



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 2012

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

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

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This 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 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 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
Turnover	3&4	1,920	3,255
Cost of sales		<u>(1,384)</u>	<u>(1,926)</u>
Gross profit		536	1,329
Other revenues	4	13,263	1,848
Selling and marketing expenses		(591)	(626)
Administrative expenses		<u>(17,111)</u>	<u>(18,143)</u>
Operating loss	5	(3,903)	(15,592)
Finance costs		(22)	(261)
Share of loss of an associated company		<u>–</u>	<u>(184)</u>
Loss for the year		(3,925)	(16,037)
Other comprehensive income			
Translation of foreign exchange reserve		<u>–</u>	<u>97</u>
Total comprehensive loss for the year		<u>(3,925)</u>	<u>(15,940)</u>
Loss for the year attributable to:			
– Equity holders of the Company		(3,907)	(16,037)
– Non-controlling interest		<u>(18)</u>	<u>–</u>
		<u>(3,925)</u>	<u>(16,037)</u>
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		(3,907)	(15,940)
– Non-controlling interest		<u>(18)</u>	<u>–</u>
		<u>(3,925)</u>	<u>(15,940)</u>
Loss per share attributable to equity holders of the Company			
– Basic and diluted	7	<u>HK (0.7 cents)</u>	<u>HK (3.4 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2012

	Notes	2012 HK\$'000	2011 HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		1,244	2,100
Intangible assets		2,530	1,982
Investment in an associated company		–	–
Available-for-sale financial assets		–	–
		<u>3,774</u>	<u>4,082</u>
Current assets			
Inventories		225	346
Trade receivables	8	168	286
Prepayment, deposit and other receivables	8	1,582	4,028
Bank balances and cash		11,239	1,007
		<u>13,214</u>	<u>5,667</u>
Total assets		<u>16,988</u>	<u>9,749</u>
EQUITY			
Capital and reserves			
Share capital		11,093	10,488
Share premium and reserves		(9,387)	(9,586)
		<u>1,706</u>	<u>902</u>
Non-controlling interest		<u>(20)</u>	<u>–</u>
Total equity		<u>1,686</u>	<u>902</u>
LIABILITIES			
Non-current liabilities			
Borrowings		<u>137</u>	<u>255</u>
Current liabilities			
Trade payables	9	6,987	7,591
Receipt in advance, accruals and other payables	9	7,270	883
Amount due to a director		790	–
Borrowings		<u>118</u>	<u>118</u>
		<u>15,165</u>	<u>8,592</u>
Total liabilities		<u>15,302</u>	<u>8,847</u>
Total equity and liabilities		<u>16,988</u>	<u>9,749</u>
Net current liabilities		<u>(1,951)</u>	<u>(2,925)</u>
Total assets less current liabilities		<u>1,823</u>	<u>1,157</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in research and development of telecommunication application and value-added service software and provision of related services, trading of telecommunication equipment, provision of long distance call services and online recruitment services in Hong Kong. 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 17 August 2012.

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 approximately HK\$3.91 million for the year ended 31 May 2012 and had net current liabilities of approximately HK\$1.95 million as at 31 May 2012. 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.

(i) Standards, amendment and interpretations effective in 2011

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 2010
HKAS 24 (2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Venture ⁴
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ⁵
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁶
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

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 2011 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 2012.

3 Segment information

(a) Business segments – primary reporting format

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

	2012				
	Long distance call services				
	Sale of equipment HK\$'000	End-users direct sales HK\$'000	Carrier sales HK\$'000	Tele- communication, value-added and recruitment services HK\$'000	Group HK\$'000
Turnover	<u>406</u>	<u>1,230</u>	<u>–</u>	<u>284</u>	<u>1,920</u>
Segment results	<u>(1,972)</u>	<u>(7,639)</u>	<u>–</u>	<u>(1,879)</u>	(11,490)
Other revenues					<u>13,263</u>
Operating profit					1,773
Unallocated cost					(5,676)
Finance costs					<u>(22)</u>
Loss for the year					<u>(3,925)</u>
Segment assets	<u>1,096</u>	<u>1,419</u>	<u>–</u>	<u>12,082</u>	14,597
Unallocated assets					<u>2,391</u>
Total assets					<u>16,988</u>
Segment liabilities	<u>5,036</u>	<u>2,493</u>	<u>–</u>	<u>709</u>	8,238
Unallocated liabilities					<u>7,064</u>
Total liabilities					<u>15,302</u>
Capital expenditures	<u>–</u>	<u>–</u>	<u>–</u>	<u>366</u>	366
Unallocated capital expenditures					<u>848</u>
					<u>1,214</u>
Depreciation and amortisation	<u>130</u>	<u>669</u>	<u>13</u>	<u>109</u>	921
Unallocated depreciation and amortisation					<u>591</u>
					<u>1,512</u>

	2011				
	Long distance call services				
	Sale of equipment <i>HK\$'000</i>	End-users direct sales <i>HK\$'000</i>	Carrier sales <i>HK\$'000</i>	Tele- communication, value-added and recruitment services <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>810</u>	<u>1,852</u>	<u>593</u>	<u>–</u>	<u>3,255</u>
Segment results	<u>(2,065)</u>	<u>(5,602)</u>	<u>(620)</u>	<u>–</u>	<u>(8,287)</u>
Other revenues					<u>1,848</u>
Operating loss					(6,439)
Unallocated cost					(9,337)
Finance costs					<u>(261)</u>
Loss for the year					<u>(16,037)</u>
Segment assets	<u>1,416</u>	<u>2,780</u>	<u>417</u>	<u>–</u>	<u>4,613</u>
Unallocated assets					<u>5,136</u>
Total assets					<u>9,749</u>
Segment liabilities	<u>50</u>	<u>1,858</u>	<u>5,205</u>	<u>–</u>	<u>7,113</u>
Unallocated liabilities					<u>1,734</u>
Total liabilities					<u>8,847</u>
Capital expenditures	<u>–</u>	<u>31</u>	<u>–</u>	<u>–</u>	<u>31</u>
Unallocated capital expenditures					<u>1,129</u>
					<u>1,160</u>
Depreciation	<u>74</u>	<u>504</u>	<u>58</u>	<u>–</u>	<u>636</u>
Unallocated depreciation					<u>221</u>
					<u>857</u>

(b) *Geographical segments – secondary reporting format*

	2012			
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditures <i>HK\$'000</i>
Hong Kong	1,794	(16,065)	16,697	1,212
Mainland China and other countries	<u>126</u>	<u>(1,123)</u>	<u>291</u>	<u>2</u>
	<u><u>1,920</u></u>	<u><u>(17,188)</u></u>	<u><u>16,988</u></u>	<u><u>1,214</u></u>
Other revenues		<u>13,263</u>		
Operating loss		<u><u>(3,925)</u></u>		
	2011			
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditures <i>HK\$'000</i>
Hong Kong	2,528	(16,340)	7,023	1,125
Mainland China and other countries	<u>727</u>	<u>(1,545)</u>	<u>2,726</u>	<u>35</u>
	<u><u>3,255</u></u>	<u><u>(17,885)</u></u>	<u><u>9,749</u></u>	<u><u>1,160</u></u>
Other revenues		<u>1,848</u>		
Operating loss		<u><u>(16,037)</u></u>		

4 Turnover and other revenues

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Long distance call services	1,230	2,445
Sale of equipment	406	810
Telecommunication, value-added and recruitment services	284	–
	<u>1,920</u>	<u>3,255</u>
Other revenues		
Dividend income on financial assets at fair value through profit or loss	–	8
Exchange gain	96	–
Gain on disposal of financial assets at fair value through profit or loss	–	42
Gain on disposal of shares of a subsidiary	11,202	–
Over-provision of accruals and trade payable	1,661	1,665
Recovery of doubtful debts	12	–
Sundry income	292	133
	<u>13,263</u>	<u>1,848</u>
	<u>15,183</u>	<u>5,103</u>

5 Operating loss

	Group	
	2012	2011
	HK\$'000	HK\$'000
Operating loss is stated after charging the following:		
Auditor's remuneration	421	386
Amortisation of intangible assets	664	44
Cost of inventories sold	1,384	1,926
Depreciation		
– owned	730	739
– leased	118	118
Operating lease-land and buildings	656	1,033
Provision for impairment of deposits, prepayments and other receivables	367	–
Provision for doubtful debts	–	22
Staff costs (including directors' remuneration)		
– Wages and salaries	10,315	6,598
– Share-based payments	–	6,407
– Pension cost – defined contribution plans	399	431

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 (2011: 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 (2011: 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	
	2012	2011
	HK\$'000	HK\$'000
Loss for the year	<u>(3,925)</u>	<u>(16,037)</u>
Calculated at a statutory rate of 16.5% (2011: 16.5%)	(647)	(2,646)
Income not subject to taxation	(1,846)	(6)
Expenses not deductible for taxation purposes	328	391
Tax losses not recognised	2,161	2,341
Accelerated depreciation not recognised	<u>4</u>	<u>(80)</u>
Taxation charges	<u><u>—</u></u>	<u><u>—</u></u>

7 Loss per share

The calculation of basic loss per share is based on the Group's loss for the year of approximately HK\$3,907,000 (2011: HK\$16,037,000) and the weighted average number of 530,450,552 ordinary shares in issue during the year (2011: 474,925,839 shares).

The dilutive loss per share are equal to the basic loss per share for the years ended 31 May 2012 and 2011, as the share options, warrants and option to subscribe convertible bonds had anti-dilutive effects.

8 Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (<i>Note a</i>)	168	286	—	—
Other receivables, prepayments and deposits	<u>1,582</u>	<u>4,028</u>	<u>15</u>	<u>69</u>
	<u><u>1,750</u></u>	<u><u>4,314</u></u>	<u><u>15</u></u>	<u><u>69</u></u>

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	
	2012	2011
	HK\$'000	HK\$'000
0 – 30 days	55	79
31 – 60 days	22	90
61 – 90 days	19	53
91 – 180 days	33	24
181 – 365 days	29	79
Over 365 days	3,985	3,948
	<u>4,143</u>	<u>4,273</u>
Less: provision for doubtful debt	<u>(3,975)</u>	<u>(3,987)</u>
	<u>168</u>	<u>286</u>

- (b) Trade receivables that are less than four months are not considered impaired. As at 31 May 2012, trade receivables of HK\$64,000 (2011: HK\$56,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Past due but not impaired:		
0 – 60 days	25	17
61 – 120 days	29	39
Over 365 days	10	–
	<u>64</u>	<u>56</u>

9 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (<i>Note a</i>)	6,987	7,591	1,368	724
Other payables and accruals	6,775	734	1,655	179
Receipt in advance	495	149	422	–
	14,257	8,474	3,445	903

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

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:

	Group	
	2012	2011
	HK\$'000	HK\$'000
0 – 30 days	795	643
31 – 60 days	177	320
61 – 90 days	65	–
91 – 180 days	288	–
181 – 365 days	240	67
Over 365 days	5,422	6,561
	6,987	7,591

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 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.
- (b) The Group has other outstanding litigation in respect of liabilities arising from the normal course of its business of approximately HK\$281,000. The amounts of the liabilities are adequately recorded as accounts payable as at 31 May 2012. 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 2012 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\$3,925,000 during the year ended 31 May 2012 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$1,951,000. 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\$1.92 million for the year ended 31 May 2012, a decrease of 41.10% from HK\$3.26 million for the year ended 31 May 2011. The decrease was attributable in the decrease in calling card sales, and the sales of equipment. The gross profit margin decreased from 40.83% for last year to 27.92% for this year. The decrease in overall gross profit margin was mainly attributable to the significant increase on the cost of IDD minutes in calling card sales.

The Group recorded a consolidated loss attributable to shareholders of HK\$3.91 million, as compared with the comparative amount of loss HK\$16.04 million attained in the previous year. The decrease of the loss for the year was mainly due to the gain on disposal of shares of a subsidiary, the decrease of the contributions from calling card sales and increase in directors' and employees' remunerations.

The administrative expenses were slightly decreased by 5.68% from HK\$18.14 million of last year to HK\$17.11 million for this year.

Liquidity and Financing

For the year ended 31 May 2012, the Group incurred a loss of approximately HK\$3.93 million and the net cash outflow from operations was approximately HK\$5.14 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$14.89 million, decrease in receivables of approximately HK\$2.21 million and increase in payables of approximately HK\$7.44 million. With the increase of amount due to a director of approximately HK\$0.79 million, the net cash and cash equivalents of the Group was increased by approximately HK\$10.23 million.

As at 31 May 2012, the Group had a cash and cash equivalent balance of approximately HK\$11.24 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2012 was not applicable as there was negative shareholders' fund (2011: not applicable). The Group had net current liabilities of approximately HK\$1.95 million as at 31 May 2012 as compared with HK\$2.93 million as at 31 May 2011.

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

New features and enhancements from the Research and Development Department has enabled the unique search engine within www.gbjobs.com to substantially grow the customer base. This trend will continue into the new financial year, horizontal expansion into different provinces in China and overseas is expected.

Our “INATALK” Applications, iPhone and Android mobile phone Applications will be enhanced, with facilities being added for language exchange, both for translation and teaching purposes. These services, which are scheduled to be launched in the coming quarter of the year, will translate into further business opportunities for language training through the internet or telecom platform as part of Asia Talent Development Centre Limited.

In addition to the above, the Group will be launching and promoting its new conference call system worldwide. The versatile and competitive service can be connected through web phone, Smartphone, mobile phone or ordinary landline and offers many new features. This product will enable large international businesses and organizations that consume a lot on international communication to save their cost.

BUSINESS OUTLOOK

The Group believes the market for new Applications for all Smartphones will continue to grow significantly worldwide. Developing the www.gbjobs.com and “INATALK” products for these Applications is an essential part of the Company’s growth strategy.

Referring to the previous year’s voice recognition project (real-time multilingual translation), a joint venture project of a subsidiary with Mr. James Ang, Chairman of the Group, the project is on the stage of testing on the telecommunication platform. It will enhance the competitiveness of the Group in the Applications market.

Furthermore, the Company will continue to bring out innovative technology through continual research and development and through strategic partnerships to enhance the competitiveness of products.

Besides, the Company is concerning to set up a new subsidiary to invest other business opportunities, to enlarge the Group and its income.

EMPLOYEE INFORMATION

At 31 May 2012, the Group employed a total of 35 (2011: 55) 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 2012, 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 2012 (2011: 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 2012, 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

Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang (“Mr. Ang”)	Interest in controlled corporation	–	–	16,836,000 (Note 1)	–	–	16,836,000	3.03
	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	84.75
Ms. Yau Pui Chi, Maria (“Ms. Yau”) (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	87.78
Mr. Wei Ren	Beneficial owner	500,000	–	–	1,500,000 1,000,000	0.233 0.150	3,000,000	0.54
Dr. Zhong Shi	Beneficial owner	–	–	–	3,200,000 2,000,000	0.233 0.150	5,200,000	0.93
Mr. Chiang Kin Kon	Beneficial owner	–	–	–	2,300,000 800,000	0.233 0.150	3,100,000	0.55
Mr. Wong Kwok Fai	Beneficial owner	–	–	–	1,200,000 800,000	0.233 0.150	2,000,000	0.36
Mr. Chau Siu Keung	Beneficial owner	–	–	–	1,200,000 800,000	0.233 0.150	2,000,000	0.36

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 203,366,104 shares and 246,698,718 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 203,366,104 shares, 9,600,000 share options; and 246,698,718 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 wholly-owned 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 2012.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2012, 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 2012, 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 2012, the Group has complied 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, excepting 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 separate 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.

The Board has updated its corporate governance principles and practices by adopting the revised code provisions contained in the Corporate Governance Code in the Appendix 14 of the Listing Rules with effect from 1 April 2012. It also approved the revised terms of reference of the audit committee and remuneration committee, and the establishment of a nomination committee on the 23 March 2012.

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 2012.

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 2012.

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 terms of reference of the Audit Committee have been updated on 23 March 2012 to comply with the new requirement set out in the revised code provisions and are posted on the websites of the Company and the Stock Exchange.

The duties of Audit Committee are included reviewing the Group's financial control, internal control and risk management, review 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 2012, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

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-executives.

The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

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.

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, 17 August 2012

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.