NETEL TECHNOLOGY (HOLDINGS) LIMITED
金利通科技（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8256)

ANNOUNCEMENT FOR THE AUDITED RESULTS FOR THE YEAR ENDED 31 MAY 2008

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This announcement, for which the directors of Netel Technology (Holdings) Limited ("Netel") collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Netel. The directors of Netel, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded bases and assumption that are fair and reasonable.

RESULTS

The directors (the "Directors") of Netel Technology (Holdings) Limited (the "Company") are pleased to announce the following audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 May 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 May 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Turnover	*3*	**5,326**	6,355
Cost of sales		**(2,589)**	(4,395)
Gross profit		**2,737**	1,960
Other revenues		**3,051**	–
Selling and marketing expenses		**(289)**	(172)
Administrative expenses		**(6,149)**	(7,784)
Loss from operations	*4*	**(650)**	(5,996)
Finance costs	*5*	**(8)**	(13)
Share of profit of an associate		**148**	–
Loss before taxation for the year		**(510)**	(6,009)
Attributable to:			
Equity holders of the Company		**(598)**	(6,007)
Minority interests		**88**	(2)
Loss for the year		**(510)**	(6,009)
Loss per share			
– basic and diluted	*7*	**HK(0.1 cents)**	HK(1.6 cents)

CONSOLIDATED BALANCE SHEET

As at 31 May 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-Current Assets			
Property, plant and equipment		**3,943**	5,121
Investment in an associate		**429**	–
		4,372	5,121
Current Assets			
Inventories		**30**	86
Accounts receivable	*8*	**543**	688
Prepayment, deposit and other receivables		**2,451**	1,850
Bank balances and cash		**454**	299
		3,478	2,923
Total Assets		**7,850**	8,044
Current Liabilities			
Accounts payable	*9*	**(9,885)**	(11,718)
Receipt in advance, accruals and other payables		**(7,011)**	(11,070)
Amount due to a director		**(5,770)**	(11,329)
Current portion of long-term liabilities		**–**	(173)
		(22,666)	(34,290)
Net Current Liabilities		**(19,188)**	(31,367)
Total Assets Less Current Liabilities		**(14,816)**	(26,246)
Non-Current Liabilities			
Long-term liabilities		**–**	(82)
Net Liabilities		**(14,816)**	(26,328)
Equity			
Share capital		**4,878**	3,862
Share premium and reserves		**(19,782)**	(30,190)
		(14,904)	(26,328)
Equity attributable to equity holders of the Company			
Minority interests		**88**	–
Total Equity		**(14,816)**	(26,328)

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation of financial statements

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are trading of telecommunication equipment and provision of long distance call services in Hong Kong.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

For the year ended 31 May 2008, the Group has adopted new standard, amendment and interpretations, which are relevant to its operations:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Capital Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these new standard, amendment and interpretations does not have any significant impact on the results and financial position or changes to the accounting policies of the Group with exception of HKAS 1 (Amendment) and HKFRS 7 which require additional disclosures in the financial statements.

The following standard, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, relevant to the Group and have not been early adopted:

Effective for the year ending 31 May 2009:

HK(IFRIC) – Int 11	HKFRS 2-Group and Treasury Share Transactions

Effective for the year ending 31 May 2010:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation
HKFRS 8	Operating Segments

Effective for the year ending 31 May 2011:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

The adoption of these standard, amendments and interpretations is not expected to have any significant impact on the financial position of the Group.

3. Turnover and Segment information

Turnover represents the aggregate of the service income from the provision of long distance call services and the sales revenue from the trading of telecommunication equipment in Hong Kong, Mainland China and other countries.

Segment information about these businesses is presented below:

Business segments

Results

	2008			
		Long distance call services		
	Sale of equipment	**End-users direct sales**	**Carrier sales**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**1,266**	**3,977**	**83**	**5,326**
Segment results	**(1,029)**	**(1,532)**	**(25)**	**(2,586)**
Other revenues				**3,051**
Operating profit				**465**
Unallocated cost				**(967)**
Finance costs				**(8)**
Loss for the year				**(510)**

Results

	2007			
		Long distance call services		
	Sale of equipment	End-users direct sales	Carrier sales	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	61	6,162	132	6,355
Segment results	(334)	(3,584)	(374)	(4,292)
Other revenues				–
Operating loss				(4,292)
Unallocated cost				(1,704)
Finance costs				(13)
Loss for the year				(6,009)

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	Turnover		**Segment result**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By geographical market:				
Hong Kong	**3,977**	6,355	**(1,532)**	(5,996)
Mainland China	**–**	–	**–**	–
Other countries	**1,349**	–	**(1,142)**	–
	5,326	6,355		
Other revenues			**3,051**	–
Profit/(Loss) from operations			**377**	(5,996)

4. Loss from operations

	2008	2007
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging/(crediting):		
Auditor's remuneration		
– current year	**320**	270
– over provision in prior years	**–**	(160)
Cost of inventories sold	**2,589**	722
Depreciation and amortisation on:		
– Owned assets	**1,226**	1,384
– Leased assets	**–**	121
(Profit)/Loss on disposal of plant and equipment	**(279)**	213
Operating lease-land and buildings		
– current year	**228**	737
– over provision in prior years	**(214)**	–
Provision for impairment of trade receivables	**–**	739
Provision for slow moving inventories	**–**	99
Staff costs (including directors' remuneration)	**2,694**	2,588
Over provision of accruals and trade payable	**(1,661)**	–
Reversal of general provision for impairment of trade receivable	**(1,080)**	–

5. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interests on bank overdrafts	**4**	5
Other interests	**4**	8
	8	13

6. Taxation

No provision for Hong Kong Profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profit for the year (2007: Nil).

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets or liabilities which are expected to be crystallized in the foreseeable future (2007: Nil).

	2008	2007
	HK$'000	*HK$'000*
Loss before income tax	**(510)**	(6,009)
Calculated at a statutory rate of 17.5% (2007: 17.5%)	**(89)**	(1,051)
Income not subject to taxation	**(50)**	(3)
Expenses not deductible for taxation purposes	**296**	134
Tax losses not recognised	**(251)**	789
Accelerated depreciation not recognised	**94**	131
Income tax charges	**–**	–

7. Loss per share

Basic loss per share is calculated by dividing the Group's loss attributable to equity holders of the Company of HK$598,000 (2007: loss HK$6,007,000) by the weighted average number of 420,722,760 ordinary shares in issue during the year (2007: 386,230,000 shares).

Diluted loss per share for the current and prior year is not presented as there is no dilutive instrument granted by the Company.

8. Trade receivable

(a) The aging analysis of accounts receivable is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**293**	209
31 – 60 days	**22**	100
61 – 90 days	**10**	48
91 – 180 days	**26**	376
181 – 365 days	**64**	286
Over 365 days	**3,482**	4,103
	3,897	5,122
Less: provision for impairment of receivables	**(3,354)**	(4,434)
	543	688

(b) Trade receivables, within four months due, are not considered impaired. As at 31 May 2008, trade receivables of approximately HK$53,000 (2007: HK$331,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**22**	331
61 – 120 days	**15**	–
121 – 365 days	**16**	–
Over 365 days	**–**	–
	53	331

9. Trade payable

The aging an analysis of accounts payable is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**59**	237
31 – 60 days	**5**	211
61 – 90 days	**5**	267
91 – 180 days	**158**	354
181 – 365 days	**362**	1,197
Over 365 days	**9,296**	9,452
	9,885	11,718

10. Litigations

As at the date of this announcement, the Group has been involved in the following litigations:

(a) On 16 December 2004, a writ was issued by a telecom service provider ("plaintiff") against two wholly-owned subsidiaries of the Group and a director of the Company for outstanding and disputed invoices and claimed that the subsidiaries and the director have no right to defense. On 20 July 2005, the High Court ruled that the subsidiaries and the director had right to defense and refused to grant order to the Plaintiff. The plaintiff failed to comply with the Court's direction that the case be set down for trial in August 2006 and up to date of this announcement the plaintiff has failed to submit further evidence to substantiate the claim. The Directors have sought the opinion from the legal advisor of the Group to review the legal position on this case as at the year and conclude that the Group has a strong ground to defend and the net payable approximately HK$2,166,000 to the plaintiff is adequate.

(b) ***Other litigations***

The Group has a number of litigation processings in respect of outstanding payable liabilities arising in the normal course of its business of approximately HK$1,105,000. The amount of the liabilities is adequately recorded in accounts payable for the year ended 31 May 2008. The directors are of the opinion that the ultimate liability under these proceedings, if any, would not have any significant impact on the financial position of the Group.

Apart from the actions against the Group disclosed above, there were no other material outstanding writs and litigations against the Group and/or the Company.

MODIFIED AUDIT OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 May 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to note 2(a) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As explained in note 2(a) to the consolidated financial statements, the Group's total liabilities exceeded its total assets by approximately HK$14,816,000 and its current liabilities exceeded its current assets by approximately HK$19,188,000. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the generation of sufficient working capital from the Group's future operations, the raising of shareholder's loans and other cost control measures to cover the Group's operating costs and to meet its financial commitments. The directors, after careful review of the future cash flow projection of the Group, have concluded that the preparation of the consolidated financial statements on a going concern basis is appropriate. The consolidated financial statements do not include any adjustments that would result from the failure of such measures. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the consolidated financial statements and our opinion is not qualified in the respect.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a total turnover HK$5.3 million in the year ended 31 May 2008, a decrease of 16.2% from HK$6.4 million for the year ended 31 May 2007. The decrease was attributable in the decrease in calling card sales & carrier sales. The gross profit margin increased from 30.8% for last year to 51.4% for this year. The increase in overall gross profit margin was mainly attributable to the significant reversal of over-charge by telecom service providers and the increase in the provision of SIP and web phones service.

The Group recorded a consolidated loss attributable to shareholders of HK$0.6 million, as compared with the comparative amount of loss HK$6.0 million attained in the previous year. The decrease of the loss for the year was mainly due to the improvement of gross profit margin as the company is shifting from the business of wholesales minutes to the business of voice over IP and the result of cost reduction on the operations and the reversal of certain provision of liabilities, as a result of discount offered by creditors, and over-charge by telecom service providers.

The administrative expenses decreased by 21% from HK$7.8 million of last year to HK$6.1 million for this year as a result of cost control measures.

Business Review

The Group has consolidated the technical centre with the administration and sales office that help to improve the efficiency of operation and further reduce our cost of operation. Besides, the Group has invested in developing new platform for value added services, such as distance learning, the system has just been completed recently.

The Group's associated company in Philippines assists the Group to further penetrate into the voice over IP market in the Philippines. The Company will also launch the value added services to the existing distribution networks and customers in the Philippines.

The Group has established an operation in China and is preparing to launch Mandarin training course through our worldwide distribution channels. There will be further investment made on the human resources, hardware and software for this new business. In addition to the Mandarin training, the Group is also planning to carry out several new lines of value added services through the platform.

Business Outlook

The Company has been moving from traditional IDD operation to voice over IP and value added services. In addition, the Group also branches out the business from Hong Kong to China and other overseas countries, such as Philippines. This movement is aim to capture more revenue and profit for the Group.

The profit margin of IDD business is decreasing in last couple years as the cost of operation in Hong Kong is very high. The Group therefore aims to diversify and expands, its geographical market out of Hong Kong.

The Group also believes the new technology of WiFi and WiMax are another new generation of telecom services, so the Group's effort has been made on how to leverage the existing system with the new technologies and develop a new range of services.

DIVIDEND

The Company does not recommend the payment of any dividend for the year ended 31 May 2008.

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

At 31 May 2008, apart from the details as follows, the Directors and chief executive do not have any other interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.49 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Ordinary shares of HK$0.01 each in the Company

Name of Directors		Number of Shares held	Nature of Interest	Percentage
Mr. James Ang ("Mr. Ang")	Long position	282,021,800	Personal and Corporate Interest *(Note)*	57.81%
Ms. Yau Pui Chi, Maria (Spouse of Mr. Ang)	Long position	282,021,800	Family Interest	57.81%

Note: These Shares are registered as to 27,749,800 Shares held by Mr. Ang in person, 192,200,000 Shares in the name of Nanette Profits Limited ("Nanette"), 5,692,000 Shares in the name of Benevolent Trading Limited ("Benevolent"), 6,380,000 Shares in the name of Cyber Wealth Company Group Limited ("Cyber Wealth") and 50,000,000 Shares in the name of Bluechip Combination Investments Limited ("Bluechip"). Nanette, Benevolent, Cyber Wealth and Bluechip are companies wholly-owned by Mr. Ang.

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

Save as the interests disclosed above in respect of certain directors, the Company has not been notified of any other shareholders who had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 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 2008.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the financial year ended 31 May 2008, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the year ended 31 May 2008, the directors are not aware of any business or interest of the directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules provide for code provisions (the "Code Provisions") and recommended best practices with respect to: 1) 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 2008, the Group has compiled with the code provisions in the Code on Corporate Governance Practices (the Code) as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A.2.1 and A.4.1 stipulated in the following paragraphs.

The code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. James Ang is both the Chairman and CEO of the Company who is responsible for managing the Board and the Group's business. Mr. Ang has been the Chairman and CEO since the establishment of the Company. The Board considers that, with the present board structure and scope of business, there is no imminent need to separate the roles into two individuals. However, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the position of Chairman and CEO is necessary.

Under the code provision A.4.1, 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 Article 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.

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 "Code"). The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Code during the year ended 31 May 2008.

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 Code. No incident of non-compliance was noted by the Company for the year ended 31 May 2008.

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 Ms. Tam May Yuk who together have sufficient accounting and financial management expertise, and business experience to carry out their duties.

The duties of Audit Committee are included reviewing the Group's financial control, internal control and risk management, review and monitor the integrity of financial statements and reviewing annual, interim and quarterly financial statements and report before submission to the Board. The Audit Committee meets with the 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 and quarterly results of the Company for the year ended 31 May 2008, and were content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website of the Hong Kong Exchange and Clearing Limited at www.hkgem.com under "Latest Listed Company Information" and on the website of the Company at www.neteltech.com.hk. The Annual Report will be dispatched to the shareholders on or about 31 August 2008 and will be available at each of the website of the Stock Exchange and the Company at the same time.

By order of the Board
NETEL TECHNOLOGY (HOLDINGS) LIMITED
James Ang
Chairman

Hong Kong, 23 August 2008

As at the date of this announcement, the Board comprises three executive directors, Mr. James Ang, Mr. Wei Ren and Ms. Yau Pui Chi, Maria and three independent non-executive directors, Mr. Chiang Kin Kon, Mr. Wong Kwok Fai and Ms. Tam May Yuk.

This announcement will remain on the "Latest Company Announcements" page of the GEM website and the Company's website at www.neteltech.com.hk for at least seven days from the day of its posting.