NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

2019 ANNUAL REPORT

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Corporate Information

DIRECTORS

Executive Directors

James Ang *(Chairman)*
Wei Ren
Yau Pui Chi, Maria
Zhong Shi

Independent Non-Executive Directors

Chiang Kin Kon
Wong Kwok Fai
Chau Siu Keung

COMPLIANCE OFFICER

James Ang

COMPANY SECRETARY

Yip Shui Man, Sophie

AUTHORISED REPRESENTATIVES

James Ang
Yau Pui Chi, Maria

AUDIT COMMITTEE

Wong Kwok Fai
Chiang Kin Kon
Chau Siu Keung

REMUNERATION COMMITTEE

Chiang Kin Kon
Yau Pui Chi, Maria
Wong Kwok Fai

NOMINATION COMMITTEE

James Ang
Chiang Kin Kon
Chau Siu Keung

BANKER

The Hong Kong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Century Yard Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room C, 9/F
Max Share Centre
373 King's Road
North Point
Hong Kong

SHARE REGISTRAR *(in Cayman Islands)*

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586,
Grand Cayman, KY1-1110
Cayman Islands

SHARE REGISTRAR *(in Hong Kong)*

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Lau & Au Yeung C.P.A. Limited

COMPANY WEBSITE

http://www.neteltech.com.hk

GEM STOCK CODE

8256

Chairman's Statement

On behalf of the board (the "Board") of directors of Netel Technology (Holdings) Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 May 2019 (the "Year") to all shareholders and stakeholders.

During the Year, the Group recorded revenue of approximately HK$56,101,000, representing an increase of approximately 93% as compared with that of the previous year. The profit of the Group for the year was HK$3,075,000 (2018: a loss of HK$3,097,000). This year saw the change from a loss to a profit. The Group changed its loss to profit successfully.

Our IT application business segment is mainly comprised of: prospecting and related services linking to the big data collection, and GBjobs and recruitment related services. In line with the business development of GBjobs, we have launched the PRC Salary Index and Hong Kong Salary Index which were prominent among our peers. This sort of advanced technology, combined Internet spidering and AI technology, has started its data mining process ten years ago. It has been exclusively applied among the Hong Kong market and has gained increasing attention from the Ministry of Human Resources and Social Security of the PRC. At the beginning of 2018, the Ministry of Human Resources and Social Security of the PRC granted license to the Group, which allowed the Group to collect, organise, store and publish the information on talent supply and demand. Hence, the Group has been eligible to collect more big data for our database and able to fully participate in the recruitment among the PRC's talent market. Despite of the pressure of delisting on the Stock Exchange, the Company has been adhered to the spirit of innovation, focused on advanced technology development, and successfully launched the application of salary index in combination with our technology and big data accumulated in the past decade upon obtaining such license. The launch of the PRC Salary Index has attracted various PRC's enterprises to cooperate with the Group. It serves as an intangible asset helping the Company turn its data into its revenue. Constant progress shall be made through the trend.

In addition to the PRC Salary Index, GBjobs has also achieved encouraging results in its recruitment business. The recruitment service of GBjobs was exclusively chosen for the Earn & Learn apprenticeship scheme, which was co-organised by a world-renowned elevator maintenance company and the Vocational Training Council in Hong Kong. In fulfilling the obligations, GBjobs has successfully recruited lots of apprentices for the customers. The achievement relies greatly on our big data accumulated in the past decade.

In respect of prospecting and the related services, apart from the recruitment information, our database has accumulated information of more than 40 million enterprises in the PRC and overseas. By utilising the big data collection, we have successfully cooperated with the chambers of commerce in the PRC. We have helped their members explore overseas markets and have provide them relevant corporate services.

During the Year, the 散工王 Facebook group has also been initiated to collect data for our big data collection. The existing registered members in this group has already exceeded 93,000, which accounts for a significant proportion of the working population in Hong Kong. Similar to the operation of other advanced technology companies, it is naturally that the 散工王 shall derive its revenue from advertisement placement at a certain stage. During the Year, the 散工王, linked with our big data service, has enabled the Company to attract a lot of job advertising placements and commercial advertising placements which generated revenue.

The Company started promoting 散工王 in Southeast Asia. Our Hong Kong business model has also been developed in the Philippines. The Group discovered that Philippines, various Southeast Asia countries and the PRC, where big data services are especially keen, are still in their early stages of business dealings. The Company's next goal will be therefore launching various application and solutions according to the needs of the enterprises in Southeast Asia and the PRC by utilising our big data collection.

Since 2017, the Stock Exchange has raised the possible delisting of the Group. The Company as a whole regarded this challenge as a positive force among us. Adhering to IT research and development during the 17 years of listing, we shall never lose our enthusiastic devotion. The Company as a whole shall demonstrate the power of unity for accelerating the transformation from technological achievements to business opportunities. In the past two to three years, our staffs work round the clock, support each other and take positive attitudes when facing challenges. The ultimate goal of us remain the same, that is, to protect and maximise the interests of our investors.

In the meantime, the Group was honoured to have several successful management talents in Internet of Things, statistics and business among our industry as the consultants of our independent committee. Their interpersonal relationships, experience and encouragement have served as the guiding lights for us.

Lastly, I would like to express my sincere gratitude to our valuable shareholders, customers, business partners and the Stock Exchange for their trust and support. And also I would like to extend my heartfelt thanks to our directors, management team and staff for their tireless endeavor and contributions under the fierce delisting situation, and continue to bring the Group forward to attain better results.

James Ang
Chairman

Hong Kong, 28 August 2019

Management Discussion and Analysis

FINANCIAL REVIEW

Results for the year

The Group recorded a total turnover of approximately HK$56.10 million for the year ended 31 May 2019, an increase of 93.12% from approximately HK$29.05 million for the year ended 31 May 2018. The increase was mainly attributable to the increase in mobile phone trading business, the GBjobs and recruitment related services business including the set-up of website incorporating China Online Salary Index and the big data business on property prospecting during the year.

The Group recorded a total comprehensive income attributable to shareholders of approximately HK$3.07 million, as compared with the comparative amount of loss of approximately HK$3.19 million in the previous year. The increase of the income for the year was mainly due to the increase in turnover and decrease in directors' emoluments and share-based payments recorded in the current year.

Liquidity and Financing

For the year ended 31 May 2019, the Group earned a profit of approximately HK$3.08 million and the net cash used in operations was approximately HK$1.39 million. With cash inflows from net proceeds from other loans of approximately HK$3.2 million, net with outflows from the repayments of corporate bonds and decrease in amounts due to directors of approximately HK$7.02 million and HK$2.32 million respectively, the net cash and cash equivalents of the Group has decreased by approximately HK$8.66 million.

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. At 31 May 2019, the underlying current ratio, defined as current assets over current liabilities, was approximately 1.38 (2018: 1.10). At 31 May 2019, the non-current liabilities was approximately HK$7.63 million (2018: HK$7.76 million) while the currents liabilities to the total assets ratio was approximately 0.50 (2018: 0.66). The net current assets at 31 May 2019 was approximately HK$4.30 million (2018: HK$2.02 million) while bank balances and cash at 31 May 2019 was approximately HK$2.02 million (2018: HK$10.68 million).

BUSINESS REVIEW

This Year, the Group's business results changed from loss to a profit because our business model started to go cross-boundary and globalisation, which enabled further business expansion to cover greater geographical diversity and spread among different industries.

Being recognised by numerous large corporations in Hong Kong, GBjobs had recorded soaring growth in its business results. For instance, GBjobs was appointed as the exclusive recruitment agent of the Earn & Learn apprenticeship scheme, which was co-organised by a world-renowned elevator maintenance company and the Vocational Training Council in Hong Kong. GBjobs successfully recruited many freshmen for this project.

In respect of prospecting and the related service, the Group successfully held exchange sessions with various chambers and units of commerce in the PRC, and hence attracted various companies to cooperate with us. Since we have collected a voluminous data of overseas enterprises, in conjunction with the big data which we collected in Hong Kong, our revenue from advertising and promoting service has been grown rapidly.

The fast-growing 散工王 Facebook page, which was created and has been managed by GBjobs for a few years, has attracted increasing number of resumes. In May 2019, the existing registered members on 散工王 Facebook page exceeded 83,000. This figure was significant, considering that there has been two million working population in Hong Kong. The 散工王 Facebook page not only boosted the image of GBjobs, but also derived a considerable amount of revenue from recruiters and business advertisers for their advertisement placements.

BUSINESS OUTLOOK

For our recruitment service, the Group has launched cross-boundary head hunting service for Hong Kong IT companies to hire engineers in Hong Kong and the PRC. As the companies stationed in Cyberport and the Science and Technology Park have been strongly supported by the government, all the bachelors, masters and doctors employed by these companies are eligible to enjoy certain government wage subsidies. As the number of graduates from all the universities in Hong Kong falls far short of the needs of business community, these companies were having difficulties to employ adequate technical engineers. We have successfully signed contracts with various companies stationed in the Science and Technology Park and Cyberport. Anon, certain number of professionals have been successfully employed.

The Group's next strategy is aiming to attract IT engineers from the Philippines and other countries to work in the PRC. Given the PRC's technology development, the demand for researchers has become enormous. Hence, the Group will focus on the long-term preparation on this issue.

As we have allocated our resources to recession-proof businesses and enterprises, the unrest in Hong Kong in the past two months would not materially and adversely affect the Group's business in Hong Kong. In addition, the Group has responded in a timely manner. Our business in the PRC and Southeast Asia will be further strengthened.

We have evaluated the intangible assets of our big data system, with a conclusion that the valuation of our intangible assets exceeds HK$100,000,000. Our big data system relies on the developed software, which is working round the clock for building a more diversify and mature database. It is similar to that of Google and Baidu for its development model. The difference here is that those platforms collect all the information on the Internet, while we only collect on the recruitment data and commercial information.

Technology is essential to Hong Kong, while big data is an integral part for the development of technology industry. The development of Hong Kong big data shall involves Netel, since Netel has been engaged in data mining for ten years and played the role as the originator of big data collection in Hong Kong. During the past 17 years of being listed, the Group has allocated its main resources in research and development. While in recent years, the Group has concentrated its efforts on market development. The Group has achieved great performance in 2018-2019 due to the commercialisation from its technology.

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 year. Management considers that the Group does not have any significant liquidity risk.

EMPLOYEE INFORMATION

At 31 May 2019, the Group employed a total of 38 (2018: 35) employees including Directors. The salaries and benefits of the Group's employees are kept at a competitive level. The Group also operates a share option scheme where options to subscribe for shares of the Company may be granted to the executive Directors and full time employees of the Group. As at 31 May 2019, 157,685,000 (2018: 180,785,000) share options remained outstanding from the share option schemes.

EXECUTIVE DIRECTORS

Mr. James Ang ("Mr. Ang"), aged 60, is the chairman of the Company and the founder of the Group. Mr. Ang is responsible for the business planning on overall development of the Group. He has around 32 years of experience in the telecommunications industry. Prior to joining the Group in 1996, he served as a sales manager of Swire Telecom from 1984 to 1986 and was responsible for the establishment of offices in the People's Republic of China (the "PRC"). After being employed with Swire Telecom, Mr. Ang served as a Director of the telecom division of AT&T from 1986 to 1995 and took charge of its business development in different countries. He obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). He is also a graduate from the University of London with bachelor degree in laws. He was called to the bar in United Kingdom and Hong Kong.

Mr. Wei Ren, ("Mr. Wei"), aged 80, is a senior engineer who has been engaged in biomedical engineering and has accumulated extensive experience in the field for more than 50 years. He was awarded several prizes of cities and provinces in the PRC. He has been engaged as a committee member of the Associate of China Biomedical Engineering, Tianjin Biofeedback Specialized Committee; deputy chairman and chief secretary of the Associate of Biomedical Engineering and Biofeedback Study in the PRC.

Ms. Yau Pui Chi Maria ("Ms. Yau"), aged 59, Mr. Ang's spouse, who has more than 30 years of commercial experience, is the vice president of the customer service department of the Group. Ms. Yau obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). After graduation, she worked in Airland Mattress Co. in charge of marketing and promotion activities in the PRC and Hong Kong. She also worked in Inni Company as an assistant manager from 1984 to 1990. She has been the Director of Charmfine Investment Limited and is responsible for the sales of accessory products. Ms. Yau is experienced in direct interface with dealers and end-users.

Dr. Zhong Shi ("Dr. Zhong"), aged 44, was promoted to Chief Executive Officer ("CEO") of the Group in July 2013. He is the Chief Technology Officer of the Group and heads the Research and Development Department. Dr. Zhong has more than 20 years experience in telecommunication and computer systems. Prior to joining the Group, he was the Senior Research Engineer of TOSHIBA Telecommunication Research Lab in England, and was also the Project Manager of Nan Tian Computer System in the PRC. He obtained his Ph.D. and MS.C in Department of Computer Science, School of Informatics from University of Edinburgh, United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiang Kin Kon, ("Mr. Chiang"), aged 70, has been an independent non-executive director of the Company since May 2008. He has over 39 years of experience in property management fields and over 25 years of experience in business management. Mr. Chiang has also been involved in the property management industry in the PRC since 1994. He holds a higher diploma in Business Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University).

Mr. Wong Kwok Fai, ("Mr. Wong"), aged 53, has been an independent non-executive director of the Company since May 2008. He holds a bachelor degree in Accountancy from the City University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in auditing, accounting, financial management and company secretarial in Hong Kong. He has worked for an international accounting firm and has been a financial controller and company secretary of a listed company in Hong Kong.

Mr. Chau Siu Keung, ("Mr. Chau"), aged 62, has been an independent non-executive director of the Company since May 2009. He has over 39 years experience in sales and marketing field and over 27 years of experience in business management. Mr. Chau is currently a director of a Hong Kong private limited company which is principally engaged in the trading and investment in Hong Kong and the PRC.

The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the Code on Corporate Governance Practices, and acknowledges the important role of its Board in providing effective leadership and direction to the Company's business, and ensuring the transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised as follows:

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the financial year ended 31 May 2019, 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 paragraphs.

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 Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Model Code during the year ended 31 May 2019.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Model Code. No incident of non-compliance was noted by the Company during the year ended 31 May 2019.

BOARD OF DIRECTORS

The Board comprises four executive Directors and three independent non-executive Directors. Each Director has relevant experiences, competence and skills appropriate to the requirement of the business of the Company.

The Directors of the Board members of the Company during the year ended 31 May 2019 and up to the date of this report were as follows:

Executive Directors

Mr. James Ang *(Chairman)*
Mr. Wei Ren
Ms. Yau Pui Chi, Maria
Dr. Zhong Shi

Independent Non-Executive Directors ("INEDs")

Mr. Chiang Kin Kon
Mr. Wong Kwok Fai
Mr. Chau Siu Keung

The Board is responsible for directing the Group to success and enhancing shareholders' value by formulating the Group's overall strategy, key objectives and policies. The Board monitors and oversees the operating and financial performance of the Group pursuant to these objectives.

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of certain aspects of the Board's responsibilities.

A list of Directors of the Company and their role and function is posted on the website of the Company and the Stock Exchange.

The Board has also delegated the day-to-day management and operation of the Group's business to the management team.

There are currently three non-executive Directors on the Board, all of whom are independent. All the non-executive Directors have been appointed for no specific term and they are subject to retirement by rotation in accordance with the Company's Articles of Association and thus submit themselves, on a rotation basis, for re-election by shareholders.

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has not arranged insurance coverage on Directors' and officers' liabilities arising from the Group's business as the Board considers that the Board adopts prudent management policy. The Company reviews the extent of insurance coverage on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the GEM Listing Rules and other applicable regulatory requirements and such induction materials will also be provided for every newly appointed Director of the Company. During the year, all Directors have participated in continuous professional development programme, such as attending seminars organised by qualified professionals or reading materials relevant to the Group's business and Directors' duties and responsibilities, in order to develop and refresh their knowledge and skills in relation to their contribution to the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board as a whole is responsible for the appointment of its own members.

The Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. The Board will review profiles of the candidates recommended by the Nomination Committee and make recommendations for the appointment, re-election and retirement of the Directors. Candidates are appointed to the Board on the basis of their skills, competence and expertise that they can contribute to the Company. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment in case of the appointment of additional Director or at the first general meeting after his appointment in case of filling of casual vacancy.

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

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

BOARD DIVERSITY POLICY

During the year, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company aims to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD MEETINGS

The Board met six times during the year to discuss relevant business and strategy of the Company. The discussions covered the financial performance, new products and services to be deployed by the Company and also suggestions to further improve the operation.

The members of the Board fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliances.

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results, set annual budgets as well as discuss on the corporate directions.

The Chairman ensures that the management will supply the Board and its committees with all the relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information.

ATTENDANCE RECORD AT BOARD, AUDIT COMMITTEE, REMUNERATION COMMITTEE AND ANNUAL GENERAL MEETINGS

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Annual General Meetings during the year ended 31 May 2019 is set out below:

	Attendance/Number of Meetings			
	Board	Audit Committee	Remuneration Committee	Annual General Meeting
Executive Directors				
Mr. James Ang	6/6	Not applicable	Not applicable	1/1
Mr. Wei Ren	6/6	Not applicable	Not applicable	0/1
Ms. Yau Pui Chi, Maria	6/6	Not applicable	2/2	1/1
Dr. Zhong Shi	6/6	Not applicable	Not applicable	1/1
Independent Non-Executive Directors				
Mr. Chiang Kin Kon	6/6	5/5	2/2	1/1
Mr. Wong Kwok Fai	6/6	5/5	2/2	0/1
Mr. Chau Siu Keung	6/6	5/5	Not applicable	0/1

The Board complied with Rules 5.01 and 5.02 of the GEM Listing Rules relating to the appointment of all the three independent non-executive Directors. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

SUPPLY OF AND ACCESS TO INFORMATION AND ACCESS TO LEGAL AND OTHER PROFESSIONAL ADVICE

To allow the Directors, in particular, all the independent non-executive Directors to make informed decisions and properly discharge their duties and responsibilities, the Company Secretary ensures the relevant Board papers are sent to all the Directors in a timely manner. All Board papers and minutes are also made available for inspection by the Directors and the Committees. All Directors, in particular, the independent non-executive Directors are informed and authorised to seek any information they require from any employee and obtain outside legal or other independent professional advice at the cost of the Company if they consider it necessary to discharge their duties as Directors of the Company.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the financial position of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 May 2019, the Directors have selected suitable accounting policies and applied them consistently by adopting appropriate Hong Kong Financial Reporting Standards.

INTERNAL CONTROL AND RISK MANAGEMENT

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

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the annual, interim, first and third quarter results of the Company for the year ended 31 May 2019, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

AUDITORS' REMUNERATION

Lau & Au Yeung C.P.A. Limited has been appointed by the shareholders annually as the external auditors of the Group since 2002. For the year ended 31 May 2019, the fees charged to accounts of the Group for Lau & Au Yeung statutory audit amounted to approximately HK$420,000 (2018: HK$420,000).

SHAREHOLDERS' RIGHTS

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

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

Procedures for putting enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of annual, interim and quarterly reports, announcements, circulars, annual general meeting and other general meetings. The Group's website provides regularly updated Group information to shareholders. Enquiries on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner.

The Group encourages all shareholders to attend annual general meeting which provides a useful forum for shareholders to exchange views with the Board.

CONSTITUTIONAL DOCUMENTS

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

This Report is prepared according to Appendix 20 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out by The Stock Exchange of Hong Kong Limited on GEM Board ("GEM Listing Rules"), and describes the efforts that Netel Technology (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") made during the year ended 31 May 2019 to achieve its environmental, social and governance goals and provides the related policies implemented by the Group.

The ESG report of the Group, presents mainly policies, initiatives and performance of the Group for the year ended 31 May 2019. It will also highlight material aspects identified during the year with the Board confirming that the report has been reviewed and approved to ensure all material issues and impacts are fairly presented. The ESG issues considered to be material are listed as follows:

ESG aspects as set forth in the ESG Guide	Material ESG issues for the Group
A. **Environmental**	
A.1 Emissions	Waste management and carbon emissions
A.2 Use of Resources	Use of electricity and water
A.3 Environment and Natural Resources	Measures in reducing environmental impact
B. **Social**	
B.1 Employment	Equal opportunities and labour practices
B.2 Health and Safety	Risk management and workplace health and safety
B.3 Development and Training	Employee development and training
B.4 Labour Standards	Child labour and forced labour
B.5 Supply Chain Management	Supplier management
B.6 Product Responsibility	Customer service and handling of personal data
B.7 Anti-corruption	Anti-corruption and money laundering
B.8 Community Investment	Community involvement

A. ENVIRONMENTAL

The Group promotes the practice of minimising the depletion of natural resources, i.e. electricity, timber, etc., and, strictly complies with environmental protection legislations, regulations, policies and standards. The Group advocates the corporate social responsibility to protect the environment and conserve the natural resources, and is dedicated to constructing a resources-saving and environmental-friendly company.

During the reporting period, the Group did not note any non-compliance of environmental laws and regulations, and the Group has taken adequate measures to reduce waste in accordance with applicable environmental legislation, regulations, policies and standards during the course of its business.

A 1. Emissions

Waste management

In view of the principal business activities of the Group, i.e. research and development of telecommunication and recruitment applications and provision of long distance call services and recruitment services, the Group has not produced a notable level of air and water pollutants.

The Group has established environmental policies which promote the principles of "reduce", "reuse" and "recycle" and reduce wastes at source in the offices, including: (i) providing reusable utensils to office employees to reduce the use of disposable utensils; (ii) reusing blank side of the printed papers in printing; and (iii) reusing envelopes for internal document circulation. In addition, categorization of wastes, e.g. scrap paper, plastic bottles, aluminium cans, etc. is encouraged to facilitate efficient recycling.

The Group has also strived to improve its waste management techniques including monitoring the latest environmental regulations and market trends on new environmental practices. The Group has also put continuous efforts to improve the effectiveness of its current practices. During the reporting period, no hazardous wastes resulting from the business activities of the Group were noted.

Carbon emissions

The major source of carbon emission of the Group is from the promotional light truck in which diesel is consumed to power the vehicle. The other source of carbon emission is from the daily operation of offices in which electricity is consumed for empowering the office equipment, lighting, computers and servers of the Group. The Group has established policies to reduce carbon emissions including: (i) limiting the use of the promotional vehicle to business use for generating headhunting and advertising income and for conducting promotional activities only; (ii) encouraging employees to take public transport when they need to work outside offices; and (iii) maintaining proper room temperature to reduce the consumption of electricity in the air-conditioning environment.

A 2. Use of Resources

Use of electricity

Electricity is consumed during the daily operations in offices through the use of air-conditioning, indoor lighting, functioning of office equipment and maintenance of computer server, etc. During the reporting period, 150,365 kWh electricity has been consumed by the Group.

The Group has established guidelines on energy conservation, including: (i) encouraging staff to switch off lighting, air-conditioning and office equipment while they are off work, and turn the computers to sleep mode during lunch time; (ii) installing energy saving light bulbs at offices; (iii) using refrigerator with Grade 1 energy label at offices; and (iv) posting reminders at offices to arouse the consciousness of environmental protection and energy saving.

Use of water

The Group has not consumed a significant volume of water during its course of business. Water-saving measures are only applicable to the daily office work, including displaying water-saving signs at the offices and washroom as reminders for using water efficiently.

A 3. Environment and Natural Resources

The Group has adopted a series of policies to protect the environment and reduce the use of resources, including: (i) setting double-sided printing as default mode in the photocopiers and printers at offices; (ii) archiving the documents as softcopies and reducing the use of papers in daily office work; (iii) reminding staff to control the power and fuel for running the office air-conditioning, lighting, office equipment and motor vehicles; and (iv) developing training programme to improve employees' environmental protection awareness. The Group aims at reducing energy wastage and is committed to controlling its impact on the environment and natural resources in the long run.

B. SOCIAL

B 1. Employment

The Group strongly recognises employees as valuable assets and the key to success, and therefore makes efforts to improve the equality in the workplace by not discriminating against job applicants or existing employees on the basis of age, religion, race, gender, nationality, sexual orientation, political opinion, disability or marital status. The Group has formulated and implemented a comprehensive human resources policies and practices, including recruitment and promotion, compensation and dismissal, holidays, working hours, rest periods, rights on termination and other employee benefits to ensure equal treatment for all employees. These policies are stated in the employee handbook and distributed to employees upon their employment.

In order to enhance employees' loyalty and retain talented employees, the compensation system of the Group is based on individual performance. On top of the basic salary, incentives including commissions and share options are introduced and linked with individual performance to reward employees and encourage improvement.

In addition, the Group promotes work-life balance and hence organises and sponsors employee activities regularly, which includes lunch and dinner gathering, Christmas party with lucky draw, birthday celebration for employees, etc. to promote employee well-being.

As at the end of financial year, the Group had 26 (2018: 20) staff in Hong Kong and 12 (2018: 15) staff in Mainland China.

During the reporting period, the Group has not received any complaints relating to the employment or discrimination issues, and there were no non-compliance cases in relation to the relevant occupational health and safety legislation, and no working days were lost due to work-related injuries. Meanwhile, the Group complies with Employment Ordinance and Mandatory Provident Fund Schemes Ordinance and other labour related law and regulations such as Labour Law and Labour Contract Law of PRC. In addition, the Group has reached the local minimum wage standards.

B 2. Health and Safety

The Group is committed to maintaining a safe, hygienic and productive workplace to all employees by taking the necessary work security measures to prevent the occurrence of workplace accidents. The Group develops and distributes the work safety guidelines among employees and provides adequate training to comply with all healthy and safety legislations and ordinances.

The Group is highly concerned about the health and safety of employees, and is dedicated to improving the working environment to prevent occupational disease. Occupational health and safety record is maintained to ensure that a healthy and safe workplace is provided to employees at all times. Regular office risk assessment is also undertaken to enhance workplace safety. In addition, the Group also recognises the importance on the development of mental health of employees, and hence organises periodic gatherings and other relaxing activities to relieve the employees' pressure at work.

During the reporting period, the Group has not violated any health and safety laws and regulations and achieved zero accidents in the workplace.

B 3. Development and Training

The Group focuses on the cultivation of potential talents and ensures that the skills and abilities of all employees are recognised and utilised to their full capacity. The Group develops and updates the training programme which aims specifically at increasing employees' knowledge on new services, improving operational skills, customer service and marketing techniques, and developing employees' management talents to fulfill their career goals. For new employees, the Group also provides orientation and induction programme to help them to familiarise with the new working environment.

In addition, the Group encourages its employees to advance and upgrade themselves by pursuing further studies or attempting professional examinations. The Group also supports employees to attend seminars which enhance their working skills during office hours. Besides, the Group will provide financial support to employees who successfully attain professional qualifications.

B 4. Labour Standards

The Group strictly complies with the relevant child labour and forced labour employment ordinance. All applicants' identity must be verified before employment. Before entering into employment contracts with employees, full explanation on the terms of employment must be given to ensure that all employees fully understand the content of the contracts before signing.

During the reporting period, no non-compliance issues were noted regarding labour standards as required by related laws and regulations.

B 5. Supply Chain Management

The Group takes initiatives to maintain long term relationship with its suppliers and vendors to ensure stable supply of goods and services. The Group regularly reviews the list of suppliers and the criteria on selecting suppliers, which is subject to the quality of goods and services, price, supply stability, delivery rate, customer services and environmental, social and ethical commitment. During the reporting period, no significant risks related to the supply chain at environmental and society levels were noted.

B 6. Product Responsibility

The Group is committed to providing reliable services by acting responsibly and protecting the interests of various stakeholders. The Group offers reliable services by providing customer services with quality and handling personal data with due care.

Providing customer services with quality

The Group aims at providing unique and satisfying customer services to achieve customer loyalty and maintain long term customer relationship. The Group provides training to employees who provide customer services to understand customers' needs and provide after-sale services. When designing marketing campaign, the Group ensures the information is accurate, reliable and not misleading to customers.

Handling personal data with due care

The Group handles a large amount of personal data during the conduct of its headhunting business. Therefore, the Group ensures all employees understand the procedures on handling personal data by signing to confirm the data protection policy designed by the Group in accordance with Personal Data (Privacy) Ordinance. Whenever there is a collection of personal data from the public, a Personal Information Collection Statement will be provided to ensure that the public understands the purpose of collecting their personal data and the fact that the Group will not use their personal data for any other purposes before the consent of the data subject. Besides, a Privacy Policy Statement is also published in the same paper form and the Groups' websites that collect the personal data so that the public can understand the policies and procedures of the Group in relation to the collection, holding and using of their personal data.

During the reporting period, no material non-compliance issues were noted regarding product responsibility as required by related laws and regulations.

B 7. Anti-corruption

The Group strives to maintain a high standard of business ethics and integrity during the course of its business. The Group's employees must comply with the code of ethics and laws and regulations in performing their daily work. In addition, the Group has established and communicated its internal guidelines for monitoring bribery, anti-money laundering and gifts or advantages received from suppliers or given to customers. A whistle-blowing channel is also established to encourage employees to report any suspicious cases, and any reported cases would be investigated and followed up timely by independent personnel.

During the reporting period, the Group does not aware of any corruption matters or any complaints relating to anti-money laundering against the Group or its employees.

B 8. Community Investment

The Group has devoted time and efforts to contribute to the society and encourage all employees to actively participate in environmental protection and various volunteer work for the community.

In the future, the Group will promote the health of its employees by organising sports activities and joint holding health talks, and will seek opportunities to work with various charitable organisations and join their community programme in order to promote the well-being of the society. By participating in community activities, the Group would be able to balance the interests among different stakeholders and achieve the goal of sustainable development.

The Board of Directors (the "Board") of Netel Technology (Holdings) Limited (the "Company") is pleased to present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 May 2019.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and is incorporated in the Cayman Islands. The activities of the subsidiaries are set out in Note 36 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

A review of the Group's performance, business activities and outlook is included in the section "Chairman's Statement" on pages 4 to 5 and the section "Management Discussion and Analysis" on pages 6 to 8 of the annual report.

Risks and uncertainties

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

Environmental policies and performance

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

Compliance with laws and regulations

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

Key relationships with employees, customers and suppliers

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

FUND RAISING ACTIVITIES

To meet the imminent need of funding for general working capital of the Group to support its normal operation, the Company had completed various fund raising activities. Details of share capital of the Company are set out in Note 28 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 May 2019 are set out in the Group's consolidated statement of profit or loss and other comprehensive income on page 42 of the annual report.

DIVIDEND

The Board of Directors does not recommend the payment of dividend in respect for the year ended 31 May 2019 (2018: Nil).

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 45 of the annual report.

DISTRIBUTABLE RESERVE

As at 31 May 2019, there are no reserves available for distribution to the shareholders of the Company (2018: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years ended 31 May 2019, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 120 of the annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 28 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 37 to the consolidated financial statements, no significant events have taken place subsequent to 31 May 2019 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the articles of association of the Company (the "Articles of Association") requiring the Company to offer new shares to the existing shareholders in proportion to their shareholding, and there is no restriction against such rights under the laws of the Cayman Islands.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2019, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

On 10 September 2012, the Company passed an ordinary resolution regarding the termination of the old share option scheme (the "Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") for the primary purpose of providing incentives and rewards to employees who have made contributions to the development of the Company. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant share options to employees including Directors, executives or officers of the Group, at a price not less than the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date, the closing price of the shares on the Stock Exchange on the offer day or the nominal value of the shares, whichever is higher.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme must not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one participant must not exceed 30% of the maximum number of shares in issue from time to time. The total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant of the New Share Option Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company.

A nominal consideration of HK$1 is payable within 28 days from the offer date for each lot of share options granted. An option may be exercised in accordance with the terms of the New Share Option Scheme during a period to be notified by the Board.

The New Share Option Scheme is valid for a period of 10 years commencing from 10 September 2012.

The following shows the outstanding position as at 31 May 2019 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 1.6.2018	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.5.2019
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
				11,400,000	–	–	–	11,400,000
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
				28,740,000	–	–	–	28,740,000
Sub-total				40,140,000	–	–	–	40,140,000
Under New Share Option Scheme								
Name of Directors								
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
				17,500,000	–	–	–	17,500,000
Other employees and individuals								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	6,400,000	–	–	(3,200,000)	3,200,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	47,800,000	–	–	(4,400,000)	43,400,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	15,000,000	–	–	(6,500,000)	8,500,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	10,300,000	–	–	(2,500,000)	7,800,000
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	19,200,000	–	–	(3,500,000)	15,700,000
	14.06.2017	0.110	14.06.2017 to 13.06.2027	24,445,000	–	–	(3,000,000)	21,445,000
				123,145,000	–	–	(23,100,000)	100,045,000
Sub-total				140,645,000	–	–	(23,100,000)	117,545,000
Total				180,785,000	–	–	(23,100,000)	157,685,000

During the year ended 31 May 2019, no share options were granted under the New Share Option Scheme (2018: 47,466,000), no share options were exercised (2018: 24,621,000), 23,100,000 share options were lapsed (2018: 21,980,000) and no share options were cancelled (2018: Nil).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. James Ang *(Chairman)*
Mr. Wei Ren
Ms. Yau Pui Chi, Maria
Dr. Zhong Shi

Independent Non-Executive Directors ("INEDs")

Mr. Chiang Kin Kon
Mr. Wong Kwok Fai
Mr. Chau Siu Keung

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Wei Ren, Ms.Yau Pui Chi, Maria and Mr. Wong Kwok Fai will retire from office by rotation and, being eligible; offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENCE CONFIRMATION

The Company has received an annual written confirmation from each of its independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

All the Directors have been appointed for no specific term, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

PERMITTED INDEMNITY

During the year ended 31 May 2019 and up to the date of this report, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force for the benefit of the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the service contracts, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year ended 31 May 2019.

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

At 31 May 2019, apart from the details as follows, the Directors and chief executive do not have any other interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.49 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The details were as follows:

		Number of shares held						
Name of Directors	Capacity	Personal interests	Family interests	Corporate interests	Number of share options held	Exercise price of share options HK$	Total interests	% of total issued shares
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	–	–	24,884,000 (Note 1)	–	–	24,884,000	2.05
	Beneficial owner	309,935,819	38,322,000 (Note2)	–	–	–	348,257,819	28.68
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	38,322,000	334,819,819 (Note 3)	–	–	–	373,141,819	30.73
Mr. Wei Ren	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 1,000,000 5,500,000 5,000,000 1,000,000 1,000,000	0.233 0.150 0.145 0.159 0.111 0.1184	16,700,000	1.38

Name of Directors	Capacity	Number of shares held: Personal interests	Family interests	Corporate interests	Number of share options held	Exercise price of share options HK$	Total interests	% of total issued shares
Mr. Chiang Kin Kon	Beneficial owner	–	–	–	2,300,000 1,000,000 1,000,000	0.233 0.111 0.1184	4,300,000	0.35
Mr. Wong Kwok Fai	Beneficial owner	–	–	–	1,200,000 1,000,000 1,000,000	0.233 0.111 0.1184	3,200,000	0.26
Mr. Chau Siu Keung	Beneficial owner	1,272,000	–	–	1,200,000 1,000,000	0.233 0.1184	3,472,000	0.29

Note:

1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 21,694,000 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 21,694,000 shares held by Bluechip.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

Save as the interest disclosed above in respect of certain Directors, the Company has not been notified of any other shareholders who had interest and/or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 May 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to its five largest customers accounted for approximately 73% (2018: 55%) of the Group's total turnover for the year ended 31 May 2019.

Purchases for the largest supplier for the year ended 31 May 2019 represented approximately 98% (2018: 76%) of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group for the year ended 31 May 2019 accounted for approximately 99% (2018: 92%) of the total purchases of the Group for the year ended 31 May 2019.

Except for the transaction as disclosed in Note 34 to the consolidated financial statements, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 May 2019, which constitute exempted connected transactions under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"), are disclosed in Note 34 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 May 2019, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule").

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Particulars of the MPF are set out in Note 2.23 to the consolidated financial statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 11 to 18 of the annual report.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the annual, interim, first and third quarter results of the Company for the year ended 31 May 2019, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

REMUNERATION COMMITTEE

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.

AUDITOR

The accompanying consolidated financial statements have been audited by Lau & Au Yeung C.P.A. Limited. Lau & Au Yeung C.P.A. Limited will retire and a resolution to re-appoint Lau & Au Yeung C.P.A. Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

James Ang
Chairman

Hong Kong, 28 August 2019

劉歐陽會計師事務所有限公司
LAU & AU YEUNG C.P.A. LIMITED

Lau & Au Yeung C.P.A. Limited
21/F., Tai Yau Building
181 Johnston Road, Wanchai
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NETEL TECHNOLOGY (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Netel Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 119, which comprise the consolidated statement of financial position as at 31 May 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 May 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1(a) in the consolidated financial statements with respect to the Group's and the Company's ability to continue as going concerns. The Group reported a net cash used in operating activities for the year ended 31 May 2019 of approximately HK$1,389,000. The Group's ability to continue as a going concern and maintain sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future is dependent on whether the cash flows forecast for the next twelve months from the date of this report and measures as set forth in Note 2.1(a) to the consolidated financial statements can be successfully executed. As stated in Note 2.1(a), these events or conditions, along with other matters as set out in Note 2.1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from contracts with customers Refer to Note 6 to the consolidated financial statements. The Group recorded revenue from contracts with customers in relation to the provision of IT applications related services including prospecting, recruitment related services and e-commerce and trading business totaling HK$15.39 million for the year ended 31 May 2019. The Group provides its customers with a customized package of services, mainly including online job posting, CV downloading, headhunt services and referral of job candidates, recruitment car rentals, business promotion and prospecting utilizing Big-Data support, etc. The Group has adopted Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") as from 1 June 2018. Under HKFRS 15, each service in the packages of services that the Group delivers to the customer is a separate performance obligation. At contract inception, the transaction price is allocated to each performance obligation on the basis of relative stand-alone selling prices ("**SASP**"). SASPs are determined by observable price of a service when the Group sells that service separately in similar circumstances and to similar customers. Transaction price allocation involves management judgement. Revenue is one of the key performance indicators of the Group and involves management judgement. Each type of contracts may have different service components and terms and conditions which increases the risk of error. For this reason, we identified the recognition of service revenue as a key audit matter.	Our audit procedures in relation to the assessment of service revenues included: • inspected the key terms and conditions of contracts with customers, on a sample basis, to assess if there were any terms and conditions that may affect the revenue recognition; • obtained an understanding of and assessed the design, implementation and operating effectiveness of key internal controls over the revenue recognition processes; and • compared, on a sample basis, the transaction prices of the contracts with customers, stand-alone selling prices for each performance obligation and services provided with the underlying signed contracts, the observable prices of the service when the Group sells that service in similar circumstances and to similar customers and service consumption records.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 20 to the consolidated financial statements. As at 31 May 2019, the Group has trade receivables of HK$17.20 million and the provision for loss allowance amounted to HK$4.83 million. The net receivables represented 54.75% of the Group's total assets. Trade receivables of the Group comprise mainly receivables from recruitment related services including job posting, headhunt services and recruitment car rentals, IT applications prospecting and related services, and the e-commerce trading business. Management assessed the recoverability of trade receivables by reviewing customers' aging profile, credit history and status of subsequent settlement, and determine the expected credit losses. Management applied judgement in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its aging category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experience and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.	Our audit procedures in relation to the recoverability of trade receivables included: • Tested the accuracy of aging of trade receivables on a sample basis; • Verified the balances of trade receivables by request and received of confirmations on a sample basis; • Understood the management's basis and assessment in relation to the recoverability of trade receivables; • Obtained management's assessment on the expected credit losses allowance of trade receivables. We corroborated and validated management's assessment based on the historical settlement pattern, correspondence with the customers, evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers and relevant forward-looking information such as macroeconomic factors used in management's assessment;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables *(Continued)*	
Significant judgement and assumptions are required for the identification of impairment events and the determination of expected credit losses allowance of the trade receivables. For this reason, we identified the recoverability of trade receivables as a key audit matter.	• Tested the accuracy of calculation of expected credit losses allowance provision for trade receivables by management at the year end in accordance with the Group's stated provision policy; and • Assessed the recoverability of balances by comparing the outstanding amounts as at year end against subsequent settlements.
Impairment assessment of internally generated intangible assets	
Refer to Note 15 to the consolidated financial statements. As at 31 May 2019, the Group's intangible assets amounted to HK$6.35 million. The intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Management assessed the recoverable amounts of the intangible assets by preparing impairment assessment based on value in use calculations. The calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units to which the intangible assets belonged to and the use of a suitable discount rate in order to calculate the present value. Significant estimation and judgement are required by management with respect to the use of discount rates and the underlying cash flows, in particular future revenue growth and capital expenditure, and other underlying assumptions as well.	Our audit procedures in relation to the impairment assessment of internally generated intangible assets included: • Evaluated and challenged the basis by which the management's future cash flow forecasts and impairment assessment was prepared; • Assessed the appropriateness of the key assumptions including revenue growth rate and discount rate; • Found for the supporting and available evidence on the estimation and judgement made by the management in relation to the preparation of future cash flows expected to arise from the cash-generating units to which the intangible assets belonged to; • Checked the mathematical accuracy of the value in use calculations by the management for the purpose of impairment assessment; and

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of internally generated intangible assets *(Continued)*	
For this reason, we identified the impairment assessment of intangible assets as a key audit matter.	• Considered the results of sensitivity analysis on reasonably possible downside changes in key assumptions adopted by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the Group's 2019 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Franklin Lau Shiu Wai
Practising Certificate Number: P01886

Hong Kong, 28 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 May 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5&6	**56,101**	29,052
Cost of sales		**(40,147)**	(15,124)
Gross profit		**15,954**	13,928
Other income	6	**431**	2,135
Selling and marketing expenses		**(93)**	(291)
Administrative expenses		**(11,870)**	(17,680)
Operating profit/(loss)	7	**4,422**	(1,908)
Finance costs	8	**(1,178)**	(1,048)
Share of profit/(loss) of associates		**–**	–
Profit/(loss) before income tax		**3,244**	(2,956)
Income tax expense	9	**(169)**	(141)
Profit/(loss) for the year		**3,075**	(3,097)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**3,075**	(3,097)
Profit/(loss) for the year attributable to:			
– Equity holders of the Company		**3,070**	(3,186)
– Non-controlling interests		**5**	89
		3,075	(3,097)
Total comprehensive income/(loss) for the year attributable to:			
– Equity holders of the Company		**3,070**	(3,186)
– Non-controlling interests		**5**	89
		3,075	(3,097)
Earning/(loss) per share attributable to equity holders of the Company			
– Basic and diluted	11	**HK 0.25 cents**	HK (0.27 cents)

The notes on pages 47 to 119 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 May 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	14	**563**	845
Intangible assets	15	**6,345**	7,219
Interests in associates	16	**3**	3
Interest in a joint venture	17	**50**	50
Available-for-sale financial assets		**–**	–
Financial assets at fair value through profit or loss	18	**–**	–
		6,961	8,117
Current assets			
Inventories	19	**170**	145
Trade receivables	20	**12,367**	9,937
Prepayments, deposits and other receivables	20	**1,068**	981
Bank balances and cash	21	**2,022**	10,683
		15,627	21,746
Total assets		**22,588**	29,863
EQUITY			
Capital and reserves			
Share capital	28	**24,285**	24,285
Share premium and reserves	29	**(20,597)**	(21,868)
		3,688	2,417
Non-controlling interests		**(59)**	(48)
Total equity		**3,629**	2,369

Consolidated Statement of Financial Position

As at 31 May 2019

	Notes	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance lease	27	**246**	28
Corporate bonds	31	**7,382**	7,736
		7,628	7,764
Current liabilities			
Trade payables	22	**363**	4,614
Contract liabilities	23	**1,552**	–
Receipt in advance, accruals and other payables	22	**2,372**	3,209
Amounts due to directors	24	**2,271**	4,595
Tax payable		**309**	147
Loan from non-controlling interest	25	**100**	400
Other loans	26	**3,700**	500
Obligations under finance lease	27	**56**	110
Corporate bonds	31	**608**	6,155
		11,331	19,730
Total liabilities		**18,959**	27,494
Total equity and liabilities		**22,588**	29,863
Net current assets		**4,296**	2,016
Total assets less current liabilities		**11,257**	10,133

The notes on pages 47 to 119 form an integral part of these consolidated financial statements.

The financial statements on pages 42 to 119 were approved by the Board of Directors on 28 August 2019 and were signed on its behalf.

James Ang	**Yau Pui Chi, Maria**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 May 2019

	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 2017	23,793	163,291	13,787	(13,783)	247	(186,980)	355	(142)	213
Loss for the year	–	–	–	–	–	(3,186)	(3,186)	89	(3,097)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(3,186)	(3,186)	89	(3,097)
Transactions with owners:									
Issue of shares upon exercise of share options	492	4,492	(1,715)	–	–	–	3,269	–	3,269
Grant of share options	–	–	1,307	–	–	–	1,307	–	1,307
Recognition of equity-settled share-based payments	–	–	672	–	–	–	672	–	672
Lapse of share options	–	–	(459)	–	–	459	–	–	–
Addition of non-controlling interests	–	–	–	–	–	–	–	5	5
Total transactions with owners	492	4,492	(195)	–	–	459	5,248	5	5,253
Balance at 31 May 2018	24,285	167,783	13,592	(13,783)	247	(189,707)	2,417	(48)	2,369
Balance at 1 June 2018	**24,285**	**167,783**	**13,592**	**(13,783)**	**247**	**(189,707)**	**2,417**	**(48)**	**2,369**
Change in accounting policies	**–**	**–**	**–**	**–**	**–**	**(2,095)**	**(2,095)**	**(16)**	**(2,111)**
Restated balance at 1 June 2018	**24,285**	**167,783**	**13,592**	**(13,783)**	**247**	**(191,802)**	**322**	**(64)**	**258**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,070**	**3,070**	**5**	**3,075**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**3,070**	**3,070**	**5**	**3,075**
Transactions with owners:									
Recognition of equity-settled share-based payments	**–**	**–**	**296**	**–**	**–**	**–**	**296**	**–**	**296**
Lapse of share options	**–**	**–**	**(1,719)**	**–**	**–**	**1,719**	**–**	**–**	**–**
Total transactions with owners	**–**	**–**	**(1,423)**	**–**	**–**	**1,719**	**296**	**–**	**296**
Balance at 31 May 2019	**24,285**	**167,783**	**12,169**	**(13,783)**	**247**	**(187,013)**	**3,688**	**(59)**	**3,629**

The other reserve represents the difference between the fair value of consideration paid to acquire non- controlling interests in subsidiaries, GBjobs.com Limited, GBjobs China Salary Index Company Limited (formerly known as "Dolphins HR Consultancy Limited"), Hong Kong Domestic Services Limited, Netel Digital Marketing 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 2018 and 2019.

The notes on pages 47 to 119 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 May 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash used in operations	32(a)	**(1,325)**	(4,310)
Interest paid		**(57)**	(21)
Tax paid		**(7)**	–
Net cash used in operating activities		**(1,389)**	(4,331)
Cash flows from investing activities			
Additions of intangible assets		**(926)**	(2,948)
Additions of plant and equipment		**(64)**	(339)
Net cash used in investing activities		**(990)**	(3,287)
Cash flows from financing activities			
Net proceeds from other loans	32(b)	**3,200**	500
Net proceeds from loans from non-controlling interest	32(b)	**(300)**	400
Net proceeds from issuance of corporate bonds	32(b)	**(6,000)**	6,370
Net proceeds from exercise of share options		**–**	3,269
Coupon interest paid for corporate bonds	32(b)	**(1,022)**	(595)
Additions of non-controlling interests		**–**	5
Proceeds from drawdown of finance lease	32(b)	**255**	–
(Decrease)/increase in amounts due to directors	32(b)	**(2,324)**	4,172
Repayment of obligations under finance lease	32(b)	**(91)**	(104)
Net cash (used in)/generated from financing activities		**(6,282)**	14,017
Net (decrease)/increase in cash and cash equivalents		**(8,661)**	6,399
Cash and cash equivalents at beginning of the year		**10,683**	4,284
Cash and cash equivalents at end of the year	21	**2,022**	10,683

The notes on pages 47 to 119 form an integral part of these 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in telecommunication equipment sales and related services, research and development of IT applications, and provision of IT applications related services including prospecting, recruitment related services and e-commerce and trading business.

The consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK$'000), unless otherwise stated. The consolidated financial statements have been approved for issue by the board (the "Board") of directors (the "Directors") of the Company on 28 August 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Netel Technology (Holdings) Limited and its subsidiaries.

2.1 Basis of preparation

(a) The directors of the Company have performed an assessment of the Group's cash flow forecast for the next twelve months from the date of this report, taking into account relevant estimates and assumptions. The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of this report. Accordingly, the consolidated financial statements have been prepared on a going concern basis. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In preparing the consolidated financial statements, the Directors have carefully reviewed the Group's cash position as at the end of the reporting period and the cash flow forecast for the next twelve months. In reviewing the Group's cash flows, the Directors have considered the following factors:

- A major and controlling shareholder confirms that funds, if required, will be made available to the Company through shareholder's loans to meet the present and future cashflow requirement from operation and settlement of its outstanding obligations

- Continuous development and enhancement of the Group's IT applications and related services and future cash flows to be generated from prospecting revenue sources and Big-Data businesses

- The Directors have considered that there is no material impact to the cash flow forecast upon possible outcomes of decision by the Stock Exchange of the cancellation of listing of the Company's shares

- Continuous effort to control cost of the Group

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared on a historical cost basis.

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 June 2018:

Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 Deletion of Short-term Exemptions for First-time Adopters
Annual Improvements 2014-2016 Cycle	Amendments to HKAS 28 Measuring an Associate or Joint Venture at Fair Value
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarification to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies retrospectively and make certain transition adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(i) New and amended standards adopted by the Group *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 June 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial result upon initial application at 1 June 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

At 1 June 2018, the Group has reclassified its available-for-sale financial assets amounting to HK$300 as financial assets at fair value through profit or loss as these financial assets did not pass the contractual cash flow characteristics test in HKFRS 9.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents and trade receivables).

For further details on the Group's accounting policy for accounting for credit losses, see note 3.1(a) to the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(i) New and amended standards adopted by the Group *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of HKFRS 15 from 1 June 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.21 to the consolidated financial statements, comparative figures have not been restated.

Impact of adoption

The total impact on the Group's accumulated losses by application of HKFRS 15 as at 1 June 2018 is as follows:

	Notes	**At 1 June 2018** HK$'000
Recognition of contract liabilities for performance obligations under a contract not fulfilled	(a)	2,111
Effect in deferred tax asset/liability	(b)	–
Total impact		2,111
Adjustment to accumulated losses		2,095
Adjustment to non-controlling interests		16

(a) A portion of the initial joining fees received from certain customers who participated as agents of the Group did not qualify for recognition as revenue as their contracts contained more than one performance obligations which have not been fulfilled. The allocation of transaction price to these performance obligations are recognised as contract liabilities. The Group recognised contract liabilities amounting to approximately HK$2,111,000 as at 1 June 2018.

(b) No income tax was charged for the revenue during year ended 31 May 2018 as profits were offset against tax losses available, Accordingly, no effect to deferred tax asset/liability was recognised as at 1 June 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(ii) New standards and interpretations not yet adopted

Annual Improvements 2015-2017 Cycle	Amendments to HKFRSs[1]
HKAS 1 and HKAS 28 (Amendments)	Definition of Material[2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for a date to be determined by the IASB

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(ii) New standards and interpretations not yet adopted *(Continued)*

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value. At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the
- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The board of the Group has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

2.6 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Computer and software	$33^{1}/_{3}$%
Telecommunication equipment	10%
Motor vehicles	20%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

2.7 Intangible assets

Costs associated with maintaining telecommunication and computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from when the asset is ready for use on a straight-line basis over their estimated useful lives not exceeding 5 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets *(Continued)*

An intangible asset with an infinite useful life shall be stated at cost less any accumulated impairment loss provision and amortised using the straight-line method or units of production method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortised.

The Group shall review the useful life of intangible asset with an infinite useful life and the amortisation method applied at least at the end of each reporting period. A change in the useful life or amortisation method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group shall estimate the useful life of that asset and apply the accounting policies accordingly.

(i) Website development costs

Website development costs recognised as assets are amortised over their estimated useful lives of five years. The assets' useful lives and their amortisation methods are reviewed annually.

(ii) Telecommunication and IT applications and value-added service software development costs

Telecommunication and IT applications and value-added service software development costs are amortised over their estimated useful lives of five years when the assets are available for use. The assets' useful lives and their amortisation methods are reviewed annually.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

Investments and other financial assets

(a) Classification

From 1 June 2018, the Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

Investments and other financial assets (Continued)

(c) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

Investments and other financial assets (Continued)

(c) Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 June 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Notes 2.26 and 3.1(a) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 May 2018

Available-for-sale financial assets

The Group classifies its financial assets as available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within twelve months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

– for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
– for available-for-sale financial assets that are monetary securities denominated in a foreign currency –translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
– for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 May 2018 *(Continued)*

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss –measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

– income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.11 Leases

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(b) Finance leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Leases *(Continued)*

(b) Finance leases *(Continued)*

The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2.12 Inventories

Inventories comprise mainly telecommunication equipments, cards and accessories and are stated at the lower of cost and net realisable value. Cost comprises purchase costs which are assigned to individual items on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 120 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1(a) for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.17 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

2.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue recognition

Accounting policies applied from 1 June 2018:

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

Revenue is recognised when the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

The Group generates revenues from providing a variety of telecommunication equipment sales and related services, IT applications related services including prospecting, GBjobs and recruitment related services, and e-commerce and trading to business customers and individual paying users:

(i) Telecommunication equipment sales and related services

Telecommunication equipment sales and related services include the sale of mobile equipment and accessories, long distance calling cards and provision of SIP phone service. Revenue is recognised at the point of time that the control of the promised goods or services have passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Revenue from servers maintenance service is recognised when the services are rendered.

(ii) IT application – Prospecting and related services

(a) Business promotion and prospecting

The services utilize internet, social media and Big-Data of the Group. Revenue is recognised over time based on the output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the transfer of services to the customer.

(b) Show-Flats commission

The Group utilizes its Big-Data to locate and secure potential buyers for PRC property agents and property developers. Commission income, which is based on an agreed percentage of the sales amount of the property, is recognised when the performance obligation to secure the sale transaction of the property is fulfilled and the transaction is completed.

(c) Other prospecting and related services income is recognised when services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue recognition *(Continued)*

(iii) IT application – GBjobs and recruitment related services

(a) Online job posting, salary index services and rental of promotion vehicle

Revenues from provision of online job posting and salary index services, and rental of promotion vehicle are subscription-based. Revenue from subscription-based recruitment agency services is recognised over time based on the output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the transfer of services to the customer.

(b) Candidates head-hunting service

Revenue from head-hunting service is transaction-based. Revenue from transaction-based recruitment agency services is recognised when the service performance is accepted by the customer.

(c) Other recruitment related services income is recognised when services are rendered.

(iv) IT application – E-commerce and trading

Revenue is recognised at the point of time that the control of the promised goods has passed to the customers, which is primarily upon the acceptance of the products by the customers.

(v) Interest income is recognised on a time proportion basis using the effective interest method.

<u>Accounting policies applied until 31 May 2018:</u>

The Group has applied HKFRS 15, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Revenues in respect of provision of long distance call services, telecommunication related and value-added services, recruitment agency services and IT applications prospecting and related services are recognised when the services are rendered.

(ii) Revenue from the sale of equipment and the e-commerce and trading business is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the equipment and goods are delivered to customers and the title has passed.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.23 Employee benefits

(a) Employee leave entitlements

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(b) Pension obligations

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Employee benefits *(Continued)*

(d) Share-based payment transactions

Share-based compensation benefits are provided to employees via a share option scheme. Information relating to this scheme is set out in Note 30.

The fair value of options granted under the share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)
– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.24 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified at fair value through profit or loss of which the interest is included in net gains or losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Corporate bonds

Corporate bonds issued by the Company with no conversion rights are initially recognised at fair value minus transaction costs that are directly attributable to the issue of the corporate bonds, and subsequently measured at amortised cost using the effective interest method.

2.26 Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 June 2018

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised costs (including cash and cash equivalents, trade and other receivables); and
– contract assets as defined in HKFRS 15.

The loss allowance is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic of recovery. This is generally the case when the debtor does not have assets or sources of income to generate sufficient cash flows to repay the amounts subject.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

(B) Policy applicable prior to 1 June 2018

Prior to 1 June 2018, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that property, plant and equipment, intangible assets, other assets and investment in associates may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as an income in profit or loss immediately.

For investments in associates recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates uses to determine the recoverable amount.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including credit risk, cash flow interest rate risk, foreign exchange risk and liquidity risk. These risks are managed by the Group's financial management policies and practices as described below to minimise potential effects on the Group's financial performance.

(a) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, trade receivables, deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 May 2019.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the expected credit loss. It considers available reasonable and forwarding-looking information.

As at 31 May 2019, trade receivables that are individually significant have been separately assessed for impairment. In the event that no incurred loss event or impairment is identified, the balances are grouped with other trade receivables and are collectively assessed for impairment, according to similar nature and characteristics of customer accounts.

Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider the Group's credit risk of these receivables to be low except for the impaired trade receivable disclosed below.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

The Group classifies its trade receivables by aging categories, including 0 – 30 days, 31 – 180 days 181 – 365 days and over 365 days.

	Lifetime expected credit loss rate	Gross carrying amount HK$'000	Lifetime expected credit loss HK$'000	Net carrying amount HK$'000
As at 31 May 2019				
Provision on a collective basis				
– 0 – 30 days	Nil	2,488	–	2,488
– 31 – 180 days	0.5%	4,697	(23)	4,674
– 181 – 365 days	10.5%	4,199	(441)	3,758
– Over 365 days	19.5%	1,798	(351)	1,447
Provision on an individual basis				
– Over 365 days	100.0%	4,014	(4,014)	–
		17,196	(4,829)	12,367

The credit quality of other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 May 2019.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Credit risk *(Continued)*

Comparative information under HKAS 39

Prior to 1 June 2018, to manage credit risk on trade receivables, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable. The Group adopted the following rates for provision on long outstanding debts to ensure that adequate impairment provision is made for any irrecoverable amounts:

181 – 365 days	50%
Over 365 days	100%

The credit risk on deposits with bank is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

The credit risk on deposits and other receivables is limited as management is of the opinion that the recoverability of these balances is highly probable.

(b) Cash flow interest rate risk

As the Group has no significant interest-bearing assets or liabilities, except for certain loans, finance lease liabilities and corporate bonds charged at pre-determined rates, its income and operating cash flows are substantially independent of changes in market interest rates.

(c) Foreign exchange risk

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to finance its operations with its own capital and earnings and borrowings or credit facilities utilised during the year. Management considers that the Group does not have any significant liquidity risk.

The table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year or on demand HK$'000	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**
As at 31 May 2019			
Trade and other payables	**2,735**	**–**	**–**
Amounts due to directors	**2,271**	**–**	**–**
Loan from non-controlling interest	**100**	**–**	**–**
Other loans	**3,700**	**–**	**–**
Obligations under finance lease	**56**	**246**	**–**
Corporate bonds	**608**	**–**	**7,382**
	9,470	**246**	**7,382**

	Less than 1 year or on demand HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
As at 31 May 2018			
Trade and other payables	7,823	–	–
Amounts due to directors	4,595	–	–
Loan from non-controlling interest	400	–	–
Other loan	500	–	–
Obligations under finance lease	110	28	–
Corporate bonds	6,155	461	7,275
	19,583	489	7,275

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Group mainly consists of equity and amounts due to directors. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and equity instruments to raise fund or sell assets to reduce debts. The Group monitors capital on the mechanism of comparing total debts and total equity, to determine when new investment or advance from directors is required to commit the current debts.

The gearing ratio is defined as total borrowings divided by the shareholders' fund. As at 31 May 2019, except for loan from non-controlling interest, other loans, finance lease and corporate bonds, the Group did not have any other interest bearing liability (2018: Nil, except for loan from non-controlling interest, other loan, finance lease and corporate bonds). As such, gearing ratio was not adopted.

3.3 Fair value estimation

(a) The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(b) Fair value measurements recognised in the consolidated statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(b) *(Continued)*

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

	2019				2018			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Available-for-sale financial assets	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–
Total assets	–	–	–	–	–	–	–	–

There was no transfer between Level 1 and Level 2 for the years ended 31 May 2019 and 2018.

3.4 Financial instruments by category

Other than the unlisted equity investments being classified as available-for-sale financial assets and financial assets at fair value through profit or loss as disclosed in Note 18 to the consolidated financial statements, all financial assets and liabilities of the Group as at 31 May 2019 and 2018 were loans and receivables and financial liabilities stated at amortised costs, respectively.

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Going concern

The Group's management's assessment of the going concern assumption involves making a judgment, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 2.1(a) to the consolidated financial statements.

(b) Useful lives of plant and equipment

The Directors determine the estimated useful lives and residual values for its plant and equipment. The Directors revise the depreciation charge when useful lives are different from previous estimates. Obsolete or non-strategic assets, that have been abandoned or sold, shall be written off or written down.

(c) Provision of ECLs for trade and other receivables

The Group uses provision matrix to calculate ECLs for trade and other receivables. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and other receivables and contract assets with significant balances and credit impaired are assessed for ECLs individually.

The provision of ECLs is sensitive to changes in circumstances and forecast general economic conditions. The information about the ECLs and the Group's trade and other receivables are disclosed in note 3.1(a). If the financial condition of the customers or the forecast economic conditions were to deteriorate, the actual loss allowance would be higher than estimated. In the comparative period, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may a rise.

4 CRITICAL ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Impairment of intangible and non-financial assets

Included in the consolidated statement of financial position as at 31 May 2019 are intangible assets in relation to telecommunication and IT applications development projects and development costs (the "Projects"). In reviewing impairment on the Group's intangible assets, the Directors have reviewed the discounted future cash flows of the Projects and have considered, based on their estimates and judgments, on the future prospects and economic benefits of the Projects.

The Group tests annually whether other non-financial assets have suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of management's assumptions and estimates.

(e) Share-based payments

The fair value of option granted is measured using the Binomial Option Pricing Model based on various assumptions on volatility, option life and nature, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at date of grant. The fair value of share-based payments is subsequently recognised in accordance with the accounting policy stated in Note 2.23.

(f) Useful lives of telecommunication and IT applications and value-added service software development costs

The Directors reviewed the useful lives of telecommunication and IT applications and value-added service software development costs, and considered that their useful lives were finite. Accordingly, the telecommunication and IT applications and value-added service software development costs are amortised over their estimated useful lives of five years when the assets are available for use.

5 SEGMENT INFORMATION

(a) Segment information

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

The executive Directors have identified that, the Group has two reportable operating segments, which are the telecommunication equipment sales and related services segment and IT applications segment. IT applications segment are further classified into sub-divisions in (i) Prospecting and related services, (ii) GBjobs and recruitment related services, and (iii) E-commerce and trading business.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss earned by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, including central administration costs, certain directors' emoluments, corporate legal and consultancy expenses, share-based payments, and other income including interest income from cash and bank balances.

5 SEGMENT INFORMATION *(Continued)*

(a) Segment information *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than certain cash and bank balances, receivables, amounts due to directors and borrowings including corporate bonds, before their usage and allocation to a specific operating segment can be determined by the management of the Group.

(b) Business segments – primary reporting format

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

	2019				
	Telecommunication equipment sales and related services HK$'000	IT application-Prospecting and related services HK$'000	IT application-GBjobs and recruitment related services HK$'000	IT application-E-commerce and trading HK$'000	Total HK$'000
Segment revenue	40,713	7,463	7,921	4	56,101
Segment results	(404)	2,947	4,222	(2)	6,763
Other income					431
Operating profit					7,194
Unallocated costs					(2,772)
Finance costs					(1,178)
Profit before income tax					3,244
Income tax expense					(169)
Profit for the year					3,075

5 SEGMENT INFORMATION *(Continued)*

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

	2019				
	Telecommunication equipment sales and related services HK$'000	IT application-Prospecting and related services HK$'000	IT application-GBjobs and recruitment related services HK$'000	IT application-E-commerce and trading HK$'000	Total HK$'000
Segment assets	1,916	12,279	6,345	1	20,541
Unallocated assets					2,047
Total assets					22,588
Segment liabilities	406	1,350	2,545	102	4,403
Unallocated liabilities					14,556
Total liabilities					18,959
Capital expenditures	8	28	954	–	990
Unallocated capital expenditures					–
					990
Depreciation and amortisation	21	1,474	651	–	2,146
Unallocated depreciation and amortisation					–
					2,146

5 SEGMENT INFORMATION *(Continued)*

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

	2018				
	Telecommunication equipment sales and related services HK$'000	IT application-Prospecting and related services HK$'000	IT application-GBjobs and recruitment related services HK$'000	IT application-E-commerce and trading HK$'000	Total HK$'000
Segment revenue	15,545	6,180	6,200	1,127	29,052
Segment results	260	1,423	1,562	22	3,267
Other income					2,135
Operating profit					5,402
Unallocated costs					(7,310)
Finance costs					(1,048)
Loss before income tax					(2,956)
Income tax expense					(141)
Loss for the year					(3,097)

5 SEGMENT INFORMATION *(Continued)*

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

	2018				
	Telecommunication equipment sales and related services HK$'000	IT application-Prospecting and related services HK$'000	IT application-GBjobs and recruitment related services HK$'000	IT application-E-commerce and trading HK$'000	Total HK$'000
Segment assets	3,028	10,473	10,331	928	24,760
Unallocated assets					5,103
Total assets					29,863
Segment liabilities	5,286	868	742	29	6,925
Unallocated liabilities					20,569
Total liabilities					27,494
Capital expenditures	–	3,117	170	–	3,287
Unallocated capital expenditures					–
					3,287
Depreciation and amortisation	40	891	964	2	1,897
Unallocated depreciation and amortisation					–
					1,897

5 SEGMENT INFORMATION *(Continued)*

(c) Geographical segments – secondary reporting format

	2019			
	Segment revenue HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditures HK$'000
Hong Kong	41,325	2,072	18,691	934
Mainland China and other countries	14,776	741	3,897	56
	56,101	2,813	22,588	990
Other income		431		
Profit before income tax		3,244		
Income tax expense		(169)		
Profit for the year		3,075		

	2018			
	Segment revenue HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditures HK$'000
Hong Kong	15,627	(2,739)	26,532	2,948
Mainland China and other countries	13,425	(2,352)	3,331	339
	29,052	(5,091)	29,863	3,287
Other income		2,135		
Loss before income tax		(2,956)		
Income tax expense		(141)		
Loss for the year		(3,097)		

5 SEGMENT INFORMATION *(Continued)*

(d) Information about major customers

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

	2019 **HK$'000**	2018 HK$'000
Customer A	**23,125**	–
Customer B	**8,838**	3,879
Customer C	**–**	5,082
Customer D	**–**	3,876

Revenues from Customers A and B of telecommunication equipment sales and related services represent approximately HK$31,963,000 of the Group's total revenues (2018: Revenues from telecommunication equipment sales and related services approximately HK$8,961,000 and revenues from telecommunication equipment sales and related services and IT application related services approximately HK$3,876,000).

6 REVENUE AND OTHER INCOME

The Group is principally engaged in telecommunication equipment sales and related services and IT applications related services. Revenue and other income recognised during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Revenue from contracts with customers		
Telecommunication equipment sales and related services	**40,410**	15,200
IT application – Prospecting and related services	**7,463**	6,180
IT application – GBjobs and recruitment related services	**7,921**	6,200
IT application – E-commerce and trading	**4**	1,127
Revenue from other source		
Telecommunication equipment sales and related services	**303**	345
	56,101	29,052
Other income		
Exchange gain	**–**	13
Over-provision of accruals and trade payables	**286**	2,122
Sundry income	**145**	–
	431	2,135
	56,532	31,187

7 OPERATING PROFIT/(LOSS)

	2019 HK$'000	2018 HK$'000
Operating profit/(loss) is stated after charging the following:		
Auditor's remuneration	**420**	420
Amortisation of intangible assets	**1,800**	1,498
Bad debt	**–**	36
Cost of inventories sold	**40,001**	14,469
Depreciation		
– owned assets	**235**	293
– leased assets	**111**	106
Operating lease – land and buildings	**1,214**	1,231
Provision for impairment loss of trade receivables	**318**	470
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	**4,812**	7,697
– employee and individual share options benefits	**296**	1,979
– retirement benefits scheme contributions	**340**	314

8 FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expense on corporate bonds	**1,121**	1,020
Interest expense on loans from non-controlling interest	**–**	8
Interest expense on other loans	**46**	10
Finance lease interests	**11**	10
	1,178	1,048

9 INCOME TAX EXPENSE

No Hong Kong profits tax is provided as the estimated assessable profits for the year is fully off-set by tax loss brought forward from last year (2018: 16.5%).

The PRC enterprise income tax in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. The subsidiaries of the Group in the PRC are eligible small-size and low profits enterprises and are entitled to domestic tax concession at the reduced rate of 20% (2018: 20%).

	2019 **HK$'000**	2018 HK$'000
Hong Kong profits tax		
– for current year	–	30
– over-provision in respect of prior year	–	(4)
	–	26
PRC enterprise income tax	**169**	115
	169	141

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 (2018: Nil).

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using taxation rate of the home country of the Group as follows:

	2019 **HK$'000**	2018 HK$'000
Profit/(loss) before income tax	**3,244**	(2,956)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**605**	(464)
Expenses not deductible for taxation purposes	**86**	585
Utilisation of tax loss	**(1,099)**	(302)
Tax losses not recognised	**639**	678
Accelerated depreciation not recognised	**156**	(222)
Tax concession	**(218)**	(116)
Over-provision of profits tax in prior year	–	(4)
Others	–	(14)
Income tax expense	**169**	141

10 DIVIDEND

The Board of Directors does not recommend the payment of dividend in respect for the year ended 31 May 2019 (2018: Nil).

11 EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earning/(loss) per share is based on the Group's profit for the year attributable to the equity holders of the Company of approximately HK$3,070,000 (2018: loss of HK$3,186,000) and the weighted average number of approximately 1,214,256,000 ordinary shares (2018: 1,202,388,000 ordinary shares) in issue during the year.

The dilutive earning/(loss) per share is equal to the basic earning/(loss) per share for the years ended 31 May 2019 and 2018 respectively, as the share options had anti-dilutive effects.

12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**5,534**	10,411
Employee and individual share options benefits	**296**	1,979
Retirement benefits scheme contributions	**388**	391
	6,218	12,781

Note: Salaries paid to an executive Director and certain staff of the Group of approximately HK$770,000 (2018: HK$2,791,000), which were wholly and exclusively attributable to the development of telecommunication and IT applications and value-added service software, were capitalised as intangible assets as at 31 May 2019 and 2018.

13 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amount of emoluments paid and payable to the Directors of the Company are as follows:

	2019					2018
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Employee share option benefits HK$'000	Total HK$'000	Total HK$'000
Executive Directors						
Mr. James Ang	–	558	18	–	576	3,447
Mr. Wei Ren	–	–	–	–	–	57
Ms. Yau Pui Chi, Maria	–	18	18	–	36	1,395
Dr. Zhong Shi	–	12	1	117	130	550
	–	588	37	117	742	5,449
Non-executive Directors						
Mr. Chiang Kin Kon	–	–	–	–	–	–
Mr. Wong Kwok Fai	–	–	–	–	–	3
Mr. Chau Siu Keung	–	–	–	–	–	3
	–	–	–	–	–	6
	–	588	37	117	742	5,455

For the year ended 31 May 2019, Mr. James Ang and Ms. Yau Pui Chi, Maria have waived their directors' salaries as executive directors of the Company of approximately HK$5,040,000 (2018: HK$932,000).

13 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2018: three) director whose emoluments have been reflected in the analysis presented above. The emoluments paid or payable to the remaining four (2018: two) individuals during the year are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,209**	879
Employee share options benefits	**85**	241
Retirement benefits scheme contributions	**57**	33
	1,351	1,153

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
Nil to HK$1,000,000	**4**	2
	4	2

During the current and prior years, no emoluments were paid by the Group to any of the above Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14 PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Computer and software HK$'000	Telecom-munication equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
At 1 June 2017						
Cost	1,201	1,653	1,477	11,515	1,179	17,025
Accumulated depreciation	(832)	(1,473)	(1,396)	(11,513)	(906)	(16,120)
Net book value	369	180	81	2	273	905
Year ended 31 May 2018						
Opening net book value	369	180	81	2	273	905
Additions	244	81	14	–	–	339
Depreciation	(158)	(82)	(51)	(2)	(106)	(399)
Closing net book value	455	179	44	–	167	845
At 31 May 2018						
Cost	1,445	1,734	1,491	11,515	1,179	17,364
Accumulated depreciation	(990)	(1,555)	(1,447)	(11,515)	(1,012)	(16,519)
Net book value	455	179	44	–	167	845
Year ended 31 May 2019						
Opening net book value	**455**	**179**	**44**	**–**	**167**	**845**
Additions	**56**	**–**	**8**	**–**	**–**	**64**
Depreciation	**(137)**	**(67)**	**(24)**	**–**	**(118)**	**(346)**
Closing net book value	**374**	**112**	**28**	**–**	**49**	**563**
At 31 May 2019						
Cost	**1,501**	**1,734**	**1,499**	**11,515**	**1,179**	**17,428**
Accumulated depreciation	**(1,127)**	**(1,622)**	**(1,471)**	**(11,515)**	**(1,130)**	**(16,865)**
Net book value	**374**	**112**	**28**	**–**	**49**	**563**

Note:

As at 31 May 2019, the carrying amount of motor vehicles of approximately HK$33,000 (2018: HK$144,000) was held under finance lease.

15 INTANGIBLE ASSETS

	Website development cost HK$'000	Telecommunication and IT applications and value-added service software development costs HK$'000	Development costs HK$'000	Total HK$'000
At 1 June 2017				
Cost	222	10,550	–	10,772
Accumulated amortisation and impairment	(222)	(4,781)	–	(5,003)
Net book value	–	5,769	–	5,769
Year ended 31 May 2018				
Opening net book value	–	5,769	–	5,769
Additions	–	2,948	–	2,948
Amortisation	–	(1,498)	–	(1,498)
Closing net book value	–	7,219	–	7,219
At 31 May 2018				
Cost	222	13,498	–	13,720
Accumulated amortisation and impairment	(222)	(6,279)	–	(6,501)
Net book value	–	7,219	–	7,219
Year ended 31 May 2019				
Opening net book value	**–**	**7,219**	–	**7,219**
Additions	**–**	**–**	**926**	**926**
Amortisation	**–**	**(1,800)**	**–**	**(1,800)**
Closing net book value	**–**	**5,419**	**926**	**6,345**
At 31 May 2019				
Cost	**222**	**13,498**	**926**	**14,646**
Accumulated amortisation and impairment	**(222)**	**(8,079)**	**–**	**(8,301)**
Net book value	**–**	**5,419**	**926**	**6,345**

16 INTERESTS IN ASSOCIATES

Share of net assets of associates	2019 HK$'000	2018 HK$'000
Beginning of the year	**3**	3
Additions	**–**	–
Share of results, net of tax	**–**	–
End of the year	**3**	3

The Group's interests in its principal associates, which are unlisted, are as follows:

Name	Place of incorporation	Registered capital	Group's Interest	Measurement method
ITP Innovation Limited (Note a)	Hong Kong	10,000 ordinary shares	30%	Equity
Crown Multimedia & Information Services Corp. (Note b)	Philippines	Ordinary shares and preferred shares of PHP 1 each respectively	40%	Equity

Notes:

(a) The associate did not commence operation from the date of incorporation to 31 May 2019.

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

Summarised statement of financial position

	Crown Multimedia 2019 HK$'000	Crown Multimedia 2018 HK$'000
Non-current assets	**197**	197
Current assets		
Cash and cash equivalents	**1**	1
Other current assets	**45**	44
	46	45
	243	242
Current liabilities		
Financial liabilities	**(1,601)**	(1,593)
Other current liabilities	**(345)**	(345)
	(1,946)	(1,938)
Net liabilities	**(1,703)**	(1,696)

16 INTERESTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Summarised statement of comprehensive income

	Crown Multimedia	
	2019	2018
	HK$'000	HK$'000
Revenue	**–**	–
Depreciation and amortisation	**(1)**	(1)
Loss before income tax	**(1)**	(3)
Income tax expense	**–**	–
Post-tax loss from continuing operations	**(1)**	(3)
Post-tax loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive loss	**(1)**	(3)
Dividends received from associate	**–**	–

Reconciliation of summarised financial information

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

Summarised financial information

	Crown Multimedia	
	2019	2018
	HK$'000	HK$'000
Opening net liabilities at 1 June	**(1,696)**	(1,817)
Loss for the year	**(1)**	(3)
Other comprehensive income	**–**	–
Currency translation differences	**(6)**	124
Closing net liabilities at 31 May	**(1,703)**	(1,696)
Interest in associates (40%)	**–**	–

17 INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Beginning of the year	**50**	50
Additions	**–**	–
Other comprehensive income	**–**	–
Share of results, net of tax	**–**	–
End of the year	**50**	50

Notes:

(a) Netel Cyber Education Limited, a subsidiary of the Group, acquired 50% equity interest and formed a joint venture company named Sino Financial Big Data Limited. As at 31 May 2019, the joint venture company has not yet commenced any business.

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

	2019 HK$'000	2018 HK$'000
Assets	**100**	100
Liabilities	**–**	–
Revenues	**–**	–
Profit/(loss)	**–**	–

There is no impairment charge of the investment in a joint venture for the year ended 31 May 2019.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Unlisted equity securities (Note)	**–**	–

Note:

At 31 May 2019, financial asset at fair value through profit or loss represented interest in unlisted equity securities issued by a private entity incorporated in Hong Kong. The Directors consider the fair value of the financial asset at fair value through profit or loss is nominal and cannot be measured reliably.

19 INVENTORIES

	2019 HK$'000	2018 HK$'000
Telecommunication equipment, cards and accessories	**170**	145

20 TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables (Notes a and b)	**12,367**	9,937
Other receivables, prepayments and deposits	**1,068**	981
	13,435	10,918
The carrying amounts of trade receivables are denominated in:		
HK$	**8,984**	4,560
Renminbi	**3,383**	5,377
	12,367	9,937

Note:

(a) Majority of the Group's revenue 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:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**2,488**	1,467
31 – 60 days	**1,097**	716
61 – 90 days	**925**	302
91 – 180 days	**2,675**	3,304
181 – 365 days	**4,199**	4,504
Over 365 days	**5,812**	4,155
	17,196	14,448
Less: provision for impairment loss	**(4,829)**	(4,511)
	12,367	9,937

20 TRADE AND OTHER RECEIVABLES *(Continued)*

Note: *(Continued)*

(b) Trade receivables that are less than four months or that have been settled subsequent to the year end are not considered impaired. As at 31 May 2019, trade receivables of approximately HK$5,822,000 (2018: HK$3,113,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2019 **HK$'000**	2018 HK$'000
Past due but not impaired:		
0 – 60 days	**616**	163
61 – 120 days	**2,217**	2,216
121 – 365 days	**1,542**	734
Over 365 days	**1,447**	–
	5,822	3,113

21 BANK BALANCES AND CASH

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

	2019 **HK$'000**	2018 HK$'000
Bank balances and cash	**2,022**	10,683
Denominated in:		
HK$	**1,964**	10,633
Renminbi	**58**	50
	2,022	10,683

22 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables (Note a)	**363**	4,614
Other payables and accruals	**1,858**	2,872
Receipt in advance	**514**	337
	2,735	7,823

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

Note:

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

	2019 HK$'000	2018 HK$'000
0 – 30 days	**39**	4,424
31 – 60 days	**38**	19
61 – 90 days	**26**	11
91 – 180 days	**26**	20
181 – 365 days	**118**	27
Over 365 days	**116**	113
	363	4,614

23 CONTRACT LIABILITIES

The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

As at 1 June 2018 and 31 May 2019, contract liabilities with the carrying amounts of approximately HK$2,111,000 and HK$1,552,000 respectively were recognised.

24 AMOUNTS DUE TO DIRECTORS

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

25 LOAN FROM NON-CONTROLLING INTEREST

As at 31 May 2019, loan from non-controlling interest with the carrying amount of HK$100,000 (2018: HK$400,000) was guaranteed by an executive director, interest bearing at 7% per annum (2018: 7% per annum) and repayable within one year.

26 OTHER LOANS

As at 31 May 2019, other loans with the carrying amounts of HK$700,000 and HK$3,000,000 (2018: HK$500,000) were guaranteed by an executive director, interest bearing at 12% per annum and 29.2% per annum respectively (2018: 1% per month) and repayable within one year.

27 OBLIGATIONS UNDER FINANCE LEASE

	2019 **HK$'000**	2018 HK$'000
Non-current obligations	**246**	28
Current obligations under finance lease	**56**	110
Total obligations under finance lease	**302**	138

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

	2019 **HK$'000**	2018 HK$'000
Gross obligations under finance lease – minimum lease payments:		
Not later than 1 year	**76**	114
Later than 1 year but not later than 5 years	**278**	28
	354	142
Future finance charges on finance lease	**(52)**	(4)
Present value of obligations under finance lease	**302**	138
The present value of obligations under finance lease is as follows:		
Not later than 1 year	**56**	110
Later than 1 year but not later than 5 years	**246**	28
	302	138

28 SHARE CAPITAL

	2019		2018	
	Number of shares ('000)	**HK$'000**	Number of shares ('000)	HK$'000
Authorised ordinary shares of HK$0.02 (2018: HK$0.02) each				
At 1 June and 31 May	**5,000,000**	**100,000**	5,000,000	100,000
Issued and fully paid ordinary shares of HK$0.02 (2018: HK$0.02) each				
At 1 June	**1,214,256**	**24,285**	1,189,635	23,793
Issue of shares upon exercise of share options	**–**	**–**	24,621	492
At 31 May	**1,214,256**	**24,285**	1,214,256	24,285

29 RESERVES

	Share Premium HK$'000	Share Option Reserve HK$'000	Other Reserve HK$'000	Exchange Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 1 June 2017	163,291	13,787	(13,783)	247	(186,980)	(23,438)
Loss for the year	–	–	–	–	(3,186)	(3,186)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(3,186)	(3,186)
Transactions with owners:						
– Issue of shares upon exercise of share options	4,492	(1,715)	–	–	–	2,777
– Grant of share options	–	1,307	–	–	–	1,307
– Recognition of equity-settled share-based payments	–	672	–	–	–	672
– Lapse of share options	–	(459)	–	–	459	–
Total transactions with owners	4,492	(195)	–	–	459	4,756
Balance at 31 May 2018	167,783	13,592	(13,783)	247	(189,707)	(21,868)
Balance at 1 June 2018	**167,783**	**13,592**	**(13,783)**	**247**	**(189,707)**	**(21,868)**
Change in accounting policies	**–**	**–**	**–**	**–**	**(2,095)**	**(2,095)**
Restated balance at 1 June 2018	**167,783**	**13,592**	**(13,783)**	**247**	**(191,802)**	**(23,963)**
Profit for the year	**–**	**–**	**–**	**–**	**3,070**	**3,070**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,070**	**3,070**
Transactions with owners:						
– Recognition of equity-settled share-based payments	**–**	**296**	**–**	**–**	**–**	**296**
– Lapse of share options	**–**	**(1,719)**	**–**	**–**	**1,719**	**–**
Total transactions with owners	**–**	**(1,423)**	**–**	**–**	**1,719**	**296**
Balance at 31 May 2019	**167,783**	**12,169**	**(13,783)**	**247**	**(187,013)**	**(20,597)**

30 SHARE-BASED PAYMENTS

(a) Share Option Scheme

Under a share option scheme approved and adopted by the shareholders on 10 September 2012 (the "New Share Option Scheme"), the Directors of the Company may, at their discretion, invite eligible participants including the Company's Directors, independent non-executive Directors, other employees of the Group, any consultants, advisers, managers or officers of the Group, and the shareholders of the Company, to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the New Share Option Scheme).

30 SHARE-BASED PAYMENTS *(Continued)*

(a) Share Option Scheme *(Continued)*

The subscription price determined by the Board will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant and; (iii) the nominal value of the Company's shares.

Further details of the New Share Option Scheme are set out in the Report of the Directors on pages 27 and 28.

(b) The terms and conditions of the grant that existed during the year are as follows, whereby all options are settled by physical delivery of shares.

	Number of share options outstanding as at 31 May 2019	Vesting condition	Contractual life of option
Options granted on 13 October 2009:			
– to Executive Directors	4,700,000	Not Applicable	10 years
– to Independent Non-Executive Directors	4,700,000	Not Applicable	10 years
	9,400,000		
Options granted on 8 December 2010:			
– to Executive Directors	2,000,000	Not Applicable	10 years
– to Employees	940,000	Not Applicable	10 years
	2,940,000		
Options granted on 31 January 2011:			
– to Individuals	**22,800,000**	Not Applicable	10 years
Options granted on 30 May 2011:			
– to Individuals	**5,000,000**	Not Applicable	10 years
Options granted on 16 May 2014:			
– to Executive Director	5,500,000	Vested and exercisable in 5 tranches (note a)	10 years
– to Employees	2,700,000	Vested and exercisable in 5 tranches (note a)	10 years
– to Individual	500,000	Vested and exercisable on the second anniversary of the date of grant	10 years
	8,700,000		

30 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

	Number of share options outstanding as at 31 May 2019	Vesting condition	Contractual life of option
Options granted on 3 December 2014:			
– to Individuals	**43,400,000**	Not Applicable	10 years
Options granted on 12 October 2015:			
– to Executive Director	5,000,000	Vested and exercisable in 5 tranches (note b)	10 years
– to Employees	7,000,000	Vested and exercisable in 5 tranches (note b)	10 years
– to Individual	500,000	Vested and exercisable in 5 tranches (note b)	10 years
– to Individual	1,000,000	Vested and exercisable on the second anniversary of the date of grant	10 years
	13,500,000		
Options granted on 12 February 2016:			
– to Executive Director	1,000,000	Not Applicable	10 years
– to Independent Non-Executive Directors	2,000,000	Not Applicable	10 years
– to Employees	3,000,000	Not Applicable	10 years
– to Individuals	4,800,000	Not Applicable	10 years
	10,800,000		
Options granted on 14 October 2016:			
– to Executive Director	1,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Independent Non-Executive Directors	3,000,000	Not Applicable	10 years
– to Employees	6,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Individuals	1,500,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Individuals	8,200,000	Not Applicable	10 years
	19,700,000		

30 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

	Number of share options outstanding as at 31 May 2019	Vesting condition	Contractual life of option
Options granted on 14 June 2017:			
– to Employees	6,000,000	Vested and exercisable in 5 tranches (note d)	10 years
– to Individuals	1,000,000	Vested and exercisable in 5 tranches (note d)	10 years
– to Individuals	14,445,000	Not Applicable	10 years
	21,445,000		

30 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

Note:

(a) The share options granted to Dr. Zhong Shi, the executive Director, and other employees of the Group on 16 May 2014 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2015 – 15.11.2016
40%* of the options granted	16.11.2016 – 15.11.2017
60%* of the options granted	16.11.2017 – 15.11.2018
80%* of the options granted	16.11.2018 – 15.11.2019
100%* of the options granted	16.11.2019 – 15.05.2024

* including those not previously exercised

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

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

* including those not previously exercised

30 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

(c) The share options granted to Dr. Zhong Shi, the executive Director, other employees and individuals of the Group on 14 October 2016 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2017 – 15.11.2018
40%* of the options granted	16.11.2018 – 15.11.2019
60%* of the options granted	16.11.2019 – 15.11.2020
80%* of the options granted	16.11.2020 – 15.11.2021
100%* of the options granted	16.11.2021 – 13.10.2026

* including those not previously exercised

(d) The share options granted to other employees and individuals of the Group on 14 June 2017 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2018 – 15.11.2019
40%* of the options granted	16.11.2019 – 15.11.2020
60%* of the options granted	16.11.2020 – 15.11.2021
80%* of the options granted	16.11.2021 – 15.11.2022
100%* of the options granted	16.11.2022 – 13.6.2027

* including those not previously exercised

During the year ended 31 May 2019, no share options were granted under the New Share Option Scheme (2018: 47,466,000), no share options were exercised (2018: 24,621,000), 23,100,000 share options were lapsed (2018: 21,980,000) and no share options were cancelled (2018: Nil).

30 SHARE-BASED PAYMENTS *(Continued)*

(b) *(Continued)*

In total, approximately HK$296,000 (2018: HK$1,979,000) of share-based payment expense has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2019, the corresponding amount of which has been credited to share option reserve.

(c) The number and weighted average exercise price of share options are as follows:

	2019		2018	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
At beginning of the year	180,785,000	0.156	179,920,000	0.162
Exercised during the year	–	–	(24,621,000)	0.133
Granted during the year	–	–	47,466,000	0.110
Lapsed during the year	(23,100,000)	0.144	(21,980,000)	0.136
At end of the year	157,685,000	0.157	180,785,000	0.156

The options outstanding at 31 May 2019 had a weighted average exercise price at HK$0.157 (2018: HK$0.156) and a weighted average remaining contractual life of 5.13 years (2018: 6.29 years).

31 CORPORATE BONDS

	2019 HK$'000	2018 HK$'000
Non-current liability		
Corporate bonds due over one year	**7,382**	7,736
Current liability		
Corporate bonds due within one year	**608**	6,155
Total corporate bonds	**7,990**	13,891

Movement of the corporate bonds is as follows:

	2019 HK$'000	2018 HK$'000
Beginning of year	**13,891**	7,096
Additions net of direct transaction costs	**–**	6,370
Interest expense of corporate bonds	**1,121**	1,020
Coupons and principal payment	**(7,022)**	(595)
End of year	**7,990**	13,891

As at 31 May 2019, the Company had corporate bonds in issue with the principal amount ranging from HK$500,000 to HK$1,000,000 (2018: HK$500,000 to HK$5,000,000) in the aggregate total of HK$8,500,000 (2018: HK$14,500,000), at the coupon rate of 8.5% (2018: 7.0% to 8.5%) per annum and for a term of 3.0 to 7.5 years (2018: 1.0 to 7.5 years).

As at 31 May 2019, no corporate bond and interest expense was guaranteed by an executive director (2018: HK$5,133,000).

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to net cash used in operations:

	2019 HK$'000	2018 HK$'000
Operating profit/(loss)	**4,422**	(1,908)
Adjustments for:		
Amortisation and impairment	**1,800**	1,498
Bad debt	**–**	36
Depreciation	**346**	399
Recognition of revenue from contract liability	**(792)**	–
Over-provision of accruals and trade payables	**(286)**	(2,122)
Provision for impairment loss of trade receivables	**318**	470
Share-based payments	**296**	1,979
Operating profit before working capital changes	**6,104**	352
Increase in inventories	**(25)**	(11)
Increase in trade and other receivables	**(2,835)**	(9,462)
(Decrease)/increase in trade and other payables	**(4,802)**	4,811
Increase in contract liabilities	**233**	–
Net cash used in operations	**(1,325)**	(4,310)

(b) Reconciliations of liabilities arising from financing activities:

	Liabilities from financing activities							
	Amounts due to directors HK$'000	Loans from non-controlling interest HK$'000	Other loans HK$'000	Obligations under finance lease due within 1 year HK$'000	Obligations under finance lease due after 1 year HK$'000	Corporate bonds due within 1 year HK$'000	Corporate bonds due after 1 year HK$'000	Total HK$'000
Net debt as at 1 June 2017	423	–	–	104	138	–	7,096	7,761
Cash flows	4,172	400	500	(104)	–	5,000	775	10,743
Other non-cash movements	–	–	–	110	(110)	1,155	(135)	1,020
Net debt as at 31 May 2018	4,595	400	500	110	28	6,155	7,736	19,524
Net debt as at 1 June 2018	**4,595**	**400**	**500**	**110**	**28**	**6,155**	**7,736**	**19,524**
Cash flows	**(2,324)**	**(300)**	**3,200**	**(54)**	**218**	**(7,022)**	**–**	**(6,282)**
Other non-cash movements	**–**	**–**	**–**	**–**	**–**	**1,475**	**(354)**	**1,121**
Net debt as at 31 May 2019	**2,271**	**100**	**3,700**	**56**	**246**	**608**	**7,382**	**14,363**

33 COMMITMENTS

(a) Commitments under operating leases

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

	2019 **HK$'000**	2018 HK$'000
Not later than one year	**527**	1,151
Later than one year but not later than five years	**33**	550
	560	1,701

(b) Capital commitment

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

	2019 **HK$'000**	2018 HK$'000
Plant and equipment	**–**	88

34 RELATED PARTY TRANSACTIONS

(a) Save as disclosed in other notes to the consolidated financial statements, significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	2019 **HK$'000**	2018 HK$'000
Rental expenses paid to a related company (Note 1)	**369**	369
Purchases from a related company (Note 2)	**150**	520
Interest expense on loans from non-controlling interest	**–**	8

Notes: 1 Rental expenses were paid to Charmfine Investment Limited, a related company beneficially owned by Mr. James Ang and Ms. Yau Pui Chi, Maria, at arm's length rates in accordance with the terms of the underlying agreements.

2 The related company is beneficially owned by Mr. James Ang.

(b) Key management compensation

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

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

As at 31 May 2019

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**1**	1
Current assets		
Amount due from a director	**640**	–
Other receivables	**–**	15
	640	15
Total assets	**641**	16
EQUITY		
Capital and reserves		
Share capital	**24,285**	24,285
Share premium and reserves (Note (a))	**(32,213)**	(39,430)
Total equity	**(7,928)**	(15,145)
LIABILITIES		
Non-current liabilities		
Corporate bonds	**7,382**	7,736
Current liabilities		
Trade and other payables	**576**	1,267
Receipt in advance	**3**	3
Corporate bonds	**608**	6,155
	1,187	7,425
Total liabilities	**8,569**	15,161
Total equity and liabilities	**641**	16

The statement of financial position of the Company was approved by the Board of Directors on 28 August 2019 and was signed on its behalf.

James Ang
Director

Yau Pui Chi, Maria
Director

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

Note (a) – Reserve movement of the Company

	Share Premium HK$'000	Share Option Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
Balance at 1 June 2017	169,772	13,787	(215,692)	(32,133)
Loss for the year	–	–	(12,053)	(12,053)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(12,053)	(12,053)
Transactions with owners:				
– Issue of shares upon exercise of share options	4,492	(1,715)	–	2,777
– Grant of share options	–	1,307	–	1,307
– Recognition of equity-settled share-based payments	–	672	–	672
– Lapse of share options	–	(459)	459	–
Total transactions with owners	4,492	(195)	459	4,756
Balance at 31 May and 1 June 2018	174,264	13,592	(227,286)	(39,430)
Profit for the year	**–**	**–**	**6,921**	**6,921**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**6,921**	**6,921**
Transactions with owners:				
– Recognition of equity-settled share-based payments	**–**	**296**	**–**	**296**
– Lapse of share options	**–**	**(1,719)**	**1,719**	**–**
Total transactions with owners	**–**	**(1,423)**	**1,719**	**296**
Balance at 31 May 2019	**174,264**	**12,169**	**(218,646)**	**(32,213)**

36 PRINCIPAL SUBSIDIARIES

(a) Details of the principal subsidiaries as at 31 May 2019 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held	
				2019	2018
DIRECTLY HELD:					
Think Gold Assets Limited	British Virgin Islands ("BVI")	Investment holding	100 ordinary shares of US$1 each	**100%**	100%
Nation Power Limited	BVI	Investment holding	1 ordinary share of US$1 each	**100%**	100%
INDIRECTLY HELD:					
Netel Technology Limited	Hong Kong	Trading of telecommunication equipment and provision of long distance call services in Hong Kong	10,000 ordinary shares	**100%**	100%
Pacific Long Distance Telephone Corporation Limited	Hong Kong	Provision of long distance call services and sale of long distance calling cards in Hong Kong	10,000 ordinary shares	**100%**	100%
Netel Cyber Education Limited	Hong Kong	Research and development of telecommunication applications software in Hong Kong	10,000 ordinary shares	**100%**	100%
Hong Kong Elderly Comforter Limited (formerly known as "3G Lab Limited")	Hong Kong	Research and development of telecommunication applications software in Hong Kong	1 ordinary share	**100%**	100%
Lotus Communication Limited	Hong Kong	Research and development and provision of long distance call and value- added service applications software in Hong Kong	1 ordinary share	**100%**	100%

36 PRINCIPAL SUBSIDIARIES *(Continued)*

(a) Details of the principal subsidiaries at 31 May 2019 are as follows: *(Continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held	
				2019	2018
INDIRECTLY HELD (continued):					
北京金利德科技有限公司	The People's Republic of China (The "PRC")	Research and development of telecommunication application software and provision of recruitment agency services in the PRC	Registered capital of RMB2,000,000	**100%**	100%
Hong Kong Financial Talent Consultant Company Limited	Hong Kong	Provision of recruitment, advertisements and human resources consultancy services in Hong Kong	1 ordinary share	**100%**	100%
GBjobs.com Limited	Hong Kong	Research and development of recruitment and IT applications and provision of recruitment services in Hong Kong	7,218,539 ordinary shares	**99.24%**	99.24%
GBjobs China Salary Index Company Limited (formerly known as "Dolphins HR Consultancy Limited")	Hong Kong	Provision of human resources consultancy services in Hong Kong	10,000 ordinary shares	**99.24%**	99.24%
Hong Kong Domestic Services Limited	Hong Kong	Provision of education and related consultancy services in Hong Kong	10,000 ordinary shares	**99.24%**	99.24%
Netel Digital Marketing Limited	Hong Kong	Provision of prospecting and related services	10,000 ordinary shares	**99.24%**	99.24%

36 PRINCIPAL SUBSIDIARIES *(Continued)*

(a) Details of the principal subsidiaries at 31 May 2019 are as follows: *(Continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held	
				2019	2018
金飯碗人力資源服務(深圳)有限公司	The PRC	Provision of prospecting and recruitment services in the PRC	Registered capital of RMB10,000,000	**99.24%**	99.24%
Cosmos Gold Trading Limited	Hong Kong	E-commerce and trading business in Hong Kong	10,000 ordinary shares	**50.61%**	50.61%
Lotus 118 Limited	Hong Kong	Research and development and provision long distance call and value-added service applications software in Hong Kong	100 ordinary shares	**51%**	51%
VMAC (HK) Limited	Hong Kong	Provision of IT consultancy, hardware and software services	10,000 ordinary shares	**51%**	51%

37 EVENTS AFTER THE REPORTING PERIOD

1. Decision of the GEM Listing (Review) Committee and Suspension of Trading

On 24 July 2018, the GEM Listing (Review) Committee of the Stock Exchange (the "Review Committee") conducted a review hearing, upon the application of the Company, to review the decision of the GEM Listing Committee set out in its letter dated 6 March 2018 (the "GLC's Decision"). On 7 August 2018, the Company received a letter from the Review Committee (the "Review Committee Letter") setting out its decision to uphold the GLC's Decision to suspend trading in the Company's shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules.

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:00 a.m. on 8 August 2018.

Details of the above matters are set out in the Company's announcements on 6 March 2018, 14 March 2018 and 7 August 2018. Further announcements will be made by the Company in respect of this matter as and when appropriate.

38 COMPARATIVE FIGURES

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

39 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2019.

Five Years Financial Summary

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**56,101**	29,052	3,315	2,367	2,127
Share of profit/(loss) of associates	**–**	–	–	–	–
Profit/(loss) attributable to shareholders	**3,070**	(3,186)	(21,206)	(23,247)	(20,547)
Assets and liabilities					
Total assets	**22,588**	29,863	13,107	8,913	8,806
Total liabilities	**(18,959)**	(27,494)	(12,894)	(6,263)	(7,056)
Non-controlling interests	**59**	48	142	116	110
Shareholders' fund	**3,688**	2,417	355	2,766	1,860