



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 2017

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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 May 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	3&4	3,315	2,367
Cost of sales		<u>(2,219)</u>	<u>(637)</u>
Gross profit		1,096	1,730
Other income	4	55	25
Selling and marketing expenses		(152)	(454)
Administrative expenses		<u>(22,119)</u>	<u>(24,551)</u>
Operating loss	5	(21,120)	(23,250)
Finance costs	6	(111)	(44)
Share of profit/(loss) of associates		<u>-</u>	<u>-</u>
Loss before income tax		(21,231)	(23,294)
Income tax expense	7	<u>(6)</u>	<u>-</u>
Loss for the year		(21,237)	(23,294)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(21,237)</u></u>	<u><u>(23,294)</u></u>
Loss for the year attributable to:			
– Equity holders of the Company		(21,206)	(23,247)
– Non-controlling interests		<u>(31)</u>	<u>(47)</u>
		<u><u>(21,237)</u></u>	<u><u>(23,294)</u></u>
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		(21,206)	(23,247)
– Non-controlling interests		<u>(31)</u>	<u>(47)</u>
		<u><u>(21,237)</u></u>	<u><u>(23,294)</u></u>
Loss per share attributable to equity holders of the Company			
– Basic and diluted	8	<u><u>HK (1.93 cents)</u></u>	<u><u>HK (2.38 cents)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2017

	Notes	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		905	1,184
Intangible assets		5,769	4,897
Interests in associates		3	3
Interest in a joint venture		50	50
Available-for-sale financial assets		—	—
		<u>6,727</u>	<u>6,134</u>
Current assets			
Inventories		134	141
Trade receivables	9	1,014	505
Prepayments, deposits and other receivables	9	948	697
Bank balances and cash		4,284	1,436
		<u>6,380</u>	<u>2,779</u>
Total assets		<u>13,107</u>	<u>8,913</u>
EQUITY			
Capital and reserves			
Share capital		23,793	20,769
Share premium and reserves		(23,438)	(18,003)
		<u>355</u>	<u>2,766</u>
Non-controlling interests		<u>(142)</u>	<u>(116)</u>
Total equity		<u>213</u>	<u>2,650</u>

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Obligations under finance lease		138	242
Corporate bonds		7,096	–
		<u>7,234</u>	<u>242</u>
Current liabilities			
Trade payables	<i>10</i>	2,141	2,023
Receipt in advance, accruals and other payables	<i>10</i>	2,986	3,344
Amounts due to directors		423	556
Tax payable		6	–
Obligations under finance lease		104	98
		<u>5,660</u>	<u>6,021</u>
Total liabilities		<u>12,894</u>	<u>6,263</u>
Total equity and liabilities		<u>13,107</u>	<u>8,913</u>
Net current assets/(liabilities)		<u>720</u>	<u>(3,242)</u>
Total assets less current liabilities		<u>7,447</u>	<u>2,892</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2017

	Share Capital HK\$'000	Share Premium HK\$'000	Convertible		Other Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated Losses HK\$'000	Non- controlling Total Interests HK\$'000	Total Equity HK\$'000	
			Share Option Reserve HK\$'000	Bonds Equity Component HK\$'000						
Balance at 1 June 2015	17,815	123,301	12,140	375	(9,251)	247	(142,767)	1,860	(110)	1,750
Loss for the year	-	-	-	-	-	-	(23,247)	(23,247)	(47)	(23,294)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	(23,247)	(23,247)	(47)	(23,294)
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)
Total transactions with owners	2,954	25,148	907	(375)	(4,532)	-	51	24,153	41	24,194
Balance at 31 May and 1 June 2016	20,769	148,449	13,047	-	(13,783)	247	(165,963)	2,766	(116)	2,650
Loss for the year	-	-	-	-	-	-	(21,206)	(21,206)	(31)	(21,237)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	(21,206)	(21,206)	(31)	(21,237)
Transactions with owners:										
Issue of shares by subscriptions	2,356	9,575	-	-	-	-	-	11,931	-	11,931
Issue of shares upon exercise of share options	668	5,267	(1,483)	-	-	-	-	4,452	-	4,452
Grant of share options	-	-	1,151	-	-	-	-	1,151	-	1,151
Recognition of equity-settled share-based payments	-	-	1,261	-	-	-	-	1,261	-	1,261
Lapse of share options	-	-	(189)	-	-	-	189	-	-	-
Addition of non-controlling interests	-	-	-	-	-	-	-	-	5	5
Total transactions with owners	3,024	14,842	740	-	-	-	189	18,795	5	18,800
Balance at 31 May 2017	23,793	163,291	13,787	-	(13,783)	247	(186,980)	355	(142)	213

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 May 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cash flows from operating activities		
Net cash used in operations	(18,430)	(16,720)
Interest paid	(15)	(20)
	<u>(18,445)</u>	<u>(16,740)</u>
Net cash used in operating activities	<u>(18,445)</u>	<u>(16,740)</u>
Cash flows from investing activities		
Additions of intangible assets	(1,713)	(1,650)
Additions of plant and equipment	(151)	(592)
Investment in a joint venture	–	(50)
	<u>(1,864)</u>	<u>(2,292)</u>
Net cash used in investing activities	<u>(1,864)</u>	<u>(2,292)</u>
Cash flows from financing activities		
Net proceeds from issuance of shares by subscriptions	11,931	11,135
Net proceeds from issuance of shares by placing	–	5,656
Net proceeds from issuance of corporate bonds	7,000	–
Net proceeds from exercise of share options	4,452	6,276
Coupon interest paid for convertible bonds	–	(12)
Additions of non-controlling interests	5	49
Acquisition of non-controlling interests	–	(4,540)
Decrease in amounts due to directors	(133)	(528)
Repayment of obligations under finance lease	(98)	(112)
	<u>23,157</u>	<u>17,924</u>
Net cash generated from financing activities	<u>23,157</u>	<u>17,924</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,848</u>	<u>(1,108)</u>
Cash and cash equivalents at beginning of the year	<u>1,436</u>	<u>2,544</u>
Cash and cash equivalents at end of the year	<u><u>4,284</u></u>	<u><u>1,436</u></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, online recruitment services, e-commerce platform and trading business.

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 24 August 2017.

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 notwithstanding that the Group had incurred a loss attributable to shareholders of approximately HK\$21.21 million for the year ended 31 May 2017. 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 funds, 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) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 June 2016:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts

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) *New standards and interpretations not yet adopted*

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle ²
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKAS 40 (Amendments)	Transfers of Investment Property ³
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ³
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ³
HKFRS 9	Financial Instruments ³
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 15	Clarification to HKFRS 15 ³
HKFRS 16	Leases ⁴
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ⁴

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

² Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective for a date to be determined by the IASB

The above new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 June 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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 four reportable operating segments, which are (i) sale of equipment, (ii) end-users direct sales of long distance call services, (iii) telecommunication, value-added and recruitment services and (iv) e-commerce platform and trading business.

(b) Business segments – primary reporting format

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

	2017				
	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>	e-commerce platform and trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>106</u>	<u>484</u>	<u>1,059</u>	<u>1,666</u>	<u>3,315</u>
Segment results	<u>(671)</u>	<u>(2,640)</u>	<u>(7,839)</u>	<u>(6,025)</u>	(17,175)
Other income					<u>55</u>
Operating loss					(17,120)
Unallocated costs					(4,000)
Finance costs					<u>(111)</u>
Loss before income tax					(21,231)
Income tax expense					<u>(6)</u>
Loss for the year					<u><u>(21,237)</u></u>

	2017				
	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>	e-commerce platform and trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	450	860	8,687	2,586	12,583
Unallocated assets					524
Total assets					<u>13,107</u>
Segment liabilities	2,036	2,067	3,609	3,584	11,296
Unallocated liabilities					1,598
Total liabilities					<u>12,894</u>
Capital expenditures	-	-	1,864	-	1,864
Unallocated capital expenditures					-
					<u>1,864</u>
Depreciation and amortisation	10	20	1,169	37	1,236
Unallocated depreciation and amortisation					-
					<u>1,236</u>

	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>	e-commerce platform and trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>131</u>	<u>569</u>	<u>1,667</u>	<u>-</u>	<u>2,367</u>
Segment results	<u>(1,023)</u>	<u>(4,048)</u>	<u>(14,189)</u>	<u>-</u>	<u>(19,260)</u>
Other income					<u>25</u>
Operating loss					(19,235)
Unallocated costs					(4,015)
Finance costs					<u>(44)</u>
Loss before income tax					(23,294)
Income tax expense					<u>-</u>
Loss for the year					<u><u>(23,294)</u></u>

	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>	e-commerce platform and trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>1,300</u>	<u>305</u>	<u>7,011</u>	<u>-</u>	8,616
Unallocated assets					<u>297</u>
Total assets					<u><u>8,913</u></u>
Segment liabilities	<u>1,942</u>	<u>451</u>	<u>1,235</u>	<u>-</u>	3,628
Unallocated liabilities					<u>2,635</u>
Total liabilities					<u><u>6,263</u></u>
Capital expenditures	<u>-</u>	<u>7</u>	<u>2,235</u>	<u>-</u>	2,242
Unallocated capital expenditures					<u>-</u>
					<u><u>2,242</u></u>
Depreciation and amortisation	<u>34</u>	<u>33</u>	<u>556</u>	<u>-</u>	623
Unallocated depreciation and amortisation					<u>576</u>
					<u><u>1,199</u></u>

(c) Geographical segments – secondary reporting format

	2017			
	Segment revenue <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditures <i>HK\$'000</i>
Hong Kong	3,098	(19,893)	12,486	1,762
Mainland China and other countries	<u>217</u>	<u>(1,393)</u>	<u>621</u>	<u>102</u>
	<u><u>3,315</u></u>	<u><u>(21,286)</u></u>	<u><u>13,107</u></u>	<u><u>1,864</u></u>
Other income		<u>55</u>		
Loss before income tax		(21,231)		
Income tax expense		<u>(6)</u>		
Loss for the year		<u><u>(21,237)</u></u>		
	2016			
	Segment revenue <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><u>2,367</u></u>	<u><u>(23,319)</u></u>	<u><u>8,913</u></u>	<u><u>2,242</u></u>
Other income		<u>25</u>		
Loss before income tax		(23,294)		
Income tax expense		<u>–</u>		
Loss for the year		<u><u>(23,294)</u></u>		

(d) Information about major customers

The Group's customers who contributed to 10% or more to the Group's revenue during the year, are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
From e-commerce platform and trading business:		
Customer A	1,041	–
Customer B	399	–
	<u> </u>	<u> </u>
From telecommunication, value-added and recruitment services:		
Customer C	–	350
	<u> </u>	<u> </u>

4 REVENUE AND OTHER INCOME

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, online recruitment services, e-commerce platform and trading business. Revenue and other income recognised during the year are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Long distance call services	484	569
Sale of equipment	106	131
Telecommunication, value-added and recruitment services	1,059	1,667
e-commerce platform and trading business	1,666	–
	<u> </u>	<u> </u>
	3,315	2,367
	<u> </u>	<u> </u>
Other income		
Exchange gain	13	–
Sundry income	42	25
	<u> </u>	<u> </u>
	55	25
	<u> </u>	<u> </u>
	3,370	2,392
	<u> </u>	<u> </u>

5 OPERATING LOSS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Operating loss is stated after charging the following:		
Auditor's remuneration	420	420
Amortisation of intangible assets	841	854
Bad debt	15	4
Cost of inventories sold	2,219	637
Depreciation		
– owned assets	284	234
– leased assets	111	111
Loss on disposal of plant and equipment	35	59
Operating lease – land and buildings	961	1,451
Provision for doubtful debts	46	–
Provision for impairment of prepayments, deposits and other receivables	–	4
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	13,121	13,815
– employee and individual share options benefits	2,412	3,137
– retirement benefits scheme contributions	271	243
	<u> </u>	<u> </u>

6 FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest expense on convertible bonds	–	24
Interest expense on corporate bonds	96	–
Finance lease interests	15	20
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: Nil) on the estimated assessable profit for the year.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong profits tax	6	–
	<u> </u>	<u> </u>

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 (2016: 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before income tax	<u>(21,200)</u>	<u>(23,247)</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	(3,586)	(3,835)
Income not taxable for taxation purposes	(1)	(2)
Expenses not deductible for taxation purposes	591	793
Tax losses not recognised	3,182	2,908
Accelerated depreciation not recognised	<u>(180)</u>	<u>136</u>
Income tax expense	<u>6</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\$21,206,000 (2016: HK\$23,247,000) and the weighted average number of approximately 1,098,332,000 ordinary shares (2016: 977,331,000 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 2017 and 2016 respectively, as the share options had anti-dilutive effects.

9 TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables (<i>Notes a and b</i>)	1,014	505
Other receivables, prepayments and deposits	<u>948</u>	<u>697</u>
	<u>1,962</u>	<u>1,202</u>

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

Note:

- (a) Majority of the Group's revenue 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	273	244
31 – 60 days	275	130
61 – 90 days	298	35
91 – 180 days	115	63
181 – 365 days	78	21
Over 365 days	<u>4,016</u>	<u>4,007</u>
	5,055	4,500
Less: provision for doubtful debts	<u>(4,041)</u>	<u>(3,995)</u>
	<u>1,014</u>	<u>505</u>

- (b) Trade receivables that are less than four months are not considered impaired. As at 31 May 2017, trade receivables of approximately HK\$88,000 (2016: HK\$79,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Past due but not impaired:		
0 – 60 days	34	46
61 – 120 days	16	7
121 – 365 days	23	3
Over 365 days	<u>15</u>	<u>23</u>
	<u>88</u>	<u>79</u>

10 TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables (<i>Note a</i>)	2,141	2,023
Other payables and accruals	2,672	1,750
Receipt in advance	314	1,594
	<u>5,127</u>	<u>5,367</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:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	38	55
31 – 60 days	14	49
61 – 90 days	17	42
91 – 180 days	97	189
181 – 365 days	224	–
Over 365 days	1,751	1,688
	<u>2,141</u>	<u>2,023</u>

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 consolidated financial position of the Group as at 31 May 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

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\$21,237,000 during the year ended 31 May 2017. As stated in Note 2.1(a), these events or conditions, along with other matters as set out in Note 2.1(a), indicate that a material uncertainty exists that may cast significant doubt on the Company and its subsidiaries’ ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

Results for the year

The Group recorded a total turnover of approximately HK\$3.32 million for the year ended 31 May 2017, an increase of 40.08% from approximately HK\$2.37 million for the year ended 31 May 2016. The increase was mainly attributable to the increase in e-commerce trading business during the year. The gross profit margin decreased from 73.09% for last year to 33.06% for this year. The decrease in overall gross profit margin was mainly attributable to the increase on turnover of e-commerce trading business which has lower profit margin.

The Group recorded a consolidated loss attributable to shareholders of approximately HK\$21.21 million, as compared with the comparative amount of loss of approximately HK\$23.25 million attained in the previous year. The decrease of the loss for the year was mainly due to the decrease in staff costs and share-based payments recorded in the current year.

The administrative expenses were decreased by 9.9% from approximately HK\$24.55 million of last year to approximately HK\$22.12 million for this year mainly due to the decrease in staff costs and share-based payments recorded in the current year.

Liquidity and Financing

For the year ended 31 May 2017, the Group incurred a loss of approximately HK\$21.24 million and the net cash outflow from operations was approximately HK\$18.45 million. The outflow was mainly attributable to operating loss before changes in working capital of approximately HK\$17.38 million. With the cash inflow from issuance of shares by subscriptions, issuance of corporate bonds and exercise of share options of approximately HK\$11.93 million, HK\$7 million and HK\$4.45 million respectively, net with the increase of the additions of intangible assets of approximately HK\$1.71 million and decrease in amounts due to directors of approximately HK\$0.13 million, the net cash and cash equivalents of the Group was increased by approximately HK\$2.85 million.

As at 31 May 2017, the Group had a cash and cash equivalent balance of approximately HK\$4.28 million. The gearing ratio, defined as total bank and finance lease borrowings divided by the shareholders' fund as at 31 May 2017 was not adopted as except for finance leases and corporate bonds, the Group did not have interest bearing liability (2016: Nil, except for finance leases). The Group had net current assets of approximately HK\$0.72 million as at 31 May 2017 as compared with net current liabilities of approximately HK\$3.24 million as at 31 May 2016.

Most of the transactions of the Group are denominated in HK Dollars, 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 sales of the Group during the current year was increased by 40.08% over last year. The most encouraging news is the commencement and rapid growth of e-commerce business. Although it is a new business, one of the target customer bases is the GBjobs customers. This model saves money and strengthens the competitiveness of GBjobs.

We have also made a breakthrough in respect of computer headhunting, in which artificial intelligence is utilized to replace human by computer. The Group takes Shenzhen as a pilot of computer headhunting, and the customers using this service are satisfied. Regarding cross-border headhunting, the Group has begun to promote its business to other cities in the Pearl River Delta and to appoint joint agents to operate together. On 26 and 27 August 2017, the Group will hold a cross-border headhunting recruitment exhibition at the Hong Kong Convention and Exhibition Centre. This meeting is supported by the corporations and relevant authorities of Shenzhen, which will contribute to the development of the Group's business.

During this financial year, the Group entered the Chinese market, and the software developed in the past has been put into service, especially the big data business, which helps the applications of GBjobs, cross-border headhunting, computer headhunting, E-mart, etc.

The Group has started training recruits in Shenzhen at the end of 2016. The Group spent a considerable time for training, product and market integration, market research, price positioning, and organizing seminars and talks. The promotions of all products in China have been in place after the Spring Festival in 2017. Certain results began to reflect in this year and will be further reflected on the first quarter of the new year.

The Chinese market needs a reasonable time to operate, and the research and development of advanced technology also need a reasonable time. For the year, the Group is supported by investors as always. Fortunately, with the support of the Chinese market and the relevant authorities in Shenzhen, and some software have entered maturity, the Group will be reborn as long as the Shenzhen business model copied to other provinces and cities. During the process, the Group expects the sales growth will be much higher than the cost increase.

BUSINESS OUTLOOK

In the years to come, the Group will focus on further promotion of GBjobs and other derived horizontal development projects, such as E-mart, computer headhunting, cross-border headhunting, Cross-border recruitment exhibition, big data, etc., in the Pearl River Delta and the Yangtze River Delta, and the expansion of the Shenzhen operation model to other cities.

With the improvement of relationship between China and the Philippines and the fact that the Group has successfully sold telecommunications products to the Filipino workers in Hong Kong, these experiences and relationships will help the Group to export Filipino domestic helpers to China. The Group has entered memorandum of understanding with Provincial Government of Batangas in the Philippines in relation of training Filipino domestic helpers and exports to China; the Group has also been negotiating with a number of Chinese housekeeping companies for cooperation. It is estimated that there are over eight thousand housekeeping companies in Shanghai, and the monthly salary of a domestic helper in Shanghai is approximately RMB6,000. The media reported that China and the Philippines agreed the preliminary proposed monthly salary of Filipino domestic helpers of approximately RMB13,000. The market demand and consumption of these markets are positively in connection with the supply of the Group in the Philippines.

The export of Filipino domestic helpers to China can also drive GBjobs business in China, including E-mart, big data business, etc. Therefore, the Group considers that the opportunities brought by Filipino domestic helpers can kill birds with one stone.

The accumulated intellectual properties and intangible assets of the Group in the past eight years, including its relationships, customer base, database, value-added big data through database, etc. in China, Southeast Asia, Europe and the United States, etc., are the key elements to support the development of the Group and obtain investors' trust. The Group will further utilize its intangible assets to play an active role in conducting business and in attracting investment funds. The Group has noticed that overseas software companies can raise huge funds in the market only with their software. The Group will conduct further analysis with positioning in this regard.

In recent months, units in other cities, such as Chengdu and Hangzhou, have approached the Group to provide preferential policies. The Group will make reasonable decisions in due course.

All in all, the Group has accumulated years of experience and needs time for incubation like other high-tech companies; now it is time to take off and fly high.

EMPLOYEE INFORMATION

At 31 May 2017, the Group employed a total of 33 (2016: 29) 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 2017, 179,920,000 (2016: 177,490,000) 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 2017 (2016: Nil).

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

At 31 May 2017, apart from the details as follows, the Directors and chief executive do not have any other interests and/or 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	-	-	22,788,000 (Note 1)	-	-	22,788,000	1.92
	Beneficial owner	298,394,819	36,189,000 (Note 2)	-	-	-	334,583,819	28.12
Ms. Yau Pui Chi, Maria (“Ms. Yau”) (Spouse of Mr. Ang)	Beneficial owner	36,189,000	321,182,819 (Note 3)	-	-	-	357,371,819	30.04
Mr. Wei Ren	Beneficial owner	500,000	-	-	1,500,000 1,000,000	0.233 0.150	3,000,000	0.25
Dr. Zhong Shi	Beneficial owner	-	-	-	3,200,000 1,000,000 5,500,000 5,000,000 1,000,000 1,000,000	0.233 0.150 0.145 0.159 0.111 0.1184	16,700,000	1.40
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000 1,000,000 1,000,000	0.233 0.111 0.1184	4,300,000	0.36
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000 1,000,000 1,000,000	0.233 0.111 0.1184	3,200,000	0.27
Mr. Chau Siu Keung	Beneficial owner	1,272,000	-	-	1,200,000 1,000,000	0.233 0.1184	3,472,000	0.29

Note:

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited (“Cyber Wealth”) and 19,598,000 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 36,189,000 shares held by Ms. Yau in person.
- 3) These shares are registered as 298,394,819 shares held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth and 19,598,000 shares held by Bluechip.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND/OR 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 and/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 2017.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2017, 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 2017 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 1.6.2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.5.2017
Under Share Option Scheme								
Name of Directors								
Mr. James Ang	13.10.2009	0.233	13.10.2009 to 12.10.2019	1,550,000	-	(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	3,520,000	-	(3,520,000)	-	-
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>16,470,000</u>	<u>-</u>	<u>(5,070,000)</u>	<u>-</u>	<u>11,400,000</u>
Other employees and individuals								
In aggregate								
	08.12.2010	0.150	08.12.2010 to 07.12.2020	940,000	-	-	-	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>28,740,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,740,000</u>
Sub-total				<u>45,210,000</u>	<u>-</u>	<u>(5,070,000)</u>	<u>-</u>	<u>40,140,000</u>

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.5.2017
Under New Share Option Scheme								
Name of Directors								
Mr. Jame Ang	14.10.2016	0.1184	14.10.2016 to 13.10.2026	–	8,560,000	(8,560,000)	–	–
Ms. Yau Pui Chi, Maria	14.10.2016	0.1184	14.10.2016 to 13.10.2026	–	8,560,000	(8,560,000)	–	–
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
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	–	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
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	–	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
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	–	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)	–	–
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	–	1,000,000	–	–	1,000,000
				<u>14,500,000</u>	<u>21,120,000</u>	<u>(18,120,000)</u>	<u>–</u>	<u>17,500,000</u>
Other employees and individuals								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	7,880,000	–	–	–	7,880,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	57,400,000	–	–	–	57,400,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	27,000,000	–	–	(5,000,000)	22,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	25,500,000	–	(10,200,000)	(2,500,000)	12,800,000
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	–	22,200,000	–	–	22,200,000
				<u>117,780,000</u>	<u>22,200,000</u>	<u>(10,200,000)</u>	<u>(7,500,000)</u>	<u>122,280,000</u>
Sub-total				<u>132,280,000</u>	<u>43,320,000</u>	<u>(28,320,000)</u>	<u>(7,500,000)</u>	<u>139,780,000</u>
Total				<u>177,490,000</u>	<u>43,320,000</u>	<u>(33,390,000)</u>	<u>(7,500,000)</u>	<u>179,920,000</u>

During the year ended 31 May 2017, 43,320,000 share options were granted under the New Share Option Scheme (2016: 81,260,000), 33,390,000 share options were exercised (2016: 38,910,000), 7,500,000 share options were lapsed (2016: 8,328,000) and no share options were cancelled (2016: 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 2017, 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 2017, 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 1.8 and A 4.1 of the CG Code stipulated in the following paragraphs.

Under the code provision A 1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has not arranged insurance cover in respect of legal action against its directors as the Board considers that the Board adopts prudent management policy. The needs for insurance policy will be reviewed from time to time.

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 2017.

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 2017.

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 2017, 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. In consideration of the size of the Group, the Board does not consider to establish an internal audit function at present.

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, of which was considered effective and adequate.

BOARD PRACTICES AND PROCEDURES

During the year ended 31 May 2017, 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Notes to the consolidated financial statements in this announcement, no significant events have taken place subsequent to 31 May 2017 and up to the date of this announcement.

By Order of the Board
Netel Technology (Holdings) Limited
James Ang
Chairman

Hong Kong, 24 August 2017

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.