



## **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 2016**

#### **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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 May 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Turnover	3&4	2,367	2,127
Cost of sales		(637)	(589)
Gross profit		1,730	1,538
Other revenues	4	25	2,304
Selling and marketing expenses		(454)	(261)
Administrative expenses		(24,551)	(24,082)
Operating loss	5	(23,250)	(20,501)
Finance costs	6	(44)	(116)
Share of profit/(loss) of associates		–	–
Loss for the year		(23,294)	(20,617)
Other comprehensive income		–	–
Total comprehensive loss for the year		<u>(23,294)</u>	<u>(20,617)</u>
Loss for the year attributable to:			
– Equity holders of the Company		(23,247)	(20,547)
– Non-controlling interests		(47)	(70)
		<u>(23,294)</u>	<u>(20,617)</u>
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		(23,247)	(20,547)
– Non-controlling interests		(47)	(70)
		<u>(23,294)</u>	<u>(20,617)</u>
Loss per share attributable to equity holders of the Company			
– Basic and diluted	8	<u>HK (2.38 cents)</u>	<u>HK (2.55 cents)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		1,184	996
Intangible assets		4,897	4,101
Interests in associates		3	3
Interest in a joint venture		50	–
Available-for-sale financial assets		–	–
		<u>6,134</u>	<u>5,100</u>
<b>Current assets</b>			
Inventories		141	185
Trade receivables	9	505	125
Prepayments, deposits and other receivables	9	697	852
Bank balances and cash		1,436	2,544
		<u>2,779</u>	<u>3,706</u>
<b>Total assets</b>		<u><b>8,913</b></u>	<u><b>8,806</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		20,769	17,815
Share premium and reserves		(18,003)	(15,955)
		<u>2,766</u>	<u>1,860</u>
<b>Non-controlling interests</b>		<u>(116)</u>	<u>(110)</u>
<b>Total equity</b>		<u><b>2,650</b></u>	<u><b>1,750</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases		242	340
<b>Current liabilities</b>			
Trade payables	10	2,023	1,861
Receipt in advance, accruals and other payables	10	3,344	2,032
Amounts due to directors		556	1,084
Convertible bonds		–	1,627
Obligations under finance leases		98	112
		<u>6,021</u>	<u>6,716</u>
<b>Total liabilities</b>		<u><b>6,263</b></u>	<u><b>7,056</b></u>
<b>Total equity and liabilities</b>		<u><b>8,913</b></u>	<u><b>8,806</b></u>
<b>Net current liabilities</b>		<u><b>(3,242)</b></u>	<u><b>(3,010)</b></u>
<b>Total assets less current liabilities</b>		<u><b>2,892</b></u>	<u><b>2,090</b></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2016

	Share Capital HK\$'000	Share Premium HK\$'000	Share Option Reserve HK\$'000	Convertible Bonds Equity Component HK\$'000	Other Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total Equity HK\$'000
<b>Balance at 1 June 2014</b>	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	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	-	(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)
<b>Total transactions with owners</b>	<b>3,119</b>	<b>24,535</b>	<b>3,253</b>	<b>375</b>	<b>(9,251)</b>	<b>-</b>	<b>-</b>	<b>22,031</b>	<b>75</b>	<b>22,106</b>
<b>Balance at 31 May and 1 June 2015</b>	<b>17,815</b>	<b>123,301</b>	<b>12,140</b>	<b>375</b>	<b>(9,251)</b>	<b>247</b>	<b>(142,767)</b>	<b>1,860</b>	<b>(110)</b>	<b>1,750</b>
Loss for the year	-	-	-	-	-	-	(23,247)	(23,247)	(47)	(23,294)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,247)</b>	<b>(23,247)</b>	<b>(47)</b>	<b>(23,294)</b>
Transactions with owners:										
Issue of shares by subscriptions	1,340	9,795	-	-	-	-	-	11,135	-	11,135
Issue of shares by placing	680	4,976	-	-	-	-	-	5,656	-	5,656
Issue of shares upon conversion of convertible bonds	156	1,858	-	(375)	-	-	-	1,639	-	1,639
Issue of shares upon exercise of share options	778	8,519	(3,021)	-	-	-	-	6,276	-	6,276
Grant of share options	-	-	1,670	-	-	-	-	1,670	-	1,670
Recognition of equity-settled share-based payments	-	-	2,309	-	-	-	-	2,309	-	2,309
Lapse of share options	-	-	(51)	-	-	-	51	-	-	-
Addition of non-controlling interests	-	-	-	-	-	-	-	-	49	49
Acquisition of non-controlling interests	-	-	-	-	(4,532)	-	-	(4,532)	(8)	(4,540)
<b>Total transactions with owners</b>	<b>2,954</b>	<b>25,148</b>	<b>907</b>	<b>(375)</b>	<b>(4,532)</b>	<b>-</b>	<b>51</b>	<b>24,153</b>	<b>41</b>	<b>24,194</b>
<b>Balance at 31 May 2016</b>	<b>20,769</b>	<b>148,449</b>	<b>13,047</b>	<b>-</b>	<b>(13,783)</b>	<b>247</b>	<b>(165,963)</b>	<b>2,766</b>	<b>(116)</b>	<b>2,650</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 May 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash used in operations	(16,720)	(14,255)
Interest paid	(20)	(33)
	<u>(16,740)</u>	<u>(14,288)</u>
<b>Net cash used in operating activities</b>		
	<u>(16,740)</u>	<u>(14,288)</u>
<b>Cash flows from investing activities</b>		
Additions of intangible assets	(1,650)	(1,478)
Additions of plant and equipment	(592)	(191)
Proceeds from disposal of plant and equipment	–	129
Investment in a joint venture	(50)	–
	<u>(2,292)</u>	<u>(1,540)</u>
<b>Net cash used in investing activities</b>		
	<u>(2,292)</u>	<u>(1,540)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from issuance of shares by subscriptions	11,135	4,150
Net proceeds from issuance of shares by placing	5,656	–
Net proceeds from issuance of convertible bonds	–	4,500
Net proceeds from exercise of warrants	–	10,381
Net proceeds from exercise of share options	6,276	6,544
Coupon interest paid for convertible bonds	(12)	(46)
Additions of non-controlling interests	49	224
Acquisition of non-controlling interests	(4,540)	(9,400)
(Decrease)/increase in amounts due to directors	(528)	721
Repayment of obligations under finance leases	(112)	(222)
	<u>17,924</u>	<u>16,852</u>
<b>Net cash generated from financing activities</b>		
	<u>17,924</u>	<u>16,852</u>
Net (decrease)/increase in cash and cash equivalents	(1,108)	1,024
Cash and cash equivalents at beginning of the year	2,544	1,520
	<u>2,544</u>	<u>1,520</u>
<b>Cash and cash equivalents at end of the year</b>	<u>1,436</u>	<u>2,544</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 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 22 August 2016.

### 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\$23.25 million for the year ended 31 May 2016 and had net current liabilities of approximately HK\$3.24 million as at 31 May 2016. 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 all applicable 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 the Annual Report.

(i) ***Standards, amendments and interpretations effective during the year ended 31 May 2016***

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.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions

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 2012-2014 Cycle <sup>1</sup>
HKAS 1 (Amendments)	Disclosure Initiative <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>1</sup>
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for a date to be determined by the IASB

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 January 2016 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 2016.

**(iii) *New Hong Kong Companies Ordinance (Cap. 622)***

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### **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.

		2016		
	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>	Total <i>HK\$'000</i>
Turnover	<u>131</u>	<u>569</u>	<u>1,667</u>	<u>2,367</u>
Segment results	<u>(1,023)</u>	<u>(4,048)</u>	<u>(14,189)</u>	(19,260)
Other revenues				<u>25</u>
Operating loss				(19,235)
Unallocated costs				(4,015)
Finance costs				<u>(44)</u>
Loss for the year				<u>(23,294)</u>
Segment assets	<u>1,300</u>	<u>305</u>	<u>7,011</u>	8,616
Unallocated assets				<u>297</u>
Total assets				<u>8,913</u>
Segment liabilities	<u>1,942</u>	<u>451</u>	<u>1,235</u>	3,628
Unallocated liabilities				<u>2,635</u>
Total liabilities				<u>6,263</u>
Capital expenditures	<u>–</u>	<u>7</u>	<u>2,235</u>	2,242
Unallocated capital expenditures				<u>–</u>
				<u>2,242</u>
Depreciation and amortisation	<u>34</u>	<u>33</u>	<u>556</u>	623
Unallocated depreciation and amortisation				<u>576</u>
				<u>1,199</u>

	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>	Total <i>HK\$'000</i>
<b>Turnover</b>	<u>174</u>	<u>565</u>	<u>1,388</u>	<u>2,127</u>
<b>Segment results</b>	<u>(1,470)</u>	<u>(5,043)</u>	<u>(13,721)</u>	(20,234)
<b>Other revenues</b>				<u>2,304</u>
<b>Operating loss</b>				(17,930)
<b>Unallocated costs</b>				(2,571)
<b>Finance costs</b>				<u>(116)</u>
<b>Loss for the year</b>				<u>(20,617)</u>
<b>Segment assets</b>	<u>2,137</u>	<u>319</u>	<u>5,492</u>	7,948
<b>Unallocated assets</b>				<u>858</u>
<b>Total assets</b>				<u>8,806</u>
<b>Segment liabilities</b>	<u>1,878</u>	<u>412</u>	<u>1,211</u>	3,501
<b>Unallocated liabilities</b>				<u>3,555</u>
<b>Total liabilities</b>				<u>7,056</u>
<b>Capital expenditures</b>	<u>–</u>	<u>–</u>	<u>2,171</u>	2,171
<b>Unallocated capital expenditures</b>				<u>–</u>
				<u>2,171</u>
<b>Depreciation and amortisation</b>	<u>57</u>	<u>45</u>	<u>526</u>	628
<b>Unallocated depreciation and amortisation</b>				<u>577</u>
				<u>1,205</u>

(c) Geographical segments – secondary reporting format

	2016			
	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	2,266	(22,323)	8,234	1,857
Mainland China and other countries	<u>101</u>	<u>(996)</u>	<u>679</u>	<u>385</u>
	<u><b>2,367</b></u>	<u><b>(23,319)</b></u>	<u><b>8,913</b></u>	<u><b>2,242</b></u>
Other revenues		<u>25</u>		
Operating loss		<u><b>(23,294)</b></u>		
		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><b>2,127</b></u>	<u><b>(22,921)</b></u>	<u><b>8,806</b></u>	<u><b>2,171</b></u>
Other revenues		<u>2,304</u>		
Operating loss		<u><b>(20,617)</b></u>		

(d) Information about major customers

The Group's customer base is diversified and only one customer contributed 10% or more to the Group's turnover.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Turnover from one major customer:		
Telecommunication, value-added and recruitment services	<u><b>350</b></u>	<u>–</u>

#### 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Turnover		
Long distance call services	569	565
Sale of equipment	131	174
Telecommunication, value-added and recruitment services	<u>1,667</u>	<u>1,388</u>
	<u>2,367</u>	<u>2,127</u>
Other revenues		
Over-provision of accruals and trade payables	–	2,273
Sundry income	<u>25</u>	<u>31</u>
	<u>25</u>	<u>2,304</u>
	<u><u>2,392</u></u>	<u><u>4,431</u></u>

#### 5 OPERATING LOSS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Operating loss is stated after charging the following:		
Auditor's remuneration	420	470
Amortisation of intangible assets	854	855
Bad debt	4	2
Cost of inventories sold	637	589
Depreciation		
– owned assets	234	240
– leased assets	111	110
Loss on disposal of plant and equipment	59	92
Operating lease – land and buildings	1,451	1,102
Provision for impairment of prepayments, deposits and other receivables	4	–
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	13,815	11,112
– employee and individual share options benefits	3,137	1,342
– retirement benefits scheme contributions	<u>243</u>	<u>240</u>

## 6 FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest expense on convertible bonds	24	83
Finance lease interests	20	33
	<u>44</u>	<u>116</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 profits for the year (2015: 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 (2015: 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year	<u>(23,247)</u>	<u>(20,617)</u>
Calculated at a statutory rate of 16.5% (2015: 16.5%)	(3,835)	(3,402)
Income not taxable for taxation purposes	(2)	–
Expenses not deductible for taxation purposes	793	1,254
Tax losses not recognised	2,908	2,172
Accelerated depreciation not recognised	136	(24)
Income tax	<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\$23,247,000 (2015: HK\$20,547,000) and the weighted average number of approximately 977,331,000 ordinary shares (2015: 806,391,000 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 2016 and 2015 respectively, as the convertible bonds and share options had anti-dilutive effects.

## 9 TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables ( <i>Note a</i> )	505	125
Other receivables, prepayments and deposits	697	852
	<u>1,202</u>	<u>977</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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	244	43
31 – 60 days	130	25
61 – 90 days	35	28
91 – 180 days	63	17
181 – 365 days	21	8
Over 365 days	4,007	3,999
	<u>4,500</u>	<u>4,120</u>
Less: provision for doubtful debts	(3,995)	(3,995)
	<u>505</u>	<u>125</u>

- (b) Trade receivables that are less than four months are not considered impaired. As at 31 May 2016, trade receivables of approximately HK\$79,000 (2015: HK\$21,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Past due but not impaired:		
0 – 60 days	46	8
61 – 120 days	7	1
121 – 365 days	3	3
Over 365 days	23	9
	<u>79</u>	<u>21</u>

## 10 TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables ( <i>Note a</i> )	2,023	1,861
Other payables and accruals	1,750	1,687
Receipt in advance ( <i>Note b</i> )	1,594	345
	<u>5,367</u>	<u>3,893</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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	55	77
31 – 60 days	49	27
61 – 90 days	42	11
91 – 180 days	189	39
181 – 365 days	–	19
Over 365 days	1,688	1,688
	<u>2,023</u>	<u>1,861</u>

- (b) The receipt in advance as at 31 May 2016 included a deposit received of HK\$1,276,000 (2015: Nil) from an independent third party subscriber, Ms. Xu Li Qun, for the allotment and issuance of 11,000,000 ordinary shares at the subscription price of HK\$0.116 per share under the general mandate granted at the annual general meeting held by the Company on 15 September 2015. The share subscription and share allotment were subsequently completed on 8 June 2016. The gross proceeds from the issue of ordinary shares was approximately HK\$1,276,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK\$1,220,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this announcement, all proceeds have been utilised as intended. Further details of the share subscription and share allotment were disclosed in the announcements of the Company dated 20 May 2016 and 8 June 2016 respectively.

## 11. EVENTS AFTER THE REPORTING PERIOD

On 20 May 2016, the Company entered into a subscription agreement with an independent third party subscriber, Ms. Xu Li Qun, for the allotment and issuance of approximately 11,000,000 ordinary shares at the subscription price of HK\$0.116 per share. The share subscription and share allotment were subsequently completed on 8 June 2016, in which approximately 11,000,000 ordinary shares of HK\$0.02 each were allotted and issued to the subscriber at the price of HK\$0.116 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK\$1,276,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK\$1,220,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this announcement, all proceeds have been utilised as intended.

On 25 July 2016, the Company entered into subscription agreements with two independent third party subscribers, Mr. Wong Wing Hong and Ms. Zeng Wen Bin, for the allotment and issuance of approximately 9,800,000 ordinary shares at the subscription price of HK\$0.10 per share. The share subscription and share allotment were subsequently completed on 5 August 2016, in which approximately 9,800,000 ordinary shares of HK\$0.02 each were allotted and issued to the subscribers at the price of HK\$0.10 per share pursuant to the subscription agreements. The gross proceeds from the issue of ordinary shares was approximately HK\$980,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK\$920,000, and the net proceeds from the issue of ordinary shares were intended to be used for general working capital of the Group to support its normal operation. As at the date of this announcement, all proceeds have been utilised as intended.



## **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 financial position of the Company and its subsidiaries as at 31 May 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 Company and its subsidiaries incurred a total comprehensive loss of approximately HK\$23,294,000 during the year ended 31 May 2016 and as of that date, the Company and its subsidiaries' current liabilities exceeded its current assets by approximately HK\$3,242,000. 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 Company and its subsidiaries' ability to continue as a going concern.

### **FINANCIAL REVIEW**

#### **Results for the year**

The Group recorded a total turnover of approximately HK\$2.37 million for the year ended 31 May 2016, an increase of 11.27% from approximately HK\$2.13 million for the year ended 31 May 2015. The increase was mainly attributable to the increase in headhunting business and increase in calling card sales, SIP service revenue and carrier sales during the year. The gross profit margin increased from 72.31% for last year to 73.09% 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\$23.25 million, as compared with the comparative amount of loss of approximately HK\$20.55 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 1.95% from approximately HK\$24.08 million of last year to approximately HK\$24.55 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 2016, the Group incurred a loss of approximately HK\$23.29 million and the net cash outflow from operations was approximately HK\$16.74 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$18.01 million. With the cash inflow from issuance of shares by subscriptions, issuance of shares by placing and exercise of share options of approximately HK\$11.14 million, HK\$5.66 million and HK\$6.28 million respectively, net with the increase of the additions of intangible assets of approximately HK\$1.65 million, the acquisition of non-controlling interests of approximately HK\$4.54 million and decrease in amounts due to directors of approximately HK\$0.53 million, the net cash and cash equivalents of the Group was decreased by approximately HK\$1.11 million.

As at 31 May 2016, the Group had a cash and cash equivalent balance of approximately HK\$1.44 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2016 was not adopted as except for finance leases, the Group did not have interest bearing liability (2015: Nil, except for finance leases and convertible bonds). The Group had net current liabilities of approximately HK\$3.24 million as at 31 May 2016 as compared with approximately HK\$3.01 million as at 31 May 2015.

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**

Last year, the Group has been focusing on developing the business of GBjobs. After being invited by the Shenzhen Government to set up a local subsidiary, the Group has established a wholly foreign-owned enterprise in Qianhai, Shenzhen, which is now operating as our head office in China. The operation started in the second quarter of 2016.

The head office in China focused on developing the cross border headhunting and electronic recruitment business. Our well-developed spidering software technology has contributed to the rapid growth of our database in Hong Kong, and the same technology will also be applied in China.

In order to cultivate the local customer base, GBjobs held several seminars in Shenzhen for local corporate customers. Several business deals have been concluded as a result. GBjobs is looking to expanding into other provinces in China. Although the local market of GBjobs was affected by the shrinking of local retail business, the China market provides us with another fast growing opportunity.

During the year, the research team of the Group has enhanced the resume screening system and developed the automatic matching function which matches the employers' requirements with candidates' capability. This enables us to handle the big data of the China recruitment business.

The related company of the Group, One World One Language Limited, has started running legal seminars, selling corporate computer monitoring software and lawyers connect cards, as well as conducting online law degree courses. It has already built up more than one hundred corporate customers during the last couple months.

The Group is also trying to leverage the big data collected in the past years so as to proceed with the vertical expansion by providing electronic shopping platform for our member customers. The Group will continue to spend effort in developing the electronic shopping platform.

## **BUSINESS OUTLOOK**

The macro-economic environment of Hong Kong and China certainly affect the performances of the Group. Although the market performance is not optimistic, the Group is able to grab the opportunities from the China market, big data applications and Internet Plus models. For example, the GBSHOP business can be leveraged with GBjobs to become a new Internet Plus application for the business of the Group. These new businesses will play a key role in China and countries under “the Belt and Road”.

As the Group has already cultivated a strong and experienced management team, the financial performance of the Group in the coming year can be improved. With the well-developed core technology of spidering software and a mature customer base, the Group will be able to outperform the macro-economic environment.

The Group is currently seeking investment funds, especially in China, in order to increase the financial resources to grow the business. The Group will also look for appropriate horizontal expansion opportunities with human resources companies in China.

## **EMPLOYEE INFORMATION**

At 31 May 2016, the Group employed a total of 29 (2015: 28) 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 2016, 177,490,000 (2015: 143,468,000) 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 2016 (2015: 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 2016, 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:

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	–	–	20,248,000 <i>(Note 1)</i>	–	–	20,248,000	1.95
	Beneficial owner	271,476,819	27,629,000 <i>(Note 2)</i>	–	1,550,000	0.233	300,655,819	28.95
Ms. Yau Pui Chi, Maria (“Ms. Yau”) (Spouse of Mr. Ang)	Beneficial owner	24,109,000	293,274,819 <i>(Note 3)</i>	–	3,520,000	0.233	320,903,819	30.90
Mr. Wei Ren	Beneficial owner	500,000	–	–	1,500,000 1,000,000	0.233 0.150	3,000,000	0.29
Dr. Zhong Shi	Beneficial owner	–	–	–	3,200,000 1,000,000 5,500,000 5,000,000 1,000,000	0.233 0.150 0.145 0.159 0.111	15,700,000	1.51
Mr. Chiang Kin Kon	Beneficial owner	–	–	–	2,300,000 1,000,000	0.233 0.111	3,300,000	0.32
Mr. Wong Kwok Fai	Beneficial owner	–	–	–	1,200,000 1,000,000	0.233 0.111	2,200,000	0.21
Mr. Chau Siu Keung	Beneficial owner	272,000	–	–	1,200,000 1,000,000	0.233 0.111	2,472,000	0.24

*Note:*

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited (“Cyber Wealth”) and 17,058,000 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 24,109,000 shares and 3,520,000 share options held by Ms. Yau in person.
- 3) These shares are registered as 271,476,819 shares and 1,550,000 share options held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth and 17,058,000 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 2016.

## **PURCHASES, SALE OR REDEMPTION OF SECURITIES**

For the year ended 31 May 2016, 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 2016 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 1.6.2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.5.2016
<b>Under Share Option Scheme</b>								
<b>Name of Directors</b>								
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	4,800,000	-	(3,250,000)	-	1,550,000
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	-	(1,280,000)	-	3,520,000
	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	1,000,000	-	-	-	1,000,000
Mr. Chiang Kin Kon	13.10.2009	0.233	13.10.2009 to 12.10.2019	2,300,000	-	-	-	2,300,000
Mr. Wong Kwok Fai	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	-	-	-	1,200,000
Mr. Chau Siu Keung	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,200,000	-	-	-	1,200,000
				<u>25,800,000</u>	<u>-</u>	<u>(9,330,000)</u>	<u>-</u>	<u>16,470,000</u>
<b>Other employees and individuals</b>								
In aggregate								
	08.12.2010	0.150	08.12.2010 to 07.12.2020	1,568,000	-	-	(628,000)	940,000
	31.01.2011	0.182	31.01.2011 to 30.01.2021	22,800,000	-	-	-	22,800,000
	30.05.2011	0.1486	30.05.2011 to 29.05.2021	5,000,000	-	-	-	5,000,000
				<u>29,368,000</u>	<u>-</u>	<u>-</u>	<u>(628,000)</u>	<u>28,740,000</u>
Sub-total				<u>55,168,000</u>	<u>-</u>	<u>(9,330,000)</u>	<u>(628,000)</u>	<u>45,210,000</u>
<b>Under New Share Option Scheme</b>								
<b>Name of Directors</b>								
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)	-	-
	12.10.2015	0.159	12.10.2015 to 11.10.2025	-	7,500,000	(7,500,000)	-	-
	12.02.2016	0.111	12.02.2016 to 11.02.2026	-	2,130,000	(2,130,000)	-	-
Ms. Yau Pui Chi, Maria	03.12.2014	0.1838	03.12.2014 to 02.12.2024	2,100,000	-	(2,100,000)	-	-
	12.10.2015	0.159	12.10.2015 to 11.10.2025	-	7,500,000	(7,500,000)	-	-
	12.02.2016	0.111	12.02.2016 to 11.02.2026	-	2,130,000	(2,130,000)	-	-
Dr. Zhong Shi	16.05.2014	0.145	16.05.2014 to 15.05.2024	5,500,000	-	-	-	5,500,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	-	5,000,000	-	-	5,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	-	1,000,000	-	-	1,000,000
Mr. Chiang Kin Kon	12.02.2016	0.111	12.02.2016 to 11.02.2026	-	1,000,000	-	-	1,000,000
Mr. Wong Kwok Fai	12.02.2016	0.111	12.02.2016 to 11.02.2026	-	1,000,000	-	-	1,000,000
Mr. Chau Siu Keung	12.02.2016	0.111	12.02.2016 to 11.02.2026	-	1,000,000	-	-	1,000,000
				<u>15,200,000</u>	<u>28,260,000</u>	<u>(28,960,000)</u>	<u>-</u>	<u>14,500,000</u>
<b>Other employees and individuals</b>								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	12,000,000	-	(120,000)	(4,000,000)	7,880,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	61,100,000	-	-	(3,700,000)	57,400,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	-	27,000,000	-	-	27,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	-	26,000,000	(500,000)	-	25,500,000
				<u>73,100,000</u>	<u>53,000,000</u>	<u>(620,000)</u>	<u>(7,700,000)</u>	<u>117,780,000</u>
Sub-total				<u>88,300,000</u>	<u>81,260,000</u>	<u>(29,580,000)</u>	<u>(7,700,000)</u>	<u>132,280,000</u>
Total				<u>143,468,000</u>	<u>81,260,000</u>	<u>(38,910,000)</u>	<u>(8,328,000)</u>	<u>177,490,000</u>

During the year ended 31 May 2016, 81,260,000 share options were granted under the New Share Option Scheme (2015: 74,900,000), 38,910,000 share options were exercised (2015: 42,300,000), 8,328,000 share options were lapsed (2015: 6,300,000) and no share options were cancelled (2015: 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 2016, 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 2016, 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 paragraph.

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



## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Model Code during the year ended 31 May 2016.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Model Code. No incident of non-compliance was noted by the Company during the year ended 31 May 2016.

## **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 2016, 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 or her associates are involved in deciding his or her own remuneration.

## **NOMINATION COMMITTEE**

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

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

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

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

## **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 AND RISK MANAGEMENT**

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

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

## **BOARD PRACTICES AND PROCEDURES**

During the year ended 31 May 2016, 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](http://www.hkgem.com) under "Latest Listed Company Information" and on the website of the Company at [www.neteltech.com.hk](http://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.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in Note 11 to the consolidated financial statements in this announcement, no significant events have taken place subsequent to 31 May 2016 and up to the date of this announcement.

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

Hong Kong, 22 August 2016

*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](http://www.neteltech.com.hk).*