

# 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 2011

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This announcement, for which the directors of Netel Technology (Holdings) Limited ("Netel") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise market of The Stock Exchange of Hong Kong Limited (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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

#### RESULTS

The board (the "Board") of 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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Turnover	3&4	3,255	3,317
Cost of sales		(1,926)	(1,652)
Gross profit		1,329	1,665
Other revenues	4	1,848	666
Selling and marketing expenses		(626)	(415)
Administrative expenses		(18,143)	(11,489)
Operating loss	5	(15,592)	(9,573)
Finance costs		(261)	(21)
Share of loss of an associated company		(184)	(185)
Loss for the year		(16,037)	(9,779)
Other comprehensive income			
Translation of foreign exchange reserve		97	137
Total comprehensive loss for the year		(15,940)	(9,642)
Loss for the year attributable to:			
<ul> <li>Equity holders of the Company</li> </ul>		(16,037)	(9,779)
<ul><li>Non-controlling interest</li></ul>			
		(16,037)	(9,779)
Total comprehensive loss for the year attributable to:  - Equity holders of the Company  - Non-controlling interest		(15,940)	(9,642)
		(15,940)	(9,642)
Loss per share attributable to equity holders of the Company  – Basic and diluted	7	HK (3.4 cents)	HK (2.3 cents)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2011

	Notes	2011 HK\$'000	2010 HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		2,100	2,733
Intangible assets		1,982	1,098
Investment in an associated company	_		87
	-	4,082	3,918
Current assets			
Inventories		346	92
Trade receivables	8	286	162
Prepayment, deposit and other receivables	8	4,028	2,293
Financial assets at fair value through profit or loss		_	278
Bank balances and cash	-	1,007	6,124
	-	5,667	8,949
Total assets		9,749	12,867
	=		
EQUITY			
Capital and reserves		10 400	0.265
Share capital		10,488	9,265
Share premium and reserves	-	(9,586)	(7,786)
		902	1,479
Non-controlling interest	-		
Total equity	=	902	1,479
LIABILITIES			
Non-current liabilities		255	252
Borrowings	-	255	353
Current liabilities			
Trade payables	9	7,591	9,364
Receipt in advance, accruals and other payables	9	883	1,553
Borrowings	_	118 _	118
	_	8,592	11,035
Total liabilities		8,847	11,388
Total equity and liabilities	_ _	9,749	12,867
N4 12-1-1242	=	(2.025)	(2.00()
Net current liabilities	:	(2,925)	(2,086)
Total assets less current liabilities		1,157	1,832

#### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Corporate information

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in trading of telecommunication equipment and provision of long distance call services in Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year.

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 of directors of the Company on 19 August 2011.

#### 2 Basis of preparation and principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation and principal accounting policies

- (a) The consolidated financial statements have been prepared on a going concern basis, the Group had incurred a loss attributable to shareholders of HK\$16.04 million for the year ended 31 May 2011 and had net current liabilities of HK\$2.93 million as at 31 May 2011. 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 fund, if required, will be made available to the Company either through shareholder's loans or the exercise of warrants and option to subscribe convertible bonds, to meet the present and future cashflow requirement from operation and settlement of its outstanding obligations
  - Continuous development and improvement of the Group's products and services and future cash flows to be generated from new revenue source and new businesses
  - Continuous effort to control cost of the Group

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

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the progress of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 of the Annual Report.

#### (i) Standards, amendment and interpretations effective in 2010

In the current year, the Group has applied the following new and amended HKFRSs issued by the HKICPA which are or have become effective.

HKFRSs (Amendments) Improvements to HKFRSs issued in 2009
HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 32 (Amendments) Classification of Rights Issues

HKAS 39 (Amendments) Eligible Hedged Items

HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of

a Term Loan that Contains a Repayment on Demand Clause

HKFRS 1 (Revised) First-time Adoption of Hong Kong Financial Reporting Standards

HKFRS 1 (Amendment) Additional Exemptions for First-time Adopters

HKFRS 2 (Amendment) Group Cash-settled Share-based Payment Transactions

HKFRS 3 (Revised) Business Combinations

HK (IFRIC) – Int 17 Distributions of Non-Cash Assets to Owners

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

# (ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

HKFRSs (Amendments) Improvements to HKFRSs issued in 2010<sup>2</sup>

HKAS 24 (as revised in 2009) Related Party Disclosures<sup>3</sup>
HKAS 27 (as revised in 2011) Separate Financial Statements<sup>5</sup>

HKAS 28 (as revised in 2011) Investments in Associates and Joint Venture<sup>5</sup>
HKFRS 7 (Amendment) Disclosures – Transfers of Financial Assets<sup>4</sup>

HKFRS 9 Financial Instruments<sup>5</sup>

HKFRS 10 Consolidated Financial Statements<sup>5</sup>

HKFRS 11 Joint Arrangements<sup>5</sup>

HKFRS 12 Disclosure of Interests in Other Entities<sup>5</sup>

HKFRS 13 Fair Value Measurement<sup>5</sup>

HK(IFRIC) – Int 14 (Amendments) Prepayments of a Minimum Funding Requirement<sup>3</sup>

HK(IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments<sup>1</sup>

- Effective for annual periods beginning on or after 1 July 2010
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate
- Effective for annual periods beginning on or after 1 January 2011
- Effective for annual periods beginning on or after 1 July 2011
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

The above standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods. The Group has started considering their potential impact. Based on the preliminary assessment, the Group believes that the adoption of these standards, amendments and interpretations to existing standards, if applicable, will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these standards and interpretations to existing standards, if applicable, in the financial statements for the year ended 31 May 2011.

### 3 Segment information

#### (a) Business segments – primary reporting format

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

		20	11	
		Long distance	e call services	
	Sale of	<b>End-users</b>	Carrier	
	equipment	direct sales	sales	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	810	1,852	593	3,255
Segment results	(2,065)	(5,602)	(620)	(8,287)
Other revenues				1,848
Operating loss				(6,439)
Unallocated cost				(9,337)
Finance costs				(261)
Loss for the year				(16,037)
Segment assets	1,416	2,780	417	4,613
Unallocated assets				5,136
Total assets				9,749
Segment liabilities	50	1,858	5,205	7,113
Unallocated liabilities				1,734
Total liabilities				8,847
Capital expenditures		31		31
Unallocated capital expenditures				1,129
				1,160
Depreciation	74	504	58	636
Unallocated depreciation				221
				857

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		Long distance call services		
	Sale of	End-users	Carrier	
	equipment	direct sales	sales	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,005	2,270	42	3,317
Segment results	(2,124)	(5,523)	(171)	(7,818)
Other revenues				666
Operating loss				(7,152)
Unallocated cost				(2,606)
Finance costs				(21)
Loss for the year				(9,779)
Segment assets	4,151	3,395	2,435	9,981
Unallocated assets				2,886
Total assets				12,867
Segment liabilities	215	2,193	6,526	8,934
Unallocated liabilities				2,454
Total liabilities				11,388
Capital expenditures				-
Unallocated capital expenditures				2,058
				2,058
Depreciation	16	774	148	938
Unallocated depreciation				134
				1,072

## (b) Geographical segments – secondary reporting format

		201	11	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets  HK\$'000	Capital expenditures <i>HK\$'000</i>
Hong Kong	2,528	(16,340)	7,023	1,125
Mainland China and other countries	727	(1,545)	2,726	35
	3,255	(17,885)	9,749	1,160
Other revenues		1,848		
Operating loss		(16,037)		
		201	10	
		Segment		Capital
	Turnover	results	Total assets	expenditures
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,336	(8,390)	12,468	2,058
Mainland China and other countries	981	(2,055)	399	
	3,317	(10,445)	12,867	2,058
Other revenues		666		
Operating loss		(9,779)		

#### 4 Turnover and other revenues

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The Group is principally engaged in the provision of long distance call services and trading of telecommunication equipment. Revenues recognised during the year are as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Turnover		
Long distance call services	2,445	2,312
Sale of equipment	810	1,005
sure of equipment		1,000
	3,255	3,317
Other revenues		
Dividend income on financial asset at fair value through profit or loss	8	_
Gain on disposal of financial asset at fair value through profit or loss	42	_
Over-provision of accruals and trade payable	1,665	_
Sundry income	133	666
	1,848	666
	5,103	3,983
Operating loss		
	Group	p
	2011	2010
	HK\$'000	HK\$'000
Operating loss is stated after charging the following:		
Auditor's remuneration		
<ul> <li>Provision for current year</li> </ul>	386	380
<ul> <li>Under provision in prior years</li> </ul>	-	35
Amortisation of intangible assets	44	44
Cost of inventories sold	1,926	1,652
Depreciation		
- owned	739	1,013
– leased	118	59
Operating lease-land and buildings	1,033	679
Provision for doubtful debts	22	149
Staff costs (including directors' remuneration)		
– Wages and salaries	6,254	4,598
- Share-based payments	6,407	1,772
<ul> <li>Pension cost – defined contribution plans</li> </ul>	362	109

#### 6 Income tax

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 (2010: 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 (2010: Nil).

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

	Group		
	2011		
	HK\$'000	HK\$'000	
Loss for the year	(16,037)	(9,779)	
Calculated at a statutory rate of 16.5% (2010: 16.5%)	(2,646)	(1,614)	
Income not subject to taxation	(6)	_	
Expenses not deductible for taxation purposes	391	67	
Tax losses not recognised	2,341	1,596	
Accelerated depreciation not recognised	(80)	(49)	
Taxation charges		_	

#### 7 Loss per share attributable to equity holders of the Company

The calculation of basic loss per share is based on the Group's loss for the year of approximately HK\$16,037,000 (2010: HK\$9,779,000) and the weighted average number of 474,925,839 ordinary shares in issue during the year (2010: 430,699,844 shares).

The dilutive loss per share are equal to the basic loss per share for the years ended 31 May 2011 and 2010, as the share options, warrants and option to subscribe convertible bonds outstanding had an anti-dilutive effect.

#### 8 Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (Note a)	286	162	_	_
Other receivables, prepayments and deposits	4,028	2,293	69	15
	4,314	2,455	69	15

All the carrying amounts of trade receivables are denominated in Hong Kong dollars.

Note:

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

	Group			
	2011		2011	2010
	HK\$'000	HK\$'000		
0 – 30 days	79	98		
31 – 60 days	90	22		
61 – 90 days	53	9		
91 – 180 days	24	8		
181 – 365 days	79	34		
Over 365 days	3,948	3,980		
	4,273	4,151		
Less: provision for doubtful debt	(3,987)	(3,989)		
	286	162		

(b) Trade receivable that are less than four months are not considered impaired. As at 31 May 2011, trade receivable of HK\$56,000 (2010: HK\$31,000) were past due but not impaired. The aging analysis of these trade receivable is as follows:

	Group		
	2011	2010	
	HK\$'000	HK\$'000	
Past due but not impaired:			
0 – 60 days	17	6	
61 – 120 days	39	25	
	56	31	

#### 9 Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note a)	7,591	9,364	724	401
Other payables and accruals	734	1,116	179	660
Receipt in advance	149	437		
	8,474	10,917	903	1,061

The carrying amounts of trade payables are denominated in Hong Kong dollars.

Note:

(a) Majority of the Group's purchase 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:

	Group		
	2011	2010	
	HK\$'000	HK\$'000	
0 – 30 days	643	459	
31 – 60 days	320	27	
61 – 90 days	_	18	
91 – 180 days	_	42	
181 – 365 days	67	_	
Over 365 days	6,561	8,818	
	7,591	9,364	

#### 10 Litigations

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

- (a) In September 2006, one of the subsidiaries (the "Subsidiary") of the Group filed a statement of claim, including potential claims and disputed invoices of approximately HK\$2,700,000, against a telecommunication operator (the "Defendant"). In August 2008, the Defendant submitted statements of defence and counter claimed the Subsidiary outstanding amount of approximately HK\$3,200,000. In May 2009, the Court directed the parties to set down the case for trial and the trial was scheduled in November 2009. On 2 December 2009, the matter was adjourned for the parties to amend the pleadings. As at the date of this announcement, a trial is fixed on 2 November 2011 with a pre-trial scheduled on 7 September 2011. The Directors of the Company, having taken into consideration the advice from the Group's legal advisor, are of the opinion that the ultimate liability under these proceedings would not have significant impact on the financial position of the Group.
- (b) On 16 December 2004, a writ was issued by a telecommunication service provider (the "Plaintiff") against two wholly owned subsidiaries of the Group and a director of the Company (the "Director") for outstanding and disputed invoices and claimed that the subsidiaries and the Director have no right to defence. On 20 July 2005, the High Court ruled that the subsidiaries and the Director had right to defence 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 the date of this announcement the Plaintiff has failed to submit further evidence to substantiate the claim. The Directors of the Company, having taken into consideration the advice from the Group's legal advisor, are of the opinion that the ultimate liability under these proceedings would not have significant impact on the financial position of the Group.
- (c) The Group has a number of outstanding litigations in respect of liabilities arising from the normal course of its business of approximately HK\$685,000. The amounts of the liabilities are adequately recorded as accounts payable as at 31 May 2011. The Directors of the Company 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.

#### INDEPENDENT AUDITOR'S REPORT

The following are extracted from the Independent Auditor's Report:

#### **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 2011 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 disclosure requirements of the Hong Kong Companies Ordinance.

#### EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2.1(a) in the consolidated financial statements which indicates that the Group incurred a total comprehensive loss of approximately HK\$15,940,000 during the year ended 31 May 2011 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$2,925,000. These conditions, along with other matters as set out in Note 2.1(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

#### FINANCIAL REVIEW

#### Results for the year

The Group recorded a total turnover of HK\$3.26 million for the year ended 31 May 2011, a decrease of 1.81% from HK\$3.32 million for the year ended 31 May 2010. The decrease was attributable in the decrease in calling card sales, and the sales of equipment. The gross profit margin decreased from 50.20% for last year to 40.83% for this year. The decrease in overall gross profit margin was mainly attributable to the significant decrease in carrier sales that only contributed very thin profit margin and the increase on the cost of IDD minutes in calling card sales.

The Group recorded a consolidated loss attributable to shareholders of HK\$16.04 million, with an increase of HK\$6.26 million, as compared with the comparative amount of loss of HK\$ 9.78 million attained in the previous year. The increase of the loss for the year was mainly due to the decrease of the contributions from calling card sales and increase in directors' and employees' remunerations and the Group's expansion of business in the PRC market.

The administrative expenses were significantly increased by 57.88% from HK\$11.49 million for last year to HK\$18.14 million for this year, because of the new business development, the new operations in China and the share-based payments of granted share options.

#### Liquidity and Financing

For the year ended 31 May 2011, the Group incurred a loss of approximately HK\$16.04 million and the net cash outflow from operations was approximately HK\$12.88 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$8.30 million, increase in receivable of approximately HK\$1.88 million and decrease in payables of approximately HK\$2.44 million. The net cash and cash equivalents of the Group was decreased by approximately HK\$5.12.

As at 31 May 2011, the Group had a cash and cash equivalent balance of approximately HK\$1.01 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2011 was not applicable as there was negative shareholders' fund (2010: not applicable). The Group had net current liabilities of approximately HK\$2.93 million as at 31 May 2011 as compared with HK\$2.09 million as at 31 May 2010.

Most of the transactions of the Group are denominated in US Dollars and HK Dollars. As the exchange rate of US Dollar against HK Dollars is fairly stable, the Board is of the view that the exposure to foreign currency exchange risk is limited. Hence, no other arrangements to reduce the currency risk have been implemented.

#### **BUSINESS REVIEW**

Since setting up of the Research and Development team, the Group successfully launched new telecom value-added services, job searching engine and 3G smartphone applications. The team serves them as valuable assets of the Company. Although Research and Development is a medium and long term investment, those new services, such as job searching engine, are generating revenues for the Company. The new applications developed on 3G data and voice and smartphone Apps brought by Google Apps Android and Apple iPhone equip the Group with a more powerful marketing tool and serve as new revenue sources.

In this fiscal year, new business units such as media, www.gbjobs.com have already started contributing revenue to the Group. However, it is still in an introductory stage. The Management believes that more significant revenue will be generated by those new business units.

The Company started its operation in Beijing and Guangzhou about two years ago. It is excited to see the growth of China team. The China team brought in more professionals in this field, gained more experiences in this business, and contributed to the success of the Group as a whole. Human resource is a key asset of a business entity especially in the industry of technology.

The Group is expanding the job searching engine and the new telecom services to the international market. The services are not just growing globally, but also growing in the information technology field such as smartphone Apps from Apple iPhone and Google Android. It is the state of art technology, and the Group is heading to the right direction.

The goal of the Company is gathering the telecom platform/technology into revenue generation model. The Company is pleased to accept all challenging to reach this goal.

#### **BUSINESS OUTLOOK**

The job searching engine already started bringing in significant revenue in the market of Hong Kong and the Company expects the China market will be the next major revenue sources. The Research and Development team will further develop more advanced new features for this searching engine and will launch globally into different countries. It is the mission of this business unit.

The recruitment services of the gbjobs.com will be other sources of income for the job search business.

The new media such as Pinoy World will grow internationally. It will serves as not just a marketing tool but also an income contributor to the Group.

3G APPS, telecom applications, integrating voice, data and image through smartphone and computer is a significant new services for the Group. The Company is excited on the Research and Development achievement. The Company is confident to translate this technology into a telecom business model to serve worldwide users.

#### **EMPLOYEE INFORMATION**

At 31 May 2011, the Group employed a total of 55 (2010: 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 2011, 89,148,000 share options have been granted from the share option scheme.

#### **DIVIDEND**

The Board of Directors does not recommend the payment of a dividend in respect of the year ended 31 May 2011 (2010: NIL).

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

At 31 May 2011, 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 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\$0.02 each in the Company

		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	-	-	16,836,000 (Note 1)	-		16,836,000	3.21
	Beneficial owner	450,064,822 (Note 2)	10,399,000 (Note 3)	-	4,800,000 4,800,000	0.233 0.150	470,063,822	89.63
Ms. Yau Pui Chi, Maria (Spouse of Mr. Ang)	Beneficial owner	799,000	476,500,822 (Note 4)	-	4,800,000 4,800,000	0.233 0.150	486,899,822	92.84
Mr. Wei Ren	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.57
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000 2,000,000	0.233 0.150	5,200,000	0.99
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000 800,000	0.233 0.150	3,100,000	0.59
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.38
Mr. Chau Siu Keung	Beneficial owner	-	-	-	1,200,000 800,000	0.233 0.150	2,000,000	0.38

#### Note:

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 13,646,000 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 173,141,746 shares and 276,923,076 shares representing the shares to be issued upon exercise of the warrants and options to be issued to it by the Company held by Mr. Ang in person.
- 3) These shares are registered as 799,000 shares and 9,600,000 share options held by Ms. Yau in person.
- 4) These shares are registered as to 173,141,746 shares, 9,600,000 share options; and 276,923,076 shares representing the shares to be issued upon exercise of the warrants and options to be issued to it by the Company held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 13,646,000 shares held by Bluechip Combination Investments Limited ("Bluechip"). Cyber Wealth and Bluechip are companies whollyowned by Mr. Ang.

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

Save as the interest disclosed above in respect of certain directors, the Company has not been notified of any other shareholders who had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 May 2011.

#### PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2011, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed shares.

#### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

For the year ended 31 May 2011, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

#### CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the financial year ended 31 May 2011, the Group has compiled with the code provisions in the Code on Corporate Governance Practices (the "Code Provision(s)") 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 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.

#### 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 2011.

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 2011.

#### **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 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, first and third quarter results of the Company for the year ended 31 May 2011, and was 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 containing all the information required by the GEM Listing Rules will be dispatched to the shareholders 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, 19 August 2011

As at the date of this announcement, the Board comprises four executive Directors, Mr. James Ang, Mr. Wei Ren, Ms. Yau Pui Chi, Maria and Dr. Zhong Shi and three independent non-executive Directors, Mr. Chiang Kin Kon, Mr. Wong Kwok Fai and Mr. Chau Siu Keung.

This announcement will remain on the "Latest Company Announcement" page of the GEM website for at least 7 days from its date of publication and on the website of the Company at www.neteltech.com.hk.