



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 2015

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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 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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 May 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Turnover	3&4	2,127	1,972
Cost of sales		<u>(589)</u>	<u>(890)</u>
Gross profit		1,538	1,082
Other revenues	4	2,304	257
Selling and marketing expenses		(261)	(307)
Administrative expenses		<u>(24,082)</u>	<u>(17,496)</u>
Operating loss	5	(20,501)	(16,464)
Finance costs	6	(116)	(43)
Share of profit/(loss) of associates		<u>–</u>	<u>–</u>
Loss for the year		(20,617)	(16,507)
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive loss for the year		<u><u>(20,617)</u></u>	<u><u>(16,507)</u></u>
Loss for the year attributable to:			
– Equity holders of the Company		(20,547)	(16,521)
– Non-controlling interests		<u>(70)</u>	<u>14</u>
		<u><u>(20,617)</u></u>	<u><u>(16,507)</u></u>
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		(20,547)	(16,521)
– Non-controlling interests		<u>(70)</u>	<u>14</u>
		<u><u>(20,617)</u></u>	<u><u>(16,507)</u></u>
Loss per share attributable to equity holders of the Company			
– Basic and diluted	8	<u><u>HK (2.55 cents)</u></u>	<u><u>HK (2.49 cents)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment		996	876
Intangible assets		4,101	3,478
Interests in associates		3	3
Available-for-sale financial assets		–	–
		5,100	4,357
Current assets			
Inventories		185	188
Trade receivables	9	125	175
Prepayments, deposits and other receivables	9	852	698
Bank balances and cash		2,544	1,520
		3,706	2,581
Total assets		8,806	6,938
EQUITY			
Capital and reserves			
Share capital		17,815	14,696
Share premium and reserves		(15,955)	(14,320)
		1,860	376
Non-controlling interests		(110)	(115)
Total equity		1,750	261
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		340	58
Current liabilities			
Trade payables	10	1,861	4,113
Receipt in advance, accruals and other payables	10	2,032	2,027
Amounts due to directors		1,084	363
Convertible bonds		1,627	–
Obligations under finance leases		112	116
		6,716	6,619
Total liabilities		7,056	6,677
Total equity and liabilities		8,806	6,938
Net current liabilities		(3,010)	(4,038)
Total assets less current liabilities		2,090	319

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2015

	Share Capital HK\$'000	Share Premium HK\$'000	Convertible			Other Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total Equity HK\$'000
			Share Option Reserve HK\$'000	Bonds Equity Component HK\$'000	Option Bonds Reserve HK\$'000						
Balance at 1 June 2013	12,695	81,612	7,889	–	3,551	–	247	(105,796)	198	(129)	69
Loss for the year	–	–	–	–	–	–	–	(16,521)	(16,521)	14	(16,507)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	(16,521)	(16,521)	14	(16,507)
Transactions with owners:											
Issue of convertible bonds upon conversion of convertible bond options	–	–	–	15,136	(3,551)	–	–	–	11,585	–	11,585
Issue of shares upon conversion of convertible bonds	1,486	13,650	–	(15,136)	–	–	–	–	–	–	–
Issue of shares upon exercise of warrants	515	3,504	–	–	–	–	–	–	4,019	–	4,019
Grant of share options	–	–	1,095	–	–	–	–	–	1,095	–	1,095
Lapse of share options	–	–	(97)	–	–	–	–	97	–	–	–
Total transactions with owners	2,001	17,154	998	–	(3,551)	–	–	97	16,699	–	16,699
Balance at 31 May and 1 June 2014	14,696	98,766	8,887	–	–	–	247	(122,220)	376	(115)	261
Loss for the year	–	–	–	–	–	–	–	(20,547)	(20,547)	(70)	(20,617)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	–	–	(20,547)	(20,547)	(70)	(20,617)
Transactions with owners:											
Issue of convertible bonds	–	–	–	690	–	–	–	–	690	–	690
Issue of shares by subscriptions	540	3,610	–	–	–	–	–	–	4,150	–	4,150
Issue of shares upon conversion of convertible bonds	402	2,133	–	(315)	–	–	–	–	2,220	–	2,220
Issue of shares upon exercise of warrants	1,331	9,050	–	–	–	–	–	–	10,381	–	10,381
Issue of shares upon exercise of share options	846	9,742	(4,044)	–	–	–	–	–	6,544	–	6,544
Grant of share options	–	–	6,352	–	–	–	–	–	6,352	–	6,352
Recognition of equity-settled share-based payments	–	–	945	–	–	–	–	–	945	–	945
Addition of non-controlling interests	–	–	–	–	–	–	–	–	–	224	224
Acquisition of non-controlling interests	–	–	–	–	–	(9,251)	–	–	(9,251)	(149)	(9,400)
Total transactions with owners	3,119	24,535	3,253	375	–	(9,251)	–	–	22,031	75	22,106
Balance at 31 May 2015	17,815	123,301	12,140	375	–	(9,251)	247	(142,767)	1,860	(110)	1,750

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 May 2015

	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Operating loss	(20,501)	(16,464)
Adjustments for:		
Amortisation and impairment	855	855
Bad debt	2	5
Depreciation	350	451
Loss on disposal of plant and equipment	92	6
Provision for impairment of prepayments, deposits and other receivables	–	579
Over-provision of accruals and trade payables	(2,273)	–
Share-based payments	7,297	1,095
	<hr/>	<hr/>
Operating loss before working capital changes	(14,178)	(13,473)
Decrease in inventories	3	4
(Increase)/decrease in trade and other receivables	(106)	172
Decrease in amount due from an associate	–	38
Increase/(decrease) in trade and other payables	26	(2,026)
	<hr/>	<hr/>
Net cash used in operations	(14,255)	(15,285)
Interest paid	(33)	(43)
	<hr/>	<hr/>
Net cash used in operating activities	(14,288)	(15,328)
	<hr/>	<hr/>
Cash flows from investing activities		
Additions of intangible assets	(1,478)	(1,211)
Additions of plant and equipment	(191)	(327)
Proceeds from disposal of plant and equipment	129	–
Investments in associates	–	–
	<hr/>	<hr/>
Net cash used in investing activities	(1,540)	(1,538)
	<hr/>	<hr/>
Cash flows from financing activities		
Net proceeds from issuance of shares by subscriptions	4,150	–
Net proceeds from issuance of convertible bonds	4,500	11,585
Net proceeds from exercise of warrants	10,381	4,019
Net proceeds from exercise of share options	6,544	–
Coupon interest paid for convertible bonds	(46)	–
Additions of non-controlling interests	224	–
Acquisition of non-controlling interests	(9,400)	–
Increase in amounts due to directors	721	363
Repayment of obligations under finance leases	(222)	(205)
	<hr/>	<hr/>
Net cash generated from financing activities	16,852	15,762
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,024	(1,104)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	1,520	2,624
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	2,544	1,520
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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 and recruitment applications, 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 (the "Board") of directors (the "Directors") of the Company on 14 August 2015.

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\$20.55 million for the year ended 31 May 2015 and had net current liabilities of approximately HK\$3.01 million as at 31 May 2015. 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 through shareholder's loans and exercising of share options to meet the present and future cashflow requirement from operation and settlement of its outstanding obligations
 - Continuous development and improvement of the Group's products and services and future cash flows to be generated from new revenue source and new businesses
 - Continuous effort to control cost of the Group

The Directors believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of the 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, will be disclosed in the Annual Report.

(i) Standards, amendments and interpretations effective during the year ended 31 May 2015

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HK(IFRIC) – Int 21	Levies

The application of these new 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)	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ²
HKAS 1 (Amendments)	Disclosure Initiative ²
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ²
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ²
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation ²
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

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 2014 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 consolidated financial statements for the year ended 31 May 2015.

3 SEGMENT INFORMATION

(a) Segment information

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

The Executive Directors have identified that, the Group has three reportable operating segments, which are (i) sale of equipment, (ii) end-users direct sales of long distance call services and (iii) telecommunication, value-added and recruitment services.

(b) Business segments – primary reporting format

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

	2015			
	Sale of equipment <i>HK\$'000</i>	Long distance call services- end-users direct sales <i>HK\$'000</i>	Telecommunication, value-added and recruitment services <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	174	565	1,388	2,127
Segment results	(1,470)	(5,043)	(13,721)	(20,234)
Other revenues				2,304
Operating loss				(17,930)
Unallocated costs				(2,571)
Finance costs				(116)
Loss for the year				(20,617)
Segment assets	2,137	319	5,492	7,948
Unallocated assets				858
Total assets				8,806
Segment liabilities	1,878	412	1,211	3,501
Unallocated liabilities				3,555
Total liabilities				7,056
Capital expenditures	-	-	2,171	2,171
Unallocated capital expenditures				-
				2,171
Depreciation and amortisation	57	45	526	628
Unallocated depreciation and amortisation				577
				1,205

	2014			
	Sale of equipment <i>HK\$'000</i>	Long distance call services- end-users direct sales <i>HK\$'000</i>	Telecommunication, value-added and recruitment services <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>222</u>	<u>633</u>	<u>1,117</u>	<u>1,972</u>
Segment results	<u>(1,288)</u>	<u>(4,595)</u>	<u>(8,058)</u>	(13,941)
Other revenues				<u>257</u>
Operating loss				(13,684)
Unallocated costs				(2,780)
Finance costs				<u>(43)</u>
Loss for the year				<u>(16,507)</u>
Segment assets	<u>1,737</u>	<u>329</u>	<u>3,729</u>	5,795
Unallocated assets				<u>1,143</u>
Total assets				<u>6,938</u>
Segment liabilities	<u>2,144</u>	<u>2,586</u>	<u>840</u>	5,570
Unallocated liabilities				<u>1,107</u>
Total liabilities				<u>6,677</u>
Capital expenditures	<u>-</u>	<u>-</u>	<u>1,453</u>	1,453
Unallocated capital expenditures				<u>190</u>
				<u>1,643</u>
Depreciation and amortisation	<u>97</u>	<u>143</u>	<u>490</u>	730
Unallocated depreciation and amortisation				<u>576</u>
				<u>1,306</u>

(c) Geographical segments – secondary reporting format

	2015			
	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	2,004	(21,602)	8,607	2,171
Mainland China and other countries	<u>123</u>	<u>(1,319)</u>	<u>199</u>	<u>–</u>
	<u><u>2,127</u></u>	<u><u>(22,921)</u></u>	<u><u>8,806</u></u>	<u><u>2,171</u></u>
Other revenues		<u>2,304</u>		
Operating loss		<u><u>(20,617)</u></u>		
	2014			
	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	1,834	(15,597)	6,674	1,643
Mainland China and other countries	<u>138</u>	<u>(1,167)</u>	<u>264</u>	<u>–</u>
	<u><u>1,972</u></u>	<u><u>(16,764)</u></u>	<u><u>6,938</u></u>	<u><u>1,643</u></u>
Other revenues		<u>257</u>		
Operating loss		<u><u>(16,507)</u></u>		

(d) Information about major customers

The Group's customer base is diversified and for the years ended 31 May 2015 and 2014, no single customer contributed 10% or more to the Group's turnover.

4 TURNOVER AND OTHER REVENUES

The Group is principally engaged in research and development of telecommunication and recruitment applications, value-added service software and provision of related services, trading of telecommunication equipment, provision of long distance call services and online recruitment services in Hong Kong. Revenues recognised during the year are as follows:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Long distance call services	565	633
Sale of equipment	174	222
Telecommunication, value-added and recruitment services	1,388	1,117
	<u>2,127</u>	<u>1,972</u>
Other revenues		
Over-provision of accruals and trade payables (<i>Note 10</i>)	2,273	–
Sundry income	31	257
	<u>2,304</u>	<u>257</u>
	<u>4,431</u>	<u>2,229</u>

5 OPERATING LOSS

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating loss is stated after charging the following:		
Auditor's remuneration	470	470
Amortisation and impairment of intangible assets	855	855
Bad debt	2	5
Cost of inventories sold	589	890
Depreciation		
– owned assets	240	267
– leased assets	110	184
Loss on disposal of plant and equipment	92	6
Operating lease – land and buildings	1,102	919
Provision for impairment of prepayments, deposits and other receivables	–	579
Staff costs (including directors' remuneration)		
– wages and salaries	11,112	10,480
– share-based payments	1,342	1,094
– pension costs – defined contribution plans	240	274
	<u> </u>	<u> </u>

6 FINANCE COSTS

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on convertible bonds	83	–
Finance lease interests	33	43
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	116	43
	<u> </u>	<u> </u>

7 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 (2014: Nil).

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets or liabilities which are expected to be crystallised in the foreseeable future (2014: 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	
	2015	2014
	HK\$'000	HK\$'000
Loss for the year	<u>(20,617)</u>	<u>(16,507)</u>
Calculated at a statutory rate of 16.5% (2014: 16.5%)	(3,402)	(2,724)
Expenses not deductible for taxation purposes	1,254	402
Tax losses not recognised	2,172	2,357
Accelerated depreciation not recognised	<u>(24)</u>	<u>(35)</u>
Income tax	<u><u>–</u></u>	<u><u>–</u></u>

8 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 attributable to the equity holders of the Company of approximately HK\$20,547,000 (2014: HK\$16,521,000) and the weighted average number of approximately 806,391,000 ordinary shares (2014: 663,939,000 ordinary shares) in issue during the year.

The dilutive loss per share is equal to the basic loss per share for the years ended 31 May 2015 and 2014 respectively, as the convertible bonds, share options, warrants and option to subscribe convertible bonds had anti-dilutive effects.

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (<i>Note a</i>)	125	175	–	–
Other receivables, prepayments and deposits	<u>852</u>	<u>698</u>	<u>15</u>	<u>15</u>
	<u><u>977</u></u>	<u><u>873</u></u>	<u><u>15</u></u>	<u><u>15</u></u>

All the carrying amounts of trade receivables are denominated in Hong Kong dollars ("HK\$").

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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	43	63
31 – 60 days	25	55
61 – 90 days	28	9
91 – 180 days	17	46
181 – 365 days	8	6
Over 365 days	<u>3,999</u>	<u>3,991</u>
	4,120	4,170
Less: provision for doubtful debts	<u>(3,995)</u>	<u>(3,995)</u>
	<u>125</u>	<u>175</u>

- (b) Trade receivables that are less than four months are not considered impaired. As at 31 May 2015, trade receivables of approximately HK\$21,000 (2014: HK\$15,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due but not impaired:		
0 – 60 days	8	12
61 – 120 days	1	2
121 – 365 days	3	1
Over 365 days	<u>9</u>	<u>–</u>
	<u>21</u>	<u>15</u>

10 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables (<i>Note a</i>)	1,861	4,113	243	210
Other payables and accruals	1,687	1,828	522	584
Receipt in advance	345	199	–	–
	<u>3,893</u>	<u>6,140</u>	<u>765</u>	<u>794</u>

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

Note:

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

	Group	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 30 days	77	76
31 – 60 days	27	11
61 – 90 days	11	44
91 – 180 days	39	43
181 – 365 days	19	9
Over 365 days (<i>Note b</i>)	1,688	3,930
	<u>1,861</u>	<u>4,113</u>

- (b) During the year ended 31 May 2015, the directors of the Company are in the consideration that the Plaintiff of a litigation proceeding against the Group does not have any legal ground to pursue as the Plaintiff has failed to produce evidence records to substantiate the claim and are confident to deem that the litigation was concluded. The provision of liabilities under account payables in relation to the litigations, which was recorded in accordance with the billing of the Plaintiff under disputes by the Group, is reversed. The excess amount of account payables regarding the litigation has been released and credited to the profit or loss of the Group for the year ended 31 May 2015.

11 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 report, the Plaintiff has failed to submit further evidence to substantiate the claim. Considering that the amount claimed was related to invoices of the Plaintiff disputed by the Group and that the Plaintiff has failed to produce evidence records to substantiate its claim, the directors of the Company are in the opinion that the Plaintiff does not have any legal ground including witness, record evidence and any good reason to pursue the claim after 10 years of time. As such, the directors of the Company are confident to deem that the litigation was concluded and that the relevant amount of the liabilities recorded as account payables is reversed as other revenues for the year ended 31 May 2015. Therefore, having taken into consideration the advice from the Group’s legal advisor, a provision previously made of approximately HK\$2,061,000 regarding the litigation has been released in the current year.
- (b) The Group has other outstanding litigation in respect of liabilities arising from the normal course of its business of approximately HK\$281,000 (2014: HK\$281,000). Considering that the Plaintiff has failed to submit further evidence to substantiate the claim, the directors of the Company are in the opinion that the Plaintiff does not have any legal ground including witness, record evidence and any good reason to pursue the claim after 10 years of time. As such, the directors of the Company are confident to deem that the litigation was concluded.

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 followings 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 2015, 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\$20,617,000 during the year ended 31 May 2015 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$3,010,000. 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 approximately HK\$2.13 million for the year ended 31 May 2015, an increase of 8.12% from approximately HK\$1.97 million for the year ended 31 May 2014. The increase was mainly attributable to the increase in headhunting business, net with the decrease in calling card sales, SIP service revenue and carrier sales during the year. The gross profit margin increased from 54.87% for last year to 72.31% for this year. The increase in overall gross profit margin was mainly attributable to the increase on turnover of headhunting business which has higher profit margin.

The Group recorded a consolidated loss attributable to shareholders of approximately HK\$20.55 million, as compared with the comparative amount of loss of approximately HK\$16.52 million attained in the previous year. The increase of the loss for the year was mainly due to the increase in staff costs and share-based payments recorded in the current year.

The administrative expenses were increased by 37.60% from approximately HK\$17.50 million of last year to approximately HK\$24.08 million for this year mainly due to the increase in staff costs and share-based payments recorded in the current year.

Liquidity and Financing

For the year ended 31 May 2015, the Group incurred a loss of approximately HK\$20.62 million and the net cash outflow from operations was approximately HK\$14.29 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$14.18 million. With the cash inflow from issuance of convertible bonds, issuance of shares by subscriptions, exercise of share options, exercise of warrants and increase in amounts due to directors of approximately HK\$4.50 million, HK\$4.15 million, HK\$6.54 million, HK\$10.38 million and HK\$0.72 million respectively, net with the increase of the additions of intangible assets of approximately HK\$1.48 million and the acquisition of non-controlling interests of approximately HK\$9.40 million, the net cash and cash equivalents of the Group was increased by approximately HK\$1.02 million.

As at 31 May 2015, the Group had a cash and cash equivalent balance of approximately HK\$2.54 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2015 was not adopted as except for finance leases and convertible bonds, the Group did not have interest bearing liability (2014: Nil, except for finance leases). The Group had net current liabilities of approximately HK\$3.01 million as at 31 May 2015 as compared with approximately HK\$4.04 million as at 31 May 2014.

Most of the transactions of the Group are denominated in US Dollars and HK Dollars. As the exchange rate of US Dollars 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

The Group's subsidiary GBjobs not only expanded sales, research and development and cross-border headhunting team this year, but is also negotiating with relevant parties in a number of Chinese provinces and cities for cooperation, and is raising fund in the capital market at the same time. The business of GBjobs is steadily growing with the support of old customers and introducing new customers.

GBjobs set up a store in Sham Shui Po this year, moving towards the direction of franchise business. Research and Development Department has also successfully developed an innovative recruitment application, which will be launched to the market in the next quarter.

The multi-video system of Netel Cyber Education Limited is launched to the market and contracts have been signed with users. For the coming year, the market will be further expanded to online education, commercial video and communication system.

The business study of legal interpretation business of a related company of the Group focuses on the foreign law for Chinese: lawyer referral and training platform is also near completion, which will be another Internet Plus application.

BUSINESS OUTLOOK

The recruitment business of GBjobs, the subsidiary of the Group, is expected to bring continued growth of the Group's revenue if there is no substantial economic impact. With the successful franchise development in Hong Kong market, our sales will steadily rise. The market of mainland China will be a great opportunity for GBjobs, as its cross-border headhunting business, especially high-tech talent recruitment, will soon become another major source of income.

In the following year, GBjobs business will progress from sales to brand establishment. GBjobs business will combine with online education, especially the continuing education courses for people in employment, and it will be one of the top priorities of the Group in the coming year. The Group prided itself on nothing more than its technological breakthrough of Internet Plus and the innovation of business model. As the Group has its own research and development relating to science and technology, the core technology will contribute more advanced applications, so that the Group can go forward for innovation.

In view of the vast territory of China, besides self-operation, the Group also cooperate with relevant units in different regions in order to shorten the length of market entry barriers. In addition to mainland China, the Group will set up overseas business in the coming year, so as to explore the global market.

EMPLOYEE INFORMATION

At 31 May 2015, the Group employed a total of 28 (2014: 23) 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 2015, 143,468,000 (2014: 117,168,000) share options remained outstanding from the share option schemes.

DIVIDEND

The Board of Directors does not recommend the payment of dividend in respect for the year ended 31 May 2015 (2014: 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 2015, 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"). The details were as follows:

Ordinary shares of HK\$0.02 each in the Company

Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang ("Mr. Ang")	Interest in controlled corporation	–	–	18,836,000 (Note 1)	–	–	18,836,000	2.12
	Beneficial owner	250,392,822 (Note 2)	17,999,000 (Note 3)	–	4,800,000 5,500,000 2,100,000	0.233 0.145 0.1838	280,791,822	31.52
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	6,299,000	281,628,822 (Note 4)	–	4,800,000 4,800,000 2,100,000	0.233 0.150 0.1838	299,627,822	33.64
Mr. Wei Ren	Beneficial owner	500,000	–	–	1,500,000 1,000,000	0.233 0.150	3,000,000	0.34
Dr. Zhong Shi	Beneficial owner	–	–	–	3,200,000 1,000,000 5,500,000	0.233 0.150 0.145	9,700,000	1.09
Mr. Chiang Kin Kon	Beneficial owner	600,000	–	–	2,300,000	0.233	2,900,000	0.33
Mr. Wong Kwok Fai	Beneficial owner	–	–	–	1,200,000	0.233	1,200,000	0.13
Mr. Chau Siu Keung	Beneficial owner	800,000	–	–	1,200,000	0.233	2,000,000	0.22

Note:

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 15,646,000 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 250,392,819 shares and 3 shares representing the shares to be issued upon exercise of the options to subscribe convertible bonds held by Mr. Ang in person.
- 3) These shares are registered as 6,299,000 shares and 11,700,000 share options held by Ms. Yau in person.
- 4) These shares are registered as 250,392,819 shares, 12,400,000 share options, and 3 shares representing the shares to be issued upon exercise of the options to subscribe convertible bonds held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth and 15,646,000 shares held by Bluechip.

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 2015.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2015, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

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

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

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

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

The following shows the outstanding position as at 31 May 2015 with respect to their share options granted under the Share Option Scheme and New Share Option Scheme respectively:

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2014	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Balance as at 31.5.2015
Under Share Option Scheme								
Name of Directors								
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	4,800,000	–	–	–	4,800,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	4,800,000	–	(4,800,000)	–	–
Mr. Wei Ren	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,500,000	–	–	–	1,500,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	1,000,000	–	–	–	1,000,000
Ms. Yau Pui Chi, Maria	13.10.2009	0.233	13.10.2009 to 12.10.2019	4,800,000	–	–	–	4,800,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	4,800,000	–	–	–	4,800,000
Dr. Zhong Shi	13.10.2009	0.233	13.10.2009 to 12.10.2019	3,200,000	–	–	–	3,200,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	2,000,000	–	(1,000,000)	–	1,000,000
Mr. Chiang Kin Kon	13.10.2009	0.233	13.10.2009 to 12.10.2019	2,300,000	–	–	–	2,300,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	800,000	–	(800,000)	–	–
Mr. Wong Kwok Fai	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	–	–	–	1,200,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	800,000	–	(800,000)	–	–
Mr. Chau Siu Keung	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	–	–	–	1,200,000
	08.12.2010	0.150	08.12.2010 to 07.12.2020	800,000	–	(800,000)	–	–
				<u>34,000,000</u>	<u>–</u>	<u>(8,200,000)</u>	<u>–</u>	<u>25,800,000</u>
Other employees and individuals								
In aggregate	08.12.2010	0.150	08.12.2010 to 07.12.2020	1,568,000	–	–	–	1,568,000
	31.01.2011	0.182	31.01.2011 to 30.01.2021	22,800,000	–	–	–	22,800,000
	30.05.2011	0.1486	30.05.2011 to 29.05.2021	26,000,000	–	(21,000,000)	–	5,000,000
				<u>50,368,000</u>	<u>–</u>	<u>(21,000,000)</u>	<u>–</u>	<u>29,368,000</u>
Sub-total				<u>84,368,000</u>	<u>–</u>	<u>(29,200,000)</u>	<u>–</u>	<u>55,168,000</u>
Under New Share Option Scheme								
Name of Directors								
Mr. Jame Ang	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	–	–	–	5,500,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	–	2,100,000	–	–	2,100,000
Ms. Yau Pui Chi, Maria	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	–	(5,500,000)	–	–
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	–	2,100,000	–	–	2,100,000
Dr. Zhong Shi	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	–	–	–	5,500,000
				<u>16,500,000</u>	<u>4,200,000</u>	<u>(5,500,000)</u>	<u>–</u>	<u>15,200,000</u>
Other employees and individuals								
In aggregate	16.05.2014	0.145	16.05.2014 to 15.05.2024	16,300,000	–	–	(4,300,000)	12,000,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	–	70,700,000	(7,600,000)	(2,000,000)	61,100,000
				<u>16,300,000</u>	<u>70,700,000</u>	<u>(7,600,000)</u>	<u>(6,300,000)</u>	<u>73,100,000</u>
Sub-total				<u>32,800,000</u>	<u>74,900,000</u>	<u>(13,100,000)</u>	<u>(6,300,000)</u>	<u>88,300,000</u>
Total				<u>117,168,000</u>	<u>74,900,000</u>	<u>(42,300,000)</u>	<u>(6,300,000)</u>	<u>143,468,000</u>

During the year ended 31 May 2015, 74,900,000 share options were granted under the New Share Option Scheme (2014: 32,800,000), 42,300,000 share options were exercised (2014: Nil), 6,300,000 share options were lapsed (2014: 1,200,000) and no share options were cancelled during the year (2014: Nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 May 2015, 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 2015, the Group has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 15 of the GEM Listing Rules (the "CG Code"), except for the code provision A 4.1 of the CG Code stipulated in the following paragraphs.

Under the code provision A 4.1 of the CG Code, non-executive Directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company in this aspect of the code provisions of the CG Code.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). On 25 June 2014, the Company was informed by Mr. James Ang, an executive Director of the Company, due to his misconception that the blackout period had not started on 24 June 2014, he had disposed 5.5 million shares of the Company in the open market between 24 June 2014 and 25 June 2014, which fall into the blackout period. Disclosure of interest under the Part XV of the Securities and Futures Ordinance was made on 25 June 2014. Such disposal of shares of the Company by Mr. James Ang is not in compliance with the Model Code. Save as disclosed above, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by its Directors.

After occurrence of the incident, the Company had immediately further reminded each of its Directors in relation to their obligations not to deal with the securities of the Company during the blackout period. Besides, the Company had immediately updated its internal guidelines and distributed to all Directors to further reinforce the Company’s internal control to ensure compliance with the Model Code and prevent the occurrence of similar events in the future.

The Company has also made specific enquiry of all Directors of the Company, and save as disclosed above, the Directors have confirmed compliance with the Model Code during the year ended 31 May 2015 and up to the date of this announcement.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Model Code. No incident of non-compliance was noted by the Company for the year ended 31 May 2015 and up to the date of this announcement.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the annual, interim, first and third quarter results of the Company for the year ended 31 May 2015, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

NOMINATION COMMITTEE

The Company has established a Nomination Committee with specific terms of reference which deals clearly with its authorities and duties. The Nomination Committee currently consists of two independent non-executive Directors, and an executive Director. Mr. James Ang, an executive Director, is the Chairman of the Nomination Committee, and other members are Mr. Chiang Kin Kon and Mr. Chau Siu Keung, independent non-executive Directors.

The Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment in case of the appointment of additional Director or at the first general meeting after his appointment in case of filling of casual vacancy.

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

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

BOARD DIVERSITY POLICY

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

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

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

INTERNAL CONTROL

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

The Board reviews the internal control system of the Group annually and will take any necessary and appropriate action to maintain adequate internal control system to safeguard the Company's equity. The effectiveness of the internal control system was discussed on annual basis with the Audit Committee.

BOARD PRACTICES AND PROCEDURES

During the year ended 31 May 2015, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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, 14 August 2015

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.