



NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

Interim Report
2013/2014

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

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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.

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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 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 November 2013

The board (the "Board") of 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 2013 together with the comparative unaudited figures for the corresponding period in 2012:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3	440	493	903	891
Cost of sales		(190)	(311)	(434)	(534)
Gross profit		250	182	469	357
Selling and marketing expenses		(51)	(269)	(143)	(334)
Administrative expenses		(3,355)	(2,946)	(6,881)	(7,691)
Operating loss	4	(3,156)	(3,033)	(6,555)	(7,668)
Finance costs	5	(11)	(3)	(20)	(10)
Share of profit/(loss) of associates		-	-	-	-
Loss for the period		(3,167)	(3,036)	(6,575)	(7,678)
Other comprehensive income		-	-	-	-
Total comprehensive expense for the period		(3,167)	(3,036)	(6,575)	(7,678)
Loss for the period attributable to:					
– Equity holders of the Company		(3,144)	(3,034)	(6,528)	(7,671)
– Non-controlling interests		(23)	(2)	(47)	(7)
		(3,167)	(3,036)	(6,575)	(7,678)
Total comprehensive expense for the period attributable to:					
– Equity holders of the Company		(3,144)	(3,034)	(6,528)	(7,671)
– Non-controlling interests		(23)	(2)	(47)	(7)
		(3,167)	(3,036)	(6,575)	(7,678)
Loss per share attributable to equity holders of the Company					
– Basic and diluted	8	HK(0.49 cents)	HK(0.55 cents)	HK(1.02 cents)	HK(1.38 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2013

	Notes	As at 30 November 2013 HK\$'000 (Unaudited)	As at 31 May 2013 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	6	973	901
Intangible assets		2,694	3,122
Interests in associates		3	3
Available-for-sale financial assets		–	–
		<u>3,670</u>	<u>4,026</u>
Current assets			
Inventories		187	192
Trade receivables	9	127	122
Prepayments, deposits and other receivables	9	1,519	1,507
Amount due from an associate		–	38
Bank balances and cash		2,610	2,624
		<u>4,443</u>	<u>4,483</u>
Total assets		<u>8,113</u>	<u>8,509</u>
LIABILITIES			
Current liabilities			
Trade payables	10	4,218	4,941
Receipt in advance, accruals and other payables	10	2,176	3,225
Amounts due to directors		2,647	–
Obligations under finance leases		178	163
		<u>9,219</u>	<u>8,329</u>
Net current liabilities		<u>(4,776)</u>	<u>(3,846)</u>
Total assets less current liabilities		<u>(1,106)</u>	<u>180</u>
Non-current liabilities			
Obligations under finance leases		113	111
Net (liabilities)/assets		<u>(1,219)</u>	<u>69</u>
EQUITY			
Capital and reserves			
Share capital	11	13,373	12,695
Share premium and reserves		(14,416)	(12,497)
		<u>(1,043)</u>	<u>198</u>
Non-controlling interests		<u>(176)</u>	<u>(129)</u>
Total Equity		<u>(1,219)</u>	<u>69</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2013

	Share Capital	Share Premium	Convertible			Exchange Reserve	Accumulated Losses	Total	Non-controlling Interests	Total Equity
			Share Option Reserve	Bonds Equity Reserve	Option Bonds Reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 June 2012										
(audited)	11,093	66,882	8,179	-	7,383	247	(92,078)	1,706	(20)	1,686
Loss for the period	-	-	-	-	-	-	(7,671)	(7,671)	(7)	(7,678)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	-	-	(7,671)	(7,671)	(7)	(7,678)
Balance at 30 November 2012										
(unaudited)	11,093	66,882	8,179	-	7,383	247	(99,749)	(5,965)	(27)	(5,992)
Balance at 1 June 2013										
(audited)	12,695	81,612	7,889	-	3,551	247	(105,796)	198	(129)	69
Loss for the period	-	-	-	-	-	-	(6,528)	(6,528)	(47)	(6,575)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	-	-	(6,528)	(6,528)	(47)	(6,575)
Transactions with owners:										
- Issue of convertible bonds upon conversion of convertible bond options	-	-	-	6,908	(1,621)	-	-	5,287	-	5,287
- Issue of shares upon conversion of convertible bonds	678	6,230	-	(6,908)	-	-	-	-	-	-
- Lapse of share options	-	-	(97)	-	-	-	97	-	-	-
Total transactions with owners	678	6,230	(97)	-	(1,621)	-	97	5,287	-	5,287
Balance at 30 November 2013										
(unaudited)	13,373	87,842	7,792	-	1,930	247	(112,227)	(1,043)	(176)	(1,219)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2013

	For the six months ended 30 November	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(7,658)	(11,399)
Net cash used in investing activities	(202)	(51)
Net cash generated from financing activities	7,846	1,103
Decrease in cash and cash equivalents	(14)	(10,347)
Cash and cash equivalents at beginning of the period	2,624	11,239
Cash and cash equivalents at end of the period	2,610	892
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,610	892



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 (together, the "Group") are principally engaged in research and development of telecommunication and recruitment applications, value-added service software and provision of related services, trading of telecommunication equipment, provision of long distance call services and online recruitment services in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 May 2013.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 May 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

In the current interim period, the Group has applied the following new or revised Hong Kong Financial Reporting Standards (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle except for HKAS 1 (Amendments)
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

Going Concern

The condensed consolidated financial statements have been prepared on a going concern basis, the Group had incurred a loss attributable to shareholders of approximately HK\$6.53 million during the six months ended 30 November 2013 and had net current liabilities of approximately HK\$4.78 million as at 30 November 2013. 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. In preparing the condensed 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

Going Concern *(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 the condensed consolidated financial statements on a going concern basis is appropriate.

3. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are attributable to four operating segments focusing on provision of different types of services, namely the provision of long distance call services to end-users and carriers, the provision of telecommunication, value-added and recruitment services and the sales 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 makers, for the purposes of resources allocation and assessment of segment performance.

(a) Business segments – primary reporting format

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

For the six months ended 30 November 2013 (unaudited)

	Sale of equipment HK\$'000	End-users direct sales HK\$'000	Long distance call services Carrier sales HK\$'000	Telecommunication, value-added and recruitment services HK\$'000	Group HK\$'000
Turnover	122	363	-	418	903
Segment results	(419)	(2,202)	-	(3,251)	(5,872)
Operating loss					(5,872)
Unallocated costs					(683)
Finance costs					(20)
Loss for the period					(6,575)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 November 2012 (unaudited)

	Long distance call services				Group HK\$'000
	Sale of equipment HK\$'000	End-users direct sales HK\$'000	Carrier sales HK\$'000	Telecommunication, value-added and recruitment services HK\$'000	
Turnover	5	691	-	195	891
Segment results	(20)	(2,866)	-	(1,097)	(3,983)
Operating loss					(3,983)
Unallocated costs					(3,685)
Finance costs					(10)
Loss for the period					(7,678)

(b) Geographical segments – secondary reporting format

	Turnover		Segment results	
	For the six months ended 30 November (unaudited)		For the six months ended 30 November (unaudited)	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong	828	815	(6,033)	(7,023)
Mainland China and other countries	75	76	(542)	(655)
	903	891		
Operating loss			(6,575)	(7,678)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4. OPERATING LOSS

	For the six months ended 30 November	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating loss is stated after charging the following:		
Amortisation of intangible assets	428	287
Cost of inventories sold	434	534
Depreciation		
– owned assets	145	342
– leased assets	90	72
Operating lease – land and buildings	377	292
Staff costs (including directors' remuneration)		
– wages and salaries	4,424	3,562
– pension costs – defined contribution plans	205	209

5. FINANCE COSTS

	For the six months ended 30 November	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance lease interests	20	10

6. PLANT AND EQUIPMENT

As at 30 November 2013, the Group's plant and equipment was amounting to approximately HK\$973,000 (31 May 2013: HK\$901,000). The Directors consider that the fair value of the plant and equipment as at 30 November 2013 does not change significantly from their carrying amounts as at 31 May 2013.

During the six months ended 30 November 2013, the Group had acquired plant and equipment of approximately HK\$307,000 (six months ended 30 November 2012: Nil), while the Group had not disposed any plant and equipment (six months ended 30 November 2012: Nil).

7. TAXATION

No provision for Hong Kong profits tax has been made in current interim period as the Group has no estimated assessable profits for the period (six months ended 30 November 2012: Nil).

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets or liabilities which are expected to be crystallised in the foreseeable future (six months ended 30 November 2012: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 November 2013 are based on the Group's unaudited consolidated loss for the three months and six months ended 30 November 2013 of approximately HK3,144,000 and HK6,528,000 respectively (three months and six months ended 30 November 2012: HK3,034,000 and HK7,671,000) and the weighted average number of approximately 640,597,000 and 637,670,000 ordinary shares (three months and six months ended 30 November 2012: 554,647,000 ordinary shares) in issue during the three months and six months ended 30 November 2013 respectively.

The dilutive loss per share is equal to the basic loss per share for the three months and six months ended 30 November 2013 and 2012 respectively, as the share options, warrants and option to subscribe convertible bonds had anti-dilutive effects.

9. TRADE AND OTHER RECEIVABLES

	As at 30 November 2013 HK\$'000 (unaudited)	As at 31 May 2013 HK\$'000 (audited)
Trade receivables (Note a)	127	122
Other receivables, prepayments and deposits	<u>1,519</u>	<u>1,507</u>
	<u>1,646</u>	<u>1,629</u>

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 2013 HK\$'000 (unaudited)	As at 31 May 2013 HK\$'000 (audited)
0 – 30 days	42	64
31 – 60 days	42	22
61 – 90 days	11	10
Over 90 days	<u>4,027</u>	<u>4,021</u>
	<u>4,122</u>	<u>4,117</u>
Less: provision for doubtful debts	<u>(3,995)</u>	<u>(3,995)</u>
	<u>127</u>	<u>122</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. TRADE AND OTHER PAYABLES

	As at 30 November 2013 HK\$'000 (unaudited)	As at 31 May 2013 HK\$'000 (audited)
Trade payables (Note a)	4,218	4,941
Other payables and accruals	2,065	3,107
Receipt in advance	111	118
	6,394	8,166

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:

	As at 30 November 2013 HK\$'000 (unaudited)	As at 31 May 2013 HK\$'000 (audited)
0 – 30 days	108	306
31 – 60 days	42	47
61 – 90 days	30	8
Over 90 days	4,038	4,580
	4,218	4,941

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. SHARE CAPITAL

	Number of shares (‘000)	Amount HK\$‘000
Authorised ordinary shares of HK\$0.02 (31 May 2013: HK\$0.02) each		
At 31 May 2013 and 30 November 2013	<u>5,000,000</u>	<u>100,000</u>
Issued and fully paid ordinary shares of HK\$0.02 (31 May 2013: HK\$0.02) each		
At 1 June 2013	634,775	12,695
Issue of shares upon conversion of convertible bonds (Note a)	<u>33,891</u>	<u>678</u>
At 30 November 2013	<u>668,666</u>	<u>13,373</u>

Note:

- (a) 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 with the grant of an embedded option to subscribe for additional convertible bonds in the principal amount of up to HK\$28,800,000 (“Option Bonds”). The conversion price is HK\$0.156 per conversion share.

During the six months ended 30 November 2013, Mr. Ang subscribed for Option Bonds in a total principal amount of approximately HK\$5,287,000. On 8 and 29 November 2013, Mr. Ang exercised the conversion rights of the Option Bonds to convert into approximately 22,000,000 and 11,891,000 ordinary shares of the Company of HK\$0.02 each respectively and the conversion shares were allotted and issued to Mr. Ang pursuant to the subscription agreement. These shares rank pari passu in all respects with the existing shares.

12. 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 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.
- (b) The Group has other outstanding litigation in respect of liabilities arising from the normal course of its business of approximately HK\$281,000 (31 May 2013: HK\$281,000). The amounts of the liabilities are adequately recorded as account payables as at 30 November 2013 and 31 May 2013 respectively. 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.

13. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements of the Group were approved and authorised for issue by the Board on 10 January 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$0.90 million for the six months ended 30 November 2013, with no material change compared with the same period of last year. The slight change was mainly attributable to the increase in headhunting business, net with the decrease in SIP Service revenue during the period. The loss for the interim period was decreased by approximately HK\$1.10 million from approximately HK\$7.68 million in the same period of last year to approximately HK\$6.58 million for this interim period.

The administrative expenses were decreased by approximately HK\$0.81 million from approximately HK\$7.69 million of the same period of last year to approximately HK\$6.88 million for this interim period.

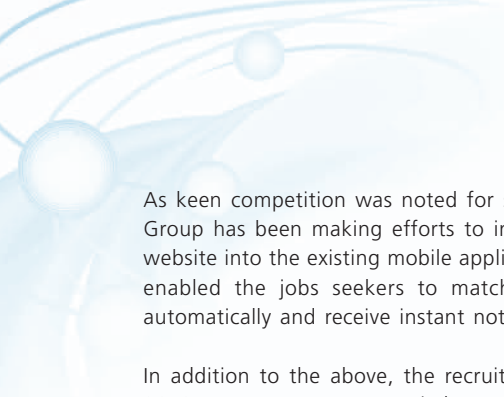
LIQUIDITY AND FINANCING

For the six months ended 30 November 2013, the Group incurred a loss of approximately HK\$6.58 million and the net cash outflow from operations was approximately HK\$7.66 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$5.89 million and decrease in payables of approximately HK\$1.77 million. With the cash inflow from issuance of convertible bonds of approximately HK\$5.29 million and the increase of amounts due to directors of approximately HK2.65 million, the net cash and cash equivalents of the Group was slightly decreased by approximately HK\$0.01 million.

As at 30 November 2013, the Group had a cash and cash equivalent balance of approximately HK\$2.61 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 30 November 2013 was not applicable as there was negative shareholders' fund (31 May 2013: not applicable). The Group had net current liabilities of approximately HK\$4.78 million as at 30 November 2013 as compared with approximately HK\$3.85 million as at 31 May 2013.

BUSINESS REVIEW

The new features and enhancements developed for the search engine within www.gbjobs.com have been utilised in our daily business which has generated revenue during the interim period. This resulted in repeated orders from headhunting business and growth of our customer base. The Group has also expanded the sales team in Hong Kong in order to capture the business opportunities.



As keen competition was noted for social networking platforms on Smartphones, the Group has been making efforts to integrate the job search engine on its recruitment website into the existing mobile applications “INATALK” for iPhone and Android, which enabled the jobs seekers to match with the job vacancies posted by employers automatically and receive instant notifications via “INATALK”.

In addition to the above, the recruitment vehicle launched by the Group in February 2013 was a great success, it has served our customers with mobility and efficiency. Together with the online recruitment website, this offline recruitment office further enhanced the recruitment business with access to various sources of resumes.

BUSINESS OUTLOOK

The Group believes the market trend for new Applications for all Smartphones is growing worldwide. The integration of the Internet services with mobile Applications “INATALK” will become an essential part of our recruitment business.

During the past couple months, growth of customer base, resumes and revenue of headhunting business were noted, which in return attracted more employers to advertise on our recruitment websites and boost the advertising income. In order to support the increase in sales activities, the Group will launch a promotion programme in Hong Kong with other marketing strategies so as to cope with the business development.

In addition, the second recruitment shop of the Group has been opened in Kwai Chung, Hong Kong and the first recruitment shop is located in Guangzhou. Recruitment shops provide online interview service which can accelerate recruitment process and enable easier encounters of employers and employees in the same district. The shop in Guangzhou also makes cross boarder recruitments more convenient.

Due to the success of such a strategy, the Group will further add the element of franchising into it. The Group welcomes the joining of franchisees in Mainland China in order to further expand its local and cross boarder recruitment business.

FINANCIAL RISK MANAGEMENT

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

The Group adopts a prudent liquidity risk management and maintains sufficient cash and 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 interim period. Management considers that the Group does not have any significant liquidity risk.

EMPLOYEE INFORMATION

At 30 November 2013, the Group employed a total of 24 (31 May 2013: 31) 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 30 November 2013, 84,368,000 (31 May 2013: 85,568,000) share options remained outstanding from the share option scheme.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend in respect for the six months ended 30 November 2013 (six months ended 30 November 2012: Nil).

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

At 30 November 2013, apart from the details as 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	-	-	18,836,000 (Note 1)	-	-	18,836,000	2.82
	Beneficial owner	367,828,822 (Note 2)	10,399,000 (Note 3)	-	4,800,000 4,800,000	0.233 0.150	387,827,822	58.00
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	799,000	396,264,822 (Note 4)	-	4,800,000 4,800,000	0.233 0.150	406,663,822	60.82
Mr. Wei Ren	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.45
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000 2,000,000	0.233 0.150	5,200,000	0.78
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000 800,000	0.233 0.150	3,100,000	0.46
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.30
Mr. Chau Siu Keung	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.30

Note:

- These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 15,646,000 shares held by Bluechip Combination Investments Limited ("Bluechip"). Cyber Wealth and Bluechip are companies wholly-owned by Mr. Ang.
- These shares are registered as 235,149,334 shares and 132,679,488 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.
- These shares are registered as 799,000 shares and 9,600,000 share options held by Ms. Yau in person.
- These shares are registered as 235,149,334 shares, 9,600,000 share options, and 132,679,488 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 and 15,646,000 shares held by Bluechip.

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 2013.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the six months ended 30 November 2013, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

On 10 September 2012, the Company passed an ordinary resolution regarding the termination of the old share option scheme (the "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 contributions 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 New 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 as at 30 November 2013 with respect to their share options granted under the Share Option Scheme:

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2013	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2013
Name of Directors								
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>34,000,000</u>
Other employees and individuals								
In aggregate	08.12.2010	0.150	08.12.2010 to 07.12.2020	2,768,000	-	-	(1,200,000)	1,568,000
	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>51,568,000</u>	-	-	<u>(1,200,000)</u>	<u>50,368,000</u>
Total				<u>85,568,000</u>	-	-	<u>(1,200,000)</u>	<u>84,368,000</u>

During the six months ended 30 November 2013, 1,200,000 share options were lapsed (six months ended 30 November 2012: Nil) and no share options were granted or exercised (six months ended 30 November 2012: Nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in Directors' interests and short positions under the section "Directors' 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 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 COMPETING BUSINESS

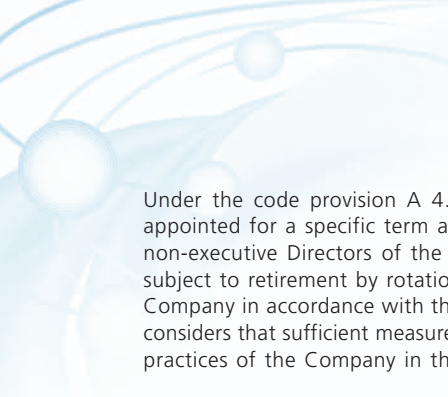
For the six months ended 30 November 2013, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the six months ended 30 November 2013, the Group has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 15 of the GEM Listing Rules (the "CG Code"), except for the code provision A 2.1, A 4.1 and A 6.7 of the CG Code stipulated in the following paragraphs.

The code provision A 2.1 of the CG Code 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 CEO should be clearly established and set out in writing.

Since the establishment of the Company, Mr. James Ang was both the Chairman and CEO of the Company responsible for managing the Board and the Group's business until 1 July 2013. On 2 July 2013, the roles and responsibilities of the Chairman and CEO are separated and performed by Mr. James Ang and Dr. Zhong Shi respectively. The Chairman, Mr. James Ang, is mainly responsible for the management of the Board, while the CEO, Dr. Zhong Shi, is mainly responsible for the daily operation of the Group's business in accordance with the goals set up by the Board. Since 2 July 2013, the separation of the position of Chairman and CEO is considered as in compliance with the code provision A 2.1 of the CG Code.



Under the code provision A 4.1 of the CG Code, 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 of the CG Code.

Under the code provision A 6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend the annual general meeting 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 9 September 2013.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rule 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Code during the six months ended 30 November 2013.

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 six months ended 30 November 2013.

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 external auditors and the management of the Group to ensure that the audit findings are addressed properly.

The Audit Committee has reviewed the interim results of the Company for the six months ended 30 November 2013, 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, 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.

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-executive Directors.

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 the 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 2013, 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, 10 January 2014

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