NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8256

ANNUAL REPORT 2016

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.

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Corporate Information

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

Room C, 9/F
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

For the financial year ended 31 May 2016, the Group has been focusing on developing the business of GBjobs.com Limited ("GBjobs", a subsidiary of the Group), especially on internet and mobile applications. The customer base and job applicant's database in Hong Kong have been expanding significantly. Unfortunately, the recruitment business has slowed down since early 2016 due to the macroeconomic conditions.

Our Group has also expanded the business of GBjobs into China and established the first wholly foreign-owned enterprise operating human resources and recruitment business in Qianhai, Shenzhen, which is now operating as our head office in China. We express our sincere thanks for the Shenzhen Government who granted us favorable terms to operate in Shenzhen.

Our management anticipates that GBjobs will incorporate the Hong Kong business model and technology with Big Data business in China. We look forward to expanding GBjobs business into other provinces in China.

On the other hand, Netel Cyber Education Limited, the subsidiary of the Group, is currently looking for content providers so as to launch the developed applications. Our technical team is now spending effort on an electronic purchase platform, namely GBSHOP for our member customers. These businesses are all internet-based and fit into the Internet Plus model. We will embrace every opportunity to roll out new products and services in those countries under "the Belt and Road" too.

During the year, the Group also spent effort in promotional activities through social media platform, and continuous marketing effort will be devoted to online social networks strategy.

Finally, I would like to express sincere thanks to our colleagues, business partners and shareholders who have continuously supported us. Our management will work hard to grow our business to reciprocate your support.

James Ang
Chairman

Hong Kong, 22 August 2016

FINANCIAL REVIEW

Results for the year

The Group recorded a total turnover of approximately HK$2.37 million for the year ended 31 May 2016, an increase of 11.27% from approximately HK$2.13 million for the year ended 31 May 2015. The increase was mainly attributable to the increase in headhunting business and increase in calling card sales, SIP service revenue and carrier sales during the year. The gross profit margin increased from 72.31% for last year to 73.09% 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$23.25 million, as compared with the comparative amount of loss of approximately HK$20.55 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 1.95% from approximately HK$24.08 million of last year to approximately HK$24.55 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 2016, the Group incurred a loss of approximately HK$23.29 million and the net cash outflow from operations was approximately HK$16.74 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK$18.01 million. With the cash inflow from issuance of shares by subscriptions, issuance of shares by placing and exercise of share options of approximately HK$11.14 million, HK$5.66 million and HK$6.28 million respectively, net with the increase of the additions of intangible assets of approximately HK$1.65 million, the acquisition of non-controlling interests of approximately HK$4.54 million and decrease in amounts due to directors of approximately HK$0.53 million, the net cash and cash equivalents of the Group was decreased by approximately HK$1.11 million.

As at 31 May 2016, the Group had a cash and cash equivalent balance of approximately HK$1.44 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2016 was not adopted as except for finance leases, the Group did not have interest bearing liability (2015: Nil, except for finance leases and convertible bonds). The Group had net current liabilities of approximately HK$3.24 million as at 31 May 2016 as compared with approximately HK$3.01 million as at 31 May 2015.

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.

BUSINESS REVIEW

Last year, the Group has been focusing on developing the business of GBjobs. After being invited by the Shenzhen Government to set up a local subsidiary, the Group has established a wholly foreign-owned enterprise in Qianhai, Shenzhen, which is now operating as our head office in China. The operation started in the second quarter of 2016.

The head office in China focused on developing the cross border headhunting and electronic recruitment business. Our well-developed spidering software technology has contributed to the rapid growth of our database in Hong Kong, and the same technology will also be applied in China.

In order to cultivate the local customer base, GBjobs held several seminars in Shenzhen for local corporate customers. Several business deals have been concluded as a result. GBjobs is looking to expanding into other provinces in China. Although the local market of GBjobs was affected by the shrinking of local retail business, the China market provides us with another fast growing opportunity.

During the year, the research team of the Group has enhanced the resume screening system and developed the automatic matching function which matches the employers' requirements with candidates' capability. This enables us to handle the big data of the China recruitment business.

The related company of the Group, One World One Language Limited, has started running legal seminars, selling corporate computer monitoring software and lawyers connect cards, as well as conducting online law degree courses. It has already built up more than one hundred corporate customers during the last couple months.

The Group is also trying to leverage the big data collected in the past years so as to proceed with the vertical expansion by providing electronic shopping platform for our member customers. The Group will continue to spend effort in developing the electronic shopping platform.

BUSINESS OUTLOOK

The macro-economic environment of Hong Kong and China certainly affect the performances of the Group. Although the market performance is not optimistic, the Group is able to grab the opportunities from the China market, big data applications and Internet Plus models. For example, the GBSHOP business can be leveraged with GBjobs to become a new Internet Plus application for the business of the Group. These new businesses will play a key role in China and countries under "the Belt and Road".

As the Group has already cultivated a strong and experienced management team, the financial performance of the Group in the coming year can be improved. With the well-developed core technology of spidering software and a mature customer base, the Group will be able to outperform the macro-economic environment.

The Group is currently seeking investment funds, especially in China, in order to increase the financial resources to grow the business. The Group will also look for appropriate horizontal expansion opportunities with human resources companies in China.

EMPLOYEE INFORMATION

At 31 May 2016, the Group employed a total of 29 (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 May 2016, 177,490,000 (2015: 143,468,000) share options remained outstanding from the share option schemes.

EXECUTIVE DIRECTORS

Mr. James Ang ("Mr. Ang"), aged 57, 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 29 years of experience in the 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 77, is a senior engineer who has been engaged in biomedical engineering and has accumulated extensive experience in the field for more than 47 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 56, Mr. Ang's spouse, who has more than 27 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 worked 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 41, was promoted to Chief Executive Officer ("CEO") of the Group in July 2013. He is the Chief Technology Officer of the Group and heads the Research and Development Department. Dr. Zhong has more than 17 years experience in telecommunication and computer systems. Prior to joining the Group, he was the Senior Research Engineer of TOSHIBA Telecommunication Research Lab in England, and was also 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 67, has been an independent non-executive director of the Company since May 2008. He has over 36 years of experience in property management fields and over 22 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 50, has been an 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 59, has been an independent non-executive director of the Company since May 2009. He has over 36 years experience in sales and marketing field and over 24 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 2016, 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 year ended 31 May 2016.

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 during the year ended 31 May 2016.

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 2016 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 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 the 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 twenty-four times during the year to discuss relevant business and strategy of the Company. The discussions covered the financial performance, new products and services to be deployed by the Company and also suggestions 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 the management will supply the Board and its committees with all the 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 2016 is set out below:

	Attendance/Number of Meetings		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. James Ang	24/24	Not applicable	Not applicable
Mr. Wei Ren	24/24	Not applicable	Not applicable
Ms. Yau Pui Chi, Maria	24/24	Not applicable	5/5
Dr. Zhong Shi	24/24	Not applicable	Not applicable
Independent Non-Executive Directors			
Mr. Chiang Kin Kon	24/24	4/4	5/5
Mr. Wong Kwok Fai	24/24	4/4	5/5
Mr. Chau Siu Keung	24/24	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 they require from any employee and obtain outside legal or other independent professional advice at the cost of the Company if they consider it 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 or her associates are involved in deciding his or her 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 financial position of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 May 2016, the Directors have selected suitable accounting policies and applied them consistently by adopting appropriate Hong Kong Financial Reporting Standards.

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Board reviews the internal control and risk management system of the Group annually and will take any necessary and appropriate action to maintain adequate internal control and risk management system to safeguard the Company's equity. The effectiveness of the internal control and risk management 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 2016, 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 2016, the fees charged to accounts of the Group for Lau & Au Yeung statutory audit amounted to approximately HK$420,000 (2015: HK$470,000).

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting ("EGM") and to put forward proposals at general meeting

Any one or more shareholders holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting on a date not more than 28 days after the date on which the notice convening the meeting is given, the requisitionist(s) him/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing by addressing them to the principal place of business of Company in Hong Kong at Room C, 9/F, Max Share Centre, 373 King's Road, North Point, Hong Kong. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

COMMUNICATION WITH SHAREHOLDERS

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.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

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 2016.

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 34 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.

BUSINESS REVIEW AND OUTLOOK

A review of the Group's performance, business activities and outlook is included in the section "Chairman's Statement" on page 4 and the section "Management Discussion and Analysis" on pages 5 to 6 of the annual report.

Risks and uncertainties

The principal risks and uncertainties faced by the Group have been addressed in the section "Management Discussion and Analysis" in this report. In addition, various financial risks have been disclosed in Note 3 to the consolidated financial statements.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meets the required standards and ethics in respect of environmental protection.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and has taken efforts to minimise the risks of non-compliance with such requirements. The Group has an on-going review on the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material breach of non-compliance with the laws and regulations that have a significant impact on the business and operations of the Group.

Key relationships with employees, customers and suppliers

The Group regularly reviews the employment policies on remuneration and other benefits and ensures that all its staff are reasonably remunerated. On the other hand, the Group maintains a good relationship and close contact with its customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions. The Group will also conduct review on the suppliers' performance on a regular basis.

FUND RAISING ACTIVITIES

To meet the imminent need of funding for general working capital of the Group to support its normal operation, the Company has completed various fund raising activities during the year. Details of fund raising activities and use of proceeds are set out in Note 25 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by operating 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 2016 are set out in the Group's consolidated statement of profit or loss and other comprehensive income on page 27 of the annual report.

DIVIDEND

The Board of Directors does not recommend the payment of dividend in respect for the year ended 31 May 2016 (2015: Nil).

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 30 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years ended 31 May 2016, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 92 of the annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 25 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 35 to the consolidated financial statements, no significant events have taken place subsequent to 31 May 2016 and up to the date of this report.

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 2016, 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 2016 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 year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.5.2016
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	–	(3,250,000)	–	1,550,000
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	–	(1,280,000)	–	3,520,000
	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
				25,800,000	–	(9,330,000)	–	16,470,000
Other employees and individuals								
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
				29,368,000	–	–	(628,000)	28,740,000
Sub-total				55,168,000	–	(9,330,000)	(628,000)	45,210,000
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)	–	–
	12.10.2015	0.159	12.10.2015 to 11.10.2025	–	7,500,000	(7,500,000)	–	–
	12.02.2016	0.111	12.02.2016 to 11.02.2026	–	2,130,000	(2,130,000)	–	–
Ms. Yau Pui Chi, Maria	03.12.2014	0.1838	03.12.2014 to 02.12.2024	2,100,000	–	(2,100,000)	–	–
	12.10.2015	0.159	12.10.2015 to 11.10.2025	–	7,500,000	(7,500,000)	–	–
	12.02.2016	0.111	12.02.2016 to 11.02.2026	–	2,130,000	(2,130,000)	–	–
Dr. Zhong Shi	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	–	–	–	5,500,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	–	5,000,000	–	–	5,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	–	1,000,000	–	–	1,000,000
Mr. Chiang Kin Kon	12.02.2016	0.111	12.02.2016 to 11.02.2026	–	1,000,000	–	–	1,000,000
Mr. Wong Kwok Fai	12.02.2016	0.111	12.02.2016 to 11.02.2026	–	1,000,000	–	–	1,000,000
Mr. Chau Siu Keung	12.02.2016	0.111	12.02.2016 to 11.02.2026	–	1,000,000	–	–	1,000,000
				15,200,000	28,260,000	(28,960,000)	–	14,500,000
Other employees and individuals								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	12,000,000	–	(120,000)	(4,000,000)	7,880,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	61,100,000	–	–	(3,700,000)	57,400,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	–	27,000,000	–	–	27,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	–	26,000,000	(500,000)	–	25,500,000
				73,100,000	53,000,000	(620,000)	(7,700,000)	117,780,000
Sub-total				88,300,000	81,260,000	(29,580,000)	(7,700,000)	132,280,000
Total				143,468,000	81,260,000	(38,910,000)	(8,328,000)	177,490,000

During the year ended 31 May 2016, 81,260,000 share options were granted under the New Share Option Scheme (2015: 74,900,000), 38,910,000 share options were exercised (2015: 42,300,000), 8,328,000 share options were lapsed (2015: 6,300,000) and no share options were cancelled (2015: 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, Mr. James Ang, Mr. Wong Kwok Fai, and Mr. Chau Siu Keung 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.

PERMITTED INDEMNITY

During the year ended 31 May 2016 and up to the date of this report, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force for the benefit of the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the service contracts, no transactions, arrangements or 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 2016.

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

At 31 May 2016, apart from the details as follows, the Directors and chief executive do not have any other interests and/or 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:

		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	–	–	20,248,000 (Note 1)	–	–	20,248,000	1.95
	Beneficial owner	271,476,819	27,629,000 (Note 2)	–	1,550,000	0.233	300,655,819	28.95
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	24,109,000	293,274,819 (Note 3)	–	3,520,000	0.233	320,903,819	30.90
Mr. Wei Ren	Beneficial owner	500,000	–	–	1,500,000 1,000,000	0.233 0.150	3,000,000	0.29
Dr. Zhong Shi	Beneficial owner	–	–	–	3,200,000 1,000,000 5,500,000 5,000,000 1,000,000	0.233 0.150 0.145 0.159 0.111	15,700,000	1.51
Mr. Chiang Kin Kon	Beneficial owner	–	–	–	2,300,000 1,000,000	0.233 0.111	3,300,000	0.32
Mr. Wong Kwok Fai	Beneficial owner	–	–	–	1,200,000 1,000,000	0.233 0.111	2,200,000	0.21
Mr. Chau Siu Keung	Beneficial owner	272,000	–	–	1,200,000 1,000,000	0.233 0.111	2,472,000	0.24

Note:

1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 17,058,000 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 24,109,000 shares and 3,520,000 share options held by Ms. Yau in person.

3) These shares are registered as 271,476,819 shares and 1,550,000 share options held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth and 17,058,000 shares held by Bluechip.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR 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 and/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 2016.

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 32% (2015: 14%) of the Group's total turnover for the year ended 31 May 2016.

Purchases for the largest supplier for the year ended 31 May 2016 represented approximately 27% (2015: 29%) of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group for the year ended 31 May 2016 accounted for approximately 88% (2015: 89%) of the total purchases of the Group for the year ended 31 May 2016.

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 2016, which constitute exempted connected transactions under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"), are disclosed in Note 32 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 2016, 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 2.20 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 meetings 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, 22 August 2016

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 set out on pages 27 to 91, which comprise the consolidated statement of financial position as at 31 May 2016, 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 CONSOLIDATED 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 financial position of the Company and its subsidiaries as at 31 May 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 Company and its subsidiaries incurred a total comprehensive loss of approximately HK$23,294,000 during the year ended 31 May 2016 and as of that date, the Company and its subsidiaries' current liabilities exceeded its current assets by approximately HK$3,242,000. 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 Company and its subsidiaries' ability to continue as a going concern.

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

Hong Kong, 22 August 2016

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 2016

	Notes	2016 HK$'000	2015 HK$'000
Turnover	5&6	**2,367**	2,127
Cost of sales		**(637)**	(589)
Gross profit		**1,730**	1,538
Other revenues	6	**25**	2,304
Selling and marketing expenses		**(454)**	(261)
Administrative expenses		**(24,551)**	(24,082)
Operating loss	7	**(23,250)**	(20,501)
Finance costs	8	**(44)**	(116)
Share of profit/(loss) of associates		**–**	–
Loss for the year		**(23,294)**	(20,617)
Other comprehensive income		**–**	–
Total comprehensive loss for the year		**(23,294)**	(20,617)
Loss for the year attributable to:			
– Equity holders of the Company		**(23,247)**	(20,547)
– Non-controlling interests		**(47)**	(70)
		(23,294)	(20,617)
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		**(23,247)**	(20,547)
– Non-controlling interests		**(47)**	(70)
		(23,294)	(20,617)
Loss per share attributable to equity holders of the Company			
– Basic and diluted	11	**HK (2.38 cents)**	HK (2.55 cents)

The notes on pages 32 to 91 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 May 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	14	**1,184**	996
Intangible assets	15	**4,897**	4,101
Interests in associates	16	**3**	3
Interest in a joint venture	17	**50**	–
Available-for-sale financial assets	18	**–**	–
		6,134	5,100
Current assets			
Inventories	19	**141**	185
Trade receivables	20	**505**	125
Prepayments, deposits and other receivables	20	**697**	852
Bank balances and cash	21	**1,436**	2,544
		2,779	3,706
Total assets		**8,913**	8,806
EQUITY			
Capital and reserves			
Share capital	25	**20,769**	17,815
Share premium and reserves	26	**(18,003)**	(15,955)
		2,766	1,860
Non-controlling interests		**(116)**	(110)
Total equity		**2,650**	1,750

Consolidated Statement of Financial Position

As at 31 May 2016

	Notes	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	24	**242**	340
Current liabilities			
Trade payables	22	**2,023**	1,861
Receipt in advance, accruals and other payables	22	**3,344**	2,032
Amounts due to directors	23	**556**	1,084
Convertible bonds	28	**–**	1,627
Obligations under finance leases	24	**98**	112
		6,021	6,716
Total liabilities		**6,263**	7,056
Total equity and liabilities		**8,913**	8,806
Net current liabilities		**(3,242)**	(3,010)
Total assets less current liabilities		**2,892**	2,090

The notes on pages 32 to 91 form an integral part of these consolidated financial statements.

The financial statements on pages 27 to 91 were approved by the Board of Directors on 22 August 2016 and were signed on its behalf.

James Ang
Director

Yau Pui Chi, Maria
Director

Consolidated Statement of Changes in Equity

For the year ended 31 May 2016

	Share Capital HK$'000	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'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 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 and 1 June 2015	17,815	123,301	12,140	375	(9,251)	247	(142,767)	1,860	(110)	1,750
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(23,247)**	**(23,247)**	**(47)**	**(23,294)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(23,247)**	**(23,247)**	**(47)**	**(23,294)**
Transactions with owners:										
Issue of shares by subscriptions	**1,340**	**9,795**	**–**	**–**	**–**	**–**	**–**	**11,135**	**–**	**11,135**
Issue of shares by placing	**680**	**4,976**	**–**	**–**	**–**	**–**	**–**	**5,656**	**–**	**5,656**
Issue of shares upon conversion of convertible bonds	**156**	**1,858**	**–**	**(375)**	**–**	**–**	**–**	**1,639**	**–**	**1,639**
Issue of shares upon exercise of share options	**778**	**8,519**	**(3,021)**	**–**	**–**	**–**	**–**	**6,276**	**–**	**6,276**
Grant of share options	**–**	**–**	**1,670**	**–**	**–**	**–**	**–**	**1,670**	**–**	**1,670**
Recognition of equity-settled share-based payments	**–**	**–**	**2,309**	**–**	**–**	**–**	**–**	**2,309**	**–**	**2,309**
Lapse of share options	**–**	**–**	**(51)**	**–**	**–**	**–**	**51**	**–**	**–**	**–**
Addition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49**	**49**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**(4,532)**	**–**	**–**	**(4,532)**	**(8)**	**(4,540)**
Total transactions with owners	**2,954**	**25,148**	**907**	**(375)**	**(4,532)**	**–**	**51**	**24,153**	**41**	**24,194**
Balance at 31 May 2016	**20,769**	**148,449**	**13,047**	**–**	**(13,783)**	**247**	**(165,963)**	**2,766**	**(116)**	**2,650**

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, Asian Talent Development Centre Limited, GBjobs (SSP) Services Centre Limited and 金飯碗人力資源服務（深圳）有限公司 and the amount of adjustment to non-controlling interests during the years ended 31 May 2015 and 2016.

The notes on pages 32 to 91 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 May 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Net cash used in operations	30	**(16,720)**	(14,255)
Interest paid		**(20)**	(33)
Net cash used in operating activities		**(16,740)**	(14,288)
Cash flows from investing activities			
Additions of intangible assets		**(1,650)**	(1,478)
Additions of plant and equipment		**(592)**	(191)
Proceeds from disposal of plant and equipment		**–**	129
Investment in a joint venture		**(50)**	–
Net cash used in investing activities		**(2,292)**	(1,540)
Cash flows from financing activities			
Net proceeds from issuance of shares by subscriptions		**11,135**	4,150
Net proceeds from issuance of shares by placing		**5,656**	–
Net proceeds from issuance of convertible bonds		**–**	4,500
Net proceeds from exercise of warrants		**–**	10,381
Net proceeds from exercise of share options		**6,276**	6,544
Coupon interest paid for convertible bonds		**(12)**	(46)
Additions of non-controlling interests		**49**	224
Acquisition of non-controlling interests		**(4,540)**	(9,400)
(Decrease)/increase in amounts due to directors		**(528)**	721
Repayment of obligations under finance leases		**(112)**	(222)
Net cash generated from financing activities		**17,924**	16,852
Net (decrease)/increase in cash and cash equivalents		**(1,108)**	1,024
Cash and cash equivalents at beginning of the year		**2,544**	1,520
Cash and cash equivalents at end of the year	21	**1,436**	2,544

The notes on pages 32 to 91 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 22 August 2016.

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$23.25 million for the year ended 31 May 2016 and had net current liabilities of approximately HK$3.24 million as at 31 May 2016. 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

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.

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

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

(b) The consolidated financial statements of the Group have been prepared under the historical cost convention and in accordance with all applicable 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 2016

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.

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for a date to be determined by the IASB

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 January 2016 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 2016.

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

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

(iii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 May 2016.

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.

(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.

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

2.2 Consolidation *(Continued)*

(i) Business combinations *(Continued)*

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 in profit or loss. Contingent consideration that is classified as equity is not 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 and other comprehensive income.

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 of the subsidiary 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 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 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 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of loss in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.5 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.

2.6 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 charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

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	$33\frac{1}{3}$%
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 the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

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

2.7 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.

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.

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

2.7 Intangible assets *(Continued)*

(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.

2.8 Impairment of 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.

2.9 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 the investment matures or 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.

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

2.9 Available-for-sale financial assets *(Continued)*

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.

2.10 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 other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

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

2.10 Foreign currency translation *(Continued)*

(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 currency translation 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. Currency translation differences arising are recognised in other comprehensive income.

2.11 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.

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

2.11 Leases *(Continued)*

(b) Finance leases *(Continued)*

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 charged to 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.

2.12 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.

2.13 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.

2.14 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.

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

2.16 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.

2.17 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.

2.18 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

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

2.18 Current and deferred income tax *(Continued)*

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 consolidated 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 in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is 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)*

2.19 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.

2.20 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)*

2.20 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)*

2.21 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 bonds 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 bonds 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 bonds equity reserve until the conversion option is exercised in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the conversion option remains unexercised at the expiry date, the balance stated in the convertible bonds 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)*

2.21 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)*

2.22 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 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.

	Less than 1 year or on demand HK$'000	**Between 2 and 5 years HK$'000**
As at 31 May 2016		
Trade and other payables	**5,367**	–
Amounts due to directors	**556**	–
Obligations under finance leases	**98**	**242**
	6,021	**242**

	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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

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 2016, except for finance leases, the Group did not have interest bearing liability (2015: Nil, except for finance leases and convertible bonds). As such, gearing ratio was not adopted.

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).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(b) *(Continued)*

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

	2016				2015			
	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 bonds are recognised under level 3 of the fair value hierarchy, as the convertible bonds are not traded in an active market and their 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 28 for the change in level 3 instruments for the year ended 31 May 2016.

There was no transfer between Level 1 and Level 2 for the years ended 31 May 2016 and 2015.

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) 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)*

(d) Impairment of intangible and non-financial assets

Included in the consolidated statement of financial position as at 31 May 2016 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 2.8. 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.

(e) 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 2.20.

(f) 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.

	2016			
	Sale of equipment HK$'000	Long distance call services-end-users direct sales HK$'000	Telecommunication, value-added and recruitment services HK$'000	Total HK$'000
Turnover	131	569	1,667	2,367
Segment results	(1,023)	(4,048)	(14,189)	(19,260)
Other revenues				25
Operating loss				(19,235)
Unallocated costs				(4,015)
Finance costs				(44)
Loss for the year				(23,294)
Segment assets	1,300	305	7,011	8,616
Unallocated assets				297
Total assets				8,913
Segment liabilities	1,942	451	1,235	3,628
Unallocated liabilities				2,635
Total liabilities				6,263
Capital expenditures	–	7	2,235	2,242
Unallocated capital expenditures				–
				2,242
Depreciation and amortisation	34	33	556	623
Unallocated depreciation and amortisation				576
				1,199

5 SEGMENT INFORMATION *(Continued)*

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

	2015			
	Sale of equipment HK$'000	Long distance call services-end-users direct sales HK$'000	Telecommunication, value-added and recruitment services HK$'000	Total HK$'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)*

(c) Geographical segments – secondary reporting format

	2016			
	Turnover HK$'000	**Segment results HK$'000**	**Total assets HK$'000**	**Capital expenditures HK$'000**
Hong Kong	**2,266**	**(22,323)**	**8,234**	**1,857**
Mainland China and other countries	**101**	**(996)**	**679**	**385**
	2,367	**(23,319)**	**8,913**	**2,242**
Other revenues		**25**		
Operating loss		**(23,294)**		

	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)		

(d) Information about major customers

The Group's customer base is diversified and only one customer contributed 10% or more to the Group's turnover.

	2016 HK$'000	2015 HK$'000
Turnover from one major customer:		
Telecommunication, value-added and recruitment services	**350**	–

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:

	2016	2015
	HK$'000	HK$'000
Turnover		
Long distance call services	**569**	565
Sale of equipment	**131**	174
Telecommunication, value-added and recruitment services	**1,667**	1,388
	2,367	2,127
Other revenues		
Over-provision of accruals and trade payables	**–**	2,273
Sundry income	**25**	31
	25	2,304
	2,392	4,431

7 OPERATING LOSS

	2016 HK$'000	2015 HK$'000
Operating loss is stated after charging the following:		
Auditor's remuneration	**420**	470
Amortisation of intangible assets	**854**	855
Bad debt	**4**	2
Cost of inventories sold	**637**	589
Depreciation		
– owned assets	**234**	240
– leased assets	**111**	110
Loss on disposal of plant and equipment	**59**	92
Operating lease – land and buildings	**1,451**	1,102
Provision for impairment of prepayments, deposits and other receivables	**4**	–
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	**13,815**	11,112
– employee and individual share options benefits	**3,137**	1,342
– retirement benefits scheme contributions	**243**	240

8 FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expense on convertible bonds	**24**	83
Finance lease interests	**20**	33
	44	116

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 profits for the year (2015: 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 (2015: 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:

	2016	2015
	HK$'000	HK$'000
Loss for the year	**(23,247)**	(20,617)
Calculated at a statutory rate of 16.5% (2015: 16.5%)	**(3,835)**	(3,402)
Income not taxable for taxation purposes	**(2)**	–
Expenses not deductible for taxation purposes	**793**	1,254
Tax losses not recognised	**2,908**	2,172
Accelerated depreciation not recognised	**136**	(24)
Income tax	**–**	–

10 DIVIDEND

The Directors do not recommend the payment of dividend in respect for the year ended 31 May 2016 (2015: Nil).

11 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$23,247,000 (2015: HK$20,547,000) and the weighted average number of approximately 977,331,000 ordinary shares (2015: 806,391,000 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 2016 and 2015 respectively, as the convertible bonds and share options had anti-dilutive effects.

12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**15,355**	12,486
Employee and individual share options benefits	**3,137**	1,342
Retirement benefits scheme contributions	**353**	344
	18,845	14,172

Note: Salaries paid to an executive Director and certain staff of the Group of approximately HK$1,650,000 (2015: HK$1,478,000), 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 2016 and 2015.

13 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:

	2016					2015
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Employee share option benefits HK$'000	Total HK$'000	Total HK$'000
Executive Directors						
Mr. James Ang	–	7,605	18	610	8,233	5,946
Mr. Wei Ren	30	–	–	–	30	–
Ms. Yau Pui Chi, Maria	–	1,621	18	610	2,249	1,965
Dr. Zhong Shi	–	807	18	360	1,185	972
	30	10,033	54	1,580	11,697	8,883
Non-executive Directors						
Mr. Chiang Kin Kon	–	–	–	48	48	–
Mr. Wong Kwok Fai	35	–	–	48	83	30
Mr. Chau Siu Keung	35	–	–	48	83	30
	70	–	–	144	214	60
	100	10,033	54	1,724	11,911	8,943

13 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 (2015: three) Directors whose emoluments have been reflected in the analysis presented above. The emoluments paid or payable to the remaining two (2015: two) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	954	880
Employee share options benefits	535	363
Retirement benefits scheme contributions	32	33
	1,521	1,276

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2016	2015
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.

14 PLANT AND EQUIPMENT

	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 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
Year ended 31 May 2016						
Opening net book value	**238**	**160**	**81**	**38**	**479**	**996**
Additions	**440**	**81**	**43**	**–**	**28**	**592**
Disposals	**(69)**	**–**	**–**	**–**	**–**	**(69)**
Depreciation	**(101)**	**(54)**	**(45)**	**(29)**	**(116)**	**(345)**
Written-back on disposals	**10**	**–**	**–**	**–**	**–**	**10**
Closing net book value	**518**	**187**	**79**	**9**	**391**	**1,184**
At 31 May 2016						
Cost	**1,736**	**1,588**	**1,426**	**11,515**	**1,179**	**17,444**
Accumulated depreciation	**(1,218)**	**(1,401)**	**(1,347)**	**(11,506)**	**(788)**	**(16,260)**
Net book value	**518**	**187**	**79**	**9**	**391**	**1,184**

Note:

(i) As at 31 May 2016, the carrying amount of motor vehicles of approximately HK$361,000 (2015: HK$479,000) was held under finance leases.

(ii) No deprecation charge was capitalised as intangible assets as at 31 May 2016 and 2015.

15 INTANGIBLE ASSETS

	Website development HK$'000	Telecommunication and recruitment applications and value-added service software development HK$'000	Total HK$'000
At 1 June 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
Year ended 31 May 2016			
Opening net book value	**–**	**4,101**	**4,101**
Additions	**–**	**1,650**	**1,650**
Amortisation	**–**	**(854)**	**(854)**
Closing net book value	**–**	**4,897**	**4,897**
At 31 May 2016			
Cost	**222**	**8,837**	**9,059**
Accumulated amortisation and impairment	**(222)**	**(3,940)**	**(4,162)**
Net book value	**–**	**4,897**	**4,897**

16 INTERESTS IN ASSOCIATES

Share of net assets of associates	2016 HK$'000	2015 HK$'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	Measurement method
ITP Innovation Limited (Note a)	Hong Kong	10,000 ordinary shares	30%	Equity
Crown Multimedia & Information Services Corp. (Note b)	Philippines	Ordinary shares and preferred shares of PHP 1 each respectively	40%	Equity

Notes:

(a) The associate did not commence operation from the date of incorporation to 31 May 2016.

(b) Set out below are the summarized financial information for Crown Multimedia & Information Services Corp. ("Crown Multimedia"), which are accounted for using the equity method:

Summarised statement of financial position

	Crown Multimedia	
	2016 HK$'000	2015 HK$'000
Non-current assets	222	253
Current assets		
Cash and cash equivalents	11	12
Other current assets	470	471
	481	483
	703	736
Current liabilities		
Financial liabilities	(2,002)	(2,017)
Other current liabilities	(421)	(360)
	(2,423)	(2,377)
Net liabilities	(1,720)	(1,641)

16 INTERESTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Summarised statement of comprehensive income

	Crown Multimedia	
	2016	2015
	HK$'000	HK$'000
Revenue	**–**	4
Depreciation and amortisation	**–**	(51)
Loss before income tax	**(155)**	(203)
Income tax expense	**–**	–
Post-tax loss from continuing operations	**(155)**	(203)
Post-tax loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive loss	**(155)**	(203)
Dividends received from associate	**–**	–

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates is as follows:

Summarised financial information

	Crown Multimedia	
	2016	2015
	HK$'000	HK$'000
Opening net liabilities at 1 June	**(1,641)**	(1,465)
Loss for the year	**(155)**	(203)
Other comprehensive income	**–**	–
Currency translation differences	**76**	27
Closing net liabilities	**(1,720)**	(1,641)
Interest in associates (40%)	**–**	–

17 INTEREST IN A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Beginning of the year	–	–
Additions	50	–
Other comprehensive income	–	–
Share of results, net of tax	–	–
End of the year	50	–

Notes:

(a) On 9 June 2015, Netel Cyber Education Limited, a subsidiary of the Group, acquired 50% equity interest and formed a joint venture company named Sino Financial Big Data Limited. As at 31 May 2016, the joint venture company has not yet commenced any business.

(b) The results of Sino Financial Big Data Limited and its aggregated assets and liabilities at the end of the reporting period are shown below:

	2016 HK$'000
Assets	100
Liabilities	–
Revenues	–
Profit/(loss)	–

There is no impairment charge of the investment in a joint venture for the year ended 31 May 2016.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
Unlisted equity securities (Note)	–	–

Note:

At 31 May 2016 and 2015, 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.

19 INVENTORIES

	2016 HK$'000	2015 HK$'000
Telecommunication equipment	**141**	185

As at 31 May 2016 and 2015, all inventories are stated at cost.

20 TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables (Note a)	**505**	125
Other receivables, prepayments and deposits	**697**	852
	1,202	977

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

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:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**244**	43
31 – 60 days	**130**	25
61 – 90 days	**35**	28
91 – 180 days	**63**	17
181 – 365 days	**21**	8
Over 365 days	**4,007**	3,999
	4,500	4,120
Less: provision for doubtful debts	**(3,995)**	(3,995)
	505	125

(b) Trade receivables that are less than four months are not considered impaired. As at 31 May 2016, trade receivables of approximately HK$79,000 (2015: HK$21,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
Past due but not impaired:		
0 – 60 days	**46**	8
61 – 120 days	**7**	1
121 – 365 days	**3**	3
Over 365 days	**23**	9
	79	21

21 BANK BALANCES AND CASH

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

	2016 HK$'000	2015 HK$'000
Bank balances and cash	**1,436**	2,544
Denominated in:		
HK$	**1,362**	2,507
Renminbi	**74**	37
	1,436	2,544

22 TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables (Note a)	**2,023**	1,861
Other payables and accruals	**1,750**	1,687
Receipt in advance (Note b)	**1,594**	345
	5,367	3,893

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

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:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**55**	77
31 – 60 days	**49**	27
61 – 90 days	**42**	11
91 – 180 days	**189**	39
181 – 365 days	**–**	19
Over 365 days	**1,688**	1,688
	2,023	1,861

22 TRADE AND OTHER PAYABLES *(Continued)*

Note: *(Continued)*

(b) The receipt in advance as at 31 May 2016 included a deposit received of HK$1,276,000 (2015: Nil) from an independent third party subscriber, Ms. Xu Li Qun, for the allotment and issuance of 11,000,000 ordinary shares at the subscription price of HK$0.116 per share under the general mandate granted at the annual general meeting held by the Company on 15 September 2015. The share subscription and share allotment were subsequently completed on 8 June 2016. The gross proceeds from the issue of ordinary shares was approximately HK$1,276,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$1,220,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended. Further details of the share subscription and share allotment were disclosed in the announcements of the Company dated 20 May 2016 and 8 June 2016 respectively.

23 AMOUNTS DUE TO DIRECTORS

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

24 OBLIGATIONS UNDER FINANCE LEASES

	2016 HK$'000	2015 HK$'000
Non-current obligations	**242**	340
Current obligations under finance leases	**98**	112
Total obligations under finance leases	**340**	452

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

	2016 HK$'000	2015 HK$'000
Gross obligations under finance leases – minimum lease payments:		
Not later than 1 year	**114**	133
Later than 1 year but not later than 5 years	**256**	370
	370	503
Future finance charges on finance leases	**(30)**	(51)
Present value of obligations under finance leases	**340**	452
The present value of obligations under finance leases is as follows:		
Not later than 1 year	**98**	112
Later than 1 year but not later than 5 years	**242**	340
	340	452

25 SHARE CAPITAL

	Company			
	2016		2015	
	Number of shares ('000)	**HK$'000**	Number of shares ('000)	HK$'000
Authorised ordinary shares of HK$0.02 (2015: 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 (2015: HK$0.02) each				
At 1 June	**890,753**	**17,815**	734,802	14,696
Issue of shares by subscriptions (Note a)	**67,000**	**1,340**	27,027	540
Issue of shares by placing (Note b)	**34,000**	**680**	–	–
Issue of shares upon conversion of convertible bonds (Note c)	**7,782**	**156**	20,080	402
Issue of shares upon exercise of warrants (Note d)	**–**	**–**	66,544	1,331
Issue of shares upon exercise of share options	**38,910**	**778**	42,300	846
At 31 May	**1,038,445**	**20,769**	890,753	17,815

Note:

(a) On 19 November 2014, the Company entered into a subscription agreement with an independent third party subscriber, Mr. Choi Ka Shing, for the allotment and issuance of approximately 20,000,000 ordinary shares at the subscription price of HK$0.185 per share. During the year ended 31 May 2015, approximately 7,027,000 ordinary shares of HK$0.02 each were allotted and issued to the subscriber at the price of HK$0.185 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK$1,300,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$1,245,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

On 13 February 2015, the Company entered into a subscription agreement with an independent third party subscriber, Like Capital Limited, for the allotment and issuance of approximately 20,000,000 ordinary shares at the subscription price of HK$0.143 per share. During the year ended 31 May 2015, approximately 20,000,000 ordinary shares of HK$0.02 each were allotted and issued to the subscriber at the price of HK$0.143 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK$2,860,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$2,820,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

25 SHARE CAPITAL *(Continued)*

Note: *(Continued)*

(a) *(Continued)*

On 26 June 2015, the Company entered into a subscription agreement with an independent third party subscriber, Mega Way International Limited, for the allotment and issuance of approximately 30,000,000 ordinary shares at the subscription price of HK$0.242 per share. During the year ended 31 May 2016, approximately 30,000,000 ordinary shares of HK$0.02 each were allotted and issued to the subscriber at the price of HK$0.242 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK$7,260,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$7,210,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

On 26 January 2016, the Company entered into a subscription agreement with an independent third party subscriber, Asian Rabbit Group Limited, for the allotment and issuance of approximately 10,000,000 ordinary shares at the subscription price of HK$0.12 per share. During the year ended 31 May 2016, approximately 10,000,000 ordinary shares of HK$0.02 each were allotted and issued to the subscriber at the price of HK$0.12 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK$1,200,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$1,150,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

On 4 March 2016, the Company entered into a subscription agreement with an independent third party subscriber, Ms. Qiu Ziling, for the allotment and issuance of approximately 27,000,000 ordinary shares at the subscription price of HK$0.10 per share. During the year ended 31 May 2016, approximately 27,000,000 ordinary shares of HK$0.02 each were allotted and issued to the subscriber at the price of HK$0.10 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK$2,700,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$2,660,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

25 SHARE CAPITAL *(Continued)*

Note: *(Continued)*

(b) On 31 July 2015, the Company entered into a placing agreement with a placing agent for the allotment and issuance of approximately 20,000,000 new shares at a price of HK$0.179 per share to not less than six independent placees on a best effort basis. During the year ended 31 May 2016, approximately 20,000,000 new shares of HK$0.02 each were allotted and issued to the placees at the price of HK$0.179 per share pursuant to the placing agreement. The gross proceeds from the issue of new shares was approximately HK$3,580,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$3,420,000, and the net proceeds from the issue of new shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilized as intended.

On 4 November 2015, the Company entered into a placing agreement with a placing agent for the allotment and issuance of approximately 14,000,000 new shares at a price of HK$0.149 per share to not less than six independent placees on a best effort basis. During the year ended 31 May 2016, approximately 14,000,000 new shares of HK$0.02 each were allotted and issued to the placees at the price of HK$0.149 per share pursuant to the placing agreement. The gross proceeds from the issue of new shares was approximately HK$2,086,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$1,960,000, and the net proceeds from the issue of new shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilized as intended.

(c) 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 28). 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.

On 22 April 2015, 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$2,000,000 (Note 28). The conversion price is HK$0.257 per conversion share.

During the year ended 31 May 2016, the Subscriber exercised the conversion rights of the Convertible Bonds to convert into approximately 7,782,000 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.

(d) 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.

26 RESERVES

	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Other Reverse HK$'000	Exchange Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 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 and 1 June 2015	123,301	12,140	375	(9,251)	247	(142,767)	(15,955)
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(23,247)**	**(23,247)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(23,247)**	**(23,247)**
Transactions with owners:							
– Issue of shares by subscriptions	**9,795**	**–**	**–**	**–**	**–**	**–**	**9,795**
– Issue of shares by placing	**4,976**	**–**	**–**	**–**	**–**	**–**	**4,976**
– Issue of shares upon conversion of convertible bonds	**1,858**	**–**	**(375)**	**–**	**–**	**–**	**1,483**
– Issue of shares upon exercise of share options	**8,519**	**(3,021)**	**–**	**–**	**–**	**–**	**5,498**
– Grant of share options	**–**	**1,670**	**–**	**–**	**–**	**–**	**1,670**
– Recognition of equity-settled share-based payments	**–**	**2,309**	**–**	**–**	**–**	**–**	**2,309**
– Lapse of share options	**–**	**(51)**	**–**	**–**	**–**	**51**	**–**
– Acquisition of non-controlling interests	**–**	**–**	**–**	**(4,532)**	**–**	**–**	**(4,532)**
Total transactions with owners	**25,148**	**907**	**(375)**	**(4,532)**	**–**	**51**	**21,199**
Balance at 31 May 2016	**148,449**	**13,047**	**–**	**(13,783)**	**247**	**(165,963)**	**(18,003)**

27 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 18 and 19.

27 SHARE-BASED PAYMENTS *(Continued)*

(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 2016	Vesting condition	Contractual life of option
Options granted on 13 October 2009:			
– to Executive Directors	9,770,000	Not Applicable	10 years
– to Independent Non-Executive Directors	4,700,000	Not Applicable	10 years
	14,470,000		
Options granted on 8 December 2010:			
– to Executive Directors	2,000,000	Not Applicable	10 years
– to Employees	940,000	Not Applicable	10 years
	2,940,000		
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	Vested and exercisable in 5 tranches (note a)	10 years
– to Employees	7,380,000	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
	13,380,000		

27 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

	Number of share options outstanding as at 31 May 2016	Vesting condition	Contractual life of option
Options granted on 3 December 2014:			
– to Employees	6,400,000	Vested and exercisable in 5 tranches (note b)	10 years
– to Individuals	51,000,000	Not Applicable	10 years
	57,400,000		
Options granted on 12 October 2015:			
– to Executive Director	5,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Employees	24,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Individuals	2,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Individual	1,000,000	Vested and exercisable on the second anniversary of the date of grant	10 years
	32,000,000		
Options granted on 12 February 2016:			
– to Executive Director	1,000,000	Not Applicable	10 years
– to Independent Non-Executive Directors	3,000,000	Not Applicable	10 years
– to Employees	10,500,000	Not Applicable	10 years
– to Individuals	15,000,000	Not Applicable	10 years
	29,500,000		

27 SHARE-BASED PAYMENTS *(Continued)*

(c) *(Continued)*

Note:

(a) The share options granted to Dr. Zhong Shi, the executive Director, 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

(c) The share options granted to Dr. Zhong Shi, the executive Director, other employees and individuals of the Group on 12 October 2015 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2016 – 15.11.2017
40%* of the options granted	16.11.2017 – 15.11.2018
60%* of the options granted	16.11.2018 – 15.11.2019
80%* of the options granted	16.11.2019 – 15.11.2020
100%* of the options granted	16.11.2020 – 11.10.2025

* including those not previously exercised

During the year ended 31 May 2016, 81,260,000 share options were granted under the New Share Option Scheme (2015: 74,900,000), 38,910,000 share options were exercised (2015: 42,300,000), 8,328,000 share options were lapsed (2015: 6,300,000) and no share options were cancelled during the year (2015: Nil).

27 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

The fair value of the share option granted on 12 February 2016 and 12 October 2015 were determined by an independent valuer, Ascent Partners Valuation Service Limited (3 December 2014: LCH (Asia-Pacific) Surveyors Limited), using the Binomial Option Pricing model. The following principal assumptions were adopted in the valuation:

	12 February 2016	12 October 2015	3 December 2014
Spot price	HK$0.111	HK$0.159	HK$0.1838
Exercise price	HK$0.111	HK$0.159	HK$0.1838
Annual risk-free interest rate	1.409%	1.407%	1.19% – 1.52%
Expected option life	4.82 years – 4.93 years	5.15 years – 9.25 years	5 years – 7.48 years
Expected dividend yield	Nil	Nil	Nil
Expected volatility	96.38%	95.58%	78% – 105%
Fair value at grant date	HK$1,670,000	HK$4,120,000	HK$7,705,000

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

In total, approximately HK$3,979,000 (2015: HK$7,297,000) 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 2016, 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:

	2016		2015	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
At beginning of the year	143,468,000	0.181	117,168,000	0.168
Exercised during the year	(38,910,000)	0.161	(42,300,000)	0.155
Granted during the year	81,260,000	0.139	74,900,000	0.184
Lapsed during the year	(8,328,000)	0.163	(6,300,000)	0.157
At end of the year	177,490,000	0.167	143,468,000	0.181

The options outstanding at 31 May 2016 had a weighted average exercise price at HK$0.167 (2015: HK$0.181) and a weighted average remaining contractual life of 7.71 years (2015: 7.76 years).

28 CONVERTIBLE BONDS

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

Fair value of liability components	2016 HK$'000	2015 HK$'000
Beginning of year	**1,627**	–
Face value of convertible bonds issued	**–**	4,500
Equity components	**–**	(690)
Coupon interests	**(12)**	(46)
Interest expense of convertible bonds	**24**	83
Conversion of convertible bonds	**(1,639)**	(2,220)
End of year	**–**	1,627

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 bonds 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 bonds into approximately 20,080,000 conversion shares at the conversion price of HK$0.1245 per share. The gross proceeds from the issue of the convertible bonds was HK$2,500,000 and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$2,445,000, and the net proceeds from the issue of the convertible bonds were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

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 bonds 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 2016, the holder exercised the right to fully convert the convertible bonds into approximately 7,782,000 conversion shares at the conversion price of HK$0.257 per share. The gross proceeds from the issue of the convertible bonds was HK$2,000,000 and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$1,945,000, and the net proceeds from the issue of the convertible bonds were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

28 CONVERTIBLE BONDS *(Continued)*

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.

The following table gives information about how the fair values of the convertible bonds in issue during the year 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 bonds, 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; (ii) 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.

29 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 28) 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 were exercised by Mr. Ang to subscribe for approximately 66,544,000 ordinary shares of the Company of HK$0.02 each.

As at 31 May 2016 and 2015, all outstanding Warrants were fully exercised.

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating loss to net cash used in operations:

	2016	2015
	HK$'000	HK$'000
Operating loss	**(23,250)**	(20,501)
Adjustments for:		
Amortisation and impairment	**854**	855
Bad debt	**4**	2
Depreciation	**345**	350
Loss on disposal of plant and equipment	**59**	92
Provision for impairment of prepayments, deposits and other receivables	**4**	–
Over-provision of accruals and trade payables	**–**	(2,273)
Share-based payments	**3,979**	7,297
Operating loss before working capital changes	**(18,005)**	(14,178)
Decrease in inventories	**44**	3
Increase in trade and other receivables	**(233)**	(106)
Increase in trade and other payables	**1,474**	26
Net cash used in operations	**(16,720)**	(14,255)

31 COMMITMENTS

(a) Commitments under operating leases

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

	2016 HK$'000	2015 HK$'000
Not later than one year	751	525
Later than one year but not later than five years	93	337
	844	862

(b) Capital commitment

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

	2016 HK$'000	2015 HK$'000
Plant and equipment	61	32

32 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:

		2016 HK$'000	2015 HK$'000
(a)	Rental expenses paid to a related company	381	120

Note: Rental expenses were paid to Charmfine Investment Limited, a related company beneficially owned by Mr. James Ang and Ms. Yau Pui Chi, Maria, at arm's length rates in accordance with the terms of the underlying agreements.

(b) Key management compensation

The compensation of key management personnel paid or payable by the Group in respect of the year is set out in Note 13 to the consolidated financial statements.

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

As at 31 May 2016

	2016 HK$'000	2015 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**1**	1
Current assets		
Other receivables	**15**	15
Total assets	**16**	16
EQUITY		
Capital and reserves		
Share capital	**20,769**	17,815
Share premium and reserves (Note (a))	**(22,919)**	(20,191)
Total equity	**(2,150)**	(2,376)
LIABILITIES		
Current liabilities		
Trade and other payables	**890**	765
Receipt in advance	**1,276**	–
Convertible bonds	**–**	1,627
Total liabilities	**2,166**	2,392
Total equity and liabilities	**16**	16

The statement of financial position of the Company was approved by the Board of Directors on 22 August 2016 and was signed on its behalf.

James Ang
Director

Yau Pui Chi, Maria
Director

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) – Reserve movement of the Company

	Share Premium HK$'000	Share Option Reserve HK$'000	Convertible Bonds Equity Component HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 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 and 1 June 2015	129,782	12,140	375	(162,488)	(20,191)
Loss for the year	**–**	**–**	**–**	**(28,459)**	**(28,459)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(28,459)**	**(28,459)**
Transactions with owners:					
– Issue of shares by subscriptions	**9,795**	**–**	**–**	**–**	**9,795**
– Issue of shares by placing	**4,976**	**–**	**–**	**–**	**4,976**
– Issue of shares upon conversion of convertible bonds	**1,858**	**–**	**(375)**	**–**	**1,483**
– Issue of shares upon exercise of share options	**8,519**	**(3,021)**	**–**	**–**	**5,498**
– Grant of share options	**–**	**1,670**	**–**	**–**	**1,670**
– Recognition of equity-settled share-based payments	**–**	**2,309**	**–**	**–**	**2,309**
– Lapse of share options	**–**	**(51)**	**–**	**51**	**–**
Total transactions with owners	**25,148**	**907**	**(375)**	**51**	**25,731**
Balance at 31 May 2016	**154,930**	**13,047**	**–**	**(190,896)**	**(22,919)**

34 PRINCIPAL SUBSIDIARIES

(a) Details of the principal subsidiaries as at 31 May 2016 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held 2016	Attributable equity interest held 2015
DIRECTLY HELD:					
Think Gold Assets Limited	British Virgin Islands ("BVI")	Investment holding	100 ordinary shares of US$1 each	**100%**	100%
Nation Power Limited	BVI	Investment holding	1 ordinary share of US$1 each	**100%**	100%
INDIRECTLY HELD:					
Netel Technology Limited	Hong Kong	Trading of telecommunication equipment and provision of long distance call services in Hong Kong	10,000 ordinary shares	**100%**	100%
Pacific Long Distance Telephone Corporation Limited	Hong Kong	Provision of long distance call services and sale of long distance calling cards in Hong Kong	10,000 ordinary shares	**100%**	100%
Netel Cyber Education Limited	Hong Kong	Research and development of telecommunication applications software in Hong Kong	10,000 ordinary shares	**100%**	100%
3G Lab Limited	Hong Kong	Research and development of telecommunication applications software in Hong Kong	1 ordinary share	**100%**	100%
Lotus Communication Limited	Hong Kong	Research and development and provision of long distance call and value- added service applications software in Hong Kong	1 ordinary share	**100%**	100%

34 PRINCIPAL SUBSIDIARIES *(Continued)*

(a) Details of the principal subsidiaries at 31 May 2016 are as follows: *(Continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held 2016	2015
INDIRECTLY HELD (continued):					
北京金利德科技有限公司	The People's Republic of China (The "PRC")	Research and development of telecommunication application software and provision of recruitment agency services in the PRC	Registered capital of RMB2,000,000	**100%**	100%
Hong Kong Financial Talent Consultant Company Limited	Hong Kong	Provision of recruitment, advertisements and human resources consultancy services in Hong Kong	1 ordinary share	**100%**	100%
GBjobs.com Limited	Hong Kong	Research and development of recruitment applications and provision of recruitment services in Hong Kong	7,218,539 ordinary shares	**99.24% (note b)**	98.54%
Dolphins HR Consultancy Limited	Hong Kong	Provision of human resources consultancy services in Hong Kong	10,000 ordinary shares	**99.24% (note b)**	98.54%
Asian Talent Development Centre Limited	Hong Kong	Provision of education and related consultancy services in Hong Kong	10,000 ordinary shares	**99.24% (note b)**	98.54%
GBjobs (SSP) Services Centre Limited	Hong Kong	Provision of recruitment services in Hong Kong	10,000 ordinary shares	**99.24% (note b)**	98.54%
金飯碗人力資源服務(深圳)有限公司	The PRC	Provision of recruitment services in the PRC	Registered capital of RMB10,000,000	**99.24% (note b)**	N/A
Lotus 118 Limited	Hong Kong	Research and development and provision long distance call and value-added service applications software in Hong Kong	100 ordinary shares	**51%**	51%

34 PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Change in ownership in subsidiaries

During the year ended 31 May 2016, a subsidiary of the Group acquired additional interest in GBjobs.com Limited ("GBjobs") for a consideration of approximately HK$4,540,000 (2015: HK$9,400,000). As a result of the acquisition, the Group's effective interest in GBjobs and its subsidiaries eventually changed from 98.54% to 99.24% as at 31 May 2016 (2015: from 99.95% to 98.54%). 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 recognised in the consolidated statement of changes in equity.

35 EVENTS AFTER THE REPORTING PERIOD

On 20 May 2016, the Company entered into a subscription agreement with an independent third party subscriber, Ms. Xu Li Qun, for the allotment and issuance of approximately 11,000,000 ordinary shares at the subscription price of HK$0.116 per share. The share subscription and share allotment were subsequently completed on 8 June 2016, in which approximately 11,000,000 ordinary shares of HK$0.02 each were allotted and issued to the subscriber at the price of HK$0.116 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK$1,276,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$1,220,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

On 25 July 2016, the Company entered into subscription agreements with two independent third party subscribers, Mr. Wong Wing Hong and Ms. Zeng Wen Bin, for the allotment and issuance of approximately 9,800,000 ordinary shares at the subscription price of HK$0.10 per share. The share subscription and share allotment were subsequently completed on 5 August 2016, in which approximately 9,800,000 ordinary shares of HK$0.02 each were allotted and issued to the subscribers at the price of HK$0.10 per share pursuant to the subscription agreements. The gross proceeds from the issue of ordinary shares was approximately HK$980,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK$920,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this report, all proceeds have been utilised as intended.

36 COMPARATIVE FIGURES

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

37 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 August 2016.

Five Years Financial Summary

	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**2,367**	2,127	1,972	1,761	1,920
Share of profit/(loss) of associates	**–**	–	–	–	–
Loss attributable to shareholders	**(23,247)**	(20,547)	(16,521)	(14,008)	(3,907)
Assets and liabilities					
Total assets	**8,913**	8,806	6,938	8,509	16,988
Total liabilities	**(6,263)**	(7,056)	(6,677)	(8,440)	(15,302)
Non-controlling interests	**116**	110	115	129	20
Shareholders' fund	**2,766**	1,860	376	198	1,706