



NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

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INTERIM REPORT 2016/2017



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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 November 2016

The board (the "Board") of directors (the "Directors") of Netel Technology (Holdings) Limited (the "Company") are pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 November 2016 together with the comparative unaudited figures for the corresponding period in 2015:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Turnover	3	363	711	811	1,292
Cost of sales		(148)	(180)	(274)	(375)
Gross profit		215	531	537	917
Other revenues		38	-	38	-
Selling and marketing expenses		(37)	(187)	(69)	(328)
Administrative expenses		(6,295)	(6,195)	(11,269)	(12,437)
Operating loss	4	(6,079)	(5,851)	(10,763)	(11,848)
Finance costs	5	(4)	(6)	(8)	(35)
Share of profit/(loss) of associates		-	-	-	-
Loss for the period		(6,083)	(5,857)	(10,771)	(11,883)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(6,083)	(5,857)	(10,771)	(11,883)
Loss for the period attributable to:					
- Equity holders of the Company		(6,073)	(5,860)	(10,750)	(11,868)
- Non-controlling interests		(10)	3	(21)	(15)
		(6,083)	(5,857)	(10,771)	(11,883)
Total comprehensive loss for the period attributable to:					
- Equity holders of the Company		(6,073)	(5,860)	(10,750)	(11,868)
- Non-controlling interests		(10)	3	(21)	(15)
		(6,083)	(5,857)	(10,771)	(11,883)
Loss per share attributable to equity holders of the Company					
- Basic and diluted	8	HK(0.56 cents)	HK(0.61 cents)	HK(1.01 cents)	HK(1.25 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2016

	Notes	As at 30 November 2016 HK\$'000 (Unaudited)	As at 31 May 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	6	1,052	1,184
Intangible assets		4,538	4,897
Interests in associates		3	3
Interest in a joint venture		50	50
Available-for-sale financial assets		–	–
		5,643	6,134
Current assets			
Inventories		135	141
Trade receivables	9	316	505
Prepayments, deposits and other receivables	9	642	697
Bank balances and cash		1,367	1,436
		2,460	2,779
Total assets		8,103	8,913
LIABILITIES			
Current liabilities			
Trade payables	10	2,201	2,023
Receipt in advance, accruals and other payables	10	2,512	3,344
Amounts due to directors		790	556
Obligations under finance leases		101	98
		5,604	6,021
Net current liabilities		(3,144)	(3,242)
Total assets less current liabilities		2,499	2,892
Non-current liabilities			
Obligations under finance leases		190	242
Net assets		2,309	2,650
EQUITY			
Capital and reserves			
Share capital	12	22,270	20,769
Share premium and reserves		(19,824)	(18,003)
		2,446	2,766
Non-controlling interests		(137)	(116)
Total equity		2,309	2,650

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 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 2015 (Audited)	17,815	123,301	12,140	375	(9,251)	247	(142,767)	1,860	(110)	1,750
Loss for the period	-	-	-	-	-	-	(11,868)	(11,868)	(15)	(11,883)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(11,868)	(11,868)	(15)	(11,883)
Transactions with owners:										
- Issue of shares by subscriptions	600	6,650	-	-	-	-	-	7,250	-	7,250
- 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	384	4,319	(1,664)	-	-	-	-	3,039	-	3,039
- Recognition of equity-settled share-based payments	-	-	450	-	-	-	-	450	-	450
- Grant of share options	-	-	1,016	-	-	-	-	1,016	-	1,016
- 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	1,820	17,803	(249)	(375)	(4,532)	-	51	14,518	41	14,559
Balance at 30 November 2015 (Unaudited)	19,635	141,104	11,891	-	(13,783)	247	(154,584)	4,510	(84)	4,426
Balance at 1 June 2016 (Audited)	20,769	148,449	13,047	-	(13,783)	247	(165,963)	2,766	(116)	2,650
Loss for the period	-	-	-	-	-	-	(10,750)	(10,750)	(21)	(10,771)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(10,750)	(10,750)	(21)	(10,771)
Transactions with owners:										
- Issue of shares by subscriptions	916	3,830	-	-	-	-	-	4,746	-	4,746
- Issue of shares upon exercise of share options	585	4,750	(1,372)	-	-	-	-	3,963	-	3,963
- Recognition of equity-settled share-based payments	-	-	841	-	-	-	-	841	-	841
- Grant of share options	-	-	880	-	-	-	-	880	-	880
- Lapse of share options	-	-	(74)	-	-	-	74	-	-	-
Total transactions with owners	1,501	8,580	275	-	-	-	74	10,430	-	10,430
Balance at 30 November 2016 (Unaudited)	22,270	157,029	13,322	-	(13,783)	247	(176,639)	2,446	(137)	2,309

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 31 May 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2016

	For the six months ended 30 November	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(8,863)	(10,251)
Net cash used in investing activities	(100)	(197)
Net cash generated from financing activities	8,894	10,288
Decrease in cash and cash equivalents	(69)	(160)
Cash and cash equivalents at beginning of the period	1,436	2,544
Cash and cash equivalents at end of the period	1,367	2,384
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,367	2,384



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 May 2016.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 May 2016.

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

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts

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

Going Concern

The condensed consolidated financial statements have been prepared on a going concern basis, the Group had incurred a loss attributable to shareholders of approximately HK\$10.75 million during the six months ended 30 November 2016 and had net current liabilities of approximately HK\$3.14 million as at 30 November 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 condensed consolidated financial statements, the Directors have carefully reviewed the Group's cash position as at the end of the reporting period and the cash flow forecast for the next twelve months. In reviewing the Group's cash flows, the Directors have considered the following factors:

- A major and controlling shareholder confirms that fund, if required, will be made available to the Company 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



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

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

Going Concern *(Continued)*

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

The Directors believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of the condensed consolidated financial statements on going concern basis is appropriate.

3. TURNOVER AND SEGMENT INFORMATION

(a) Segment Information

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Business segments – primary reporting format

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

For the six months ended 30 November 2016 (Unaudited)

	Sale of equipment HK\$'000	Long distance call services – end-users direct sales HK\$'000	Telecommunication, value-added and recruitment services HK\$'000	Group HK\$'000
Turnover	50	288	473	811
Segment results	(453)	(2,322)	(6,503)	(9,278)
Other revenues				35
Operating loss				(9,243)
Unallocated costs				(1,520)
Finance costs				(8)
Loss for the period				(10,771)

For the six months ended 30 November 2015 (Unaudited)

	Sale of equipment HK\$'000	Long distance call services – end-users direct sales HK\$'000	Telecommunication, value-added and recruitment services HK\$'000	Group HK\$'000
Turnover	73	358	861	1,292
Segment results	(429)	(2,284)	(7,461)	(10,174)
Other revenues				–
Operating loss				(10,174)
Unallocated costs				(1,674)
Finance costs				(35)
Loss for the period				(11,883)

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

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(c) Geographical segments – secondary reporting format

	Turnover		Segment results	
	For the six months ended 30 November (Unaudited)		For the six months ended 30 November (Unaudited)	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	753	1,239	(10,028)	(11,394)
Mainland China and other countries	58	53	(778)	(489)
	811	1,292	(10,806)	(11,883)
Other revenues			35	–
Operating loss			(10,771)	(11,883)

(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.

	For the six months ended 30 November	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Turnover from one major customer: Telecommunication, value-added and recruitment services	103	–

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

4. OPERATING LOSS

	For the six months ended 30 November	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Operating loss is stated after charging the following:		
Amortisation of intangible assets	359	427
Cost of inventories sold	274	375
Depreciation		
– owned assets	138	97
– leased assets	59	68
Loss on disposal of plant and equipment	35	–
Operating lease – land and buildings	466	720
Provision for impairment of prepayments, deposits and other receivables	–	4
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	7,027	7,636
– employee and individual share options benefits	1,663	1,466
– retirement benefits scheme contributions	194	181

5. FINANCE COSTS

	For the six months ended 30 November	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest expenses on convertible bonds	–	24
Finance lease interests	8	11
	8	35



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

6. PLANT AND EQUIPMENT

As at 30 November 2016, the Group's plant and equipment was amounting to approximately HK\$1,052,000 (31 May 2016: HK\$1,184,000). The Directors consider that the fair value of the plant and equipment as at 30 November 2016 does not change significantly from their carrying amounts as at 31 May 2016.

During the six months ended 30 November 2016, the Group had acquired plant and equipment of approximately HK\$100,000 (six months ended 30 November 2015: HK\$197,000), while the Group had disposed plant and equipment of approximately HK\$69,000 (six months ended 30 November 2015: Nil).

7. INCOME TAX

No provision for Hong Kong profits tax has been made in the current interim period as the Group has no estimated assessable profits for the period (six months ended 30 November 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 (six months ended 30 November 2015: Nil).

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

The calculation of basic loss per share for the three months and six months ended 30 November 2016 are based on the Group's unaudited consolidated loss for the three months and six months ended 30 November 2016 attributable to the equity holders of the Company of approximately HK\$6,073,000 and HK\$10,750,000 respectively (loss for the three months and six months ended 30 November 2015: HK\$5,860,000 and HK\$11,868,000) and the weighted average number of approximately 1,079,552,000 and 1,068,708,000 ordinary shares (three months and six months ended 30 November 2015: 964,641,000 and 947,218,000 ordinary shares) in issue during the three months and six months ended 30 November 2016 respectively.

The dilutive loss per share is equal to the basic loss per share for the three months and six months ended 30 November 2016 and 2015 respectively, as the convertible bonds and share options had anti-dilutive effects.

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

9. TRADE AND OTHER RECEIVABLES

	As at 30 November 2016 HK\$'000 (Unaudited)	As at 31 May 2016 HK\$'000 (Audited)
Trade receivables (Note a)	316	505
Other receivables, prepayments and deposits	642	697
	958	1,202

Note:

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

	As at 30 November 2016 HK\$'000 (Unaudited)	As at 31 May 2016 HK\$'000 (Audited)
0 – 30 days	100	244
31 – 60 days	46	130
61 – 90 days	33	35
91 – 180 days	68	63
181 – 365 days	56	21
Over 365 days	4,008	4,007
	4,311	4,500
Less: provision for doubtful debts	(3,995)	(3,995)
	316	505

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

10. TRADE AND OTHER PAYABLES

	As at 30 November 2016 HK\$'000 (Unaudited)	As at 31 May 2016 HK\$'000 (Audited)
Trade payables (Note a)	2,201	2,023
Other payables and accruals	2,217	1,750
Receipt in advance	295	1,594
	4,713	5,367

Note:

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

	As at 30 November 2016 HK\$'000 (Unaudited)	As at 31 May 2016 HK\$'000 (Audited)
0 – 30 days	69	55
31 – 60 days	7	49
61 – 90 days	94	42
91 – 180 days	105	189
181 – 365 days	238	–
Over 365 days	1,688	1,688
	2,201	2,023

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

11. CONVERTIBLE BONDS

On 22 April 2015, the Company entered into an agreement with a subscriber, who is also an independent third party to the Group, to subscribe for convertible bonds in the principal amount of HK\$2,000,000 bearing interest at the coupon rate of 7% per annum payable half-yearly in arrears with a maturity of two years due 2017. The holder has the right to convert in whole or part of the principal amount of the bond into shares at a conversion price of HK\$0.257 per conversion share at any time following the issue of the convertible bonds and up to the close of business on the maturity date with the prior written consent of the Company. During the six months ended 30 November 2015, 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.

The values of the liability component and the equity component were determined at issuance of the convertible bonds. The fair value of the liability component was calculated using a discounted cash flow approach. The equity component is recognised initially as the difference between the net proceeds from the bonds and the fair values of the liability components and is included in the consolidated statement of changes in equity.

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised ordinary shares of HK\$0.02 (31 May 2016: HK\$0.02) each		
At 1 June 2016 and 30 November 2016	5,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.02 (31 May 2016: HK\$0.02) each		
At 1 June 2016	1,038,445	20,769
Issue of shares by subscriptions (Note a)	45,800	916
Issue of shares upon exercise of share options	29,270	585
At 30 November 2016	1,113,515	22,270



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

12. SHARE CAPITAL *(Continued)*

Note:

- (a) 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. During the six months ended 30 November 2016, 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 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. During the six months ended 30 November 2016, 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 agreement. 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.

On 25 October 2016, the Company entered into a subscription agreement with an independent third party subscriber, Chinese Arts (Hong Kong) Auction Company Limited, for the allotment and issuance of approximately 25,000,000 ordinary shares at the subscription price of HK\$0.10 per share. During the six months ended 30 November 2016, approximately 25,000,000 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\$2,500,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK\$2,400,000, 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.

13. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 13 January 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$0.81 million for the six months ended 30 November 2016, a decrease of approximately HK\$0.48 million from approximately HK\$1.29 million for the same period of last year. The decrease was mainly attributable to the decrease in headhunting business and calling card sales, SIP Service revenue and carrier sales during the period. The loss for the interim period was decreased by approximately HK\$1.11 million from approximately HK\$11.88 million in the same period of last year to approximately HK\$10.77 million for this interim period. The decrease of the loss for the interim period was mainly due to the decrease in staff costs, rental expenses, professional fees and selling and marketing expenses recorded in the current interim period.

The administrative expenses were decreased by approximately HK\$1.17 million from approximately HK\$12.44 million of the same period of last year to approximately HK\$11.27 million for this interim period mainly due to decrease in staff costs, rental expenses and professional fees recorded in the current interim period.

LIQUIDITY AND FINANCING

For the six months ended 30 November 2016, the Group incurred a loss of approximately HK\$10.77 million and the net cash outflow from operations was approximately HK\$8.86 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$8.44 million and decrease in payables of approximately HK\$0.65 million. With the cash inflow from issuance of shares by subscriptions and exercise of share options of approximately HK\$4.75 million and HK\$3.96 million respectively, the net cash and cash equivalents of the Group was slightly decreased by approximately HK\$0.07 million.

As at 30 November 2016, the Group had a cash and cash equivalent balance of approximately HK\$1.37 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 30 November 2016 was not adopted as except for finance leases, the Group did not have interest bearing liability (31 May 2016: Nil, except for finance leases). The Group had net current liabilities of approximately HK\$3.14 million as at 30 November 2016 as compared with approximately HK\$3.24 million as at 31 May 2016.



BUSINESS REVIEW

Last year, the Group has been focusing on developing the business of GBjobs.com Limited (“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 interim period, 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 Group will launch several key services in 2017. On the basis of the GBjobs recruitment business, we will launch GBmarts mainly to cater for the cross-border shopping policy implemented by the Chinese Government in April 2016. The Group will cooperate with domestic well-known e-commerce companies and focus on the members of GBjobs recruitment service to serve as an employee welfare service for the members of GBjobs enterprise.



In respect of the GBjobs recruitment business, the Group has already taken root in Shenzhen in 2016. For some time in the past, the Group has started to attract job seekers and employer members in Shenzhen. The Group will further develop this business in 2017 and expand nationwide. GBjobs recruitment will focus on cross-border headhunting business, providing service for Hong Kong and China enterprises with the utilization of data provided by GBjobs recruitment.

In the past eight years, the Group has collected and compiled relevant data in eight regions and countries through Internet search, which becomes GBjobs big data and can be used by the Group. Under the GBjobs recruitment business, job seekers can use big data to analyze their work prospects and compare average market salary with their current salaries. Moreover, GBjobs big data can be used to conduct many management analyses for enterprise. The big data business can assist the Group to further expand its business.

Based on the above developments, the Group is in the process of discussing investment opportunities with a number of Chinese and foreign funds, and will make announcements to the public when the opportunity arises.

With the improvement of the relationship between China and the Philippines, based on the deep political and business relationships between the Group and the Philippines in the past, many good friends from China and the Philippines are in the process of discussing investment and cooperation through the Group. Subsequent to further confirmation of the projects, the Group will make announcements to the public. The initial shareholder of the Group during its listing was a famous Pilipino tycoon.

On the other hand, the related company of the Group, One World One Language Limited, will also expand its lawyer connecting service in China.

FINANCIAL RISK MANAGEMENT

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

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



EMPLOYEE INFORMATION

At 30 November 2016, the Group employed a total of 29 (31 May 2016: 29) employees including Directors. The salaries and benefits of the Group's employees are kept at a competitive level. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive Directors and full time employees of the Group. As at 30 November 2016, 189,040,000 (31 May 2016: 177,490,000) share options remained outstanding from the share option schemes.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend in respect for the six months ended 30 November 2016 (six months ended 30 November 2015: Nil).

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

At 30 November 2016, apart from the details as below, 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:

Ordinary shares of HK\$0.02 each in the Company

Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	-	-	21,396,000 (Note1)	-	-	21,396,000	1.92
	Beneficial owner	279,526,819	36,189,000 (Note 2)	-	2,060,000	0.1184	317,775,819	28.54
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	34,129,000	302,982,819 (Note 3)	-	2,060,000	0.1184	339,171,819	30.46
	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.27
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000	0.233	16,700,000	1.50
					1,000,000	0.150		
					5,500,000	0.145		
					5,000,000	0.159		
					1,000,000	0.111		
1,000,000	0.1184							
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000	0.233	4,300,000	0.39
					1,000,000	0.111		
					1,000,000	0.1184		
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000	0.233	3,200,000	0.29
					1,000,000	0.111		
					1,000,000	0.1184		
Mr. Chau Siu Keung	Beneficial owner	1,272,000	-	-	1,200,000 1,000,000	0.233 0.1184	3,472,000	0.31

Note:

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 18,206,000 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 34,129,000 shares and 2,060,000 share options held by Ms. Yau in person.
- 3) These shares are registered as 279,526,819 shares and 2,060,000 share options held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth and 18,206,000 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 30 November 2016.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the six months ended 30 November 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 30 November 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 1.6.2016	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2016
Under Share Option Scheme								
Name of Directors								
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,550,000	-	(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	3,520,000	-	(3,520,000)	-	-
Dr. Zhong Shi	13.10.2009	0.233	13.10.2009 to 12.10.2019	3,200,000	-	-	-	3,200,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	1,000,000	-	-	-	1,000,000
Mr. Chiang Kin Kon	13.10.2009	0.233	13.10.2009 to 12.10.2019	2,300,000	-	-	-	2,300,000
Mr. Wong Kwok Fai	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	-	-	-	1,200,000
Mr. Chau Siu Keung	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	-	-	-	1,200,000
				<u>16,470,000</u>	<u>-</u>	<u>(5,070,000)</u>	<u>-</u>	<u>11,400,000</u>
Other employees and individuals								
In aggregate								
	08.12.2010	0.150	08.12.2010 to 07.12.2020	940,000	-	-	-	940,000
	31.01.2011	0.182	31.01.2011 to 30.01.2021	22,800,000	-	-	-	22,800,000
	30.05.2011	0.1486	30.05.2011 to 29.05.2021	5,000,000	-	-	-	5,000,000
				<u>28,740,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,740,000</u>
Sub-total				<u>45,210,000</u>	<u>-</u>	<u>(5,070,000)</u>	<u>-</u>	<u>40,140,000</u>

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2016	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2016
Under New Share Option Scheme								
Name of Directors								
Mr. James Ang	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	8,560,000	(6,500,000)	-	2,060,000
Ms. Yau Pui Chi, Maria	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	8,560,000	(6,500,000)	-	2,060,000
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
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	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
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	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
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	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)	-	-
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	1,000,000	-	-	1,000,000
				<u>14,500,000</u>	<u>21,120,000</u>	<u>(14,000,000)</u>	<u>-</u>	<u>21,620,000</u>
Other employees and individuals								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	7,880,000	-	-	-	7,880,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	57,400,000	-	-	-	57,400,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	27,000,000	-	-	(1,000,000)	26,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	25,500,000	-	(10,200,000)	(1,500,000)	13,800,000
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	22,200,000	-	-	22,200,000
				<u>117,780,000</u>	<u>22,200,000</u>	<u>(10,200,000)</u>	<u>(2,500,000)</u>	<u>127,280,000</u>
Sub-total				<u>132,280,000</u>	<u>43,320,000</u>	<u>(24,200,000)</u>	<u>(2,500,000)</u>	<u>148,900,000</u>
Total				<u>177,490,000</u>	<u>43,320,000</u>	<u>(29,270,000)</u>	<u>(2,500,000)</u>	<u>189,040,000</u>

During the six months ended 30 November 2016, 43,320,000 share options were granted under the New Share Option Scheme (six months ended 30 November 2015: 47,000,000), 29,270,000 share options were exercised (six months ended 30 November 2015: 19,220,000), 2,500,000 share options were lapsed (six months ended 30 November 2015: 7,728,000) and no share options were cancelled (six months ended 30 November 2015: Nil).



DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the six months ended 30 November 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.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the six months ended 30 November 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 Rule 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Model Code during the six months ended 30 November 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 for the six months ended 30 November 2016.

AUDIT COMMITTEE

The Company has established an Audit Committee with specific terms of reference explaining its role and authorities delegated by the Board. The Audit Committee currently consists of three independent non-executive Directors, Mr. Chiang Kin Kon, Mr. Wong Kwok Fai, and Mr. Chau Siu Keung who together have sufficient accounting and financial management expertise, and business experience to carry out their duties.

The duties of Audit Committee included reviewing the Group's financial control, internal control and risk management, reviewing and monitoring the integrity of financial statements and reviewing annual, interim and quarterly financial statements and report before submission to the Board. The Audit Committee meets external auditors and the management of the Group to ensure that the audit findings are addressed properly.

The Audit Committee has reviewed the interim results of the Company for the six months ended 30 November 2016, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.



REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

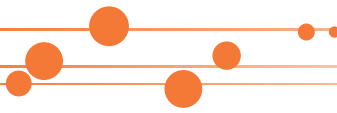
The role and function of Remuneration Committee is to oversee Board remuneration matters, including recommend the Board the Company's policies and structure for the remuneration of the Directors and senior management, determine the remuneration packages of all executive Directors and senior management,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

NOMINATION COMMITTEE

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

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

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



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

INTERNAL CONTROL 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.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 November 2016, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

Hong Kong, 13 January 2017

Directors of the Company as at the date hereof:

Executive Directors

Mr. James Ang

Mr. Wei Ren

Ms. Yau Pui Chi, Maria

Dr. Zhong Shi

Independent Non-Executive Directors

Mr. Chiang Kin Kon

Mr. Wong Kwok Fai

Mr. Chau Siu Keung