



NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

**INTERIM REPORT
2014/2015**



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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 November 2014

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 2014 together with the comparative unaudited figures for the corresponding period in 2013:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	515	440	1,137	903
Cost of sales		(178)	(190)	(357)	(434)
Gross profit		337	250	780	469
Other revenues		161	–	451	–
Selling and marketing expenses		(82)	(51)	(143)	(143)
Administrative expenses		(4,914)	(3,355)	(9,029)	(6,881)
Operating loss	4	(4,498)	(3,156)	(7,941)	(6,555)
Finance costs	5	(72)	(11)	(100)	(20)
Share of profit/(loss) of associates		–	–	–	–
Loss for the period		(4,570)	(3,167)	(8,041)	(6,575)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the period		(4,570)	(3,167)	(8,041)	(6,575)
Loss for the period attributable to:					
– Equity holders of the Company		(4,560)	(3,144)	(8,007)	(6,528)
– Non-controlling interests		(10)	(23)	(34)	(47)
		(4,570)	(3,167)	(8,041)	(6,575)
Total comprehensive loss for the period attributable to:					
– Equity holders of the Company		(4,560)	(3,144)	(8,007)	(6,528)
– Non-controlling interests		(10)	(23)	(34)	(47)
		(4,570)	(3,167)	(8,041)	(6,575)
Loss per share attributable to equity holders of the Company	8				
– Basic		HK(0.58 cents)	HK(0.49 cents)	HK(1.05 cents)	HK(1.02 cents)
– Diluted		HK(0.56 cents)	HK(0.49 cents)	HK(1.03 cents)	HK(1.02 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2014

	Notes	As at 30 November 2014 HK\$'000 (Unaudited)	As at 31 May 2014 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	6	1,043	876
Intangible assets		3,050	3,478
Interests in associates		3	3
Available-for-sale financial assets		—	—
		4,096	4,357
Current assets			
Inventories		187	188
Trade receivables	9	195	175
Prepayments, deposits and other receivables	9	720	698
Bank balances and cash		2,631	1,520
		3,733	2,581
Total assets		7,829	6,938
LIABILITIES			
Current liabilities			
Trade payables	10	4,201	4,113
Receipt in advance, accruals and other payables	10	2,963	2,027
Amounts due to directors		898	363
Obligations under finance leases		137	116
		8,199	6,619
Net current liabilities		(4,466)	(4,038)
Total assets less current liabilities		(370)	319
Non-current liabilities			
Obligations under finance leases		388	58
Net (liabilities)/assets		(758)	261
EQUITY			
Capital and reserves			
Share capital	12	16,527	14,696
Share premium and reserves		(17,209)	(14,320)
		(682)	376
Non-controlling interests		(76)	(115)
Total equity		(758)	261

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2014

	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	Other Reserve HK\$ '000	Accumulated Losses HK\$ '000	Total HK\$ '000	Non-controlling Interests HK\$ '000	Total Equity HK\$ '000
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 loss for the period	-	-	-	-	-	-	-	(6,528)	(6,528)	(47)	(6,575)
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	-	-	-
Balance at 30 November 2013 (Unaudited)	13,373	87,842	7,792	-	1,930	247	-	(112,227)	(1,043)	(176)	(1,219)
Balance at 1 June 2014 (Audited)	14,696	98,766	8,887	-	-	247	-	(122,220)	376	(115)	261
Loss for the period	-	-	-	-	-	-	-	(8,007)	(8,007)	(34)	(8,041)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(8,007)	(8,007)	(34)	(8,041)
Issue of convertible bonds	-	-	-	315	-	-	-	-	315	-	315
Recognition of equity-settled share-based payments	-	-	379	-	-	-	-	-	379	-	379
Issue of shares upon conversion of convertible bonds	401	2,133	-	(315)	-	-	-	-	2,219	-	2,219
Issue of shares upon exercise of warrants	1,260	8,567	-	-	-	-	-	-	9,827	-	9,827
Issue of shares upon exercise of share options	170	1,935	(842)	-	-	-	-	-	1,263	-	1,263
Acquisition of non-controlling interests	-	-	-	-	-	-	(7,054)	-	(7,054)	73	(6,981)
Balance at 30 November 2014 (Unaudited)	16,527	111,401	8,424	-	-	247	(7,054)	(130,227)	(682)	(76)	(758)

The other reserve represents the difference between the fair value of consideration of HK\$7,200,000 paid to increase 1.26% shareholding in subsidiaries, GBJobs.com Limited, Dolphins HR Consultancy Limited and Asian Talent Development Centre Limited and the amount of adjustment to non-controlling interests during the six months ended 30 November 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2014

	For the six months ended 30 November	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash used in operating activities	(5,836)	(7,658)
Net cash used in investing activities	(7,029)	(202)
Net cash generated from financing activities	13,976	7,846
Increase/(decrease) in cash and cash equivalents	1,111	(14)
Cash and cash equivalents at beginning of the period	1,520	2,624
Cash and cash equivalents at end of the period	2,631	2,610
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,631	2,610



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 2014.

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 2014.

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.

HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKAS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HK(IFRIC) – Int 21	Levies

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\$8.01 million during the six months ended 30 November 2014 and had net current liabilities of approximately HK\$4.47 million as at 30 November 2014. 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 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, 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 going concern basis is appropriate.

3. TURNOVER AND SEGMENT INFORMATION

(a) Segment Information

Information reported to the executive Directors of the Company, being the chief operating decision makers ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The executive Directors have identified that, the Group has three reportable operating segments, which are (i) sale of equipment, (ii) end-users direct sales of long distance call services and (iii) telecommunication, value-added and recruitment services.

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

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) 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 2014 (Unaudited)

	Long distance call services		Telecommunication, value-added and recruitment services HK\$'000	Group HK\$'000
	Sale of equipment HK\$'000	End-users direct sales HK\$'000		
Turnover	92	336	709	1,137
Segment results	(424)	(1,635)	(5,396)	(7,455)
Other revenues				451
Operating loss				(7,004)
Unallocated costs				(937)
Finance costs				(100)
Loss for the period				(8,041)

For the six months ended 30 November 2013 (Unaudited)

	Long distance call services		Telecommunication, value-added and recruitment services HK\$'000	Group HK\$'000
	Sale of equipment HK\$'000	End-users direct sales HK\$'000		
Turnover	122	363	418	903
Segment results	(419)	(2,202)	(3,251)	(5,872)
Other revenues				–
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)*

(c) Geographical segments – secondary reporting format

	Turnover		Segment results	
	For the six months ended 30 November (Unaudited)		For the six months ended 30 November (Unaudited)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	1,072	828	(8,015)	(6,033)
Mainland China and other countries	65	75	(477)	(542)
	1,137	903	(8,492)	(6,575)
Other revenues			451	–
Operating loss			(8,041)	(6,575)

(d) Information about major customers

The Group's customer base is diversified and for the six months ended 30 November 2014 and 2013, no single customer contributed 10% or more to the Group's turnover.

4. OPERATING LOSS

	For the six months ended 30 November	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Operating loss is stated after charging the following:		
Amortisation of intangible assets	428	428
Cost of inventories sold	357	434
Depreciation		
– owned assets	142	145
– leased assets	54	90
Loss on disposal of plant and equipment	74	–
Operating lease – land and buildings	548	377
Staff costs (including directors' remuneration)		
– wages and salaries	5,409	4,424
– share-based payments	379	–
– pension costs – defined contribution plans	167	205

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

5. FINANCE COSTS

	For the six months ended 30 November	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Effective interest expenses on convertible bonds	81	–
Finance lease interests	19	20
	100	20

6. PLANT AND EQUIPMENT

As at 30 November 2014, the Group's plant and equipment was amounting to approximately HK\$1,043,000 (31 May 2014: HK\$876,000). The Directors consider that the fair value of the plant and equipment as at 30 November 2014 does not change significantly from their carrying amounts as at 31 May 2014.

During the six months ended 30 November 2014, the Group had acquired plant and equipment of approximately HK\$566,000 (six months ended 30 November 2013: HK\$307,000), while the Group had disposed plant and equipment of approximately HK\$203,000 (six months ended 30 November 2013: 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 2013: 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 2013: Nil).

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

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

	For the three months ended 30 November		For the six months ended 30 November	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period attributable to equity holders of the Company				
Loss for the purpose of basic loss per share	4,560	3,144	8,007	6,528
Loss for the purpose of diluted loss per share	4,560	3,144	8,007	6,528
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	787,725	640,597	761,118	637,670
Effect of dilutive potential ordinary shares in respect of share options	32,234	–	13,402	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	819,959	640,597	774,520	637,670

The computation of diluted loss per share for the six months ended 30 November 2014 does not assume the exercise of the Company's certain share options because the respective exercise prices of the Company's share options were higher than the average market price of the Company's shares during the six months ended 30 November 2014.

The computation of diluted loss per share for the three months and six months ended 30 November 2013 does not assume the exercise of the Company's share options, warrants and option to subscribe convertible bonds because the respective exercise prices of the Company's share options, warrants and the option to subscribe convertible bonds were higher than the average market price of the Company's shares during the three months and six months ended 30 November 2013.

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

9. TRADE AND OTHER RECEIVABLES

	As at 30 November 2014 HK\$'000 (Unaudited)	As at 31 May 2014 HK\$'000 (Audited)
Trade receivables (Note a)	195	175
Other receivables, prepayments and deposits	720	698
	915	873

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 2014 HK\$'000 (Unaudited)	As at 31 May 2014 HK\$'000 (Audited)
0 – 30 days	104	63
31 – 60 days	41	55
61 – 90 days	26	9
Over 90 days	4,019	4,043
	4,190	4,170
Less: provision for doubtful debts	(3,995)	(3,995)
	195	175

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

10. TRADE AND OTHER PAYABLES

	As at 30 November 2014 HK\$'000 (Unaudited)	As at 31 May 2014 HK\$'000 (Audited)
Trade payables (Note a)	4,201	4,113
Other payables and accruals	1,440	1,828
Receipt in advance (Note b)	1,523	199
	7,164	6,140

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 2014 HK\$'000 (Unaudited)	As at 31 May 2014 HK\$'000 (Audited)
0 – 30 days	171	76
31 – 60 days	12	11
61 – 90 days	12	44
Over 90 days	4,006	3,982
	4,201	4,113

- (b) The receipt in advance as at 30 November 2014 included a deposit received of HK\$1,300,000 (30 November 2013: Nil) from an independent subscriber to subscribe for approximately 7,027,000 ordinary shares of the Company at a price of HK\$0.185 per share under the general mandate granted at the annual general meeting held by the Company on 29 September 2014. The share subscription and share allotment were subsequently completed on 10 December 2014. Further details of the share subscription and share allotment were disclosed in the announcements of the Company dated 19 November 2014 and 10 December 2014 respectively.

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

11. CONVERTIBLE BOND

On 4 August 2014, the Company issued a convertible bond with a principal amount of HK\$2,500,000. The bond is convertible into ordinary shares at the initial conversion price of HK\$0.1245 per share anytime after the issuance of the convertible bond at the option of the bondholder and with the prior written consent of the Company. Any convertible bond not converted will be redeemed at par in two years after the date of issuance. The convertible bond bears interest at 7% per annum and payable half-yearly in arrears.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

During the six months ended 30 November 2014, the convertible bond was fully converted by the bondholder into approximately 20,080,000 ordinary shares of the Company at the conversion price of HK\$0.1245 per share. The difference between the nominal value of the ordinary shares issued and the carrying amounts of the liability and equity components of the convertible bond at the date of conversion was transferred to the Company's share premium account.

The following table summarises the movements in the principal amounts, the liability and equity components of the Company's convertible bond during the six months ended 30 November 2014:

	HK\$'000 (Unaudited)
Nominal value	
At 1 June 2014	–
Issuance of convertible bond	2,500
Conversion to ordinary shares	<u>(2,500)</u>
At 30 November 2014	<u>–</u>
Liability component	
At 1 June 2014	–
Issuance of convertible bond	2,185
Effective interest expense (Note 5)	81
Interest paid	(47)
Transfer to share capital and share premium account upon conversion to ordinary shares	<u>(2,219)</u>
At 30 November 2014	<u>–</u>
Equity component	
At 1 June 2014	–
Issuance of convertible bond	315
Transfer to share capital and share premium account upon conversion to ordinary shares	<u>(315)</u>
At 30 November 2014	<u>–</u>

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

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised ordinary shares of HK\$0.02 (31 May 2014: HK\$0.02) each At 1 June 2014 and 30 November 2014	5,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.02 (31 May 2014: HK\$0.02) each At 1 June 2014	734,802	14,696
Issue of shares upon conversion of convertible bonds (Note 11)	20,080	401
Issue of shares upon exercise of warrants (Note a)	62,989	1,260
Issue of shares upon exercise of share options	8,500	170
At 30 November 2014	826,371	16,527

Note:

- (a) On 28 January 2011, approximately 92,308,000 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. 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.

During the six months ended 30 November 2014, Mr. Ang exercised Warrants in a total principal amount of approximately HK\$9,827,000 to subscribe for approximately 62,989,000 ordinary shares of the Company of HK\$0.02 each and the warrant shares were allotted and issued to Mr. Ang as fully paid. These shares rank pari passu in all respects with the existing shares.

As at 30 November 2014, there were approximately 3,554,000 Warrants outstanding (31 May 2014: 66,544,000), carrying share subscription rights up to approximately HK\$554,000 (31 May 2014: 10,381,000).

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

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 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 2014: HK\$281,000). The amounts of the liabilities are adequately recorded as account payables as at 30 November 2014 and 31 May 2014 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.

14. 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 9 January 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$1.14 million for the six months ended 30 November 2014, an increase of approximately HK\$0.24 million from approximately HK\$0.90 million for the same period of last year. The increase was mainly attributable to the increase in headhunting business during the period. The loss for the interim period was increased by approximately HK\$1.46 million from approximately HK\$6.58 million in the same period of last year to approximately HK\$8.04 million for this interim period. The increase of the loss for the interim period was mainly due to the increase in staff costs with share-based payments recorded in current interim period, while no such share-based payments were noted in the same period of last year.

The administrative expenses were increased by approximately HK\$2.15 million from approximately HK\$6.88 million of the same period of last year to approximately HK\$9.03 million for this interim period mainly due to increase in staff costs.

LIQUIDITY AND FINANCING

For the six months ended 30 November 2014, the Group incurred a loss of approximately HK\$8.04 million and the net cash outflow from operations was approximately HK\$5.84 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$6.86 million, net with the increase in payables of approximately HK\$1.02 million. With the cash inflow from issuance of convertible bonds, exercise of warrants and exercise of share options of approximately HK\$2.50 million, HK\$9.83 million and HK\$1.26 million respectively, together with the increase of amounts due to directors of approximately HK0.54 million, net with the acquisition of non-controlling interests of approximately HK\$7.20 million, the net cash and cash equivalents of the Group was slightly decreased by approximately HK\$1.11 million.

As at 30 November 2014, the Group had a cash and cash equivalent balance of approximately HK\$2.63 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 30 November 2014 was not applicable as there was negative shareholders' fund (31 May 2014: not applicable). The Group had net current liabilities of approximately HK\$4.47 million as at 30 November 2014 as compared with approximately HK\$4.04 million as at 31 May 2014.

BUSINESS REVIEW

The Group set up its first recruitment shop in Hong Kong at Kwai Chung in early 2014. Like its mobile recruitment vehicle, the shop is also the first of its kind in Hong Kong's recruitment history, which has received positive feedbacks on the market.

The Group also made a lot of media marketing efforts during the period. For instance, its mobile recruitment vehicle has been covered by a number of magazines, and the Group's GBjobs brand became better known among the public.

Furthermore, hundreds of human resources managers have attended legal seminars organised by the Group, some of which have become our customers as a result.

BUSINESS OUTLOOK

The Group expects its advertising and headhunting business to continue to grow, which, however, heavily depends on global and local economic conditions in Hong Kong. Nevertheless, the Group is optimistic about the business of its subsidiary GBjobs, as it has established relationship with a lot of regular customers. Since the unique online and offline recruitment business model of GBjobs is well recognised by the Hong Kong market, it is believed that the same model will also be successfully replicated to other regions such as Mainland China and overseas. The Group is currently negotiating with related parties to expand the business in these regions.

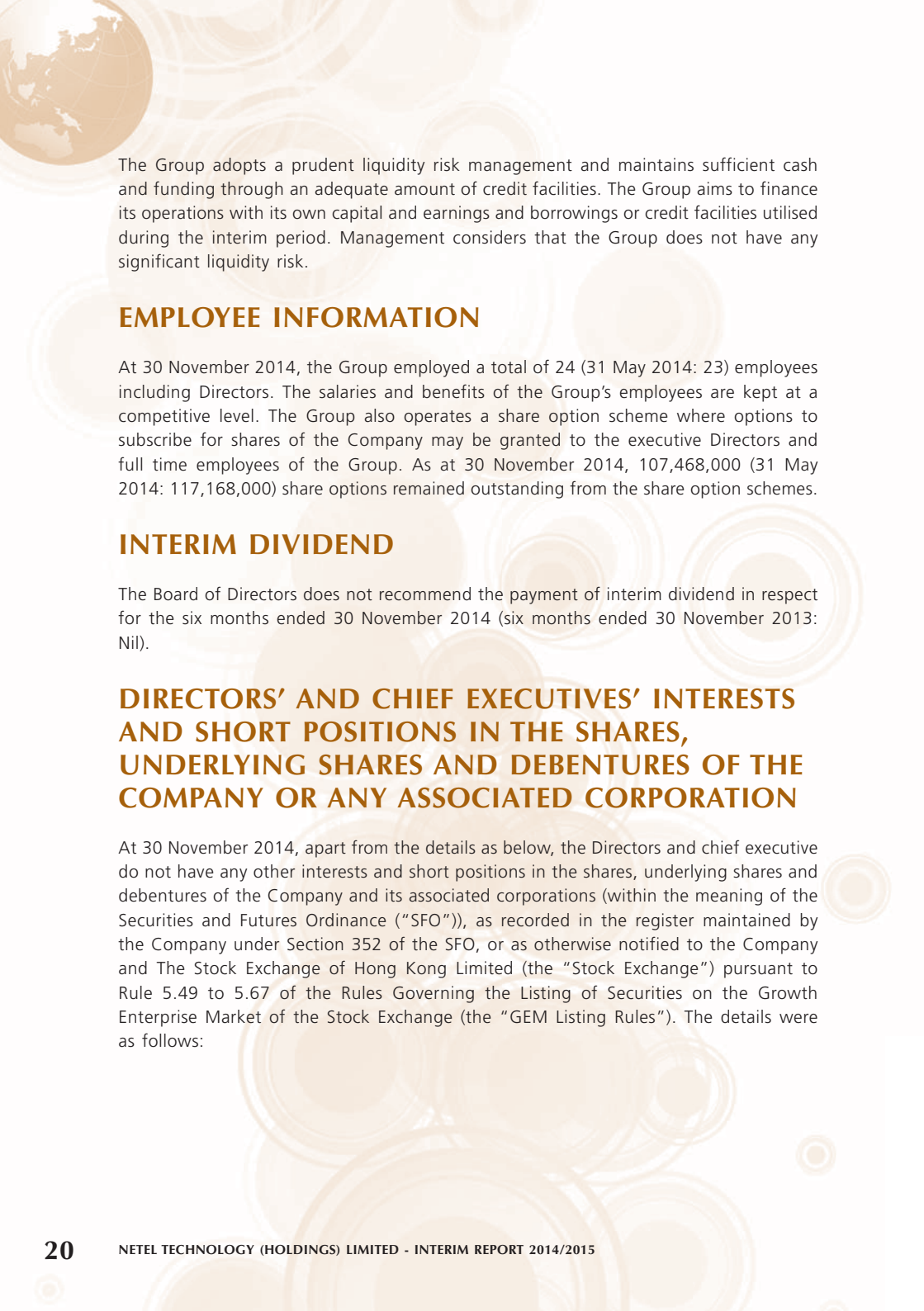
In addition to the growing business of GBjobs, another wholly-owned subsidiary of the Group also made a major breakthrough in the software development of distance learning business. The newly developed distance learning software can connect with computers and smartphones to conduct interactive online education. The Group is currently seeking opportunities to work with different educational content providers to provide distance education. On the other hand, the legal database business is also under development as a joint venture project of a subsidiary of the Group with Mr. James Ang, the Chairman of the Group.

The Group is also actively seeking opportunities for mergers and acquisitions, in particular headhunting business in adjacent areas. As such, the Group has appointed an independent valuer to value GBjobs to determine its fair value in preparation for desirable mergers and acquisitions at a suitable time. It is foreseeable that investing and disposal of shares of the Group's subsidiaries may become a major stream of revenue of the Group.

On the other hand, online education is a great application and will become a successful business model when combining with GBjobs' business. The Group will invest more resources to make this become a global project.

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 2014, the Group employed a total of 24 (31 May 2014: 23) 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 2014, 107,468,000 (31 May 2014: 117,168,000) share options remained outstanding from the share option schemes.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend in respect for the six months ended 30 November 2014 (six months ended 30 November 2013: 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 2014, 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 (Note1)	-	-	18,836,000	2.28
	Beneficial owner	245,592,822 (Note 2)	15,899,000 (Note 3)	-	4,800,000 4,800,000 5,500,000	0.233 0.150 0.145	276,591,822	33.47
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	799,000	279,528,822 (Note 4)	-	4,800,000 4,800,000 5,500,000	0.233 0.150 0.145	295,427,822	35.75
Mr. Wei Ren	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.36
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000 2,000,000 5,500,000	0.233 0.150 0.145	10,700,000	1.29
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000 800,000	0.233 0.150	3,100,000	0.38
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.24
Mr. Chau Siu Keung	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.24

Note:

- 1) 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.
- 2) These shares are registered as 242,038,377 shares and 3,554,445 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 15,100,000 share options held by Ms. Yau in person.
- 4) These shares are registered as to 242,038,377 shares, 15,100,000 share options, and 3,554,445 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 2014.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the six months ended 30 November 2014, 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 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 2014 with respect to their share options granted under the Share Option Scheme and New Share Option Scheme respectively:

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2014
Under Share Option Scheme								
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>-</u>	<u>-</u>	<u>-</u>	<u>34,000,000</u>
Other employees and individuals								
In aggregate	08.12.2010	0.150	08.12.2010 to 07.12.2020	1,568,000	-	-	-	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	-	(8,500,000)	-	17,500,000
				<u>50,368,000</u>	<u>-</u>	<u>(8,500,000)</u>	<u>-</u>	<u>41,868,000</u>
Sub-total				<u>84,368,000</u>	<u>-</u>	<u>(8,500,000)</u>	<u>-</u>	<u>75,868,000</u>

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				Balance as at 30.11.2014
				Balance as at 1.6.2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
Under New Share Option Scheme								
Name of Directors								
Mr. James Ang	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	-	-	-	5,500,000
Ms. Yau Pui Chi, Maria	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	-	-	-	5,500,000
Dr. Zhong Shi	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	-	-	-	5,500,000
				<u>16,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,500,000</u>
Other employees and individual								
In aggregate	16.05.2014	0.145	16.05.2014 to 15.05.2024	16,300,000	-	-	(1,200,000)	15,100,000
Sub-total				<u>32,800,000</u>	<u>-</u>	<u>-</u>	<u>(1,200,000)</u>	<u>31,600,000</u>
Total				<u>117,168,000</u>	<u>-</u>	<u>(8,500,000)</u>	<u>(1,200,000)</u>	<u>107,468,000</u>

During the six months ended 30 November 2014, 1,200,000 share options were lapsed (six months ended 30 November 2013: 1,200,000), 8,500,000 share options were exercised (six months ended 30 November 2013: Nil) and no share options were granted or cancelled (six months ended 30 November 2013: 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 2014, 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 2014, 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 4.1 and A 6.7 of the CG Code stipulated in the following paragraphs.

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, two independent non-executive Directors could not attend the annual general meeting of the Company held on 29 September 2014.



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"). On 25 June 2014, the Company was informed by Mr. James Ang, an executive Director of the Company, due to his misconception that the blackout period had not started on 24 June 2014, he had disposed 5.5 million shares of the Company in the open market between 24 June 2014 and 25 June 2014, which fall into the blackout period. Disclosure of interest under the Part XV of the Securities and Futures Ordinance was made on 25 June 2014. Such disposal of shares of the Company by Mr. James Ang is not in compliance with the Model Code. Save as disclosed above, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by its Directors.

After occurrence of the incident, the Company had immediately further reminded each of its Directors in relation to their obligations not to deal with the securities of the Company during the blackout period. Besides, the Company had immediately updated its internal guidelines and distributed to all Directors to further reinforce the Company's internal control to ensure compliance with the Model Code and prevent the occurrence of similar events in the future.

The Company has also made specific enquiry of all Directors of the Company, and save as disclosed above, the Directors have confirmed compliance with the Model Code during the six months ended 30 November 2014.

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 six months ended 30 November 2014.

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 2014, 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. The Nomination Committee is also responsible for reviewing the board diversity policy and evaluating the effectiveness and implementation of the said policy regularly.

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 2014, 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, 9 January 2015

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