



NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

2017/2018
INTERIM REPORT



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

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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 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 six months ended 30 November 2017 together with the comparative unaudited figures for the corresponding period in 2016:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Turnover	3	6,107	363	8,636	811
Cost of sales		(259)	(148)	(1,689)	(274)
Gross profit		5,848	215	6,947	537
Other income		-	38	-	38
Selling and marketing expenses		(83)	(37)	(522)	(69)
Administrative expenses		(4,624)	(6,295)	(10,926)	(11,269)
Operating loss	4	1,141	(6,079)	(4,501)	(10,763)
Finance costs	5	(230)	(4)	(427)	(8)
Share of profit/(loss) of associates		-	-	-	-
Profit/(loss) before income tax		911	(6,083)	(4,928)	(10,771)
Income tax expense	7	-	-	(6)	-
Profit/(loss) for the period		911	(6,083)	(4,934)	(10,771)
Other comprehensive income		-	-	-	-
Total comprehensive profit/(loss) for the period		911	(6,083)	(4,934)	(10,771)
Profit/(loss) for the period attributable to:					
- Equity holders of the Company		891	(6,073)	(4,959)	(10,750)
- Non-controlling interests		20	(10)	25	(21)
		911	(6,083)	(4,934)	(10,771)
Total comprehensive profit/(loss) for the period attributable to:					
- Equity holders of the Company		891	(6,073)	(4,959)	(10,750)
- Non-controlling interests		20	(10)	25	(21)
		911	(6,083)	(4,934)	(10,771)
Profit/(loss) per share attributable to equity holders of the Company					
- Basic and diluted	8	HK0.07 cents	HK(0.56 cents)	HK(0.42 cents)	HK(1.01 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2017

	Notes	As at 30 November 2017 HK\$'000 (Unaudited)	As at 31 May 2017 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	6	984	905
Intangible assets		5,235	5,769
Interests in associates		3	3
Interest in a joint venture		50	50
Available-for-sale financial assets		–	–
		6,272	6,727
Current assets			
Inventories		130	134
Trade receivables	9	7,221	1,014
Prepayments, deposits and other receivables	9	972	948
Bank balances and cash		2,740	4,284
		11,063	6,380
Total assets		17,335	13,107
LIABILITIES			
Current liabilities			
Trade payables	10	2,170	2,141
Receipt in advance, accruals and other payables	10	3,953	2,986
Amounts due to directors		1,711	423
Tax payable		12	6
Obligations under finance leases		107	104
		7,953	5,660
Net current assets		3,110	720
Total assets less current liabilities		9,382	7,447
Non-current liabilities			
Obligations under finance leases		84	138
Corporate bonds		8,887	7,096
		8,971	7,234
Net assets		411	213
EQUITY			
Capital and reserves			
Share capital	12	24,285	23,793
Share premium and reserves		(23,757)	(23,438)
		528	355
Non-controlling interests		(117)	(142)
Total equity		411	213

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2017

	Share Capital HK\$ '000	Share Premium HK\$ '000	Share Option Reserve HK\$ '000	Other Reserve HK\$ '000	Exchange Reserve HK\$ '000	Accumulated Losses HK\$ '000	Total HK\$ '000	Non-controlling Interests HK\$ '000	Total Equity HK\$ '000
Balance at 1 June 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
Balance at 1 June 2017 (Audited)	23,793	163,291	13,787	(13,783)	247	(186,980)	355	(142)	213
Loss for the period	-	-	-	-	-	(4,959)	(4,959)	25	(4,934)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(4,959)	(4,959)	25	(4,934)
Transactions with owners:									
- Issue of shares upon exercise of share options	492	4,492	(1,715)	-	-	-	3,269	-	3,269
- Recognition of equity-settled share-based payments	-	-	844	-	-	-	844	-	844
- Grant of share options	-	-	1,019	-	-	-	1,019	-	1,019
- Lapse of share options	-	-	(158)	-	-	158	-	-	-
Total transactions with owners	492	4,492	(10)	-	-	158	5,132	-	5,132
Balance at 30 November 2017 (Unaudited)	24,285	167,783	13,777	(13,783)	247	(191,781)	528	(117)	411

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, Hong Kong Domestic Services Limited (formerly known as Asian Talent Development Centre Limited), Netel Digital Marketing Limited (formerly known as 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 2017

	For the six months ended 30 November	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash used in operating activities	(7,131)	(8,863)
Net cash used in investing activities	(289)	(100)
Net cash generated from financing activities	5,876	8,894
Decrease in cash and cash equivalents	(1,544)	(69)
Cash and cash equivalents at beginning of the period	4,284	1,436
Cash and cash equivalents at end of the period	2,740	1,367
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,740	1,367



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, online recruitment services, e-commerce platform and trading business.

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 2017.

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 2017.

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 2014-2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 15	Revenue from Contracts with Customers

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 notwithstanding that the Group had incurred a loss attributable to shareholders of approximately HK\$4.96 million during the six months ended 30 November 2017. 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 funds, 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 four reportable operating segments, which are (i) sale of equipment, (ii) long distance call services, (iii) telecommunication, value-added and recruitment services and (iv) e-commerce platform and trading business.

(b) Business segments – primary reporting format

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. TURNOVER AND SEGMENT INFORMATION (Continued)

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

For the six months ended 30 November 2017 (Unaudited)

	Sale of equipment HK\$'000	Long distance call services HK\$'000	Telecommunication, value-added and recruitment services HK\$'000	E-commerce platform and trading business HK\$'000	Group HK\$'000
Turnover	45	1,322	6,102	1,167	8,636
Segment results	(76)	(299)	(1,846)	(638)	(2,859)
Other income					-
Operating loss					(2,859)
Unallocated costs					(1,642)
Finance costs					(427)
Loss before income tax					(4,928)
Income tax expense					(6)
Loss for the period					(4,934)

For the six months ended 30 November 2016 (Unaudited)

	Sale of equipment HK\$'000	Long distance call services HK\$'000	Telecommunication, value-added and recruitment services HK\$'000	E-commerce platform and trading business HK\$'000	Group HK\$'000
Turnover	50	288	473	-	811
Segment results	(453)	(2,322)	(6,503)	-	(9,278)
Other income					35
Operating loss					(9,243)
Unallocated costs					(1,520)
Finance costs					(8)
Loss before income tax					(10,771)
Income tax expense					-
Loss for the period					(10,771)

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)	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong	3,931	753	(2,243)	(10,028)
Mainland China and other countries	4,705	58	(2,685)	(778)
	8,636	811	(4,928)	(10,806)
Other income			–	35
Loss before income tax			(4,928)	(10,771)
Income tax expense			(6)	–
Loss for the period			(4,934)	(10,771)

(d) Information about major customers

The Group's customers who contributed to 10% or more to the Group's revenue during the period, are as follows:

	For the six months ended 30 November	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
From long distance call services: Customer A	1,175	–
From telecommunication, value-added and recruitment services: Customer B	62	103

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

4. OPERATING LOSS

	For the six months ended 30 November	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Operating loss is stated after charging the following:		
Amortisation of intangible assets	534	359
Cost of inventories sold	1,689	274
Depreciation		
– owned assets	151	138
– leased assets	59	59
Loss on disposal of plant and equipment	–	35
Operating lease – land and buildings	596	466
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	5,942	7,027
– employee and individual share options benefits	1,863	1,663
– retirement benefits scheme contributions	171	194

5. FINANCE COSTS

	For the six months ended 30 November	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest expenses on corporate bonds	421	–
Finance lease interests	6	8
	427	8



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

6. PLANT AND EQUIPMENT

As at 30 November 2017, the Group's plant and equipment was amounting to approximately HK\$984,000 (31 May 2017: HK\$905,000). The Directors consider that the fair value of the plant and equipment as at 30 November 2017 does not change significantly from their carrying amounts as at 31 May 2017.

During the six months ended 30 November 2017, the Group had acquired plant and equipment of approximately HK\$289,000 (six months ended 30 November 2016: HK\$100,000), while the Group had not disposed any plant and equipment for the six months ended 30 November 2017 (six months ended 30 November 2016: HK\$69,000).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 November 2016: Nil) on the estimated assessable profits for the current interim period.

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 2016: Nil).

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

The calculation of basic profit per share for the three months and basic loss per share for the six months ended 30 November 2017 are based on the Group's unaudited consolidated profit for the three months and unaudited consolidated loss for the six months ended 30 November 2017 attributable to the equity holders of the Company of approximately HK\$891,000 and HK\$4,959,000 respectively (loss for the three months and six months ended 30 November 2016: HK\$6,073,000 and HK\$10,750,000) and the weighted average number of approximately 1,191,546,000 and 1,190,585,000 ordinary shares (three months and six months ended 30 November 2016: 1,079,552,000 and 1,068,708,000 ordinary shares) in issue during the three months and six months ended 30 November 2017 respectively.

The dilutive loss per share is equal to the basic loss per share for the three months and six months ended 30 November 2017 and 2016 respectively, as the share options had anti-dilutive effects.

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

9. TRADE AND OTHER RECEIVABLES

	As at 30 November 2017 HK\$'000 (Unaudited)	As at 31 May 2017 HK\$'000 (Audited)
Trade receivables (Note a)	7,221	1,014
Other receivables, prepayments and deposits	972	948
	8,193	1,962

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 2017 HK\$'000 (Unaudited)	As at 31 May 2017 HK\$'000 (Audited)
0 – 30 days	3,582	273
31 – 60 days	946	275
61 – 90 days	938	298
91 – 180 days	1,559	115
181 – 365 days	163	78
Over 365 days	4,074	4,016
	11,262	5,055
Less: provision for doubtful debts	(4,041)	(4,041)
	7,221	1,014

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

10. TRADE AND OTHER PAYABLES

	As at 30 November 2017 HK\$'000 (Unaudited)	As at 31 May 2017 HK\$'000 (Audited)
Trade payables (Note a)	2,170	2,141
Other payables and accruals	3,730	2,672
Receipt in advance	223	314
	6,123	5,127

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 2017 HK\$'000 (Unaudited)	As at 31 May 2017 HK\$'000 (Audited)
0 – 30 days	89	38
31 – 60 days	23	14
61 – 90 days	52	17
91 – 180 days	55	97
181 – 365 days	150	224
Over 365 days	1,801	1,751
	2,170	2,141

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

11. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised ordinary shares of HK\$0.02 (31 May 2017: HK\$0.02) each At 1 June 2017 and 30 November 2017	5,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.02 (31 May 2017: HK\$0.02) each At 1 June 2017	1,189,635	23,793
Issue of shares upon exercise of share options	24,621	492
At 30 November 2017	1,214,256	24,285

12. 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 12 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK\$8.64 million for the six months ended 30 November 2017, an increase of approximately HK\$7.83 million from approximately HK\$0.81 million for the same period of last year. The increase was mainly attributable to the increase in e-commerce trading business, big data business and income from strategic alliances during the period. The loss for the interim period was decreased by approximately HK\$5.84 million from approximately HK\$10.77 million in the same period of last year to approximately HK\$4.93 million for this interim period. The decrease of the loss for the interim period was mainly due to the increase in turnover and decrease in directors' emoluments recorded in the current interim period.

The administrative expenses were decreased by approximately HK\$0.34 million from approximately HK\$11.27 million of the same period of last year to approximately HK\$10.93 million for this interim period mainly due to the decrease in directors' emoluments recorded in the current interim period.

LIQUIDITY AND FINANCING

For the six months ended 30 November 2017, the Group incurred a loss of approximately HK\$4.93 million and the net cash outflow from operations was approximately HK\$7.13 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$1.90 million and increase in receivables of approximately HK\$6.23 million. With the cash inflow from exercise of share options of approximately HK\$5.88 million, the net cash and cash equivalents of the Group was decreased by approximately HK\$1.54 million.

As at 30 November 2017, the Group had a cash and cash equivalent balance of approximately HK\$2.74 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 30 November 2017 was not adopted as except for finance leases and corporate bonds, the Group did not have interest bearing liability (31 May 2017: Nil, except for finance leases and corporate bonds). The Group had net current assets of approximately HK\$3.11 million as at 30 November 2017 as compared with net current assets of approximately HK\$0.72 million as at 31 May 2017.



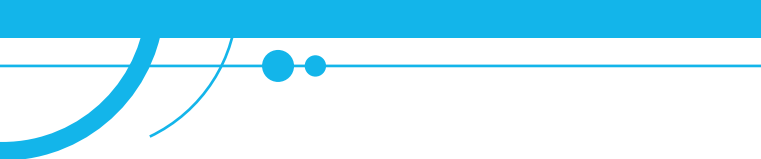
BUSINESS REVIEW

During the last quarter, the Group announced the expansion of GBjobs big data applications to all walks of life. Today, the Group is pleased to announce that this big data application has been successfully implemented. Domestic enterprises that need overseas customers have successfully generated business using the overseas big data of the Group. It is most encouraging that the Group successfully entered the real estate market in China through its strategic alliances, and used big data and Facebook promotion to organize group tours in Hong Kong to buy properties in the cities of Greater Bay Area. The business of the Group continuously expanded from one city to other cities and from one real estate company to other developers. On the contrary, many overseas companies need to develop their markets in China. They established micro-business in China through the Group and expanded business through small programs, e-mart, big data, etc.

Currently, the Group's big data customers include Hong Kong top tailor shop, premium lady's product store, fragrance store, medical card, Chinese stone manufacturer, soda production line, toy maker, immigration company, decoration company, real estate developer, professionals, business center, etc. The Group has provided a new era of electronic media through big data combined with social media Facebook and e-mart. It made full use of the Group's artificial intelligence technology, Internet spidering technology, automatic matching, big data automatic classification and analysis and other functions to extend the communication and software technology of the Group. The communication software technology of the year was applied to the establishment of social media and big data applications.

The big data and Facebook application and promotion of the Group have entered a mature stage, and many practical applications have been developed. For instance, a considerable number of customers have successfully found potential buyers through big data and Facebook promotion as well as the organization of group tours and meetings, thus gaining customers' appreciation. The Chinese real estate developers competing to sign contracts with the Group is an example.

Regarding market expansion, the offices of the Group in Shenzhen Nanshan and Futian officially commenced operation in December 2017, with their rentals being supported by the local government. Futian office is located at the Shenzhen Municipal Government Human Resources Building, which enhances customer confidence in the Group. Apart from Shenzhen, the Group has started to enter the markets of Guangzhou, Shanghai, Fujian, Zhejiang, and Jiangsu through strategic alliances.



The Group met many good companies during the development of big data market. The Group will invite the relevant companies to enter GBmarts of the Group and obtain commissions after successful sales. Such process will continue to expand the e-mart business of the Group.


The Philippine and Chinese governments have not announced the details of Filipino domestic helpers working in China yet. As of today, the Chinese government only allows people from Hong Kong, Taiwan, and foreign countries to employ Filipino domestic helpers in China. The Group is confident that this market will open based on the interpretation of the Philippine Department of Labor and Employment a few months ago. In addition to entering into Chinese language training courses for Filipino domestic helpers with the Batangas provincial government in the Philippines, the Company has already employed personnel in the Philippines to carry out related works. The Group will utilize the lower wages in the Philippines to introduce talents other than domestic helpers to China.

BUSINESS OUTLOOK

As the trend advances, communication technology has transformed from the International Direct Dialing ("IDD") service with voice transmission to IDD with data transmission ("IP Phone"), and then become social media communication. The Group is using the same research and development team for the research from IDD voice and IP communications to Facebook communications and applications nowadays. The Group does not change its fundamental business of telecommunication; the change is to adapt to different needs of the market.

Therefore, today the Group has additional big data business, including helping enterprises find potential customers and assisting clients to create and manage Facebook. The Group expects that the big data business will have a very ample room for development in the future. In respect of recruitment applications, the Group can utilize the big data of recruitment to analyze the amount of wage, and make use of the big data for career development planning. It can also predict which industry will experience excessive workforce or shortage to adjust the education and training process of the Group.

The Group will add different big data applications. Such business becomes a high-tech industry that needs to be developed, tested and ultimately implemented successfully, just as the Group uses big data to find investors in the domestic real estate. When an application is successful, it will bring substantial revenue to the Group with its high gross profit margin; for IT industry, when an application is successfully launched, the cost will not increase significantly when sales increases. The Group will highlight its successful applications for further development.



The Group has been listed for 15 years, and the direction of IT business has not changed. The Group will continue its IT direction and enhance applications for meeting market needs.

Strategic alliances are essential to the Group for assisting the Group to enter the market rapidly. At first, this mechanism was established mainly for the opening of the Philippine labor market. Today, the Group has made it applied to big data successfully. The Group will deepen this cooperation.

The communication and Hong Kong medical card jointly launched by the Group and Asia Medical Travel will also be an important proxy product for strategic alliances. By providing overseas clients with travel and medical services to Hong Kong, Asia Medical Travel will combine the Group's long-distance calls with the internal conferencing system between doctor or patient, and will rapidly occupy the market through its partner channels. As the specialist medical service in Hong Kong is in a leading position in Asia, many overseas patients will visit Hong Kong to seek medical consultation and physical examination. The Group realized that communication has begun to change from a fully open social network to a specialized group communication network, which will be another growth point for the telecommunications business of the Group.

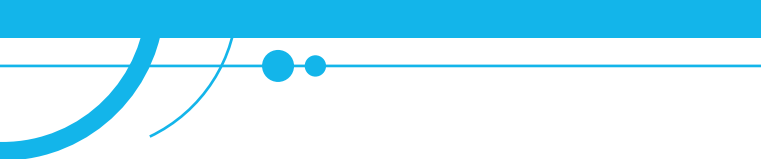
The development of China has stepped into the international market, and the demand for recruitment has gone global. Therefore, in response to changes in the Chinese government and the market, the Group held the human resources matchmaking meeting for the Shenzhen Nanshan Government in Hong Kong in 2017 and the China-Hong Kong and International Talent Expo at the Hong Kong Convention and Exhibition Center in August 2017. The Group will continue to develop its business in such aspect and take advantage of the Group's cross-border edge.

The Group is looking forward to the rules governing Filipino domestic helpers working in China which will be announced as soon as possible by the Philippine and Chinese governments so that it will further enhance the Group's interpersonal connections between the two places.

In addition to the above projects, the Group continues to seek business development as far as possible, such as mobile games and internet security.

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 2017, the Group employed a total of 33 (31 May 2017: 33) 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 2017, 205,765,000 (31 May 2017: 179,920,000) 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 2017 (six months ended 30 November 2016: 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 2017, 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	-	-	22,788,000 (Note 1)	-	-	22,788,000	1.88
	Beneficial owner	309,935,819	38,322,000 (Note 2)	-	-	-	348,257,819	28.68
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	38,322,000	332,723,819 (Note 3)	-	-	-	371,045,819	30.56
	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.25
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000	0.233	16,700,000	1.38
					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	0.35
					1,000,000	0.111		
					1,000,000	0.1184		
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000	0.233	3,200,000	0.26
					1,000,000	0.111		
					1,000,000	0.1184		
Mr. Chau Siu Keung	Beneficial owner	1,272,000	-	-	1,200,000	0.233	3,472,000	0.29
					1,000,000	0.1184		

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 38,322,000 shares held by Ms. Yau in person.
- 3) These shares are registered as 309,935,819 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/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 2017.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the six months ended 30 November 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 30 November 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 1.6.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2017
Under Share Option Scheme								
Name of Directors								
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
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>11,400,000</u>	<u>-</u>	<u>-</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>40,140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,140,000</u>

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2017
Under New Share Option Scheme								
Name of Directors								
Mr. James Ang	14.06.2017	0.110	14.06.2017 to 13.06.2027	-	2,133,000	(2,133,000)	-	-
Ms. Yau Pui Chi, Maria	14.06.2017	0.110	14.06.2017 to 13.06.2027	-	2,133,000	(2,133,000)	-	-
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	14.10.2016	0.1184	14.10.2016 to 13.10.2026	1,000,000	-	-	-	1,000,000
				<u>17,500,000</u>	<u>4,266,000</u>	<u>(4,266,000)</u>	<u>-</u>	<u>17,500,000</u>
Other employees and individuals								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	7,880,000	-	-	(1,000,000)	6,880,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	57,400,000	-	(7,600,000)	-	49,800,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	22,000,000	-	-	(3,000,000)	19,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	12,800,000	-	-	(1,500,000)	11,300,000
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	22,200,000	-	-	(1,500,000)	20,700,000
	14.06.2017	0.110	14.06.2017 to 13.06.2027	-	53,200,000	(12,755,000)	-	40,445,000
				<u>122,280,000</u>	<u>53,200,000</u>	<u>(20,355,000)</u>	<u>(7,000,000)</u>	<u>148,125,000</u>
Sub-total				<u>139,780,000</u>	<u>57,466,000</u>	<u>(24,621,000)</u>	<u>(7,000,000)</u>	<u>165,625,000</u>
Total				<u>179,920,000</u>	<u>57,466,000</u>	<u>(24,621,000)</u>	<u>(7,000,000)</u>	<u>205,765,000</u>

During the six months ended 30 November 2017, 57,466,000 share options were granted under the New Share Option Scheme (six months ended 30 November 2016: 43,320,000), 24,621,000 share options were exercised (six months ended 30 November 2016: 29,270,000), 7,000,000 share options were lapsed (six months ended 30 November 2016: 2,500,000) and no share options were cancelled (six months ended 30 November 2016: 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 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 six months ended 30 November 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 1.8 and A 4.1 of the CG Code stipulated in the following paragraph.

Under the code provision A 1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has not arranged insurance cover in respect of legal action against its directors as the Board considers that the Board adopts prudent management policy. The needs for insurance policy will be reviewed from time to time.

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 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 six months ended 30 November 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 interim results of the Company for the six months ended 30 November 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.

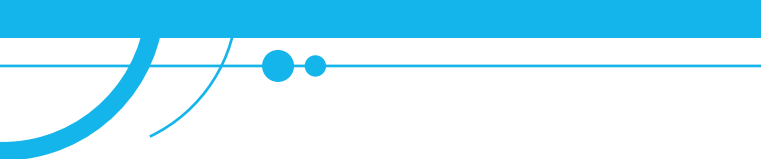
The role and function of Remuneration Committee is to oversee Board remuneration matters, including recommend the Board the Company's policies and structure for the remuneration of the Directors and senior management, determine the remuneration packages of all executive Directors and senior management, 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 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. In consideration of the size of the Group, the Board does not consider to establish an internal audit function at present.

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, of which was considered effective and adequate.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 November 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, 12 January 2018

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