NETEL TECHNOLOGY

NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

Annual Report 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.

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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.

Contents

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Chiang Kin Kon
Wong Kwok Fai
Chau Siu Keung

COMPLIANCE OFFICER

James Ang

COMPANY SECRETARY

Yip Shui Man, Sophie

AUTHORISED REPRESENTATIVES

James Ang
Yau Pui Chi, Maria

AUDIT COMMITTEE

Wong Kwok Fai
Chiang Kin Kon
Chau Siu Keung

REMUNERATION COMMITTEE

Chiang Kin Kon
Yau Pui Chi, Maria
Wong Kwok Fai

NOMINATION COMMITTEE

James Ang
Chiang Kin Kon
Chau Siu Keung

BANKER

The Hong Kong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Max Share Centre
373 King's Road
North Point
Hong Kong

SHARE REGISTRAR *(in Cayman Islands)*

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

SHARE REGISTRAR *(in Hong Kong)*

Computershare Hong Kong Investor Services Limited
Room 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Lau & Au Yeung C.P.A. Limited

COMPANY WEBSITE

http://www.neteltech.com.hk

GEM STOCK CODE

8256

Chairman's Statement

During the year, the Group further developed the business of GBjobs.com Limited ("GBjobs", a subsidiary of the Group), including the accumulation and development of customer base, expansion of service categories, joining and training new technical personnel and further development of software and exploration of new market. In addition, the online education platform developed by the Group during the year contributed to the wider range of application on different industries, and motivation of various partnerships successfully.

In addition to the continuing development of existing industry recruitment business, GBjobs further carried out the recruitment of information technology human resources, and launched cross-border recruitment business, thus exploring opportunities for cooperation in Mainland China and overseas. All these activities will be further reflected in the future result of the Group.

For IT technical applications on the human resources recruitment, the Group has also achieved considerable development performance. The application of existing programs combines with multimedia GPS navigation and multi-video technology. The Group will soon present the most updated recruitment technology to the market.

On the other hand, Netel Cyber Education Limited, the subsidiary of the Group, will utilize relevant core technology, using vertical industry promotion method to promote technology applications on the fields of training, financial and e-commerce to public users.

To conclude, the Group will develop its business with big data and Internet Plus models, and will continue to provide online and offline services as usual.

James Ang
Chairman

Hong Kong, 14 August 2015

FINANCIAL REVIEW

Results for the year

The Group recorded a total turnover of approximately HK$2.13 million for the year ended 31 May 2015, an increase of 8.12% from approximately HK$1.97 million for the year ended 31 May 2014. The increase was mainly attributable to the increase in headhunting business, net with the decrease in calling card sales, SIP service revenue and carrier sales during the year. The gross profit margin increased from 54.87% for last year to 72.31% for this year. The increase in overall gross profit margin was mainly attributable to the increase on turnover of headhunting business which has higher profit margin.

The Group recorded a consolidated loss attributable to shareholders of approximately HK$20.55 million, as compared with the comparative amount of loss of approximately HK$16.52 million attained in the previous year. The increase of the loss for the year was mainly due to the increase in staff costs and share-based payments recorded in the current year.

The administrative expenses were increased by 37.60% from approximately HK$17.50 million of last year to approximately HK$24.08 million for this year mainly due to the increase in staff costs and share-based payments recorded in the current year.

Liquidity and Financing

For the year ended 31 May 2015, the Group incurred a loss of approximately HK$20.62 million and the net cash outflow from operations was approximately HK$14.29 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK$14.18 million. With the cash inflow from issuance of convertible bonds, issuance of shares by subscriptions, exercise of share options, exercise of warrants and increase in amounts due to directors of approximately HK$4.50 million, HK$4.15 million, HK$6.54 million, HK$10.38 million and HK$0.72 million respectively, net with the increase of the additions of intangible assets of approximately HK$1.48 million and the acquisition of non-controlling interests of approximately HK$9.40 million, the net cash and cash equivalents of the Group was increased by approximately HK$1.02 million.

As at 31 May 2015, the Group had a cash and cash equivalent balance of approximately HK$2.54 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2015 was not adopted as except for finance leases and convertible bonds, the Group did not have interest bearing liability (2014: Nil, except for finance leases). The Group had net current liabilities of approximately HK$3.01 million as at 31 May 2015 as compared with approximately HK$4.04 million as at 31 May 2014.

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

Management Discussion and Analysis

BUSINESS REVIEW

The Group's subsidiary GBjobs not only expanded sales, research and development and cross-border headhunting team this year, but is also negotiating with relevant parties in a number of Chinese provinces and cities for cooperation, and is raising fund in the capital market at the same time. The business of GBjobs is steadily growing with the support of old customers and introducing new customers.

GBjobs set up a store in Sham Shui Po this year, moving towards the direction of franchise business. Research and Development Department has also successfully developed an innovative recruitment application, which will be launched to the market in the next quarter.

The multi-video system of Netel Cyber Education Limited is launched to the market and contracts have been signed with users. For the coming year, the market will be further expanded to online education, commercial video and communication system.

The business study of legal interpretation business of a related company of the Group focuses on the foreign law for Chinese: lawyer referral and training platform is also near completion, which will be another Internet Plus application.

BUSINESS OUTLOOK

The recruitment business of GBjobs, the subsidiary of the Group, is expected to bring continued growth of the Group's revenue if there is no substantial economic impact. With the successful franchise development in Hong Kong market, our sales will steadily rise. The market of Mainland China will be a great opportunity for GBjobs, as its cross-border headhunting business, especially high-tech talent recruitment, will soon become another major source of income.

In the following year, GBjobs business will progress from sales to brand establishment. GBjobs business will combine with online education, especially the continuing education courses for people in employment, and it will be one of the top priorities of the Group in the coming year. The Group prided itself on nothing more than its technological breakthrough of Internet Plus and the innovation of business model. As the Group has its own research and development relating to science and technology, the core technology will contribute more advanced applications, so that the Group can go forward for innovation.

In view of the vast territory of China, besides self-operation, the Group also cooperate with relevant units in different regions in order to shorten the length of market entry barriers. In addition to Mainland China, the Group will set up overseas business in the coming year, so as to explore the global market.

EMPLOYEE INFORMATION

At 31 May 2015, the Group employed a total of 28 (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 31 May 2015, 143,468,000 (2014: 117,168,000) share options remained outstanding from the share option schemes.

EXECUTIVE DIRECTORS

Mr. James Ang ("Mr. Ang"), aged 56, is the chairman of the Company and the founder of the Group. Mr. Ang is responsible for the business planning on overall development of the Group. He has around 28 years of experience in telecommunications industry. Prior to joining the Group in 1996, he served as a sales manager of Swire Telecom from 1984 to 1986 and was responsible for the establishment of offices in the People's Republic of China (the "PRC"). After being employed with Swire Telecom, Mr. Ang served as a Director of the telecom division of AT&T from 1986 to 1995 and took charge of its business development in different countries. He obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). He is also a graduate from the University of London with bachelor degree in laws. He was called to the bar in United Kingdom and Hong Kong.

Mr. Wei Ren, ("Mr. Wei"), aged 76, is a senior engineer who has been engaged in biomedical engineering and accumulated extensive experience in such field for more than 46 years. He was awarded several prizes of cities and provinces in the PRC. He has been engaged as a committee member of the Associate of China Biomedical Engineering, Tinajin Biofeedback Specialized Committee; deputy chairman and chief secretary of the Associate of Biomedical Engineering and Biofeedback Study in the PRC.

Ms. Yau Pui Chi Maria ("Ms. Yau"), aged 55, Mr. Ang's spouse, who has more than 26 years of commercial experience, is the vice president of the customer service department of the Group. Ms. Yau obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). After graduation, she has been working in Airland Mattress Co. in charge of marketing and promotion activities in the PRC and Hong Kong. She also worked in Inni Company as an assistant manager from 1984 to 1990. She has been the Director of Charmfine Investment Limited and is responsible for the sales of accessory products. Ms. Yau is experienced in direct interface with dealers and end-users.

Dr. Zhong Shi ("Dr. Zhong"), aged 40, was promoted to Chief Executive Officer ("CEO") of the Group in July 2013. He is the Chief Technology Officer of the Group and is the head of the Research and Development Department. Dr. Zhong has more than 16 years experience in telecommunication and computer systems. Prior to joining the Group, he has been the Senior Research Engineer of TOSHIBA Telecommunication Research Lab in England, and also has been the Project Manager of Nan Tian Computer System in the PRC. He obtained his Ph.D. and MS.C in Department of Computer Science, School of Informatics from University of Edinburgh, United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiang Kin Kon, ("Mr. Chiang"), aged 66, has been independent non-executive director of the Company since May 2008. He has over 35 years of experience in property management fields and over 21 years of experience in business management. Mr. Chiang has also been involved in the property management industry in the PRC since 1994. He holds a higher diploma in Business Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University).

Mr. Wong Kwok Fai, ("Mr. Wong"), aged 49, has been independent non-executive director of the Company since May 2008. He holds a bachelor degree in Accountancy from the City University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in auditing, accounting, financial management and company secretarial in Hong Kong. He has worked for an international accounting firm and has been a financial controller and company secretary of a listed company in Hong Kong.

Mr. Chau Siu Keung, ("Mr. Chau"), aged 58, has been independent non-executive director of the Company since May 2009. He has over 35 years experience in sales and marketing field and over 23 years of experience in business management. Mr. Chau is currently a director of a Hong Kong private limited company which is principally engaged in the trading and investment in Hong Kong and the PRC.

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

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

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the financial year ended 31 May 2015, 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 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "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 year ended 31 May 2015 and up to the date of this report.

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 year ended 31 May 2015 and up to the date of this report.

BOARD OF DIRECTORS

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

The Directors of the Board members of the Company during the year ended 31 May 2015 and up to the date of this report were as follows:

Executive Directors

Mr. James Ang *(Chairman)*
Mr. Wei Ren
Ms. Yau Pui Chi, Maria
Dr. Zhong Shi

Independent Non-Executive Directors ("INEDs")

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

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

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

A list of Directors of the Company and their role and function is posted on the website of the Company and the Stock Exchange.

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

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

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has in force appropriate insurance coverage on Directors' and officers' liabilities arising from the Group's business. The Company reviews the extent of insurance coverage on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the GEM Listing Rules and other applicable regulatory requirements and such induction materials will also be provided for every newly appointed Director of the Company. During the year, all Directors have participated in continuous professional development programme, such as attending seminars organised by qualified professionals or reading materials relevant to the Group's business and Directors' duties and responsibilities, in order to develop and refresh their knowledge and skills in relation to their contribution to the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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.

BOARD DIVERSITY POLICY

During the year, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company aims to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD MEETINGS

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

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

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

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

ATTENDANCE RECORD AT BOARD, AUDIT COMMITTEE AND REMUNERATION COMMITTEE MEETINGS

The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 May 2015 is set out below:

	Attendance/Number of Meetings		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. James Ang	19/19	Not applicable	Not applicable
Mr. Wei Ren	19/19	Not applicable	Not applicable
Ms. Yau Pui Chi, Maria	19/19	Not applicable	2/2
Dr. Zhong Shi	19/19	Not applicable	Not applicable
Independent Non-Executive Directors			
Mr. Chiang Kin Kon	19/19	4/4	2/2
Mr. Wong Kwok Fai	19/19	4/4	2/2
Mr. Chau Siu Keung	19/19	4/4	Not applicable

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established 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.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of the affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 May 2015, the Directors have selected suitable accounting policies and applied them consistently by adopting appropriate Hong Kong Financial Reporting Standards.

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.

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 annual, interim, first and third quarter results of the Company for the year ended 31 May 2015, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

AUDITORS' REMUNERATION

Lau & Au Yeung C.P.A. Limited has been appointed by the shareholders annually as the external auditors of the Group since 2002. For the year ended 31 May 2015, the fees charged to accounts of the Group for Lau & Au Yeung statutory audit amounted to approximately HK$470,000 (2014: HK$470,000).

SHAREHOLDERS' RELATIONS

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

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

Report of the Directors

The Board of Directors (the "Board") of Netel Technology (Holdings) Limited (the "Company") is pleased to present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 May 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 May 2015 are set out in the Group's consolidated statement of profit or loss and other comprehensive income on page 26 of the annual report.

DIVIDEND

The Board of Directors does not recommend the payment of dividend in respect for the year ended 31 May 2015 (2014: Nil).

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 30 and Note 27 to the consolidated financial statements respectively.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years ended 31 May 2015, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 88 of the annual report.

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2015, 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 31 May 2015 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 year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.5.2015
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	–	(1,000,000)	–	1,000,000
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)	–	–
				34,000,000	–	(8,200,000)	–	25,800,000
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	–	(21,000,000)	–	5,000,000
				50,368,000	–	(21,000,000)	–	29,368,000
Sub-total				84,368,000	–	(29,200,000)	–	55,168,000
Under New Share Option Scheme								
Name of Directors								
Mr. Jame Ang	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	–	–	–	5,500,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	–	2,100,000	–	–	2,100,000
Ms. Yau Pui Chi, Maria	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	–	(5,500,000)	–	–
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	–	2,100,000	–	–	2,100,000
Dr. Zhong Shi	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	–	–	–	5,500,000
				16,500,000	4,200,000	(5,500,000)	–	15,200,000
Other employees and individuals								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	16,300,000	–	–	(4,300,000)	12,000,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	–	70,700,000	(7,600,000)	(2,000,000)	61,100,000
				16,300,000	70,700,000	(7,600,000)	(6,300,000)	73,100,000
Sub-total				32,800,000	74,900,000	(13,100,000)	(6,300,000)	88,300,000
Total				117,168,000	74,900,000	(42,300,000)	(6,300,000)	143,468,000

During the year ended 31 May 2015, 74,900,000 share options were granted under the New Share Option Scheme (2014: 32,800,000), 42,300,000 share options were exercised (2014: Nil), 6,300,000 share options were lapsed (2014: 1,200,000) and no share options were cancelled during the year (2014: Nil).

DIRECTORS

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

Executive Directors

Mr. James Ang *(Chairman)*
Mr. Wei Ren
Ms. Yau Pui Chi, Maria
Dr. Zhong Shi

Independent Non-Executive Directors ("INEDs")

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

In accordance with Article 87(1) of the Company's Articles of Association, Ms. Yau Pui Chi Maria, Dr. Zhong Shi, and Mr. Chiang Kin Kon will retire from office by rotation and, being eligible; offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENCE CONFIRMATION

The Company has received an annual written confirmation from each of its independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the service contracts, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year ended 31 May 2015.

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

At 31 May 2015, apart from the details as follows, the Directors and chief executive do not have any other interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.49 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"). The details were as follows:

Ordinary shares of HK$0.02 each in the Company

		Number of shares held						
Name of Directors	Capacity	Personal interests	Family interests	Corporate interests	Number of share options held	Exercise price of share options HK$	Total interests	% of total issued shares
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	–	–	18,836,000 (Note 1)	–	–	18,836,000	2.12
	Beneficial owner	250,392,822 (Note 2)	17,999,000 (Note 3)	–	4,800,000 5,500,000 2,100,000	0.233 0.145 0.1838	280,791,822	31.52
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	6,299,000	281,628,822 (Note 4)	–	4,800,000 4,800,000 2,100,000	0.233 0.150 0.1838	299,627,822	33.64
Mr. Wei Ren	Beneficial owner	500,000	–	–	1,500,000 1,000,000	0.233 0.150	3,000,000	0.34
Dr. Zhong Shi	Beneficial owner	–	–	–	3,200,000 1,000,000 5,500,000	0.233 0.150 0.145	9,700,000	1.09
Mr. Chiang Kin Kon	Beneficial owner	600,000	–	–	2,300,000	0.233	2,900,000	0.33
Mr. Wong Kwok Fai	Beneficial owner	–	–	–	1,200,000	0.233	1,200,000	0.13
Mr. Chau Siu Keung	Beneficial owner	800,000	–	–	1,200,000	0.233	2,000,000	0.22

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 250,392,819 shares and 3 shares representing the shares to be issued upon exercise of the options to subscribe convertible bonds held by Mr. Ang in person.

3) These shares are registered as 6,299,000 shares and 11,700,000 share options held by Ms. Yau in person.

4) These shares are registered as 250,392,819 shares, 12,400,000 share options, and 3 shares representing the shares to be issued upon exercise of the options to subscribe convertible bonds 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 31 May 2015.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to its five largest customers did not exceed 14% (2014: 22%) of the Group's total turnover for the year ended 31 May 2015.

Purchases for the largest supplier for the year ended 31 May 2015 represented approximately 29% (2014: 33%) of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group for the year ended 31 May 2015 accounted for approximately 89% (2014: 76%) of the total purchases of the Group for the year ended 31 May 2015.

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

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 May 2015, which constitute exempted connected transactions under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"), are disclosed in Note 33 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in 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 year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 May 2015, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT SCHEME

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 9 to 15 of the annual report.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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.

AUDITOR

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

On behalf of the Board

James Ang
Chairman

Hong Kong, 14 August 2015

Independent Auditor's Report

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

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

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

We have audited the consolidated financial statements of Netel Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 87, which comprise the consolidated and company statements of financial position as at 31 May 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 May 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2.1(a) in the consolidated financial statements which indicates that the Group incurred a total comprehensive loss of approximately HK$20,617,000 during the year ended 31 May 2015 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,010,000. These conditions, along with other matters as set out in Note 2.1(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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

Hong Kong, 14 August 2015

Franklin Lau Shiu Wai
Auditor
Practising Certificate Number P01886

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 May 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	5&6	**2,127**	1,972
Cost of sales		**(589)**	(890)
Gross profit		**1,538**	1,082
Other revenues	6	**2,304**	257
Selling and marketing expenses		**(261)**	(307)
Administrative expenses		**(24,082)**	(17,496)
Operating loss	7	**(20,501)**	(16,464)
Finance costs	8	**(116)**	(43)
Share of profit/(loss) of associates		**–**	–
Loss for the year		**(20,617)**	(16,507)
Other comprehensive income		**–**	–
Total comprehensive loss for the year		**(20,617)**	(16,507)
Loss for the year attributable to:			
– Equity holders of the Company	10	**(20,547)**	(16,521)
– Non-controlling interests		**(70)**	14
		(20,617)	(16,507)
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		**(20,547)**	(16,521)
– Non-controlling interests		**(70)**	14
		(20,617)	(16,507)
Loss per share attributable to equity holders of the Company			
– Basic and diluted	12	**HK (2.55 cents)**	HK (2.49 cents)

The notes on pages 32 to 87 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 May 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	15	**996**	876
Intangible assets	16	**4,101**	3,478
Interests in associates	18	**3**	3
Available-for-sale financial assets	19	**–**	–
		5,100	4,357
Current assets			
Inventories	20	**185**	188
Trade receivables	21	**125**	175
Prepayments, deposits and other receivables	21	**852**	698
Bank balances and cash	22	**2,544**	1,520
		3,706	2,581
Total assets		**8,806**	6,938
EQUITY			
Capital and reserves			
Share capital	26	**17,815**	14,696
Share premium and reserves	27	**(15,955)**	(14,320)
		1,860	376
Non-controlling interests		**(110)**	(115)
Total equity		**1,750**	261

Consolidated Statement of Financial Position *(Continued)*

As at 31 May 2015

	Notes	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	25	**340**	58
Current liabilities			
Trade payables	23	**1,861**	4,113
Receipt in advance, accruals and other payables	23	**2,032**	2,027
Amounts due to directors	24	**1,084**	363
Convertible bonds	29	**1,627**	–
Obligations under finance leases	25	**112**	116
		6,716	6,619
Total liabilities		**7,056**	6,677
Total equity and liabilities		**8,806**	6,938
Net current liabilities		**(3,010)**	(4,038)
Total assets less current liabilities		**2,090**	319

James Ang
Director

Yau Pui Chi, Maria
Director

The notes on pages 32 to 87 form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 May 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	17	**1**	1
Current assets			
Other receivables	21	**15**	15
Total assets		**16**	16
EQUITY			
Capital and reserves			
Share capital	26	**17,815**	14,696
Share premium and reserves	27	**(20,191)**	(15,474)
Total equity		**(2,376)**	(778)
LIABILITIES			
Current liabilities			
Trade and other payables	23	**765**	794
Convertible bonds	29	**1,627**	–
Total liabilities		**2,392**	794
Total equity and liabilities		**16**	16
Net current liabilities		**(2,377)**	(779)
Total assets less current liabilities		**(2,376)**	(778)

James Ang
Director

Yau Pui Chi, Maria
Director

The notes on pages 32 to 87 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 May 2015

	Share Capital HK$'000	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Option Bonds Reserve HK$'000	Other Reserve HK$'000	Exchange Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total Equity HK$'000
Balance at 1 June 2013	12,695	81,612	7,889	–	3,551	–	247	(105,796)	198	(129)	69
Loss for the year	–	–	–	–	–	–	–	(16,521)	(16,521)	14	(16,507)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	(16,521)	(16,521)	14	(16,507)
Transactions with owners:											
Issue of convertible bonds upon conversion of convertible bond options	–	–	–	15,136	(3,551)	–	–	–	11,585	–	11,585
Issue of shares upon conversion of convertible bonds	1,486	13,650	–	(15,136)	–	–	–	–	–	–	–
Issue of shares upon exercise of warrants	515	3,504	–	–	–	–	–	–	4,019	–	4,019
Grant of share options	–	–	1,095	–	–	–	–	–	1,095	–	1,095
Lapse of share options	–	–	(97)	–	–	–	–	97	–	–	–
Total transactions with owners	2,001	17,154	998	–	(3,551)	–	–	97	16,699	–	16,699
Balance at 31 May and 1 June 2014	14,696	98,766	8,887	–	–	–	247	(122,220)	376	(115)	261
Loss for the year	–	–	–	–	–	–	–	(20,547)	(20,547)	(70)	(20,617)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	(20,547)	(20,547)	(70)	(20,617)
Transactions with owners:											
Issue of convertible bonds	–	–	–	690	–	–	–	–	690	–	690
Issue of shares by subscriptions	540	3,610	–	–	–	–	–	–	4,150	–	4,150
Issue of shares upon conversion of convertible bonds	402	2,133	–	(315)	–	–	–	–	2,220	–	2,220
Issue of shares upon exercise of warrants	1,331	9,050	–	–	–	–	–	–	10,381	–	10,381
Issue of shares upon exercise of share options	846	9,742	(4,044)	–	–	–	–	–	6,544	–	6,544
Grant of share options	–	–	6,352	–	–	–	–	–	6,352	–	6,352
Recognition of equity-settled share-based payments	–	–	945	–	–	–	–	–	945	–	945
Addition of non-controlling interests	–	–	–	–	–	–	–	–	–	224	224
Acquisition of non-controlling interests	–	–	–	–	–	(9,251)	–	–	(9,251)	(149)	(9,400)
Total transactions with owners	3,119	24,535	3,253	375	–	(9,251)	–	–	22,031	75	22,106
Balance at 31 May 2015	17,815	123,301	12,140	375	–	(9,251)	247	(142,767)	1,860	(110)	1,750

The other reserve represents the difference between the fair value of consideration of HK$9,400,000 paid to acquire non-controlling interests 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 year ended 31 May 2015.

The notes on pages 32 to 87 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 May 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Net cash used in operations	31	**(14,255)**	(15,285)
Interest paid		**(33)**	(43)
Net cash used in operating activities		**(14,288)**	(15,328)
Cash flows from investing activities			
Additions of intangible assets		**(1,478)**	(1,211)
Additions of plant and equipment		**(191)**	(327)
Proceeds from disposal of plant and equipment		**129**	–
Investments in associates		**–**	–
Net cash used in investing activities		**(1,540)**	(1,538)
Cash flows from financing activities			
Net proceeds from issuance of shares by subscriptions		**4,150**	–
Net proceeds from issuance of convertible bonds		**4,500**	11,585
Net proceeds from exercise of warrants		**10,381**	4,019
Net proceeds from exercise of share options		**6,544**	–
Coupon interest paid for convertible bonds		**(46)**	–
Additions of non-controlling interests		**224**	–
Acquisition of non-controlling interests		**(9,400)**	–
Increase in amounts due to directors		**721**	363
Repayment of obligations under finance leases		**(222)**	(205)
Net cash generated from financing activities		**16,852**	15,762
Net increase/(decrease) in cash and cash equivalents		**1,024**	(1,104)
Cash and cash equivalents at beginning of the year		**1,520**	2,624
Cash and cash equivalents at end of the year	22	**2,544**	1,520

The notes on pages 32 to 87 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 CORPORATE INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in 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. There were no significant changes in the nature of the Group's principal activities during the year.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. The consolidated financial statements have been approved for issue by the board (the "Board") of directors (the "Directors") of the Company on 14 August 2015.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation and principal accounting policies

(a) The consolidated financial statements have been prepared on a going concern basis, the Group had incurred a loss attributable to shareholders of approximately HK$20.55 million for the year ended 31 May 2015 and had net current liabilities of approximately HK$3.01 million as at 31 May 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In preparing the consolidated financial statements, the Directors have carefully reviewed the Group's cash position as at the end of the reporting period and the cash flow forecast for the next twelve months. In reviewing the Group's cash flows, the Directors have considered the following factors:

- A major and controlling shareholder confirms that fund, if required, will be made available to the Company through shareholder's loans and exercising of share options to meet the present and future cashflow requirement from operation and settlement of its outstanding obligations

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

- Continuous effort to control cost of the Group

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

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

(a) *(Continued)*

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 consolidated financial statements on going concern basis is appropriate.

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

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

(i) Standards, amendments and interpretations effective during the year ended 31 May 2015

In the current year, the Group has applied the following amendments and interpretations ("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, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HK(IFRIC) – Int 21	Levies

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

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

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
HKAS 1 (Amendments)	Disclosure Initiative[2]
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[2]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[2]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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

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

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

The above standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2014 or later periods. The Group has started considering their potential impact. Based on the preliminary assessment, the Group believes that the adoption of these standards, amendments and interpretations to existing standards, if applicable, will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these standards and interpretations to existing standards, if applicable, in the consolidated financial statements for the year ended 31 May 2015.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 May 2015.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from those investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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

2.2 Consolidation *(Continued)*

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is no re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

2.2 Consolidation *(Continued)*

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Interests in associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2.3 Interests in associates *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in statement of profit or loss and other comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Plant and equipment

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

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

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

2.5 Plant and equipment *(Continued)*

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of plant and equipment are determined by comparing proceeds with carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

2.6 Intangible assets

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

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

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

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

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

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

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

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

2.6 Intangible assets *(Continued)*

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

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

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

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

(i) Website development costs

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

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

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

2.7 Impairment of investments in subsidiaries and non-financial assets

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

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

2.8 Available-for-sale financial assets

The Group classifies its financial assets as available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Available-for-sale financial assets that do not have quoted market prices in any active markets and those fair values cannot be reliably measured are stated at cost less impairment loss.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments are not reversed through the statement of profit or loss and other comprehensive income.

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

2.9 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

– all resulting exchange differences are recognised in other comprehensive income.

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

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

2.10 Leases

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(b) Finance leases

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

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

2.11 Inventories

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

2.12 Trade and other receivables

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

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

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

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Trade and other payables

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

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

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2.16 Contingent liabilities

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

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

2.17 Current and deferred income tax

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

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

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

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

2.18 Revenue recognition

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

(i) Revenues in respect of provision of long distance call services, telecommunication applications and value-added services and recruitment agency services are recognised when the services are rendered.

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

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

2.19 Employee benefits

(a) Employee leave entitlements

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

(b) Pension obligations

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

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

2.19 Employee benefits *(Continued)*

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

(d) Share based payment transactions

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed over the relevant vesting periods. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest The charge or credit to the statement of profit or loss for a period represents the movement In the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for share options that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting Irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

2.20 Financial liabilities and equity instruments

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

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

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

(a) Convertible bonds

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

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

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

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

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

2.20 Financial liabilities and equity instruments *(Continued)*

(a) Convertible bonds *(Continued)*

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

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

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

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

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

(b) Equity instruments

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

(c) Warrants

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

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

2.21 Related parties

A related party is a person or entity that is related to the Group that is preparing its financial statements.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including credit risk, cash flow interest rate risk, foreign exchange risk and liquidity risk. These risks are managed by the Group's financial management policies and practices as described below to minimise potential effects on the Group's financial performance.

(a) Credit risk

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

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

181 – 365 days	50%
Over 365 days	100%

The credit risk on deposits with bank is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

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

(b) Cash flow interest rate risk

As the Group has no significant interest-bearing assets or liabilities, except for certain finance lease liabilities and convertible bonds charged at pre-determined rates, its income and operating cash flows are substantially independent of changes in market interest rates.

(c) Foreign exchange risk

Operations of the Group are mainly conducted in HK$ and its revenue, expenses, assets and liabilities are principally denominated in HK$, 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk

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

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

Group	**Less than 1 year or on demand HK$'000**	**Between 2 and 5 years HK$'000**
As at 31 May 2015		
Trade and other payables	**3,893**	**–**
Amounts due to directors	**1,084**	**–**
Convertible bonds	**1,627**	**–**
Obligations under finance leases	**112**	**340**
	6,716	**340**

Group	Less than 1 year or on demand HK$'000	Between 2 and 5 years HK$'000
As at 31 May 2014		
Trade and other payables	6,140	–
Amounts due to directors	363	–
Obligations under finance leases	116	58
	6,619	58

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

Company	Less than 1 year or on demand HK$'000
As at 31 May 2015	
Trade and other payables	**765**
Convertible bonds	**1,627**
	2,392

Company	Less than 1 year or on demand HK$'000
As at 31 May 2014	
Trade and other payables	794

3.2 Capital risk management

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

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

The gearing ratio is defined as total borrowings divided by the shareholders' fund. As at 31 May 2015, except for finance leases and convertible bonds, the Group did not have interest bearing liability (2014: Nil, except for finance leases). As such, gearing ratio was not adopted.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

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

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

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

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

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

	2015				2014			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Available-for-sale financial assets	**–**	**–**	**–**	**–**	–	–	–	–
Total assets	**–**	**–**	**–**	**–**	–	–	–	–
Liabilities								
Convertible bonds	**–**	**–**	**1,627**	**1,627**	–	–	–	–
Total liabilities	**–**	**–**	**1,627**	**1,627**	–	–	–	–

The Company's convertible bond is recognised under level 3 of the fair value hierarchy, as the convertible bond is not traded in an active market and its fair value is determined by using valuation techniques. As one or more of the significant inputs required to measure the fair value of the instrument is not based on observable market data, the instrument is included in level 3. Please refer to Note 29 for the change in level 3 instruments for the year ended 31 May 2015.

There was no transfer between Level 1 and Level 2 for the years ended 31 May 2015 and 2014.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Going concern

The Group's management's assessment of the going concern assumption involves making a judgment, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 2.1(a) to the consolidated financial statements.

(b) Useful lives of plant and equipment

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

(c) Contingent liabilities in respect of litigations and claims

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

(d) Estimated provision for doubtful debts

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Impairment of intangible and non-financial assets

Included in the consolidated statement of financial position as at 31 May 2015 are intangible assets in relation to website related and telecommunication and recruitment applications development projects (the "Projects"). In reviewing impairment on the Group's intangible assets, the Directors have reviewed the discounted future cash flows of the Projects and have considered, based on their estimates and judgments, on the future prospects and economic benefits of the Projects.

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

(f) Share-based payments

The fair value of option granted is measured using the Binomial Option Pricing Model based on various assumptions on volatility, option life and nature, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at date of grant. The fair value of share-based payments is subsequently recognised in accordance with the accounting policy stated in Note 2.19.

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

The Directors reviewed the useful lives of telecommunication and recruitment applications and value-added service software development costs, and considered that their useful lives were finite. Accordingly, the telecommunication and recruitment applications and value-added service software development costs are amortised over their estimated useful lives of five years when the assets are available for use.

5 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.

5 SEGMENT INFORMATION *(Continued)*

(b) Business segments – primary reporting format

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

	2015			
	Sale of equipment HK$'000	Long distance call services-end-users direct sales HK$'000	Telecommunication, value-added and recruitment services HK$'000	Group HK$'000
Turnover	174	565	1,388	2,127
Segment results	(1,470)	(5,043)	(13,721)	(20,234)
Other revenues				2,304
Operating loss				(17,930)
Unallocated costs				(2,571)
Finance costs				(116)
Loss for the year				(20,617)
Segment assets	2,137	319	5,492	7,948
Unallocated assets				858
Total assets				8,806
Segment liabilities	1,878	412	1,211	3,501
Unallocated liabilities				3,555
Total liabilities				7,056
Capital expenditures	–	–	2,171	2,171
Unallocated capital expenditures				–
				2,171
Depreciation and amortisation	57	45	526	628
Unallocated depreciation and amortisation				577
				1,205

5 SEGMENT INFORMATION *(Continued)*

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

	2014			
	Sale of equipment HK$'000	Long distance call services-end-users direct sales HK$'000	Telecommunication, value-added and recruitment services HK$'000	Group HK$'000
Turnover	222	633	1,117	1,972
Segment results	(1,288)	(4,595)	(8,058)	(13,941)
Other revenues				257
Operating loss				(13,684)
Unallocated costs				(2,780)
Finance costs				(43)
Loss for the year				(16,507)
Segment assets	1,737	329	3,729	5,795
Unallocated assets				1,143
Total assets				6,938
Segment liabilities	2,144	2,586	840	5,570
Unallocated liabilities				1,107
Total liabilities				6,677
Capital expenditures	–	–	1,453	1,453
Unallocated capital expenditures				190
				1,643
Depreciation and amortisation	97	143	490	730
Unallocated depreciation and amortisation				576
				1,306

5 SEGMENT INFORMATION *(Continued)*

(c) Geographical segments – secondary reporting format

	2015			
	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditures HK$'000
Hong Kong	**2,004**	**(21,602)**	**8,607**	**2,171**
Mainland China and other countries	**123**	**(1,319)**	**199**	**–**
	2,127	**(22,921)**	**8,806**	**2,171**
Other revenues		**2,304**		
Operating loss		**(20,617)**		

	2014			
	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditures HK$'000
Hong Kong	1,834	(15,597)	6,674	1,643
Mainland China and other countries	138	(1,167)	264	–
	1,972	(16,764)	6,938	1,643
Other revenues		257		
Operating loss		(16,507)		

5 SEGMENT INFORMATION *(Continued)*

(d) Information about major customers

The Group's customer base is diversified and for the years ended 31 May 2015 and 2014, no single customer contributed 10% or more to the Group's turnover.

6 TURNOVER AND OTHER REVENUES

The Group is 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. Revenues recognised during the year are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Turnover		
Long distance call services	**565**	633
Sale of equipment	**174**	222
Telecommunication, value-added and recruitment services	**1,388**	1,117
	2,127	1,972
Other revenues		
Over-provision of accruals and trade payables (Note 23)	**2,273**	–
Sundry income	**31**	257
	2,304	257
	4,431	2,229

7 OPERATING LOSS

	Group	
	2015	2014
	HK$'000	HK$'000
Operating loss is stated after charging the following:		
Auditor's remuneration	**470**	470
Amortisation and impairment of intangible assets	**855**	855
Bad debt	**2**	5
Cost of inventories sold	**589**	890
Depreciation		
– owned assets	**240**	267
– leased assets	**110**	184
Loss on disposal of plant and equipment	**92**	6
Operating lease – land and buildings	**1,102**	919
Provision for impairment of prepayments, deposits and other receivables	**–**	579
Staff costs (including directors' remuneration)		
– wages and salaries	**11,112**	10,480
– share-based payments	**1,342**	1,094
– pension costs – defined contribution plans	**240**	274

8 FINANCE COSTS

	Group	
	2015	2014
	HK$'000	HK$'000
Interest expense on convertible bonds	**83**	–
Finance lease interests	**33**	43
	116	43

9 INCOME TAX

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profit for the year (2014: 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 (2014: Nil).

9 INCOME TAX *(Continued)*

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

	Group	
	2015	2014
	HK$'000	HK$'000
Loss for the year	**(20,617)**	(16,507)
Calculated at a statutory rate of 16.5% (2014: 16.5%)	**(3,402)**	(2,724)
Expenses not deductible for taxation purposes	**1,254**	402
Tax losses not recognised	**2,172**	2,357
Accelerated depreciation not recognised	**(24)**	(35)
Income tax	**–**	–

10 LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 May 2015 included a loss of approximately HK$32,880,000 (2014: HK$15,996,000) which has been dealt with in the financial statements of the Company (Note 27(b)).

11 DIVIDEND

The Directors do not recommend the payment of dividend in respect for the year ended 31 May 2015 (2014: Nil).

12 LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the Group's loss for the year attributable to the equity holders of the Company of approximately HK$20,547,000 (2014: HK$16,521,000) and the weighted average number of approximately 806,391,000 ordinary shares (2014: 663,939,000 ordinary shares) in issue during the year.

The dilutive loss per share is equal to the basic loss per share for the years ended 31 May 2015 and 2014 respectively, as the convertible bonds, share options, warrants and option to subscribe convertible bonds had anti-dilutive effects.

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2015	2014
	HK$'000	HK$'000
Wages and salaries	**12,486**	11,618
Share-based payments	**1,342**	1,095
Pension cost – defined contribution plans	**344**	347
	14,172	13,060

Note: Salaries paid to an executive director and certain staff of the Group of approximately HK$1,478,000 (2014: HK$1,211,000), which were wholly and exclusively attributable to the development of telecommunication and recruitment applications and value-added service software, were capitalised as intangible assets as at 31 May 2015.

14 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

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

	Group					
	2015					2014
	Fees	**Salaries, allowances and benefits in kind**	**Retirement benefits scheme contributions**	**Employee share option benefits**	**Total**	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Executive Directors						
Mr. James Ang	**–**	**5,716**	**18**	**212**	**5,946**	6,207
Mr. Wei Ren	**–**	**–**	**–**	**–**	**–**	–
Ms. Yau Pui Chi, Maria	**–**	**1,735**	**18**	**212**	**1,965**	2,133
Dr. Zhong Shi	**–**	**729**	**18**	**225**	**972**	729
	–	**8,180**	**54**	**649**	**8,883**	9,069
Non-executive Directors						
Mr. Chiang Kin Kon	**–**	**–**	**–**	**–**	**–**	–
Mr. Wong Kwok Fai	**30**	**–**	**–**	**–**	**30**	30
Mr. Chau Siu Keung	**30**	**–**	**–**	**–**	**30**	30
	60	**–**	**–**	**–**	**60**	60
	60	**8,180**	**54**	**649**	**8,943**	9,129

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) directors whose emoluments have been reflected in the analysis presented above. The emoluments paid or payable to the remaining two (2014: two) individuals during the year are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**880**	858
Share-based payments	**363**	10
Retirement benefit scheme contributions	**33**	30
	1,276	898

The emoluments of these individuals fell within the following bands:

	Group Number of individuals	
	2015	2014
Emolument bands		
Nil to HK$1,000,000	**2**	2
	2	2

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

15 PLANT AND EQUIPMENT

Group

	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Computer and software HK$'000	Telecom-munication equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
At 1 June 2013						
Cost	1,231	1,308	1,314	11,515	831	16,199
Accumulated depreciation	(1,023)	(1,248)	(1,260)	(11,343)	(424)	(15,298)
Net book value	208	60	54	172	407	901
Year ended 31 May 2014						
Opening net book value	208	60	54	172	407	901
Additions	221	195	16	–	–	432
Disposals	–	(15)	–	–	–	(15)
Depreciation	(98)	(55)	(27)	(105)	(166)	(451)
Written-back on disposals	–	9	–	–	–	9
Closing net book value	331	194	43	67	241	876
At 31 May 2014						
Cost	1,452	1,488	1,330	11,515	831	16,616
Accumulated depreciation	(1,121)	(1,294)	(1,287)	(11,448)	(590)	(15,740)
Net book value	331	194	43	67	241	876
Year ended 31 May 2015						
Opening net book value	**331**	**194**	**43**	**67**	**241**	**876**
Additions	**–**	**46**	**82**	**–**	**563**	**691**
Disposals	**(87)**	**(27)**	**(29)**	**–**	**(243)**	**(386)**
Depreciation	**(86)**	**(61)**	**(15)**	**(29)**	**(159)**	**(350)**
Written-back on disposals	**80**	**8**	**–**	**–**	**77**	**165**
Closing net book value	**238**	**160**	**81**	**38**	**479**	**996**
At 31 May 2015						
Cost	**1,365**	**1,507**	**1,383**	**11,515**	**1,151**	**16,921**
Accumulated depreciation	**(1,127)**	**(1,347)**	**(1,302)**	**(11,477)**	**(672)**	**(15,925)**
Net book value	**238**	**160**	**81**	**38**	**479**	**996**

Note:

(i) As at 31 May 2015, furniture, fixtures and equipment and motor vehicles with the carrying amount of approximately HK$66,000 (2014: HK$87,000) and HK$479,000 (2014: HK$241,000) respectively were held under finance leases.

(ii) No deprecation charge was capitalised as intangible assets as at 31 May 2015 and 2014.

16 INTANGIBLE ASSETS

Group

	Website development HK$'000	Telecommunication and recruitment applications and value-added service software development HK$'000	Total HK$'000
At 1 June 2013			
Cost	222	4,498	4,720
Accumulated amortisation and impairment	(222)	(1,376)	(1,598)
Net book value	–	3,122	3,122
Year ended 31 May 2014			
Opening net book value	–	3,122	3,122
Additions	–	1,211	1,211
Amortisation	–	(855)	(855)
Closing net book value	–	3,478	3,478
At 31 May 2014			
Cost	222	5,709	5,931
Accumulated amortisation and impairment	(222)	(2,231)	(2,453)
Net book value	–	3,478	3,478
Year ended 31 May 2015			
Opening net book value	**–**	**3,478**	**3,478**
Additions	**–**	**1,478**	**1,478**
Amortisation	**–**	**(855)**	**(855)**
Closing net book value	**–**	**4,101**	**4,101**
At 31 May 2015			
Cost	**222**	**7,187**	**7,409**
Accumulated amortisation and impairment	**(222)**	**(3,086)**	**(3,308)**
Net book value	**–**	**4,101**	**4,101**

17 INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK$'000	HK$'000
Unlisted investments at cost (Note a)	**1**	1
Amounts due from subsidiaries (Note c)	**78,370**	53,863
	78,371	53,864
Less: Provision for impairment of investments in and amounts due from subsidiaries	**(78,370)**	(53,863)
	1	1

Note:

(a) Details of the principal subsidiaries as at 31 May 2015 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held
DIRECTLY HELD:				
Think Gold Assets Limited	British Virgin Islands ("BVI")	Investment holding	100 ordinary shares of US$1 each	100%
Nation Power Limited	BVI	Investment holding	1 ordinary share of US$1 each	100%
INDIRECTLY HELD:				
Netel Technology Limited	Hong Kong	Trading of telecommunication equipment and provision of long distance call services	10,000 ordinary shares	100%
Pacific Long Distance Telephone Corporation Limited	Hong Kong	Provision of long distance call services and sale of long distance calling cards	10,000 ordinary shares	100%
Netel Cyber Education Limited	Hong Kong	Research and development of telecommunication applications software	10,000 ordinary shares	100%
3G Lab Limited	Hong Kong	Research and development of telecommunication applications software	1 ordinary share	100%

17 INTERESTS IN SUBSIDIARIES *(Continued)*

Note: *(Continued)*

(a) Details of the principal subsidiaries at 31 May 2015 are as follows: *(Continued)*

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held
INDIRECTLY HELD: *(Continued)*				
Lotus Communication Limited	Hong Kong	Research and development and provision of long distance call and value-added service applications software	1 ordinary share	100%
北京金利德科技有限公司	The People's Republic of China (The "PRC")	Research and development of telecommunication applications software and provision of recruitment agency services	Registered capital of RMB2,000,000	100%
Hong Kong Financial Talent Consultant Company Limited	Hong Kong	Provision of recruitment, advertisements and human resources consultancy services	1 ordinary share	100%
GBjobs.com Limited	Hong Kong	Research and development of recruitment applications and provision of recruitment services	7,218,539 ordinary shares	98.54% (note b)
Dolphins HR Consultancy Limited	Hong Kong	Provision of human resources consultancy services	10,000 ordinary shares	98.54% (note b)
Asian Talent Development Centre Limited	Hong Kong	Provision of education and related consulting services	10,000 ordinary shares	98.54% (note b)
Lotus 118 Limited	Hong Kong	Research and development and provision of long distance call and value-added service applications software	100 ordinary shares	51%

(b) Change in ownership in subsidiaries

During the year ended 31 May 2015, the non-controlling interest acquired additional interest in GBjobs.com Limited ("GBjobs.com") while a subsidiary of the Group acquired additional interest in GBjobs.com for a consideration of HK$9,400,000 through several transactions. As a result of the acquisitions, the Group's effective interest in GBjobs.com and its subsidiaries eventually changed from 99.95% to 98.54% as at 31 May 2015. The acquisition of non-controlling interest is reflected as an equity transaction, and the difference between the consideration paid and the amount of non-controlling interest adjusted was directly recongised in the consolidated statement of changes in equity (2014: Nil).

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

18 INTERESTS IN ASSOCIATES

Share of net assets of associates	Group 2015 HK$'000	2014 HK$'000
Beginning of the year	**3**	3
Additions	**–**	–
Share of results, net of tax	**–**	–
End of the year	**3**	3

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

Name	Place of incorporation	Registered capital	Group's interest
ITP Innovation Limited (Note a)	Hong Kong	10,000 ordinary shares	30%
Crown Multimedia & Information Services Corp. (Note b)	Philippines	Ordinary shares of PHP 1 each Preferred shares of PHP 1 each	40%

Note:

(a) The associate did not commence operation from the date of incorporation to 31 May 2015.

(b) The performance of the associate for the year ended 31 May 2015 is as follows:

	2015 HK$'000	2014 HK$'000
Assets	**736**	805
Liabilities	**2,377**	2,266
Revenue	**4**	9
Loss	**203**	201

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2015	2014
	HK$'000	HK$'000
Unlisted equity securities (Note)	**–**	–

Note:

At 31 May 2015 and 2014, available-for-sale financial asset represented interest in unlisted equity securities issued by a private entity incorporated in Hong Kong. As the Directors consider the fair value of the available-for-sale financial asset cannot be measured reliably, it is stated at cost less accumulated impairment loss, if any.

20 INVENTORIES

	Group	
	2015	2014
	HK$'000	HK$'000
Telecommunication equipment	**185**	188

As at 31 May 2015 and 2014, all inventories are stated at cost.

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note a)	**125**	175	**–**	–
Other receivables, prepayments and deposits	**852**	698	**15**	15
	977	873	**15**	15

All the carrying amounts of trade receivables are denominated in Hong Kong dollars ("HK$").

21 TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

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

	Group	
	2015	2014
	HK$'000	HK$'000
0 – 30 days	**43**	63
31 – 60 days	**25**	55
61 – 90 days	**28**	9
91 – 180 days	**17**	46
181 – 365 days	**8**	6
Over 365 days	**3,999**	3,991
	4,120	4,170
Less: provision for doubtful debts	**(3,995)**	(3,995)
	125	175

(b) Trade receivables that are less than four months are not considered impaired. As at 31 May 2015, trade receivables of approximately HK$21,000 (2014: HK$15,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Past due but not impaired:		
0 – 60 days	**8**	12
61 – 120 days	**1**	2
121 – 365 days	**3**	1
Over 365 days	**9**	–
	21	15

22 BANK BALANCES AND CASH

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

	Group	
	2015	2014
	HK$'000	HK$'000
Bank balances and cash	**2,544**	1,520
Denominated in:		
HK$	**2,507**	1,482
Renminbi	**37**	38
	2,544	1,520

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Note a and b)	**1,861**	4,113	**243**	210
Other payables and accruals	**1,687**	1,828	**522**	584
Receipt in advance	**345**	199	**–**	–
	3,893	6,140	**765**	794

The carrying amounts of trade payables are denominated in HK$.

23 TRADE AND OTHER PAYABLES *(Continued)*

Note:

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

	Group	
	2015	2014
	HK$'000	HK$'000
0 – 30 days	**77**	76
31 – 60 days	**27**	11
61 – 90 days	**11**	44
91 – 180 days	**39**	43
181 – 365 days	**19**	9
Over 365 days (Note b)	**1,688**	3,930
	1,861	4,113

(b) During the year ended 31 May 2015, the directors of the Company are in the consideration that the Plaintiff of a litigation proceeding against the Group does not have any legal ground to pursue as the Plaintiff has failed to produce evidence records to substantiate the claim and are confident to deem that the litigation was concluded. The provision of liabilities under account payables in relation to the litigations, which was recorded in accordance with the billing of the Plaintiff under disputes by the Group, is reversed. The excess amount of account payables regarding the litigation has been released and credited to the profit or loss of the Group for the year ended 31 May 2015. Further details are disclosed in Note 34 of this report.

24 AMOUNTS DUE TO DIRECTORS

Amounts due to Directors are unsecured, interest-free and have no fixed terms of repayment.

25 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2015	2014
	HK$'000	HK$'000
Non-current		
Obligations under finance leases	**340**	58
Current		
Obligations under finance leases	**112**	116
Total obligations under finance leases	**452**	174

Obligations under finance leases are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Group	
	2015	2014
	HK$'000	HK$'000
Gross obligations under finance leases – minimum lease payments:		
Not later than 1 year	**133**	131
Later than 1 year but not later than 5 years	**370**	60
	503	191
Future finance charges on finance leases	**(51)**	(17)
Present value of obligations under finance leases	**452**	174
The present value of obligations under finance leases is as follows:		
Not later than 1 year	**112**	116
Later than 1 year but not later than 5 years	**340**	58
	452	174

26 SHARE CAPITAL

	Company			
	2015		2014	
	Number of shares ('000)	**HK$'000**	Number of shares ('000)	HK$'000
Authorised ordinary shares of HK$0.02 (2014: HK$0.02) each				
At 1 June and 31 May	**5,000,000**	**100,000**	5,000,000	100,000
Issued and fully paid ordinary shares of HK$0.02 (2014: HK$0.02) each				
At 1 June	**734,802**	**14,696**	634,775	12,695
Issue of shares by subscriptions (Note a)	**27,027**	**540**	–	–
Issue of shares upon conversion of convertible bonds (Note b)	**20,080**	**402**	74,263	1,486
Issue of shares upon exercise of warrants (Note c)	**66,544**	**1,331**	25,764	515
Issue of shares upon exercise of share options	**42,300**	**846**	–	–
At 31 May	**890,753**	**17,815**	734,802	14,696

Note:

(a) On 19 November 2014 and 13 February 2015, the Company entered into subscription agreements with third party subscribers (the "Subscribers") for the allotment and issuance of approximately 7,027,000 and 20,000,000 new shares respectively, at the subscription prices of HK$0.185 and HK$0.143 per share respectively. During the year end 31 May 2015, approximately 7,027,000 and 20,000,000 new shares of HK$0.02 each were allotted and issued to the Subscribers at the price of HK$0.185 and HK$0.143 per share respectively pursuant to the subscription agreements.

(b) On 15 October 2010, the Company entered into a subscription agreement with an executive director of the Company, Mr. James Ang ("Mr. Ang"), in relation to the subscription of the convertible bonds 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", Note 29). The conversion price is HK$0.156 per conversion share.

26 SHARE CAPITAL *(Continued)*

Note: *(Continued)*

(b) During the year ended 31 May 2014, Mr. Ang subscribed for Option Bonds in a total principal amount of HK$11,585,000. Mr. Ang exercised the conversion rights of the Option Bonds to convert into approximately 74,263,000 ordinary shares of the Company of HK$0.02 each 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.

On 23 July 2014, the Company entered into a subscription agreement with a third party subscriber (the "Subscriber"), in relation to the subscription of the convertible bonds in the principal amount of HK$2,500,000 (The "Convertible Bonds", Note 29). The conversion price is HK$0.1245 per conversion share.

During the year ended 31 May 2015, the Subscriber exercised the conversion rights of the Convertible Bonds to convert into approximately 20,080,000 ordinary shares of the Company of HK$0.02 each and the conversion shares were allotted and issued to the Subscriber pursuant to the subscription agreement. These shares rank pari passu in all respects with the existing shares.

(c) During the year ended 31 May 2014, Mr. Ang exercised warrants in the principal amount of approximately HK$4,019,000 to subscribe for approximately 25,764,000 ordinary shares of the Company of HK$0.02 each and the warrant shares were allotted and issued to Mr. Ang as fully paid. Those shares rank pari passu in all respects with the existing shares.

During the year ended 31 May 2015, Mr. Ang exercised warrants in the principal amount of approximately HK$10,381,000 to subscribe for approximately 66,544,000 ordinary shares of the Company of HK$0.02 each and the warrant shares were allotted and issued to Mr. Ang as fully paid. Those shares rank pari passu in all respects with the existing shares.

27 RESERVES

(a) Group

	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Option Bonds Reserve HK$'000	Other Reverse HK$'000	Exchange Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 1 June 2013	81,612	7,889	–	3,551	–	247	(105,796)	(12,497)
Loss for the year	–	–	–	–	–	–	(16,521)	(16,521)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	(16,521)	(16,521)
Transactions with owners:								
– Issue of convertible bonds upon conversion of convertible bond options	–	–	15,136	(3,551)	–	–	–	11,585
– Issue of shares upon conversion of convertible bonds	13,650	–	(15,136)	–	–	–	–	(1,486)
– Issue of shares upon exercise of warrants	3,504	–	–	–	–	–	–	3,504
– Grant of share options	–	1,095	–	–	–	–	–	1,095
– Lapse of share options	–	(97)	–	–	–	–	97	–
Total transactions with owners	17,154	998	–	(3,551)	–	–	97	14,698
Balance at 31 May and 1 June 2014	98,766	8,887	–	–	–	247	(122,220)	(14,320)
Loss for the year	–	–	–	–	–	–	(20,547)	(20,547)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	(20,547)	(20,547)
Transactions with owners:								
– Issue of convertible bonds	–	–	690	–	–	–	–	690
– Issue of shares by subscriptions	3,610	–	–	–	–	–	–	3,610
– Issue of shares upon conversion of convertible bonds	2,133	–	(315)	–	–	–	–	1,818
– Issue of shares upon exercise of warrants	9,050	–	–	–	–	–	–	9,050
– Issue of shares upon exercise of share options	9,742	(4,044)	–	–	–	–	–	5,698
– Grant of share options	–	6,352	–	–	–	–	–	6,352
– Recognition of equity-settled share-based payments	–	945	–	–	–	–	–	945
– Acquisition of non-controlling interests	–	–	–	–	(9,251)	–	–	(9,251)
Total transactions with owners	24,535	3,253	375	–	(9,251)	–	–	18,912
Balance at 31 May 2015	123,301	12,140	375	–	(9,251)	247	(142,767)	(15,955)

27 RESERVES *(Continued)*

(b) Company

	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Option Bonds Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 1 June 2013	88,093	7,889	–	3,551	(113,709)	(14,176)
Loss for the year	–	–	–	–	(15,996)	(15,996)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(15,996)	(15,996)
Transactions with owners:						
– Issue of convertible bonds upon conversion of convertible bond options	–	–	15,136	(3,551)	–	11,585
– Issue of shares upon conversion of convertible bonds	13,650	–	(15,136)	–	–	(1,486)
– Issue of shares upon exercise of warrants	3,504	–	–	–	–	3,504
– Grant of share options	–	1,095	–	–	–	1,095
– Lapse of share options	–	(97)	–	–	97	–
Total transactions with owners	17,154	998	–	(3,551)	97	14,698
Balance at 31 May and 1 June 2014	105,247	8,887	–	–	(129,608)	(15,474)
Loss for the year	–	–	–	–	(32,880)	(32,880)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(32,880)	(32,880)
Transactions with owners:						
– Issue of convertible bonds	–	–	690	–	–	690
– Issue of shares by subscriptions	3,610	–	–	–	–	3,610
– Issue of shares upon conversion of convertible bonds	2,133	–	(315)	–	–	1,818
– Issue of shares upon exercise of warrants	9,050	–	–	–	–	9,050
– Issue of shares upon exercise of share options	9,742	(4,044)	–	–	–	5,698
– Grant of share options	–	6,352	–	–	–	6,352
– Recognition of equity-settled share-based payments	–	945	–	–	–	945
Total transactions with owners	24,535	3,253	375	–	–	28,163
Balance at 31 May 2015	129,782	12,140	375	–	(162,488)	(20,191)

28 SHARE-BASED PAYMENTS

(a) Share Option Scheme

Under a share option scheme approved and adopted by the shareholders on 10 September 2012 (the "New Share Option Scheme"), the Directors of the Company may, at their discretion, invite eligible participants including the Company's Directors, independent non-executive Directors, other employees of the Group, any consultants, advisers, managers or officers of the Group, and the shareholders of the Company, to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the New Share Option Scheme).

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

Further details of the New Share Option Scheme are set out in the Report of the Directors on pages 17 and 18.

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

	Number of share options outstanding as at 31 May 2015	**Vesting condition**	**Contractual life of option**
Options granted on 13 October 2009:			
– to Executive Directors	14,300,000	Not Applicable	10 years
– to Independent Non-Executive Directors	4,700,000	Not Applicable	10 years
Options granted on 8 December 2010:			
– to Executive Directors	6,800,000	Not Applicable	10 years
– to Employees	1,568,000	Not Applicable	10 years
Options granted on 31 January 2011:			
– to Individuals	22,800,000	Not Applicable	10 years
Options granted on 30 May 2011:			
– to Individuals	5,000,000	Not Applicable	10 years
Options granted on 16 May 2014:			
– to Executive Director	5,500,000	Not Applicable	10 years
– to Executive Director	5,500,000	Vested and exercisable in 5 tranches (note a)	10 years
– to Employees	11,500,000	Vested and exercisable in 5 tranches (note a)	10 years
– to Individual	500,000	Vested and exercisable on the second anniversary of the date of grant	10 years
Options granted on 3 December 2014:			
– to Executive Directors	4,200,000	Not Applicable	10 years
– to Employees	10,100,000	Vested and exercisable in 5 tranches (note b)	10 years
– to Individuals	51,000,000	Not Applicable	10 years

28 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

Note:

(a) The share options granted to Dr. Zhong Shi, the Executive Direrctor, and other employees of the Group on 16 May 2014 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2015 – 15.11.2016
40%* of the options granted	16.11.2016 – 15.11.2017
60%* of the options granted	16.11.2017 – 15.11.2018
80%* of the options granted	16.11.2018 – 15.11.2019
100%* of the options granted	16.11.2019 – 15.05.2024

* including those not previously exercised

(b) The share options granted to employees of the Group on 3 December 2014 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2015 – 15.11.2016
40%* of the options granted	16.11.2016 – 15.11.2017
60%* of the options granted	16.11.2017 – 15.11.2018
80%* of the options granted	16.11.2018 – 15.11.2019
100%* of the options granted	16.11.2019 – 02.12.2024

* including those not previously exercised

During the year ended 31 May 2015, 74,900,000 share options were granted under the New Share Option Scheme (2014: 32,800,000), 42,300,000 share options were exercised (2014: Nil), 6,300,000 share options were lapsed (2014: 1,200,000) and no share options were cancelled during the year (2014: Nil).

28 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

The fair value of the share option granted on 3 December 2014 and 16 May 2014 were determined by an independent valuer, LCH (Asia-Pacific) Surveyors Limited, using the Binomial Option Pricing model. The following principal assumptions were adopted in the valuation:

	3 December 2014	16 May 2014
Spot price	HK$0.1838	HK$0.145
Exercise price	HK$0.1838	HK$0.145
Annual risk-free interest rate	1.19% – 1.52%	1.19% – 1.62%
Expected option life	5 years – 7.48 years	5 years – 7.76 years
Expected dividend yield	Nil	Nil
Expected volatility	78% – 105%	86% – 104%
Fair value at grant date	HK$7,705,000	HK$3,370,000

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

In total, approximately HK$7,297,000 (2014: HK$1,095,000) of share-based payment expense has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2015, the corresponding amount of which has been credited to share option reserve.

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

	Group			
	2015		2014	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
At beginning of the year	**117,168,000**	**0.168**	85,568,000	0.177
Exercised during the year	**(42,300,000)**	**0.155**	–	–
Granted during the year	**74,900,000**	**0.184**	32,800,000	0.145
Lapsed during the year	**(6,300,000)**	**0.157**	(1,200,000)	0.150
At end of the year	**143,468,000**	**0.181**	117,168,000	0.168

The options outstanding at 31 May 2015 had a weighted average exercise price at HK$0.181 (2014: HK$0.168) and a weighted average remaining contractual life of 7.76 years (2014: 7.41 years).

29 CONVERTIBLE BONDS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Convertible bonds to Subscribers	**1,627**	–	**1,627**	–

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

As at 31 May 2015 and 2014, all outstanding Convertible Bonds and Option Bonds carried subscription rights for convertible bonds have been issued and converted.

(ii) On 23 July 2014, the Company entered into an agreement with a subscriber, who is an independent third party to the Group, to subscribe for convertible bonds in the principal amount of HK$2,500,000 bearing interest at the coupon rate of 7% per annum payable half-yearly in arrears with a maturity of two years due 2016. The holder has the right to convert in whole or part of the principal amount of the bond into shares at a conversion price of HK$0.1245 per conversion share at any time following the issue of the convertible bond and up to the close of business on the maturity date with the prior written consent of the Company. During the year ended 31 May 2015, the holder exercised the right to fully convert the convertible bond into approximately 20,080,000 conversion shares at the conversion price of HK$0.1245 per share.

On 22 April 2015, the Company entered into an agreement with a subscriber, who is also an independent third party to the Group, to subscribe for convertible bonds in the principal amount of HK$2,000,000 bearing interest at the coupon rate of 7% per annum payable half-yearly in arrears with a maturity of two years due 2017. The holder has the right to convert in whole or part of the principal amount of the bond into shares at a conversion price of HK$0.257 per conversion share at any time following the issue of the convertible bond and up to the close of business on the maturity date with the prior written consent of the Company.

The values of the liability component and the equity component were determined at issuance of the convertible bonds. The fair value of the liability component was calculated using a discounted cash flow approach and is within level 3 of the fair value hierarchy. The key unobservable input of the valuation is the discount rate adopted of approximately 19%. The equity component is recognised initially as the difference between the net proceeds from the bonds and the fair values of the liability components and is included in the consolidated statement of changes in equity.

29 CONVERTIBLE BONDS *(Continued)*

(ii) *(Continued)*

Movement on the liability components of the convertible bonds are as follows:

For the year ended 31 May 2015	HK$'000
Face value of convertible bonds issued	4,500
Equity components	(690)
Coupon interests	(46)
Interest expense of convertible bonds	83
Conversion of convertible bonds	(2,220)
Fair value of liability components	1,627

During the year ended 31 May 2015, the fair values of the convertible bonds were determined using binomial option pricing model by a firm of professional valuers, Roma Appraisals Limited. Key inputs of the valuations were: (i) expected volatility of 53.598% and 80.564% respectively, (ii) risk free rate of 0.351% and 0.397% respectively, and (iii) expected dividend yield of 0%. The fair value of the liability component of the convertible bonds was estimated by computing present value of the future cash flows discounted by the discount rates used for the liability components ranging from 14.734% to 15.017% and from 19.205% to 19.582% respectively, which was based on the credit spreads of comparable bonds with similar credit rating.

The following table gives information about how the fair values of the convertible bonds are determined, in particular, the valuation technique(s) and/or inputs used:

Financial assets/ financial liabilities	**Fair value hierarchy**	**Basis of fair value measurement/valuation technique(s) and key input(s)**	**Significant unobservable input(s)**
Convertible bond, issued on 4 August 2014	Level 3	Discounted cash flow and binomial model The fair value of liability component is estimated by computing present value of discounted future cash flows. The future cash flows are based on the forecasted residue loan proceeds availability on the date of maturity. The fair value of equity component is determined by using binomial models with key inputs: (i) expected volatility; (ii) risk-free rate; (iii) dividend yield.	Discount rate determined with reference to the yields of local government bonds and treasury bills, the spread premium necessary to compensate for the risks associated with the bond, and estimated country risk

29 CONVERTIBLE BONDS *(Continued)*

(ii) *(Continued)*

Financial assets/ financial liabilities	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)
Convertible bond, issued on 29 May 2015	Level 3	Discounted cash flow and binomial model The fair value of liability component is estimated by computing present value of discounted future cash flows. The future cash flows are based on the forecasted residue loan proceeds availability on the date of maturity. The fair value of equity component is determined by using binomial models with key inputs: (i) expected volatility; (ii) risk-free rate; (iii) dividend yield.	Discount rate determined with reference to the yields of local government bonds and treasury bills, the spread premium necessary to compensate for the risks associated with the bond, and estimated country risk

Any significant increase in the discount rates would result in significant decrease in the fair value of convertible bonds.

30 WARRANTS

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 (Note 29) 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 year ended 31 May 2015, warrants in the principal amount of approximately HK$10,381,000 (2014: HK$4,019,000) were exercised by Mr. Ang to subscribe for approximately 66,544,000 ordinary shares (2014: 25,764,000) of the Company of HK$0.02 each.

As at 31 May 2015, all outstanding Warrants were exercised (2014: outstanding principal amount of approximately HK$10,381,000).

31 CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating loss to net cash used in operations:

	Group	
	2015	2014
	HK$'000	HK$'000
Operating loss	**(20,501)**	(16,464)
Adjustments for:		
Amortisation and impairment	**855**	855
Bad debt	**2**	5
Depreciation	**350**	451
Loss on disposal of plant and equipment	**92**	6
Provision for impairment of prepayments, deposits and other receivables	**–**	579
Over-provision of accruals and trade payables	**(2,273)**	–
Share-based payments	**7,297**	1,095
Operating loss before working capital changes	**(14,178)**	(13,473)
Decrease in inventories	**3**	4
(Increase)/decrease in trade and other receivables	**(106)**	172
Decrease in amount due from an associate	**–**	38
Increase/(decrease) in trade and other payables	**26**	(2,026)
Net cash used in operations	**(14,255)**	(15,285)

32 COMMITMENTS

(a) Commitments under operating leases

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

	Group	
	2015	2014
	HK$'000	HK$'000
Not later than one year	**525**	744
Later than one year but not later than five years	**337**	573
	862	1,317

(b) Capital commitment

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2015	2014
	HK$'000	HK$'000
Plant and equipment	**32**	–

33 RELATED PARTY TRANSACTIONS

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

		Group	
		2015	2014
	Note	**HK$'000**	HK$'000
Rental expenses paid to Charmfine Investment Limited ("Charmfine")	(a)	**120**	120

Note:

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

34 LITIGATIONS

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

(a) 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. Considering that the amount claimed was related to invoices of the Plaintiff disputed by the Group and that the Plaintiff has failed to produce evidence records to substantiate its claim, the directors of the Company are in the opinion that the Plaintiff does not have any legal ground including witness, record evidence and any good reason to pursue the claim after 10 years of time. As such, the directors of the Company are confident to deem that the litigation was concluded and that the relevant amount of the liabilities recorded as account payables is reversed as other revenues for the year ended 31 May 2015. Therefore, having taken into consideration the advice from the Group's legal advisor, a provision previously made of approximately HK$2,061,000 regarding the litigation has been released in the current year.

(b) The Group has other outstanding litigation in respect of liabilities arising from the normal course of its business of approximately HK$281,000 (2014: HK$281,000). Considering that the Plaintiff has failed to submit further evidence to substantiate the claim, the directors of the Company are in the opinion that the Plaintiff does not have any legal ground including witness, record evidence and any good reason to pursue the claim after 10 years of time. As such, the directors of the Company are confident to deem that the litigation was concluded.

Apart from the actions against the Group disclosed above, there were no other material outstanding writs and litigations against the Group and/or the Company.

35 COMPARATIVE FIGURES

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

36 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 August 2015.

Five Years Financial Summary

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Turnover	**2,127**	1,972	1,761	1,920	3,255
Share of profit/(loss) of associates	**–**	–	–	–	(184)
Loss attributable to shareholders	**(20,547)**	(16,521)	(14,008)	(3,907)	(16,037)
Assets and liabilities					
Total assets	**8,806**	6,938	8,509	16,988	9,749
Total liabilities	**(7,056)**	(6,677)	(8,440)	(15,302)	(8,847)
Non-controlling interests	**110**	115	129	20	–
Shareholders' fund	**1,860**	376	198	1,706	902