




## NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

# FIRST QUARTERLY REPORT 2015/2016





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

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

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*This report, for which the directors of Netel Technology (Holdings) Limited (“Netel”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Netel. The directors of Netel, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 August 2015

The board (the "Board") of directors (the "Directors") of Netel Technology (Holdings) Limited (the "Company") are pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 August 2015 together with the comparative unaudited figures for the corresponding period in 2014:

		<b>For the three months ended 31 August</b>	
	Notes	<b>2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
Turnover	3	<b>581</b>	622
Cost of sales		<b>(195)</b>	(179)
Gross profit		<b>386</b>	443
Other revenues		–	290
Selling and marketing expenses		<b>(141)</b>	(61)
Administrative expenses		<b>(6,242)</b>	(4,115)
Operating loss		<b>(5,997)</b>	(3,443)
Finance costs		<b>(29)</b>	(28)
Share of profit/(loss) of associates		–	–
Loss for the period		<b>(6,026)</b>	(3,471)
Other comprehensive income		–	–
Total comprehensive loss for the period		<b>(6,026)</b>	(3,471)
Loss for the period attributable to:			
– Equity holders of the Company		<b>(6,008)</b>	(3,447)
– Non-controlling interests		<b>(18)</b>	(24)
		<b>(6,026)</b>	(3,471)
Total comprehensive loss for the period attributable to:			
– Equity holders of the Company		<b>(6,008)</b>	(3,447)
– Non-controlling interests		<b>(18)</b>	(24)
		<b>(6,026)</b>	(3,471)
Loss per share attributable to equity holders of the Company			
– Basic and diluted	5	<b>HK (0.65 cents)</b>	HK (0.47 cents)



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

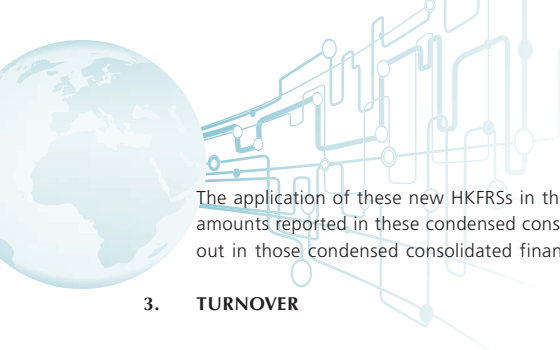
The unaudited condensed consolidated first quarterly financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 May 2015.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 May 2015.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions



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

### **3. TURNOVER**

The Group's operating activities are attributable to three operating segments focusing on provision of different types of services, namely the sale of equipment, end-users direct sales of long distance call services and telecommunication, value-added and recruitment services.

### **4. INCOME TAX**

No provision for Hong Kong profits tax has been made in the current period as the Group has no estimated assessable profits for the period (three months ended 31 August 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 (three months ended 31 August 2014: Nil).

### **5. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The calculation of basic loss per share is based on the Group's unaudited consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$6,008,000 (loss for the three months ended 31 August 2014: HK\$3,447,000) and the weighted average number of approximately 929,984,000 ordinary shares (three months ended 31 August 2014: 734,802,000 ordinary shares) in issue during the period.

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

## 6. RESERVES

	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
<b>Balance at 1 June 2014 (Audited)</b>	98,766	8,887	-	-	-	247	(122,220)	(14,320)
Loss for the period	-	-	-	-	-	-	(3,447)	(3,447)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	-	(3,447)	(3,447)
Transactions with owners:								
- Issue of convertible bonds	-	-	315	-	-	-	-	315
- Recognition of equity-settled share-based payments	-	196	-	-	-	-	-	196
- Acquisition of non-controlling interests	-	-	-	-	(1,891)	-	-	(1,891)
<b>Total transactions with owners</b>	-	196	315	-	(1,891)	-	-	(1,380)
<b>Balance at 31 August 2014 (Unaudited)</b>	98,766	9,083	315	-	(1,891)	247	(125,667)	(19,147)
<b>Balance at 1 June 2015 (Audited)</b>	123,301	12,140	375	-	(9,251)	247	(142,767)	(15,955)
Loss for the period	-	-	-	-	-	-	(6,008)	(6,008)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	-	(6,008)	(6,008)
Transactions with owners:								
- Issue of shares by subscriptions	6,650	-	-	-	-	-	-	6,650
- Issue of shares by placing	3,175	-	-	-	-	-	-	3,175
- Issue of shares upon conversion of convertible bonds	1,858	-	(375)	-	-	-	-	1,483
- Issue of shares upon exercise of share options	3,343	(1,344)	-	-	-	-	-	1,999
- Recognition of equity-settled share-based payments	-	155	-	-	-	-	-	155
- Lapse of share options	-	(51)	-	-	-	-	51	-
<b>Total transactions with owners</b>	15,026	(1,240)	(375)	-	-	-	51	13,462
<b>Balance at 31 August 2015 (Unaudited)</b>	138,327	10,900	-	-	(9,251)	247	(148,724)	(8,501)

The other reserve represents the difference between the fair value of consideration 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.

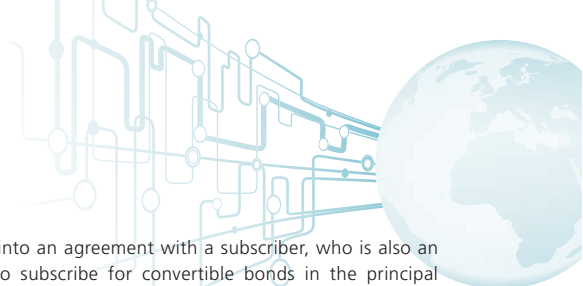


## 7. LITIGATIONS

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. 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 had been released during the year ended 31 May 2015.
- (b) The Group has other outstanding litigation in respect of liabilities arising from the normal course of its business of approximately HK\$281,000 (31 May 2015: 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.



## **8. CONVERTIBLE BONDS**

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. During the three months ended 31 August 2015, the holder exercised the right to fully convert the convertible bond into approximately 7,782,000 conversion shares at the conversion price of HK\$0.257 per share.

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. 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.

## **9. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS**

The unaudited condensed consolidated first quarterly financial statements were approved and authorised for issue by the Board on 9 October 2015.





## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$0.58 million in the first quarter ended 31 August 2015, a slight decrease of approximately HK\$0.04 million from approximately HK\$0.62 million for the same quarter of last year. The decrease was mainly attributable to the decrease in headhunting business as well as decrease in calling card sales, SIP service revenue and carrier sales during the period. The loss for the first quarter was increased by approximately HK\$2.56 million from approximately HK\$3.47 million in the same quarter of last year to approximately HK\$6.03 million for this quarter. The increase of the loss for the period was mainly due to the increase in staff costs and directors' emoluments recorded in the current period.

The administrative expenses were increased by approximately HK\$2.12 million from approximately HK\$4.12 million of the same quarter of last year to approximately HK\$6.24 million for this quarter mainly due to the increase in staff costs and directors' emoluments recorded in the current period.

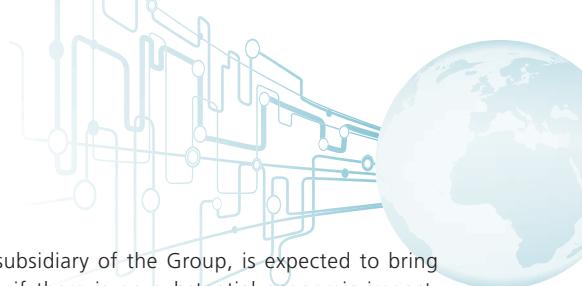
### BUSINESS REVIEW

The Group's subsidiary GBjobs not only expanded sales, research and development and cross-border headhunting team this period, 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 in May 2015, 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 near future.

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.

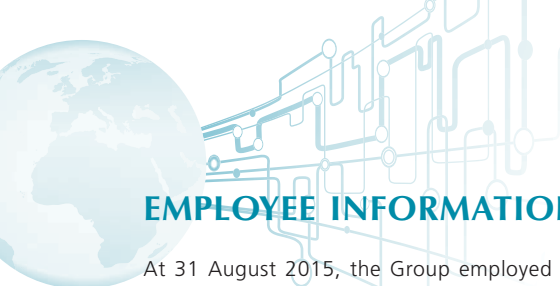
In the following year, GBJobs business will progress from sales to brand establishment. GBJobs business will combine with online education, especially the continuing education courses for people in employment, and it will be one of the top priorities of the Group in the coming year. The Group prided 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.

## FINANCIAL RISK MANAGEMENT

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

The Group adopts a prudent liquidity risk management and maintains sufficient cash and funding through an adequate amount of credit facilities. The Group aims to finance its operations with its own capital and earnings and borrowings or credit facilities utilised during the period. Management considers that the Group does not have any significant liquidity risk.



## EMPLOYEE INFORMATION

At 31 August 2015, the Group employed a total of 26 (31 May 2015: 28) 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 August 2015, 122,340,000 (31 May 2015: 143,468,000) share options remained outstanding from the share option schemes.

## DIVIDEND

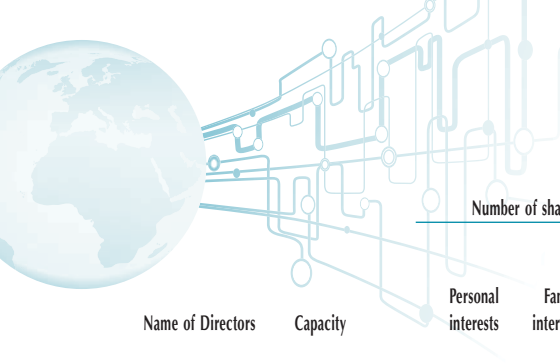
The Board of Directors does not recommend the payment of dividend in respect for the three months ended 31 August 2015 (three months ended 31 August 2014: Nil).

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

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

### Ordinary shares of HK\$0.02 each in the Company

Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	-	-	18,836,000 (Note 1)	-	-	18,836,000	1.95
	Beneficial owner	258,092,822 (Note 2)	17,999,000 (Note 3)	-	4,800,000	0.233	280,891,822	29.17
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	13,199,000	281,728,822 (Note 4)	-	4,800,000	0.233	299,727,822	31.12
Mr. Wei Ren	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.31
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000 1,000,000 5,500,000	0.233 0.150 0.145	9,700,000	1.01
Mr. Chiang Kin Kon	Beneficial owner	300,000	-	-	2,300,000	0.233	2,600,000	0.27



Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000	0.233	1,200,000	0.12
Mr. Chau Siu Keung	Beneficial owner	272,000	-	-	1,200,000	0.233	1,472,000	0.15

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 258,092,819 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 13,199,000 shares and 4,800,000 share options held by Ms. Yau in person.
- 4) These shares are registered as 258,092,819 shares, 4,800,000 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 August 2015.



## PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the three months ended 31 August 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.

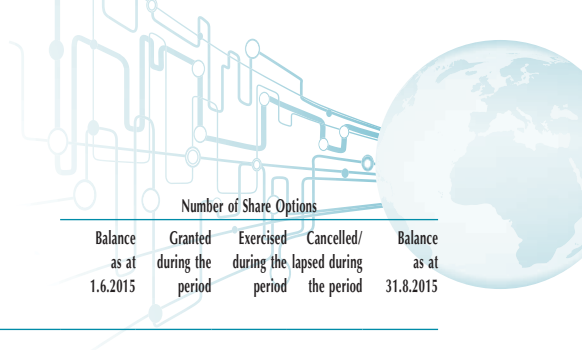
The maximum number of shares in respect of which options may be granted under the New Share Option Scheme must not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one participant must not exceed 30% of the maximum 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 August 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 1.6.2015	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31.8.2015
<b>Under Share Option Scheme</b>								
<b>Name of Directors</b>								
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	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	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
Mr. Wong Kwok Fai	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	-	-	-	1,200,000
Mr. Chau Siu Keung	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	-	-	-	1,200,000
				<u>25,800,000</u>	<u>-</u>	<u>(4,800,000)</u>	<u>-</u>	<u>21,000,000</u>
<b>Other employees and individuals</b>								
In aggregate								
	08.12.2010	0.150	08.12.2010 to 07.12.2020	1,568,000	-	-	(628,000)	940,000
	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	5,000,000	-	-	-	5,000,000
				<u>29,368,000</u>	<u>-</u>	<u>-</u>	<u>(628,000)</u>	<u>28,740,000</u>
Sub-total				<u>55,168,000</u>	<u>-</u>	<u>(4,800,000)</u>	<u>(628,000)</u>	<u>49,740,000</u>



Date of grant	Exercise price HK\$	Exercise period	Number of Share Options					
			Balance as at 1.6.2015	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31.8.2015	
<b>Under New Share Option Scheme</b>								
<b>Name of Directors</b>								
Mr. James 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	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
				<u>15,200,000</u>	<u>-</u>	<u>(9,700,000)</u>	<u>-</u>	<u>5,500,000</u>
<b>Other employees and individuals</b>								
<b>In aggregate</b>								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	12,000,000	-	-	(3,400,000)	8,600,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	<u>61,100,000</u>	<u>-</u>	<u>-</u>	<u>(2,600,000)</u>	<u>58,500,000</u>
				<u>73,100,000</u>	<u>-</u>	<u>-</u>	<u>(6,000,000)</u>	<u>67,100,000</u>
Sub-total				<u>88,300,000</u>	<u>-</u>	<u>(9,700,000)</u>	<u>(6,000,000)</u>	<u>72,600,000</u>
Total				<u>143,468,000</u>	<u>-</u>	<u>(14,500,000)</u>	<u>(6,628,000)</u>	<u>122,340,000</u>

During the three months ended 31 August 2015, 14,500,000 share options were exercised (three months ended 31 August 2014: Nil), 6,628,000 share options were lapsed (three months ended 31 August 2014: Nil) and no share options were granted or cancelled (three months ended 31 August 2014: Nil).





## DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in Directors' interests and short positions under the section "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation", and in the share option scheme under the section "Share Option Scheme" of this report, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

For the three months ended 31 August 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.

## 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 three months ended 31 August 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 paragraph.

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"). The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Model Code during the three months ended 31 August 2015.

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 three months ended 31 August 2015.

## 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 quarterly results of the Company for the three months ended 31 August 2015, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.



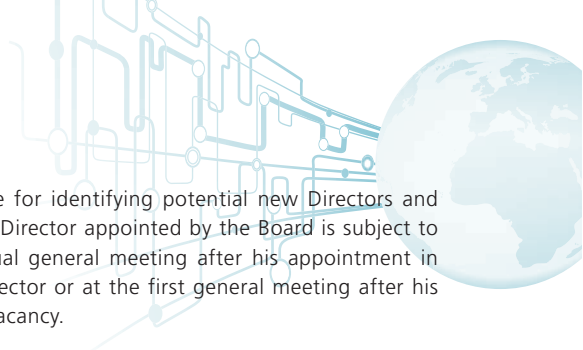
## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The role and function of Remuneration Committee is to oversee Board remuneration matters, including recommend the Board the Company's policies and structure for the remuneration of the Directors and senior management, determine the remuneration packages of all executive Directors and senior management, review compensation to Directors and senior management in connection with any loss or termination of their office or appointment and to ensure that no Director or any of his or her associates are involved in deciding his or her own remuneration.

## NOMINATION COMMITTEE

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



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

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

Potential new Directors are selected on the basis of their qualifications, skill and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board. The Nomination Committee is also responsible for reviewing the board diversity policy and evaluating the effectiveness and implementation of the said policy regularly.

## **INTERNAL CONTROL**

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

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



## BOARD PRACTICES AND PROCEDURES

During the three months ended 31 August 2015, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

Hong Kong, 9 October 2015

Directors of the Company as at the date hereof:

*Executive Directors*

Mr. James Ang

Mr. Wei Ren

Ms. Yau Pui Chi, Maria

Dr. Zhong Shi

*Independent Non-Executive Directors*

Mr. Chiang Kin Kon

Mr. Wong Kwok Fai

Mr. Chau Siu Keung