-Current Assets			
Property, plant and equipment	7	903	1,244
Intangible asset		2,508	2,530
Investment in an associated company		—	—
		<u>3,411</u>	<u>3,774</u>
Current Assets			
Inventories		225	225
Trade receivables	10	136	168
Prepayment, deposit and other receivables		1,507	1,582
Bank balances and cash		892	11,239
		<u>2,760</u>	<u>13,214</u>
Total Assets		<u>6,171</u>	<u>16,988</u>
Current Liabilities			
Trade payables	11	(4,754)	(6,987)
Receipt in advance, accruals and other payables		(4,995)	(7,270)
Amount due to a director		(1,962)	(790)
Borrowings		(118)	(118)
		<u>(11,829)</u>	<u>(15,165)</u>
Net Current Liabilities		<u>(9,069)</u>	<u>(1,951)</u>
Total Assets Less Current Liabilities		<u>(5,658)</u>	<u>1,823</u>

	<i>Notes</i>	As at 30 November 2012 HK\$'000 (Unaudited)	As at 31 May 2012 <i>HK\$'000</i> (Audited)
Non-Current Liabilities			
Borrowings		<u>(68)</u>	<u>(137)</u>
Net Assets/(Liabilities)		<u>(5,726)</u>	<u>1,686</u>
Capital and Reserves			
Share capital		11,093	11,093
Share premium and reserves		<u>(16,799)</u>	<u>(9,387)</u>
Equity attributable to equity holders of the Company		(5,706)	1,706
Non-controlling interests		<u>(20)</u>	<u>(20)</u>
Total Equity		<u>(5,726)</u>	<u>1,686</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 November	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(11,399)	(2,775)
Net cash (used in)/generated from investing activities	(51)	16
Net cash generated from financing activities	<u>1,103</u>	<u>2,871</u>
(Decrease)/increase in cash and cash equivalents	(10,347)	112
Cash and cash equivalents at beginning of the period	<u>11,239</u>	<u>1,007</u>
Cash and cash equivalents at the end of the period	<u>892</u>	<u>1,119</u>
Analysis of balance of cash equivalents		
Bank balances and cash	<u>892</u>	<u>1,119</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Share Option Reserve	Convertible Bonds Equity Reserve	Option Bonds Reserve	Exchange Reserve	Accumulated Losses	Total	Non- Controlling Interest	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 June 2011	10,488	61,331	8,179	-	8,828	247	(88,171)	902	-	902
Total comprehensive loss for the year	-	-	-	-	-	-	(3,907)	(3,907)	(18)	(3,925)
Transactions with owners										
Issuing of convertible bonds upon conversion of convertible bond options	-	-	-	6,156	(1,445)	-	-	4,711	-	4,711
Issue of shares upon conversion of convertible bonds	605	5,551	-	(6,156)	-	-	-	-	-	-
Disposal of shares of a subsidiary	-	-	-	-	-	-	-	-	(2)	(2)
Balance as at 1 June 2012	11,093	66,882	8,179	-	7,383	247	(92,078)	1,706	(20)	1,686
Total comprehensive loss for the period	-	-	-	-	-	-	(7,412)	(7,412)	-	(7,412)
Balance as at 30 November 2012 (unaudited)	11,093	66,882	8,179	-	7,383	247	(99,490)	(5,706)	(20)	(5,726)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

The Company and its subsidiaries (collectively referred to as the "Group") principally engage in research and development of telecommunication applications, provision of value-added telecom and other related services, trading of telecommunication equipment, provision of long distance call services and online recruitment services.

2. Basis of preparation and principal accounting policies

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

This condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended 31 May 2012.

The accounting policies and methods of computation used in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in preparing the audited annual financial statements for the year ended 31 May 2012 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which also include HKASs and interpretations, amendments to standards and interpretations (collectively "New Standards") which are effective for accounting periods beginning on or after 1 June 2012. Details of these changes in accounting policies are set out in note 3.

Going Concern

The Group had consolidated net current liabilities of approximately HK\$9.10 million at 30 November 2012. In addition the Group incurred a consolidated loss attributable equity holders of approximately HK\$7.41 million during the six months ended 30 November 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

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. The Directors have given consideration to 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
- 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 the interim financial report on a going concern basis is appropriate.

3. Changes in accounting policies

The accounting policies and methods of computation used in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in preparing the audited annual financial statements for the year ended 31 May 2012 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which also include HKASs and interpretations, amendments to standards and interpretations (collectively "New Standards") which are effective for accounting periods beginning on or after 1 June 2012 as set out below.

HKAS 12 (Amendments)
HKFRS 7 (Amendments)

Deferred Tax: Recovery of Underlying Assets
Disclosures – Transfers of Financial Assets

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

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective for the current accounting period. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Venture ²
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ³
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

4. Revenue and Segment information

The Group's operating activities are attributable to four operating segments focusing on provision of different types of service, namely the provision of long distance call services, the provision of telecommunication, value added services and recruitment services, and the sales revenue from the trading of telecommunication equipment in Hong Kong, Mainland China and other countries.

These operating segments have been identified on the basis of internal management reports that are regularly reviewed by the directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

Segment information about these businesses is presented below:

Business segments

Results (unaudited)

	For the six months ended 30 November 2012				
	Long distance call services			Telecommunication, Value added and Recruitment	Group
	Sale of equipment	End-users direct sales	Carrier sales	service	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	5	691	-	195	891
Segment results	(20)	(2,866)	-	(810)	(3,696)
Operating loss					(3,696)
Unallocated cost					(3,677)
Finance costs					(10)
Loss before taxation					(7,383)
Taxation					-
Loss for the period					(7,383)

Results (unaudited)

For the six months ended 30 November 2011
Long distance call services

	Sale of equipment <i>HK\$'000</i>	End-users direct sales <i>HK\$'000</i>	Carrier sales <i>HK\$'000</i>	Telecommunication Valued-added And recruitment Services <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	76	1,109	65	–	1,250
Segment results	32	(2,722)	(263)	–	(2,953)
Operating loss					(2,953)
Unallocated cost					(3,167)
Finance costs					(11)
Loss before taxation					(6,131)
Taxation					–
Loss for the period					(6,131)

Geographical segments

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

(unaudited)

	Revenue For the six months ended 30 November		Segment result For the six months ended 30 November	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
By geographical market:				
Hong Kong	815	889	(3,382)	(2,442)
Mainland China	75	296	(310)	(263)
Other countries	1	65	(4)	(248)
	891	1,250	(3,696)	(2,953)
Loss from operations			(3,696)	(2,953)

5. Loss from operations

	For the six months ended 30 November	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss from operations has been arrived at after charging/(crediting):		
Cost of inventories sold	534	648
Depreciation and amortisation:		
Owned	342	379
Leased	72	72
Operating lease-land and buildings	292	473
Staff costs, (including directors' remuneration)		
Retirement benefits scheme contributions	209	241
Salaries and other benefits	3,562	3,808

6. Finance costs

	For the six months ended 30 November	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on finance lease	10	11

7. Plant and equipment

As at the period ended 30 November 2012, the Group's plant and equipment was amounting to approximately HK\$903,000 (31 May 2012: approximately: HK\$1,244,000). The directors consider that the fair value of the plant and equipment at 30 November 2012 does not change significantly from their carrying amount at 31 May 2012.

The Group had not disposed any Plant and Equipment (the same period of 2011: Nil), and had not acquire any Plant and Equipment (the same period of 2011: Nil) during the six months ended 30 November 2012.

8. Taxation

No provision for Hong Kong profits tax has been made in current period as the Group has no estimated assessable profits for the period (2011: Nil)

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets/liabilities which are expected to be crystallized in the foreseeable future (2011: Nil).

9. Loss per share

The calculation of basic loss per share for the three months and six months ended 30 November 2012 are based on the unaudited consolidated loss for the three months and six months ended 30 November 2012 period of approximately HK2,730,000 and HK7,383,000 respectively (loss for the same period ended of 2011: HK\$3,204,000 and HK\$6,131,000) and the weighted average number of 554,646,554 ordinary shares in issue during the three months and the six months ended 30 November 2012 (the same period ended 2011: 524,422,196).

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

10. Trade and other receivables

	As at 30 November 2012 HK\$'000 (unaudited)	As at 31 May 2012 HK\$'000 (audited)
Trade receivables (<i>Note (a)</i>)	136	168
Other receivables, prepayments and deposits	1,507	1,582
	1,643	1,750

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:

	As at 30 November 2012 HK\$'000 (unaudited)	As at 31 May 2012 HK\$'000 (audited)
0 – 30 days	33	55
31 – 60 days	20	22
61 – 90 days	8	19
Over 90 days	4,031	4,047
	4,092	4,143
Less: provision for impairment of receivables	(3,956)	(3,975)
	136	168

11. Trade and other payables

	As at 30 November 2012 HK\$'000 (unaudited)	As at 31 May 2012 HK\$'000 (audited)
Trade payables (<i>Note (a)</i>)	4,754	6,987
Other payables and accruals	4,503	6,775
Receipt in advance	492	495
	9,749	14,257

Note:

- (a) Majority of the Group's purchase 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:

	As at 30 November 2012 HK\$'000 (unaudited)	As at 31 May 2012 HK\$'000 (audited)
0 – 30 days	347	795
31 – 60 days	–	177
61 – 90 days	–	65
Over 90 days	4,407	5,950
	4,754	6,987

12. Share capital

	Number of ordinary shares of HK\$0.02 each	Amount HK\$'000
Ordinary Shares		
Authorised:		
At 31 May 2012 and 30 November 2012	5,000,000,000	100,000
Issued and fully paid:		
At 31 May 2012 and 30 November 2012	554,646,554	11,093

13. Litigations

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

- (a) On 16 December 2004, a writ was issued by a telecom service provider (the "Plaintiff") against two wholly owned subsidiaries of the Group and a director of the Company (the "Director") for outstanding and disputed invoices and claimed that the subsidiaries and the Director have no right to defence. On 20 July 2005, the High Court ruled that the subsidiaries and the Director had right to defence and refused to grant order to the Plaintiff. The Plaintiff failed to comply with the Court's direction that the case be set down for trial in August 2006 and up to date of this report the Plaintiff has failed to submit further evidence to substantiate the claim. The Directors of the Company, having taken into consideration the advice from the Group's legal advisor, are of the opinion that the ultimate liability under these proceedings would not have significant impact on the financial position of the Group.
- (b) The Group has a number of outstanding litigations in respect of liabilities arising in the normal course of its business of approximately HK\$281,000. The amount of the liabilities is adequately recorded as accounts payable for the period ended 30 November 2012. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded a total revenue of approximately HK\$0.90 million in the first six months ended 30 November 2012, a decrease of HK\$0.35 million from HK\$1.25 million for the same period of last year. The decrease was attributable to the decrease in SIP Service revenue. The loss for the period was also increased by approximately HK\$1.25 million from HK\$6.13 million in the same period of last year to HK\$7.38 million in this period, reflecting increase in the cost of the operations.

The administrative expenses increased by approximately HK\$0.76 million from HK\$6.62 million of the same period of last year to HK\$7.38 million for this period.

Liquidity and financial resources

As at 30 November 2012, the Group had total assets of approximately HK\$6.17 million (31 May 2012: HK\$16.99 million), including bank and cash balance of approximately HK\$0.89 million (31 May 2012: HK\$11.24 million).

As at 30 November 2012, the gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund, was not applicable as there was negative shareholder's fund (31 May 2012: not applicable). The Group had net current liabilities of approximately HK\$9.07 million (31 May 2012: HK\$1.95 million).

Business review

New features and enhancements from the Research and Development Department have enabled the unique search engine within www.gbjobs.com to substantially increase the customer base. This trend will continue until this financial year, horizontal expansion into different provinces in China and overseas is expected.

Our "INATALK" Applications, iPhone and Android mobile phone Applications will be enhanced, with facilities being added for language exchange, both for translation and teaching purposes. These services, which have been launched in this period and will translate into further business opportunities for language training through the internet or telecom platform as part of Asian Talent Development Centre Limited.

In addition to the above, the Group will be launching and promoting its new conference call system worldwide. The versatile and competitive service can be connected through web phone, Smartphone, mobile phone or ordinary landline and offers many new features. This product will enable the large international businesses and organizations that pool a lot of resources into international communication to save cost.

Business outlook

The Group believes the market for new Applications for all Smartphones will continue to grow significantly worldwide. Developing the www.gbjobs.com and "INATALK" products for these Applications is an essential part of the Company's growth strategy.

Referring to the previous year's voice recognition project (real-time multilingual translation), a joint venture project of a subsidiary with Mr. James Ang, Chairman of the Group, the Company is at the stage of testing the new system on the telecommunication platform. It will enhance the competitiveness of the Group in the Applications market.

Furthermore, the Company will continue to bring out innovative technology through continual research and development and through strategic partnerships to enhance the competitiveness of products.

Besides, the Company is considering the possibility of setting up a new subsidiary seize other business opportunities, to enlarge the Group and its income.

INTERIM DIVIDEND

The Company does not recommend the payment of any interim dividend for the half year ended 30 November 2012.

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

At 30 November 2012, apart from the details below, 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"). The details were as follows:

Ordinary shares of HK\$0.02 each in the Company

Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	-	-	16,836,000	-	-	16,836,000	3.03
	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	84.75
Ms. Yau Pui Chi, Maria ("Ms. Yau") (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	87.78
Mr. Wei Ren	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.54
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000 2,000,000	0.233 0.150	5,200,000	0.93
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000 800,000	0.233 0.150	3,100,000	0.55
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.36
Mr. Chau Siu Keung	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.36

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 203,366,104 shares and 246,698,718 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 203,366,104 shares, 9,600,000 share options; and 246,698,718 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 interest disclosed above in respect of certain directors, the Company has not been notified of any other shareholders who had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 30 November 2012.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 November 2012.

SHARE OPTIONS SCHEME

On 10 September 2012, the Company passed an ordinary resolution regarding the termination of the old share option scheme and adopted a new share option scheme (the "New Share Option Scheme") for the primary purpose of providing incentives and rewards to employees who have made contribution to the development of the Company. Under the terms of the New Share Option Scheme, the Board may, at its discretion, 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 New 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 of 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 28 days from the offer date for each lot of share options granted. An option may be exercised in accordance with the terms of the New Share Option Scheme during a period to be notified by the Board.

The New Share Option Scheme is valid for a period of 10 years commencing from 10 September 2012.

The following shows the outstanding position of the Directors as at 30 November 2012 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 1.6.2012	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2012
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
				<u>34,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,000,000</u>
Other employees								
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
				<u>55,148,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,148,000</u>
Total				<u>89,148,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,148,000</u>

During the period, no share option was granted under the New Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the six months ended 30 November 2012, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the period ended 30 November 2012, the Group has complied with the code provisions in the Code on Corporate Governance Practices (the "Code Provision(s)") as set out in Appendix 15 of the GEM Listing Rules, except for the Code Provision A 2.1, A 4.1 and A 6.7 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 Article of Association of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company in this aspect of the Code Provision.

Under the Code provision A 6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, due to business engagements, three independent non-executive Directors could not attend the annual general meeting of the Company held on 10 September 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 November 2012, the Group employed around 35 employees, including Directors, in Hong Kong and Mainland China. The Group's remuneration policies are based primarily on the prevailing market rate and the performance of individual employees. Fringe benefits of the employees include mandatory provident fund, share options and discretionary bonus.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rule 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Model Code during the period ended 30 November 2012.

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 Model Code. No incident of non-compliance was noted by the Company for the period ended 30 November 2012.

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

The Audit Committee has reviewed the interim results of the Company for the six month ended 30 November 2012 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee with specific terms of reference which deals clearly with its authorities and duties. The Remuneration Committee currently consists of two independent non-executive Directors and an executive Director; Mr. Chiang Kin Kon, an independent non-executive Director, is the Chairman of the Remuneration Committee, and other members are Mr. Wong Kwok Fai, an independent non-executive Director, and Ms. Yau Pui Chi, Maria, executive Director. The majority of the members of the Remuneration Committee are independent non-executive Directors of the Company.

The role and function of Remuneration Committee are 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.

NOMINATION COMMITTEE

The Company has established a Nomination Committee with specific terms of reference which deals clearly with its authorities and duties. The Nomination Committee currently consists of two independent non-executive Directors, and an executive Director; Mr. James Ang, an executive Director, is the Chairman of the Nomination Committee, and other members are Mr. Chiang Kin Kon, and Mr. Chau Siu Keung, independent non-executives.

The Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment in case of the appointment of additional Director or at the first general meeting after his appointment in case of filling of casual vacancy.

Under the Articles of Association of the Company, all Directors are subject to retirement by rotation and re-election by shareholders every three years.

Potential new Directors are selected on the basis of their qualifications, skill and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

INTERNAL CONTROL

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

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

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 November 2012, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

Hong Kong, 11 January 2013

Directors of the Company as at the date hereof:

Executive Directors

Mr. James Ang

Mr. Wei Ren

Ms. Yau Pui Chi, Maria

Dr. Zhong Shi

Independent Non-Executive Directors

Mr. Chiang Kin Kon

Mr. Wong Kwok Fai

Mr. Chau Siu Keung