



## **NETEL TECHNOLOGY (HOLDINGS) LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

A large, abstract graphic design occupies the lower half of the page. It features a central, glowing white circle surrounded by concentric, overlapping rings of various colors including orange, pink, green, and yellow. The rings have a soft, ethereal glow and are set against a background of horizontal lines and bokeh light effects. The overall aesthetic is modern and technological.

# **THIRD QUARTERLY REPORT 2016/2017**



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

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

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

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

For the nine months ended 28 February 2017

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 nine months ended 28 February 2017 together with the comparative unaudited figures for the corresponding period in 2016:

	Notes	For the three months ended		For the nine months ended	
		28 February 2017 HK\$'000 (Unaudited)	29 February 2016 HK\$'000 (Unaudited)	28 February 2017 HK\$'000 (Unaudited)	29 February 2016 HK\$'000 (Unaudited)
Turnover	3	1,419	487	2,230	1,779
Cost of sales		(1,115)	(134)	(1,389)	(509)
Gross profit		304	353	841	1,270
Other revenues		4	-	42	-
Selling and marketing expenses		(30)	(86)	(99)	(414)
Administrative expenses		(4,848)	(8,604)	(16,117)	(21,041)
Operating loss		(4,570)	(8,337)	(15,333)	(20,185)
Finance costs		(9)	(5)	(17)	(40)
Share of profit/(loss) of associates		-	-	-	-
Loss for the period		(4,579)	(8,342)	(15,350)	(20,225)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(4,579)	(8,342)	(15,350)	(20,225)
Loss for the period attributable to:					
– Equity holders of the Company		(4,568)	(8,334)	(15,318)	(20,202)
– Non-controlling interests		(11)	(8)	(32)	(23)
		(4,579)	(8,342)	(15,350)	(20,225)
Total comprehensive loss for the period attributable to:					
– Equity holders of the Company		(4,568)	(8,334)	(15,318)	(20,202)
– Non-controlling interests		(11)	(8)	(32)	(23)
		(4,579)	(8,342)	(15,350)	(20,225)
Loss per share attributable to equity holders of the Company					
– Basic and diluted	5	HK(0.74 cents)	HK(0.84 cents)	HK(1.86 cents)	HK(2.10 cents)



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 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



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

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

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

### 3. TURNOVER

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

### 4. INCOME TAX

No provision for Hong Kong profits tax has been made in the current period as the Group has no estimated assessable profits for the period (nine months ended 29 February 2016: 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 (nine months ended 29 February 2016: Nil).

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

The calculation of basic loss per share for the three months and nine months ended 28 February 2017 are based on the Group's unaudited consolidated loss for the three months and nine months ended 28 February 2017 attributable to the equity holders of the Company of approximately HK\$4,568,000 and HK\$15,318,000 respectively (loss for the three months and nine months ended 29 February 2016: HK\$8,334,000 and HK\$20,202,000) and the weighted average number of approximately 1,122,568,000 and 1,085,105,000 ordinary shares (three months and nine months ended 29 February 2016: 990,535,000 and 961,604,000 ordinary shares) in issue during the three months and nine months ended 28 February 2017 respectively.

The dilutive loss per share is equal to the basic loss per share for the three months and nine months ended 28 February 2017 and 29 February 2016 respectively, as the convertible bonds, share options, warrants and option to subscribe convertible bonds had anti-dilutive effects.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 6. RESERVES

	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
<b>Balance at 1 June 2015 (Audited)</b>	123,301	12,140	375	(9,251)	247	(142,767)	(15,955)
Loss for the period	-	-	-	-	-	(20,202)	(20,202)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(20,202)	(20,202)
Transactions with owners:							
- Issue of shares by subscriptions	7,645	-	-	-	-	-	7,645
- 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	6,165	(2,269)	-	-	-	-	3,896
- Recognition of equity-settled share-based payments	-	865	-	-	-	-	865
- Grant of share options	-	3,400	-	-	-	-	3,400
- Lapse of share options	-	(51)	-	-	-	51	-
- Acquisition of non-controlling interests	-	-	-	(4,532)	-	-	(4,532)
<b>Total transactions with owners</b>	20,644	1,945	(375)	(4,532)	-	51	17,733
<b>Balance at 29 February 2016 (Unaudited)</b>	143,945	14,085	-	(13,783)	247	(162,918)	(18,424)
<b>Balance at 1 June 2016 (Audited)</b>	148,449	13,047	-	(13,783)	247	(165,963)	(18,003)
Loss for the period	-	-	-	-	-	(15,318)	(15,318)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	(15,318)	(15,318)
Transactions with owners:							
- Issue of shares by subscriptions	4,785	-	-	-	-	-	4,785
- Issue of shares upon exercise of share options	5,267	(1,483)	-	-	-	-	3,784
- Recognition of equity-settled share-based payments	-	1,208	-	-	-	-	1,208
- Grant of share options	-	880	-	-	-	-	880
- Lapse of share options	-	(74)	-	-	-	74	-
<b>Total transactions with owners</b>	10,052	531	-	-	-	74	10,657
<b>Balance at 28 February 2017 (Unaudited)</b>	158,501	13,578	-	(13,783)	247	(181,207)	(22,664)

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.



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

### 7. 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 nine months ended 29 February 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.

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.

### 8. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated third quarterly financial statements were approved and authorised for issue by the Board on 13 April 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$2.23 million for the nine months ended 28 February 2017, an increase of approximately HK\$0.45 million from approximately HK\$1.78 million for the same period of last year. The increase was mainly attributable to the increase in e-commerce business, net with the decrease in calling card sales, SIP Service revenue and carrier sales during the period. The loss for the period was decreased by approximately HK\$4.88 million from approximately HK\$20.23 million in the same period of last year to approximately HK\$15.35 million for this period. The decrease of the loss for the period was mainly due to the decrease in staff costs, directors' emoluments and share-based payment in the current period.


The administrative expenses were decreased by approximately HK\$4.92 million from approximately HK\$21.04 million of the same period of last year to approximately HK\$16.12 million for this period mainly due to decrease in staff costs, directors' emoluments and share-based payment in the current period.

### BUSINESS REVIEW

Over the past period, the Group made breakthroughs in several areas. GBjobs China has begun to receive contracts of recruitment advertisements and headhunting in Mainland China. The Group has launched computer headhunting in Shenzhen, using big data and computer technology to replace traditional recruitment.

As at the end of prior year, the Group held a cross-border connection meeting in Hong Kong for the units of Nanshan District, Shenzhen, and was recognized by Hong Kong and Shenzhen counterparts in respect of the cross-border headhunting of the Group. Therefore, during this quarter, the Group can further develop its business. GBjobs has leased the Hong Kong Convention and Exhibition Centre to hold the GBjobs International Recruitment Conference in August. This activity will further take advantage of the Group's strengths in both China and Hong Kong.





The Group has launched Netel big data, applying data mining technology and analysis results of the Group to Chinese market, and has gained wide recognition. The Group expanded its sales steam in this area to further expand the market.

The Group also made breakthroughs in e-commerce. Save as the improvement of software, the Group found partners for cooperation, so that the business in this area is making contribution to the revenue of the Group.

The Group held several legal seminars in Mainland and Hong Kong to make interpretations of the Labour Law of PRC through One World One Language Limited, a related company of the Group, helping the Group to establish a number of personal relationships.

## **BUSINESS OUTLOOK**

The big data business of the Group will play a leading role in the future. The Company increases its resources to recruit experienced sales team in Hong Kong and Mainland, and provides service in accordance with the needs of customers. The Group will increase investment in big data technology support. Big data applications are very extensive and highly applicable in all walks of life. The Group will seek partners to develop big data business.

GBjobs recruitment business will advance towards high-technology by using computer technology to replace human recruitment, and will develop into cross-border and international business. GBjobs will utilize the database and customer base established in the past eight years to further expand its business. The hosting of international job fairs will be one of the important developments.

E-commerce will showcase its strength, subject to changes in national policies, market demand and combination with own strength, such as big data.

On the basis of the above developments, we expect the business of Netel can reform, giving a refreshing feeling to the market. The management of the Group believes that global political and economic uncertainties will still persist in the future, and we need to put much more effort to reach our goals.



## FINANCIAL RISK MANAGEMENT

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

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

## EMPLOYEE INFORMATION

At 28 February 2017, the Group employed a total of 26 (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 28 February 2017, 184,920,000 (31 May 2016: 177,490,000) share options remained outstanding from the share option schemes.

## DIVIDEND

The Board of Directors does not recommend the payment of dividend in respect for the nine months ended 28 February 2017 (nine months ended 29 February 2016: Nil).



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

At 28 February 2017, apart from the details as below, the Directors and chief executive do not have any other interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.49 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"). The details were as follows:

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

Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	-	-	22,788,000 (Note 1)	-	-	22,788,000	2.02
	Beneficial owner	282,026,819	36,189,000 (Note 2)	-	-	-	318,215,819	28.17
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	36,189,000	304,814,819 (Note 3)	-	-	-	341,003,819	30.19
Mr. Wei Ren	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	1.47
					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	0.38
					1,000,000	0.111		
					1,000,000	0.1184		
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000	0.233	3,200,000	0.28
					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 19,598,000 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 36,189,000 shares held by Ms. Yau in person.
- 3) These shares are registered as 282,026,819 shares held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth and 19,598,000 shares held by Bluechip.



## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

Save as the interest disclosed above in respect of certain Directors, the Company has not been notified of any other shareholders who had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 28 February 2017.

## **PURCHASES, SALE OR REDEMPTION OF SECURITIES**

For the nine months ended 28 February 2017, 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 28 February 2017 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 28.02.2017	
			Balance as at 1.6.2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
<b>Under Share Option Scheme</b>								
<b>Name of Directors</b>								
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	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>
<b>Other employees and individuals</b>								
<b>In aggregate</b>								
	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 28.02.2017
<b>Under New Share Option Scheme</b>								
<b>Name of Directors</b>								
Mr. James Ang	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	8,560,000	(8,560,000)	-	-
Ms. Yau Pui Chi, Maria	14.10.2016	0.1184	14.10.2016 to 13.10.2026	-	8,560,000	(8,560,000)	-	-
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>(18,120,000)</u>	<u>-</u>	<u>17,500,000</u>
<b>Other employees and individuals</b>								
<b>In aggregate</b>								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	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>(28,320,000)</u>	<u>(2,500,000)</u>	<u>144,780,000</u>
Total				<u>177,490,000</u>	<u>43,320,000</u>	<u>(33,390,000)</u>	<u>(2,500,000)</u>	<u>184,920,000</u>

During the nine months ended 28 February 2017, 43,320,000 share options were granted under the New Share Option Scheme (nine months ended 29 February 2016: 96,260,000) 33,390,000 share options were exercised (nine months ended 29 February 2016: 28,150,000), 2,500,000 share options were lapsed (nine months ended 29 February 2016: 8,328,000) and no share options were cancelled (nine months ended 29 February 2016: Nil).



## DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in Directors' interests and short positions under the section "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation", and in the share option schemes 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 A COMPETING BUSINESS

For the nine months ended 28 February 2017, 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 nine months ended 28 February 2017, 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 nine months ended 28 February 2017.

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 nine months ended 28 February 2017.

## AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the quarterly results of the Company for the nine months ended 28 February 2017, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.



## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

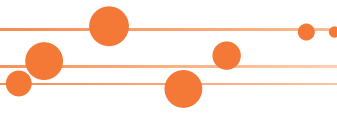
The role and function of Remuneration Committee is to oversee Board remuneration matters, including recommend the Board the Company's policies and structure for the remuneration of the Directors and senior management, determine the remuneration packages of all executive Directors and senior management,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

## NOMINATION COMMITTEE

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

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

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



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

## INTERNAL CONTROL

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

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

## BOARD PRACTICES AND PROCEDURES

During the nine months ended 28 February 2017, 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 April 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