

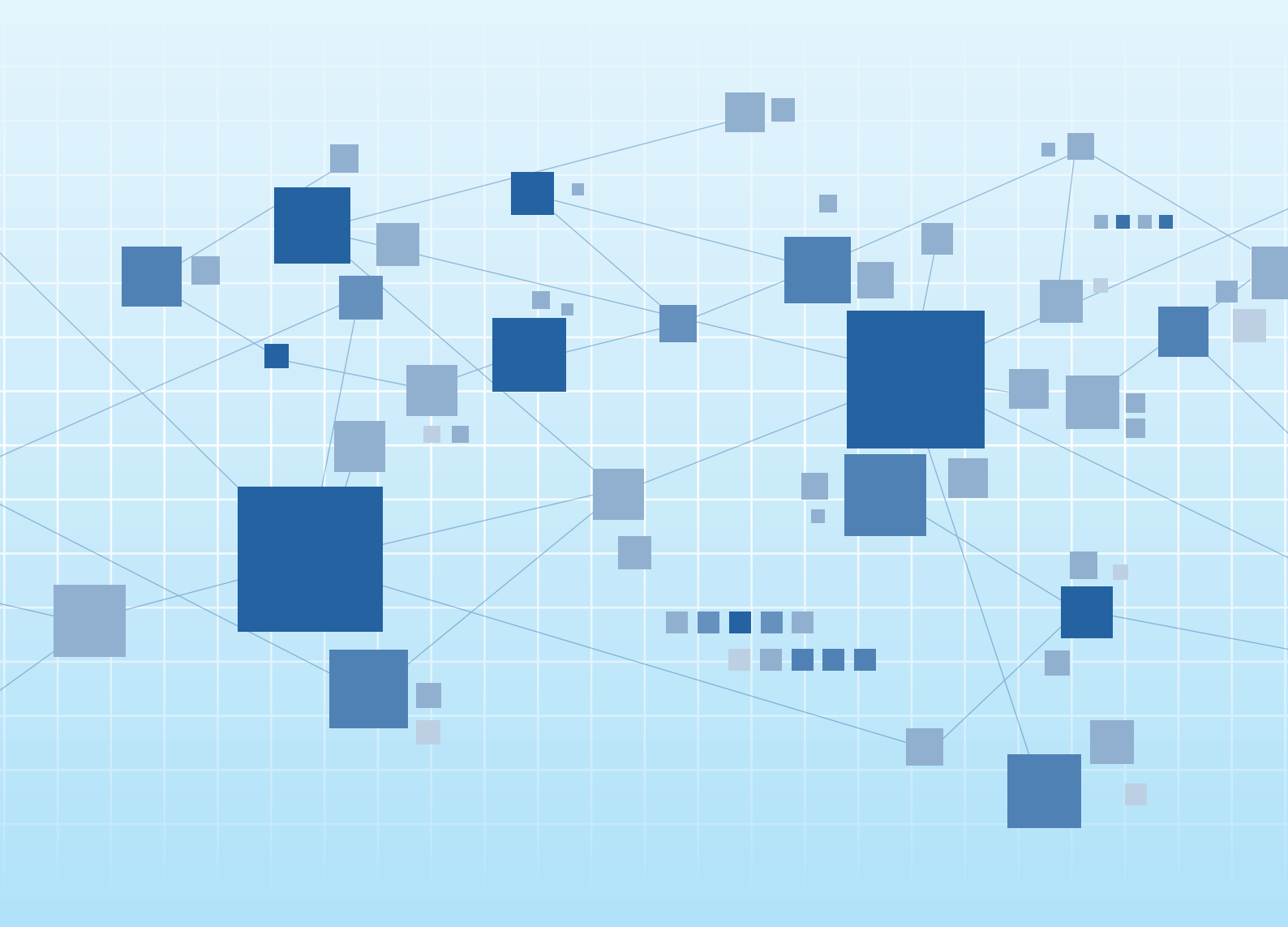


## NETEL TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8256

# 2018 ANNUAL REPORT



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, 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 GEM 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 report 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 report misleading.*

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# Corporate Information

## DIRECTORS

### Executive Directors

James Ang (*Chairman*)  
Wei Ren  
Yau Pui Chi, Maria  
Zhong Shi

### Independent Non-Executive Directors

Chiang Kin Kon  
Wong Kwok Fai  
Chau Siu Keung

## COMPLIANCE OFFICER

James Ang

## COMPANY SECRETARY

Yip Shui Man, Sophie

## AUTHORISED REPRESENTATIVES

James Ang  
Yau Pui Chi, Maria

## AUDIT COMMITTEE

Wong Kwok Fai  
Chiang Kin Kon  
Chau Siu Keung

## REMUNERATION COMMITTEE

Chiang Kin Kon  
Yau Pui Chi, Maria  
Wong Kwok Fai

## NOMINATION COMMITTEE

James Ang  
Chiang Kin Kon  
Chau Siu Keung

## BANKER

The Hong Kong and Shanghai Banking Corporation Limited

## REGISTERED OFFICE

Century Yard Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room C, 9/F  
Max Share Centre  
373 King's Road  
North Point  
Hong Kong

## SHARE REGISTRAR (*in Cayman Islands*)

SMP Partners (Cayman) Limited  
Royal Bank House – 3rd Floor  
24 Shedden Road, P.O. Box 1586,  
Grand Cayman, KY1-1110  
Cayman Islands

## SHARE REGISTRAR (*in Hong Kong*)

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

Lau & Au Yeung C.P.A. Limited

## COMPANY WEBSITE

<http://www.neteltech.com.hk>

## GEM STOCK CODE

8256

## Chairman's Statement

On behalf of the board (the "Board") of directors of Netel Technology (Holdings) Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 May 2018 (the "Year") to all shareholders and stakeholders.

During the Year, the Group recorded a revenue of approximately HK\$29.05 million, representing an increase by approximately 775% as compared with that of the preceding year. The Group's loss for the year also reduced by approximately 85.40% as compared with that of the preceding year. The Company saw significant improvement in both of its telecommunication and IT applications segments. I am pleased to see that the Company's research and development effort on information technology, one of its key business objectives since its listing on GEM of The Stock Exchange of Hong Kong Limited, is being realised into real-life applications.

In respect to our Telecommunication segment, our management team has revisited and refined its core competence and operating strategy in April 2018. In order to ensure revenue stability and sustainability, we have opted to increase the sales penetration by increasing product varieties. Results are highly encouraging from the fourth quarter of the Year to now.

In respect to our IT applications segment, I am pleased to see our Big Data application on providing online jobs-salary analysis in different positions in different cities in China was launched successfully in early 2018. A similar online jobs-salary analysis for Hong Kong will be launched soon. This is based on our spidering software and AI technology deployed almost nine years ago. I am confident that this application will strengthen our GBjobs and recruitment related service business as a whole as this application helps our clients to better understand the prevailing job market when they look for hiring new staffs. On the viewers' front, viewers can seek better understanding of the prevailing job market when they look for job opportunities.

By applying the same algorithm logic in Big Data, our prospecting and related service segment also produced a decent operating result and positive social and clients' feedback. While social media becomes a necessity, our Big Data backbone serves as a catalyst to penetrate more precisely. One of our clients, Hart nuts gave us solid feedbacks because with our services, they attracted more "likes" from the market and they achieved their operating goals. Social media and big data are a perfect combination nowadays and it can be applied in other industries including but not limited to manufacturing, retails, professional services and trading business.

In this Year, even under the pressure of delisting, our investors from Taiwan, Philippines, China and Hong Kong showed a lot of confidence in us and provide us with a lot of encouragement. They understand our IT business and they know developing Big-Data system is a continuous and long term process. Our Company will do whatever possible to protect the interest of our investors.

## Chairman's Statement

Last but not least, I would like to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and support. And also I would like to extend my heartfelt thanks to our directors, management team and staff for their tireless endeavor and contributions under the fierce delisting situation, and continue to bring the Group forward to attain better results.

**James Ang**  
*Chairman*

Hong Kong, 29 August 2018

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Results for the year

The Group recorded a total turnover of approximately HK\$29.05 million for the year ended 31 May 2018, an increase of 775% from approximately HK\$3.32 million for the year ended 31 May 2017. The increase was mainly attributable to the increase in big data business, income from strategic alliances, sales of Asia Medical Travel medical card while mobile phones were newly introduced in the last quarter during the year. The gross profit margin increased from 33.06% for last year to 47.94% for this year. The increase in overall gross profit margin was mainly attributable to the increase in revenue from Prospecting and GBjobs with higher gross profit margin.

The Group recorded a total comprehensive loss attributable to shareholders of approximately HK\$3.19 million, as compared with the comparative amount of loss of approximately HK\$21.21 million attained in the previous year. The decrease of the loss for the year was mainly due to the increase in turnover and decrease in directors' emoluments recorded in the current year.

The administrative expenses were decreased by 20.07% from approximately HK\$22.12 million of last year to approximately HK\$17.68 million for this year mainly due to the decrease in directors' emoluments recorded in the current year.

### Liquidity and Financing

For the year ended 31 May 2018, the Group incurred a loss of approximately HK\$3.1 million and the net cash used in operations was approximately HK\$4.3 million. With the cash inflow from issuance of corporate bonds, increase in amounts due to directors and exercise of share options of approximately HK\$6.4 million, HK\$4.2 million and HK\$3.3 million respectively, net with the increase of the additions of intangible assets of approximately HK\$2.9 million, the net cash and cash equivalents of the Group was increased by approximately HK\$6.4 million.

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. At 31 May 2018, the underlying current ratio, defined as current assets over current liabilities, was approximately 1.10 (2017: 1.13). At 31 May 2018, the non-current liabilities was approximately HK\$7.76 million (2017: HK\$7.23 million) while the current liabilities to the total assets ratio was approximately 0.66 (2017: 0.43). The net current assets at 31 May 2018 was approximately HK\$2.02 million (2017: HK\$0.72 million) while bank balances and cash at 31 May 2018 was approximately HK\$10.68 million (2017: HK\$4.28 million).

# Management Discussion and Analysis

## BUSINESS REVIEW

Via revisiting and refining our core competence and operating strategy in April 2018, our telecommunication segment showed a strong rebound in terms of its operating results.

In respect to our IT application segment, our GBjobs and recruitment related services produced a decent performance. From day 1 of this business segment, it is all about big data. The big data algorithm is applied on recruitment and computer head hunting services. To ensure our clients can enjoy a comprehensive recruitment service from us, we also organise recruitment day, let out recruitment car and provide online job advertisement. GBjobs recruitment big data has been opened to the public since February 2018. Hence, employees and employers can browse the big data including hiring numbers, salaries and trend for the last six months. The database was built in the past eight years from millions of curriculum vitae from China using our spidering software and AI technology. These are valuable intangible assets, which can be turned into revenue.

We have approached dozens of local housekeeping companies in Shenzhen to negotiate cooperation so as to expand the Filipino maids business. Although the Philippine and Chinese governments have not yet announced the details of Filipino domestic helpers working in China, we are confident that this market will open with reference to the interpretation made by the Philippine Department of Labor and Employment during the year.

The same big data algorithm logic can also be used in our prospecting and related service segment. Such service can be commercially applied in different industries such as manufacturing, retails, professional services and etc. Domestic enterprises can also use the Group's overseas big data to generate new business. The Group has successfully entered into the real estate market in China through its strategic alliances, by using big data and Facebook promotion to soliciting real estate buyers from Hong Kong to purchase properties in the Greater Bay Area through group showflat tours. Social media and big data are a perfect combination nowadays.

Regarding market expansion, offices in Shenzhen Nanshan and Futian officially commenced its operation in December 2017. Futian office is located at the Shenzhen Municipal Government Human Resources Building. Apart from Shenzhen, the Group has started to enter into the markets of other cities in China through strategic alliances. The Group obtained the Human Resources Service Licence from the Ministry of Human Resources and Social Security of the People's Republic of China on 6 February 2018. It is the first time to issue such a licence, with licence number 001, to a wholly-owned foreign enterprise. This licence allows the Group to collect, organize, store and release talent supply and demand information so that the Group can gather more big data for our database and fully participate in the recruitment of talent market in China.



## Management Discussion and Analysis

### BUSINESS OUTLOOK

The Company's strategy is to continue in widening the applicability and market coverage of its products and services, to achieve technological advancement through research and development and to leverage on the ability to develop, commercialise and continuously improve a variety of applications. Furthermore, we shall continue the efforts in the research and development of new applications as well as keeping abreast of the local and international market trends.

It is expected that the growth in business, particularly in telecommunication for equipment and related service, will continue in the next few years. In relation to our IT application segment, we expect prospecting and our GBjobs and recruitment related service will make further growth by providing enhance services to our customers. Moreover, since the signing of the subscription agreement and termination agreement as described under the Section of "Events After the Reporting Period", we are working very hard to look for other sources of funding in the market for the business expansion in the near future so as to demonstrate that the Group has sufficient assets base and level of operations to warrant its continued listing.

### FINANCIAL RISK MANAGEMENT

Operations of the Group are mainly conducted in Hong Kong Dollars and its revenue, expenses, assets and liabilities are principally denominated in Hong Kong Dollars, which do not pose significant foreign exchange risk at present. Procedures are in place to monitor possible exposure to foreign exchange risk in the operations on a continuous basis.

The Group adopts a prudent liquidity risk management and maintains sufficient cash and funding through an adequate amount of credit facilities. The Group aims to finance its operations with its own capital and earnings and borrowings or credit facilities utilised during the year. Management considers that the Group does not have any significant liquidity risk.

### EMPLOYEE INFORMATION

At 31 May 2018, the Group employed a total of 35 (2017: 33) 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 2018, 180,785,000 (2017: 179,920,000) share options remained outstanding from the share option schemes.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. James Ang (“Mr. Ang”)**, aged 59, is the chairman of the Company and the founder of the Group. Mr. Ang is responsible for the business planning on overall development of the Group. He has around 31 years of experience in the telecommunications industry. Prior to joining the Group in 1996, he served as a sales manager of Swire Telecom from 1984 to 1986 and was responsible for the establishment of offices in the People’s Republic of China (the “PRC”). After being employed with Swire Telecom, Mr. Ang served as a Director of the telecom division of AT&T from 1986 to 1995 and took charge of its business development in different countries. He obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). He is also a graduate from the University of London with bachelor degree in laws. He was called to the bar in United Kingdom and Hong Kong.

**Mr. Wei Ren, (“Mr. Wei”)**, aged 79, is a senior engineer who has been engaged in biomedical engineering and has accumulated extensive experience in the field for more than 49 years. He was awarded several prizes of cities and provinces in the PRC. He has been engaged as a committee member of the Associate of China Biomedical Engineering, Tianjin Biofeedback Specialized Committee; deputy chairman and chief secretary of the Associate of Biomedical Engineering and Biofeedback Study in the PRC.

**Ms. Yau Pui Chi Maria (“Ms. Yau”)**, aged 58, Mr. Ang’s spouse, who has more than 29 years of commercial experience, is the vice president of the customer service department of the Group. Ms. Yau obtained an honours diploma in Business and Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). After graduation, she worked in Airland Mattress Co. in charge of marketing and promotion activities in the PRC and Hong Kong. She also worked in Inni Company as an assistant manager from 1984 to 1990. She has been the Director of Charmfine Investment Limited and is responsible for the sales of accessory products. Ms. Yau is experienced in direct interface with dealers and end-users.

**Dr. Zhong Shi (“Dr. Zhong”)**, aged 43, was promoted to Chief Executive Officer (“CEO”) of the Group in July 2013. He is the Chief Technology Officer of the Group and heads the Research and Development Department. Dr. Zhong has more than 19 years experience in telecommunication and computer systems. Prior to joining the Group, he was the Senior Research Engineer of TOSHIBA Telecommunication Research Lab in England, and was also the Project Manager of Nan Tian Computer System in the PRC. He obtained his Ph.D. and MS.C in Department of Computer Science, School of Informatics from University of Edinburgh, United Kingdom.

## Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chiang Kin Kon, (“Mr. Chiang”)**, aged 69, has been an independent non-executive director of the Company since May 2008. He has over 38 years of experience in property management fields and over 24 years of experience in business management. Mr. Chiang has also been involved in the property management industry in the PRC since 1994. He holds a higher diploma in Business Management from the Hong Kong Baptist College (now known as the Hong Kong Baptist University).

**Mr. Wong Kwok Fai, (“Mr. Wong”)**, aged 52, has been an independent non-executive director of the Company since May 2008. He holds a bachelor degree in Accountancy from the City University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in auditing, accounting, financial management and company secretarial in Hong Kong. He has worked for an international accounting firm and has been a financial controller and company secretary of a listed company in Hong Kong.

**Mr. Chau Siu Keung, (“Mr. Chau”)**, aged 61, has been an independent non-executive director of the Company since May 2009. He has over 38 years experience in sales and marketing field and over 26 years of experience in business management. Mr. Chau is currently a director of a Hong Kong private limited company which is principally engaged in the trading and investment in Hong Kong and the PRC.

# Corporate Governance Report

The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the Code on Corporate Governance Practices, and acknowledges the important role of its Board in providing effective leadership and direction to the Company's business, and ensuring the transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised as follows:

## **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 2018, 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 2018.

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 2018.

# Corporate Governance Report

## BOARD OF DIRECTORS

The Board comprises four executive Directors and three independent non-executive Directors. Each Director has relevant experiences, competence and skills appropriate to the requirement of the business of the Company.

The Directors of the Board members of the Company during the year ended 31 May 2018 and up to the date of this report were as follows:

### *Executive Directors*

Mr. James Ang (*Chairman*)  
Mr. Wei Ren  
Ms. Yau Pui Chi, Maria  
Dr. Zhong Shi

### *Independent Non-Executive Directors (“INEDs”)*

Mr. Chiang Kin Kon  
Mr. Wong Kwok Fai  
Mr. Chau Siu Keung

The Board is responsible for directing the Group to success and enhancing shareholders’ value by formulating the Group’s overall strategy, key objectives and policies. The Board monitors and oversees the operating and financial performance of the Group pursuant to these objectives.

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company’s affairs and to assist in the execution of certain aspects of the Board’s responsibilities.

A list of Directors of the Company and their role and function is posted on the website of the Company and the Stock Exchange.

The Board has also delegated the day-to-day management and operation of the Group’s business to the management team.

There are currently three non-executive Directors on the Board, all of whom are independent. All the non-executive Directors have been appointed for no specific term and they are subject to retirement by rotation in accordance with the Company’s Articles of Association and thus submit themselves, on a rotation basis, for re-election by shareholders.

## Corporate Governance Report

Mr. Chau Siu Keung has served more than 9 years since May 2009, but he does not involve day-to-day operation of the Company and through his extensive knowledge and experience, would contribute significantly to the continuous improvement on internal controls and other relevant financial and corporate governance matters of the Company. The Board believes that Mr. Chau Siu Keung is still independent to the Company and should be re-elected in the coming annual general meeting.

### LIABILITY INSURANCE FOR THE DIRECTORS

The Company has not arranged insurance coverage on Directors' and officers' liabilities arising from the Group's business as the Board considers that the Board adopts prudent management policy. The Company reviews the extent of insurance coverage on an annual basis.

### CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the GEM Listing Rules and other applicable regulatory requirements and such induction materials will also be provided for every newly appointed Director of the Company. During the year, all Directors have participated in continuous professional development programme, such as attending seminars organised by qualified professionals or reading materials relevant to the Group's business and Directors' duties and responsibilities, in order to develop and refresh their knowledge and skills in relation to their contribution to the Board.

### APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board as a whole is responsible for the appointment of its own members.

The Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. The Board will review profiles of the candidates recommended by the Nomination Committee and make recommendations for the appointment, re-election and retirement of the Directors. Candidates are appointed to the Board on the basis of their skills, competence and expertise that they can contribute to the Company. 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.

## **Corporate Governance Report**

### **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.

### **BOARD MEETINGS**

The Board met nine times during the year to discuss relevant business and strategy of the Company. The discussions covered the financial performance, new products and services to be deployed by the Company and also suggestions to further improve the operation.

The members of the Board fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliances.

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results, set annual budgets as well as discuss on the corporate directions.

The Chairman ensures that the management will supply the Board and its committees with all the relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information.

## Corporate Governance Report

### ATTENDANCE RECORD AT BOARD, AUDIT COMMITTEE, REMUNERATION COMMITTEE AND ANNUAL GENERAL MEETINGS

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Annual General Meetings during the year ended 31 May 2018 is set out below:

	Attendance/Number of Meetings			Annual General Meeting
	Board	Audit Committee	Remuneration Committee	
<i>Executive Directors</i>				
Mr. James Ang	9/9	Not applicable	Not applicable	1/1
Mr. Wei Ren	8/9	Not applicable	Not applicable	0/1
Ms. Yau Pui Chi, Maria	9/9	Not applicable	2/2	1/1
Dr. Zhong Shi	8/9	Not applicable	Not applicable	0/1
<i>Independent Non-Executive Directors</i>				
Mr. Chiang Kin Kon	8/9	4/4	2/2	1/1
Mr. Wong Kwok Fai	8/9	4/4	2/2	0/1
Mr. Chau Siu Keung	8/9	4/4	Not applicable	1/1

The Board complied with Rules 5.01 and 5.02 of the GEM Listing Rules relating to the appointment of all the three independent non-executive Directors. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

### SUPPLY OF AND ACCESS TO INFORMATION AND ACCESS TO LEGAL AND OTHER PROFESSIONAL ADVICE

To allow the Directors, in particular, all the independent non-executive Directors to make informed decisions and properly discharge their duties and responsibilities, the Company Secretary ensures the relevant Board papers are sent to all the Directors in a timely manner. All Board papers and minutes are also made available for inspection by the Directors and the Committees. All Directors, in particular, the independent non-executive Directors are informed and authorised to seek any information they require from any employee and obtain outside legal or other independent professional advice at the cost of the Company if they consider it necessary to discharge their duties as Directors of the Company.



## **Corporate Governance Report**

### **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.

### **ACCOUNTABILITY AND AUDIT**

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the financial position of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 May 2018, the Directors have selected suitable accounting policies and applied them consistently by adopting appropriate Hong Kong Financial Reporting Standards.

### **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.

### 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 2018, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

### AUDITORS' REMUNERATION

Lau & Au Yeung C.P.A. Limited has been appointed by the shareholders annually as the external auditors of the Group since 2002. For the year ended 31 May 2018, the fees charged to accounts of the Group for Lau & Au Yeung statutory audit amounted to approximately HK\$420,000 (2017: HK\$420,000).

### SHAREHOLDERS' RIGHTS

#### **Procedures for shareholders to convene an extraordinary general meeting ("EGM") and to put forward proposals at general meeting**

Any one or more shareholders holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting on a date not more than 28 days after the date on which the notice convening the meeting is given, the requisitionist(s) him/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### **Procedures for putting enquiries to the Board**

Shareholders may at any time send their enquiries and concerns to the Board in writing by addressing them to the principal place of business of Company in Hong Kong at Room C, 9/F, Max Share Centre, 373 King's Road, North Point, Hong Kong. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

## **Corporate Governance Report**

### **COMMUNICATION WITH SHAREHOLDERS**

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of annual, interim and quarterly reports, announcements, circulars, annual general meeting and other general meetings. The Group's website provides regularly updated Group information to shareholders. Enquiries on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner.

The Group encourages all shareholders to attend annual general meeting which provides a useful forum for shareholders to exchange views with the Board.

### **CONSTITUTIONAL DOCUMENTS**

There are no changes in the Company's constitutional documents during the year.

# Environmental, Social and Governance Report

This Report is prepared according to Appendix 20 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out by The Stock Exchange of Hong Kong Limited on GEM Board (“GEM Listing Rules”), and describes the efforts that Netel Technology (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) made during the year ended 31 May 2018 to achieve its environmental, social and governance goals and provides the related policies implemented by the Group.

The ESG report of the Group, presents mainly policies, initiatives and performance of the Group for the year ended 31 May 2018. It will also highlight material aspects identified during the year with the Board confirming that the report has been reviewed and approved to ensure all material issues and impacts are fairly presented. The ESG issues considered to be material are listed as follows:

ESG aspects as set forth in the ESG Guide	Material ESG issues for the Group
<b>A. Environmental</b>	
A.1 Emissions	Waste management and carbon emissions
A.2 Use of Resources	Use of electricity and water
A.3 Environment and Natural Resources	Measures in reducing environmental impact
<b>B. Social</b>	
B.1 Employment	Equal opportunities and labour practices
B.2 Health and Safety	Risk management and workplace health and safety
B.3 Development and Training	Employee development and training
B.4 Labour Standards	Child labour and forced labour
B.5 Supply Chain Management	Supplier management
B.6 Product Responsibility	Customer service and handling of personal data
B.7 Anti-corruption	Anti-corruption and money laundering
B.8 Community Investment	Community involvement

## A. ENVIRONMENTAL

The Group promotes the practice of minimising the depletion of natural resources, i.e. electricity, timber, etc., and, strictly complies with environmental protection legislations, regulations, policies and standards. The Group advocates the corporate social responsibility to protect the environment and conserve the natural resources, and is dedicated to constructing a resources-saving and environmental-friendly company.

During the reporting period, the Group did not note any non-compliance of environmental laws and regulations, and the Group has taken adequate measures to reduce waste in accordance with applicable environmental legislation, regulations, policies and standards during the course of its business.

# Environmental, Social and Governance Report

## A 1. Emissions

### Waste management

In view of the principal business activities of the Group, i.e. research and development of telecommunication and recruitment applications and provision of long distance call services and recruitment services, the Group has not produced a notable level of air and water pollutants.

The Group has established environmental policies which promote the principles of “reduce”, “reuse” and “recycle” and reduce wastes at source in the offices, including: (i) providing reusable utensils to office employees to reduce the use of disposable utensils; (ii) reusing blank side of the printed papers in printing; and (iii) reusing envelopes for internal document circulation. In addition, categorization of wastes, e.g. scrap paper, plastic bottles, aluminium cans, etc. is encouraged to facilitate efficient recycling.

The Group has also strived to improve its waste management techniques including monitoring the latest environmental regulations and market trends on new environmental practices. The Group has also put continuous efforts to improve the effectiveness of its current practices. During the reporting period, no hazardous wastes resulting from the business activities of the Group were noted.

### Carbon emissions

The major source of carbon emission of the Group is from the promotional light truck in which diesel is consumed to power the vehicle. The other source of carbon emission is from the daily operation of offices in which electricity is consumed for empowering the office equipment, lighting, computers and servers of the Group. The Group has established policies to reduce carbon emissions including: (i) limiting the use of the promotional vehicle to business use for generating headhunting and advertising income and for conducting promotional activities only; (ii) encouraging employees to take public transport when they need to work outside offices; and (iii) maintaining proper room temperature to reduce the consumption of electricity in the air-conditioning environment.

## A 2. Use of Resources

### Use of electricity

Electricity is consumed during the daily operations in offices through the use of air-conditioning, indoor lighting, functioning of office equipment and maintenance of computer server, etc. During the reporting period, 150,723 kWh electricity has been consumed by the Group.

The Group has established guidelines on energy conservation, including: (i) encouraging staff to switch off lighting, air-conditioning and office equipment while they are off work, and turn the computers to sleep mode during lunch time; (ii) installing energy saving light bulbs at offices; (iii) using refrigerator with Grade 1 energy label at offices; and (iv) posting reminders at offices to arouse the consciousness of environmental protection and energy saving.

# Environmental, Social and Governance Report

## Use of water

The Group has not consumed a significant volume of water during its course of business. Water-saving measures are only applicable to the daily office work, including displaying water-saving signs at the offices and washroom as reminders for using water efficiently.

## A 3. Environment and Natural Resources

The Group has adopted a series of policies to protect the environment and reduce the use of resources, including: (i) setting double-sided printing as default mode in the photocopiers and printers at offices; (ii) archiving the documents as softcopies and reducing the use of papers in daily office work; (iii) reminding staff to control the power and fuel for running the office air-conditioning, lighting, office equipment and motor vehicles; and (iv) developing training programme to improve employees' environmental protection awareness. The Group aims at reducing energy wastage and is committed to controlling its impact on the environment and natural resources in the long run.

## B. SOCIAL

### B 1. Employment

The Group strongly recognises employees as valuable assets and the key to success, and therefore makes efforts to improve the equality in the workplace by not discriminating against job applicants or existing employees on the basis of age, religion, race, gender, nationality, sexual orientation, political opinion, disability or marital status. The Group has formulated and implemented a comprehensive human resources policies and practices, including recruitment and promotion, compensation and dismissal, holidays, working hours, rest periods, rights on termination and other employee benefits to ensure equal treatment for all employees. These policies are stated in the employee handbook and distributed to employees upon their employment.

In order to enhance employees' loyalty and retain talented employees, the compensation system of the Group is based on individual performance. On top of the basic salary, incentives including commissions and share options are introduced and linked with individual performance to reward employees and encourage improvement.

In addition, the Group promotes work-life balance and hence organises and sponsors employee activities regularly, which includes lunch and dinner gathering, Christmas party with lucky draw, birthday celebration for employees, etc. to promote employee well-being.

As at the end of financial year, the Group had 20 (2017: 19) staff in Hong Kong and 15 (2017: 14) staff in Mainland China.

During the reporting period, the Group has not received any complaints relating to the employment or discrimination issues, and there were no non-compliance cases in relation to the relevant occupational health and safety legislation, and no working days were lost due to work-related injuries. Meanwhile, the Group complies with Employment Ordinance and Mandatory Provident Fund Schemes Ordinance and other labour related law and regulations such as Labour Law and Labour Contract Law of PRC. In addition, the Group has reached the local minimum wage standards.

# Environmental, Social and Governance Report

## **B 2. Health and Safety**

The Group is committed to maintaining a safe, hygienic and productive workplace to all employees by taking the necessary work security measures to prevent the occurrence of workplace accidents. The Group develops and distributes the work safety guidelines among employees and provides adequate training to comply with all healthy and safety legislations and ordinances.

The Group is highly concerned about the health and safety of employees, and is dedicated to improving the working environment to prevent occupational disease. Occupational health and safety record is maintained to ensure that a healthy and safe workplace is provided to employees at all times. Regular office risk assessment is also undertaken to enhance workplace safety. In addition, the Group also recognises the importance on the development of mental health of employees, and hence organises periodic gatherings and other relaxing activities to relieve the employees' pressure at work.

During the reporting period, the Group has not violated any health and safety laws and regulations and achieved zero accidents in the workplace.

## **B 3. Development and Training**

The Group focuses on the cultivation of potential talents and ensures that the skills and abilities of all employees are recognised and utilised to their full capacity. The Group develops and updates the training programme which aims specifically at increasing employees' knowledge on new services, improving operational skills, customer service and marketing techniques, and developing employees' management talents to fulfill their career goals. For new employees, the Group also provides orientation and induction programme to help them to familiarise with the new working environment.

In addition, the Group encourages its employees to advance and upgrade themselves by pursuing further studies or attempting professional examinations. The Group also supports employees to attend seminars which enhance their working skills during office hours. Besides, the Group will provide financial support to employees who successfully attain professional qualifications.

## **B 4. Labour Standards**

The Group strictly complies with the relevant child labour and forced labour employment ordinance. All applicants' identity must be verified before employment. Before entering into employment contracts with employees, full explanation on the terms of employment must be given to ensure that all employees fully understand the content of the contracts before signing.

During the reporting period, no non-compliance issues were noted regarding labour standards as required by related laws and regulations.

## Environmental, Social and Governance Report

### **B 5. Supply Chain Management**

The Group takes initiatives to maintain long term relationship with its suppliers and vendors to ensure stable supply of goods and services. The Group regularly reviews the list of suppliers and the criteria on selecting suppliers, which is subject to the quality of goods and services, price, supply stability, delivery rate, customer services and environmental, social and ethical commitment. During the reporting period, no significant risks related to the supply chain at environmental and society levels were noted.

### **B 6. Product Responsibility**

The Group is committed to providing reliable services by acting responsibly and protecting the interests of various stakeholders. The Group offers reliable services by providing customer services with quality and handling personal data with due care.

#### **Providing customer services with quality**

The Group aims at providing unique and satisfying customer services to achieve customer loyalty and maintain long term customer relationship. The Group provides training to employees who provide customer services to understand customers' needs and provide after-sale services. When designing marketing campaign, the Group ensures the information is accurate, reliable and not misleading to customers.

#### **Handling personal data with due care**

The Group handles a large amount of personal data during the conduct of its headhunting business. Therefore, the Group ensures all employees understand the procedures on handling personal data by signing to confirm the data protection policy designed by the Group in accordance with Personal Data (Privacy) Ordinance. Whenever there is a collection of personal data from the public, a Personal Information Collection Statement will be provided to ensure that the public understands the purpose of collecting their personal data and the fact that the Group will not use their personal data for any other purposes before the consent of the data subject. Besides, a Privacy Policy Statement is also published in the same paper form and the Groups' websites that collect the personal data so that the public can understand the policies and procedures of the Group in relation to the collection, holding and using of their personal data.

During the reporting period, no material non-compliance issues were noted regarding product responsibility as required by related laws and regulations.



## Environmental, Social and Governance Report

### **B 7. Anti-corruption**

The Group strives to maintain a high standard of business ethics and integrity during the course of its business. The Group's employees must comply with the code of ethics and laws and regulations in performing their daily work. In addition, the Group has established and communicated its internal guidelines for monitoring bribery, anti-money laundering and gifts or advantages received from suppliers or given to customers. A whistle-blowing channel is also established to encourage employees to report any suspicious cases, and any reported cases would be investigated and followed up timely by independent personnel.

During the reporting period, the Group does not aware of any corruption matters or any complaints relating to anti-money laundering against the Group or its employees.

### **B 8. Community Investment**

The Group has devoted time and efforts to contribute to the society and encourage all employees to actively participate in environmental protection and various volunteer work for the community.

In the future, the Group will promote the health of its employees by organising sports activities and joint holding health talks, and will seek opportunities to work with various charitable organisations and join their community programme in order to promote the well-being of the society. By participating in community activities, the Group would be able to balance the interests among different stakeholders and achieve the goal of sustainable development.

# Report of the Directors

The Board of Directors (the “Board”) of Netel Technology (Holdings) Limited (the “Company”) is pleased to present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 May 2018.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and is incorporated in the Cayman Islands. The activities of the subsidiaries are set out in Note 35 to the consolidated financial statements.

An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

## BUSINESS REVIEW AND OUTLOOK

A review of the Group’s performance, business activities and outlook is included in the section “Chairman’s Statement” on pages 4 to 5 and the section “Management Discussion and Analysis” on pages 6 to 8 of the annual report.

### Risks and uncertainties

The principal risks and uncertainties faced by the Group have been addressed in the section “Management Discussion and Analysis” in this report. In addition, various financial risks have been disclosed in Note 3 to the consolidated financial statements.

### Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meets the required standards and ethics in respect of environmental protection.

### Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and has taken efforts to minimise the risks of non-compliance with such requirements. The Group has an on-going review on the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material breach of non-compliance with the laws and regulations that have a significant impact on the business and operations of the Group.

## **Report of the Directors**

### **Key relationships with employees, customers and suppliers**

The Group regularly reviews the employment policies on remuneration and other benefits and ensures that all its staff are reasonably remunerated. On the other hand, the Group maintains a good relationship and close contact with its customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions. The Group will also conduct review on the suppliers' performance on a regular basis.

### **FUND RAISING ACTIVITIES**

To meet the imminent need of funding for general working capital of the Group to support its normal operation, the Company has completed various fund raising activities during the year. Details of fund raising activities and use of proceeds are set out in Note 27 to the consolidated financial statements.

### **SEGMENT INFORMATION**

An analysis of the Group's performance by operating segments is set out in Note 5 to the consolidated financial statements.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 May 2018 are set out in the Group's consolidated statement of profit or loss and other comprehensive income on page 41 of the annual report.

### **DIVIDEND**

The Board of Directors does not recommend the payment of dividend in respect for the year ended 31 May 2018 (2017: Nil).

### **RESERVES**

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 44 of the annual report.

### **DISTRIBUTABLE RESERVE**

As at 31 May 2018, there are no reserves available for distribution to the shareholders of the Company.

### **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial years ended 31 May 2018, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 114 of the annual report.

### SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 27 to the consolidated financial statements.

### EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 36 to the consolidated financial statements, no significant events have taken place subsequent to 31 May 2018 and up to the date of this report.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the articles of association of the Company (the "Articles of Association") requiring the Company to offer new shares to the existing shareholders in proportion to their shareholding, and there is no restriction against such rights under the laws of the Cayman Islands.

### PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 May 2018, 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.

## Report of the Directors

The following shows the outstanding position as at 31 May 2018 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 1.6.2017	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Balance as at 31.5.2018
<b>Under Share Option Scheme</b>								
<b>Name of Directors</b>								
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
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>11,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,400,000</u>
<b>Other employees and individuals</b>								
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>40,140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,140,000</u>
<b>Under New Share Option Scheme</b>								
<b>Name of Directors</b>								
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	14.10.2016	0.1184	14.10.2016 to 13.10.2026	1,000,000	-	-	-	1,000,000
Mr. James Ang	14.06.2017	0.11	14.06.2017 to 13.06.2027	-	2,133,000	(2,133,000)	-	-
Ms. Yau Pui Chi, Maria	14.06.2017	0.11	14.06.2017 to 13.06.2027	-	2,133,000	(2,133,000)	-	-
				<u>17,500,000</u>	<u>4,266,000</u>	<u>(4,266,000)</u>	<u>-</u>	<u>17,500,000</u>
<b>Other employees and individuals</b>								
In aggregate	16.05.2014	0.145	16.05.2014 to 15.05.2024	7,880,000	-	-	(1,480,000)	6,400,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	57,400,000	-	(7,600,000)	(2,000,000)	47,800,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	22,000,000	-	-	(7,000,000)	15,000,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	12,800,000	-	-	(2,500,000)	10,300,000
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	22,200,000	-	-	(3,000,000)	19,200,000
	14.06.2017	0.11	14.06.2017 to 13.06.2027	-	43,200,000	(12,755,000)	(6,000,000)	24,445,000
				<u>122,280,000</u>	<u>43,200,000</u>	<u>(20,355,000)</u>	<u>(21,980,000)</u>	<u>123,145,000</u>
Sub-total				<u>139,780,000</u>	<u>47,466,000</u>	<u>(24,621,000)</u>	<u>(21,980,000)</u>	<u>140,645,000</u>
Total				<u>179,920,000</u>	<u>47,466,000</u>	<u>(24,621,000)</u>	<u>(21,980,000)</u>	<u>180,785,000</u>

During the year ended 31 May 2018, 47,466,000 share options were granted under the New Share Option Scheme (2017: 43,320,000), 24,621,000 share options were exercised (2017: 33,390,000), 21,980,000 share options were lapsed (2017: 7,500,000) and no share options were cancelled (2017: Nil).

## Report of the Directors

### DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

#### *Executive Directors*

Mr. James Ang (*Chairman*)

Mr. Wei Ren

Ms. Yau Pui Chi, Maria

Dr. Zhong Shi

#### *Independent Non-Executive Directors (“INEDs”)*

Mr. Chiang Kin Kon

Mr. Wong Kwok Fai

Mr. Chau Siu Keung

In accordance with Article 87(1) of the Company's Articles of Association, Mr. James Ang, Dr. Zhong Shi and Mr. Chau Siu Keung will retire from office by rotation and, being eligible; offer themselves for re-election at the forthcoming annual general meeting.

### INDEPENDENCE CONFIRMATION

The Company has received an annual written confirmation from each of its independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

### BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

All the Directors have been appointed for no specific term, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

## Report of the Directors

### PERMITTED INDEMNITY

During the year ended 31 May 2018 and up to the date of this report, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force for the benefit of the Directors.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the service contracts, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year ended 31 May 2018.

### 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 2018, 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 GEM 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	-	-	24,884,000 (Note 1)	-	-	24,884,000	2.05
	Beneficial owner	309,935,819	38,322,000 (Note 2)	-	-	-	348,257,819	28.68
Ms. Yau Pui Chi, Maria ("Ms. Yau") (Spouse of Mr. Ang)	Beneficial owner	38,322,000	334,819,819 (Note 3)	-	-	-	373,141,819	30.73
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	1.38

## Report of the Directors

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. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000	0.233	4,300,000	0.35
					1,000,000	0.111		
					1,000,000	0.1184		
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000	0.233	3,200,000	0.26
					1,000,000	0.111		
					1,000,000	0.1184		
Mr. Chau Siu Keung	Beneficial owner	1,272,000	-	-	1,200,000	0.233	3,472,000	0.29
					1,000,000	0.1184		

### Note:

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited ("Cyber Wealth") and 21,694,000 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 38,322,000 shares held by Ms. Yau in person.
- 3) These shares are registered as 309,935,819 shares held by Mr. Ang in person; and 3,190,000 shares held by Cyber Wealth and 21,694,000 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 2018.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



## **Report of the Directors**

### **MAJOR CUSTOMERS AND SUPPLIERS**

The Group's sales to its five largest customers accounted for approximately 55% (2017: 54%) of the Group's total turnover for the year ended 31 May 2018.

Purchases for the largest supplier for the year ended 31 May 2018 represented approximately 76% (2017: 52%) of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group for the year ended 31 May 2018 accounted for approximately 92% (2017: 78%) of the total purchases of the Group for the year ended 31 May 2018.

Except for the transaction as disclosed in Note 33 to the consolidated financial statements, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

### **CONNECTED TRANSACTIONS**

Significant related party transactions entered by the Group during the year ended 31 May 2018, which constitute exempted connected transactions under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"), are disclosed in Note 33 to the consolidated financial statements.

### **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 report, 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 2018, 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.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule").

### RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Particulars of the MPF are set out in Note 2.22 to the consolidated financial statements.

### CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 11 to 18 of the annual report.

### 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 2018, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

### REMUNERATION COMMITTEE

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.

## Report of the Directors

### 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.

### AUDITOR

The accompanying consolidated financial statements have been audited by Lau & Au Yeung C.P.A. Limited. Lau & Au Yeung C.P.A. Limited will retire and a resolution to re-appoint Lau & Au Yeung C.P.A. Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**James Ang**  
*Chairman*

Hong Kong, 29 August 2018

# Independent Auditor's Report



劉歐陽會計師事務所有限公司

LAU & AU YEUNG C.P.A. LIMITED

## **Lau & Au Yeung C.P.A. Limited**

21/F., Tai Yau Building  
181 Johnston Road, Wanchai  
Hong Kong

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NETEL TECHNOLOGY (HOLDINGS) LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of Netel Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 113, which comprise the consolidated statement of financial position as at 31 May 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2018, 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.

### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

## 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\$3,097,000 during the year ended 31 May 2018. 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's and its subsidiaries' ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Recoverability of trade and other receivables

Refer to Note 20 to the consolidated financial statements.

As at 31 May 2018, the Group has trade and other receivables of HK\$10.92 million and the provision for doubtful debts amounted to HK\$4.51 million. The net receivables represented 36.56% of the Group's total assets.

Trade receivables of the Group comprise mainly receivables from the sales of calling cards and telecommunication equipment, recruitment related services including job posting, headhunt services and recruitment car rentals, IT applications prospecting and related services, and the e-commerce trading business.

Management assessed the recoverability of trade and other receivables by reviewing customers' aging profile, credit history and status of subsequent settlement, and determine whether an impairment provision is required.

Our audit procedures in relation to the recoverability of trade and other receivables included:

- Tested the accuracy of ageing of trade receivables on a sample basis;
- Verified the balances of trade and other receivables by request and received of confirmations on a sample basis;
- Understood the management's basis and assessment in relation to the recoverability of trade and other receivables;

## Independent Auditor's Report

### KEY AUDIT MATTERS (Continued)

#### Key Audit Matter

##### **Recoverability of trade and other receivables** (Continued)

For the purpose of impairment assessment, significant judgement and assumptions, including the credit risks of customers, the timing and amount of realisation of these receivables, are required for the identification of impairment events and the determination of the impairment charge.

For this reason, we identified the recoverability of trade and other receivables as a key audit matter.

#### How our audit addressed the Key Audit Matter

- Tested the accuracy of calculation of impairment provision for trade receivables by management at the year end in accordance with the Group's stated provision policy;
- Assessed the recoverability of outstanding receivables from customers with significant past due but not impaired balances, through our discussion with management and latest correspondence with customers; and
- Assessed the recoverability of balances by comparing the outstanding amounts as at year end against subsequent settlements.

##### **Impairment assessment of internally generated intangible assets**

Refer to Note 15 to the consolidated financial statements.

As at 31 May 2018, the Group's intangible assets amounted to HK\$7.22 million. The intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Management assessed the recoverable amounts of the intangible assets by preparing impairment assessment based on value in use calculations. The calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units to which the intangible assets belonged to and the use of a suitable discount rate in order to calculate the present value.

Significant estimation and judgement are required by management with respect to the use of discount rates and the underlying cash flows, in particular future revenue growth and capital expenditure, and other underlying assumptions as well.

Our audit procedures in relation to the impairment assessment of internally generated intangible assets included:

- Evaluated and challenged the basis by which the management's future cash flow forecasts and impairment assessment was prepared;
- Assessed the appropriateness of the key assumptions including revenue growth rate and discount rate;
- Found for the supporting and available evidence on the estimation and judgement made by the management in relation to the preparation of future cash flows expected to arise from the cash-generating units to which the intangible assets belonged to;
- Checked the mathematical accuracy of the value in use calculations by the management for the purpose of impairment assessment; and

## Independent Auditor's Report

### KEY AUDIT MATTERS *(Continued)*

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

#### Impairment assessment of internally generated intangible assets

*(Continued)*

- For this reason, we identified the impairment assessment of intangible assets as a key audit matter.
- Considered the results of sensitivity analysis on reasonably possible downside changes in key assumptions adopted by the management.

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the Group's 2018 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Lau & Au Yeung C.P.A. Limited**

*Certified Public Accountants*

**Franklin Lau Shiu Wai**

Practising Certificate Number: P01886

Hong Kong, 29 August 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 May 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	5&6	29,052	3,315
Cost of sales		<u>(15,124)</u>	<u>(2,219)</u>
Gross profit		13,928	1,096
Other income	6	2,135	55
Selling and marketing expenses		(291)	(152)
Administrative expenses		<u>(17,680)</u>	<u>(22,119)</u>
Operating loss	7	(1,908)	(21,120)
Finance costs	8	(1,048)	(111)
Share of profit/(loss) of associates		<u>—</u>	<u>—</u>
Loss before income tax		(2,956)	(21,231)
Income tax expense	9	<u>(141)</u>	<u>(6)</u>
Loss for the year		(3,097)	(21,237)
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive loss for the year		<u><b>(3,097)</b></u>	<u><b>(21,237)</b></u>
Loss for the year attributable to:			
– Equity holders of the Company		(3,186)	(21,206)
– Non-controlling interests		<u>89</u>	<u>(31)</u>
		<u><b>(3,097)</b></u>	<u><b>(21,237)</b></u>
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		(3,186)	(21,206)
– Non-controlling interests		<u>89</u>	<u>(31)</u>
		<u><b>(3,097)</b></u>	<u><b>(21,237)</b></u>
Loss per share attributable to equity holders of the Company			
– Basic and diluted	11	<u><b>HK (0.27 cents)</b></u>	<u>HK (1.93 cents)</u>

The notes on pages 46 to 113 form an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 May 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	14	845	905
Intangible assets	15	7,219	5,769
Interests in associates	16	3	3
Interest in a joint venture	17	50	50
Available-for-sale financial assets	18	—	—
		<u>8,117</u>	<u>6,727</u>
<b>Current assets</b>			
Inventories	19	145	134
Trade receivables	20	9,937	1,014
Prepayments, deposits and other receivables	20	981	948
Bank balances and cash	21	10,683	4,284
		<u>21,746</u>	<u>6,380</u>
<b>Total assets</b>		<u><b>29,863</b></u>	<u><b>13,107</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	27	24,285	23,793
Share premium and reserves	28	(21,868)	(23,438)
		<u>2,417</u>	<u>355</u>
<b>Non-controlling interests</b>		<u>(48)</u>	<u>(142)</u>
<b>Total equity</b>		<u><b>2,369</b></u>	<u><b>213</b></u>

# Consolidated Statement of Financial Position

As at 31 May 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance lease	26	28	138
Corporate bonds	30	<u>7,736</u>	<u>7,096</u>
		<u>7,764</u>	<u>7,234</u>
<b>Current liabilities</b>			
Trade payables	22	4,614	2,141
Receipt in advance, accruals and other payables	22	3,209	2,986
Amounts due to directors	23	4,595	423
Tax payable		147	6
Loan from non-controlling interest	24	400	–
Other loan	25	500	–
Obligations under finance lease	26	110	104
Corporate bonds	30	<u>6,155</u>	<u>–</u>
		<u>19,730</u>	<u>5,660</u>
<b>Total liabilities</b>		<u>27,494</u>	<u>12,894</u>
<b>Total equity and liabilities</b>		<u>29,863</u>	<u>13,107</u>
<b>Net current assets</b>		<u>2,016</u>	<u>720</u>
<b>Total assets less current liabilities</b>		<u>10,133</u>	<u>7,447</u>

The notes on pages 46 to 113 form an integral part of these consolidated financial statements.

The financial statements on pages 41 to 113 were approved by the Board of Directors on 29 August 2018 and were signed on its behalf.

**James Ang**  
Director

**Yau Pui Chi, Maria**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 May 2018

	Share Capital HK\$'000	Share Premium HK\$'000	Share Option Reserve 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 2016</b>	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	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	(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
<b>Total transactions with owners</b>	3,024	14,842	740	-	-	189	18,795	5	18,800
<b>Balance at 31 May and 1 June 2017</b>	23,793	163,291	13,787	(13,783)	247	(186,980)	355	(142)	213
Loss for the year	-	-	-	-	-	(3,186)	(3,186)	89	(3,097)
Other comprehensive income	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	(3,186)	(3,186)	89	(3,097)
Transactions with owners:									
Issue of shares upon exercise of share options	492	4,492	(1,715)	-	-	-	3,269	-	3,269
Grant of share options	-	-	1,307	-	-	-	1,307	-	1,307
Recognition of equity-settled share-based payments	-	-	672	-	-	-	672	-	672
Lapse of share options	-	-	(459)	-	-	459	-	-	-
Addition of non-controlling interests	-	-	-	-	-	-	-	5	5
<b>Total transactions with owners</b>	492	4,492	(195)	-	-	459	5,248	5	5,253
<b>Balance at 31 May 2018</b>	24,285	167,783	13,592	(13,783)	247	(189,707)	2,417	(48)	2,369

The other reserve represents the difference between the fair value of consideration paid to acquire non-controlling interests in subsidiaries, GBjobs.com Limited, Dolphins HR Consultancy Limited, Hong Kong Domestic Services Limited (formerly known as "Asian Talent Development Centre Limited"), Netel Digital Marketing Limited and 金飯碗人力資源服務(深圳)有限公司 and the amount of adjustment to non-controlling interests during the years ended 31 May 2017 and 2018.

The notes on pages 46 to 113 form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 May 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash used in operations	31(a)	(4,310)	(18,430)
Interest paid		(21)	(15)
<b>Net cash used in operating activities</b>		<b>(4,331)</b>	<b>(18,445)</b>
<b>Cash flows from investing activities</b>			
Additions of intangible assets		(2,948)	(1,713)
Additions of plant and equipment		(339)	(151)
<b>Net cash used in investing activities</b>		<b>(3,287)</b>	<b>(1,864)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of shares by subscriptions		–	11,931
Net proceeds from other loan	31(b)	500	–
Net proceeds from loans from non-controlling interest	31(b)	400	–
Net proceeds from issuance of corporate bonds	31(b)	6,370	7,000
Net proceeds from exercise of share options		3,269	4,452
Coupon interest paid for corporate bonds	31(b)	(595)	–
Additions of non-controlling interests		5	5
Increase/(decrease) in amounts due to directors	31(b)	4,172	(133)
Repayment of obligations under finance lease	31(b)	(104)	(98)
<b>Net cash generated from financing activities</b>		<b>14,017</b>	<b>23,157</b>
Net increase in cash and cash equivalents		<b>6,399</b>	<b>2,848</b>
Cash and cash equivalents at beginning of the year		<b>4,284</b>	<b>1,436</b>
<b>Cash and cash equivalents at end of the year</b>	21	<b>10,683</b>	<b>4,284</b>

The notes on pages 46 to 113 form an integral part of these consolidated financial statements.

# 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 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 telecommunication equipment sales and related services, research and development of IT applications, and provision of IT applications related services including prospecting, recruitment related services and e-commerce 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 29 August 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Netel Technology (Holdings) Limited and its subsidiaries.

### 2.1 Basis of preparation

- (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\$3.19 million for the year ended 31 May 2018. 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 enhancement of the Group's IT applications and related 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

- (b) The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared on a historical cost basis.

#### (i) **New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 June 2017:

Annual Improvements 2014-2016 Cycle	Amendments to HKFRS Clarification of the Scope of the Standard
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.



## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

##### (ii) New standards and interpretations not yet adopted

Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 Deletion of Short-term Exemptions for First-time Adopters <sup>1</sup>
Annual Improvements 2014-2016 Cycle	Amendments to HKAS 28 Measuring an Associate or Joint Venture at Fair Value <sup>1</sup>
Annual Improvements 2015-2017 Cycle	Amendments to HKFRSs <sup>2</sup>
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement <sup>2</sup>
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Venture <sup>2</sup>
HKAS 40 (Amendments)	Transfers of Investment Property <sup>1</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation <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 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 (Amendments)	Clarification to HKFRS 15 <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018 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, except the following set out below:

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### (ii) New standards and interpretations not yet adopted *(Continued)*

###### **HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### (ii) New standards and interpretations not yet adopted *(Continued)*

###### HKFRS 9 Financial Instruments *(Continued)*

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### (ii) New standards and interpretations not yet adopted *(Continued)*

###### **HKFRS 15 Revenue from Contracts with Customers**

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

###### ***Nature of change***

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements in respect of its service contracts with customers.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### (ii) New standards and interpretations not yet adopted *(Continued)*

##### **HKFRS 15 Revenue from Contracts with Customers** *(Continued)*

###### *Impact*

The Group performed a preliminary assessment of HKFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The following revenue stream has been identified as being impacted by the adoption of the new standard:

Area: The initial joining fees received from customers to participate as agents of the Group. The Group acts as principal and will offer headhunting candidates for the PRC talent market to its agents with priority.

Current treatment: The fees are recognised as revenues when no significant uncertainty as to its collectability exists.

New treatment under HKFRS 15: The service contracts with customers contain more than one performance obligations as the Group will also make available of various supportive services to the customers as its agents. A portion of revenue will be allocated to these services when they are provided to the customers. The revenue will subsequently be recognised at a time when the services are rendered.

The Group is still assessing the effects of applying this new standard. Based on management's initial assessment, the adoption of HKFRS 15 is not expected to have a material impact on the Group's consolidated financial statements.

###### *Date of adoption by the Group*

The Group intends to adopt the standard on all uncompleted contracts as at 1 June 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 June 2018 that comparatives will not be restated.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### (ii) New standards and interpretations not yet adopted *(Continued)*

###### **HKFRS 16 Leases**

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value. At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.2 Principles of consolidation and equity accounting

##### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

##### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

##### (iii) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.2 Principles of consolidation and equity accounting *(Continued)*

##### (iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

##### (v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.



## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The board of the Group has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

#### 2.6 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Computer and software	33 $\frac{1}{3}$ %
Telecommunication equipment	10%
Motor vehicles	20%

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.6 Plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

#### 2.7 Intangible assets

Cost associated with maintaining telecommunication and computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.7 Intangible assets *(Continued)*

An intangible asset with an infinite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortised using the straight-line method or units of production method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortised.

The Group shall review the useful life of intangible asset with an infinite useful life and the amortisation method applied at least at the end of each reporting period. A change in the useful life or amortisation method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group shall estimate the useful life of that asset and apply the accounting policies accordingly.

##### (i) Website development costs

Website development costs recognised as assets are amortised over their estimated useful lives of five years. The assets' useful lives and their amortisation method are reviewed annually.

##### (ii) Telecommunication and IT applications and value-added service software development costs

Telecommunication and IT applications and value-added service software development costs are amortised over their estimated useful lives of five years when the assets are available for use. The assets' useful lives and their amortisation method are reviewed annually.

#### 2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.9 Available-for-sale financial assets

The Group classifies its financial assets as available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within twelve months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.9 Available-for-sale financial assets *(Continued)*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

#### 2.10 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Group's functional and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.10 Foreign currency translation *(Continued)*

##### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### 2.11 Leases

##### (a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

##### (b) Finance leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property or if lower, the present value of the minimum lease payments.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.11 Leases *(Continued)*

##### (b) Finance leases *(Continued)*

The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

#### 2.12 Inventories

Inventories comprise mainly telecommunication equipments, cards and accessories and are stated at the lower of cost and net realisable value. Cost comprises purchase costs which are assigned to individual items on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

#### 2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 to 120 days and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### 2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

#### 2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

#### 2.17 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

#### 2.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.21 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

- (i) Revenues in respect of provision of long distance call services, telecommunication related and value-added services, recruitment agency services and IT applications prospecting and related services are recognised when the services are rendered.
- (ii) Revenue from the sale of equipment and the e-commerce and trading business is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the equipment and goods are delivered to customers and the title has passed.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### 2.22 Employee benefits

##### (a) Employee leave entitlements

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

##### (b) Pension obligations

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.22 Employee benefits *(Continued)*

##### (c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

##### (d) Share-based payment transactions

Share-based compensation benefits are provided to employees via a share option scheme. Information relating to this scheme is set out in Note 29.

The fair value of options granted under the share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.23 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified at fair value through profit or loss of which the interest is included in net gains or losses.

#### (a) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (b) Corporate bonds

Corporate bonds issued by the Company with no conversion rights are initially recognised at fair value minus transaction costs that are directly attributable to the issue of the corporate bonds, and subsequently measured at amortised cost using the effective interest method.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including credit risk, cash flow interest rate risk, foreign exchange risk and liquidity risk. These risks are managed by the Group's financial management policies and practices as described below to minimise potential effects on the Group's financial performance.

##### (a) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, trade receivables, deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable. The Group currently adopts the following rates for provision on long outstanding debts to ensure that adequate impairment provision is made for any irrecoverable amounts:

181 – 365 days	50%
Over 365 days	100%

The credit risk on deposits with bank is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

The credit risk on deposits and other receivables is limited as management is of the opinion that the recoverability of these balances is highly probable.

##### (b) Cash flow interest rate risk

As the Group has no significant interest-bearing assets or liabilities, except for certain loans, finance lease liabilities and corporate bonds charged at pre-determined rates, its income and operating cash flows are substantially independent of changes in market interest rates.

##### (c) Foreign exchange risk

Operations of the Group are mainly conducted in HK\$ and its revenue, expenses, assets and liabilities are principally denominated in HK\$, which do not pose significant foreign exchange risk at present. Procedures are in place to monitor possible exposure to foreign exchange risk in the operations on a continuous basis.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to finance its operations with its own capital and earnings and borrowings or credit facilities utilised during the year. Management considers that the Group does not have any significant liquidity risk.

The table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year or on demand HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
As at 31 May 2018			
Trade and other payables	7,823	–	–
Amounts due to directors	4,595	–	–
Loan from non-controlling interest	400	–	–
Other loan	500	–	–
Obligations under finance lease	110	28	–
Corporate bonds	6,155	461	7,275
	<b>19,583</b>	<b>489</b>	<b>7,275</b>
	Less than 1 year or on demand HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
As at 31 May 2017			
Trade and other payables	5,127	–	–
Amounts due to directors	423	–	–
Obligations under finance lease	104	138	–
Corporate bonds	–	1,524	5,572
	<b>5,654</b>	<b>1,662</b>	<b>5,572</b>

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.2 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Group mainly consists of equity and amounts due to directors. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and equity instruments to raise fund or sell assets to reduce debts. The Group monitors capital on the mechanism of comparing total debts and total equity, to determine when new investment or advance from directors is required to commit the current debts.

The gearing ratio is defined as total borrowings divided by the shareholders' fund. As at 31 May 2018, except for loan from non-controlling interest, other loan, finance lease and corporate bonds, the Group did not have any other interest bearing liability (2017: Nil, except for finance lease and corporate bonds). As such, gearing ratio was not adopted.

#### 3.3 Fair value estimation

- (a) The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.
- (b) Fair value measurements recognised in the consolidated statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).



## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

(b) (Continued)

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-	-

There was no transfer between Level 1 and Level 2 for the years ended 31 May 2018 and 2017.

#### 3.4 Financial instruments by category

Other than the unlisted equity investments being classified as available-for-sale financial assets as disclosed in note 18 to the consolidated financial statements, all financial assets and liabilities of the Group as at 31 May 2018 and 2017 were loans and receivables and financial liabilities stated at amortised costs, respectively.

## Notes to the Consolidated Financial Statements

### 4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### (a) Going concern

The Group's management's assessment of the going concern assumption involves making a judgment, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 2.1(a) to the consolidated financial statements.

#### (b) Useful lives of plant and equipment

The Directors determine the estimated useful lives and residual values for its plant and equipment. The Directors revise the depreciation charge when useful lives are different from previous estimates. Obsolete or non-strategic assets, that have been abandoned or sold, shall be written off or written down.

#### (c) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimate. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

#### (d) Impairment of intangible and non-financial assets

Included in the consolidated statement of financial position as at 31 May 2018 are intangible assets in relation to website related and telecommunication and IT applications development projects (the "Projects"). In reviewing impairment on the Group's intangible assets, the Directors have reviewed the discounted future cash flows of the Projects and have considered, based on their estimates and judgments, on the future prospects and economic benefits of the Projects.

## Notes to the Consolidated Financial Statements

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

#### (d) Impairment of intangible and non-financial assets *(Continued)*

The Group tests annually whether other non-financial assets have suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of management's assumptions and estimates.

#### (e) Share-based payments

The fair value of option granted is measured using the Binomial Option Pricing Model based on various assumptions on volatility, option life and nature, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at date of grant. The fair value of share-based payments is subsequently recognised in accordance with the accounting policy stated in Note 2.22.

#### (f) Useful lives of telecommunication and IT applications and value-added service software development costs

The Directors reviewed the useful lives of telecommunication and IT applications and value-added service software development costs, and considered that their useful lives were finite. Accordingly, the telecommunication and IT applications and value-added service software development costs are amortised over their estimated useful lives of five years when the assets are available for use.

### 5 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 two reportable operating segments, which are the telecommunication equipment sales and related services segment and IT applications segment. IT applications segment are further classified into sub-divisions in (i) Prospecting and related services, (ii) GBjobs and recruitment related services, and (iii) E-commerce and trading business.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss earned by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, including central administration costs, certain directors' emoluments, corporate legal and consultancy expenses, share-based payments, and other income including interest income from cash and bank balances.

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION *(Continued)*

#### (a) Segment information *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than certain cash and bank balances, receivables, amounts due to directors and borrowings including corporate bonds, before their usage and allocation to a specific operating segment can be determined by the management of the Group.

#### (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.

	2018				Total HK\$'000
	Telecommunication equipment sales and related services HK\$'000	IT application- Prospecting and related services HK\$'000	IT application- GBjobs and recruitment related services HK\$'000	IT application- E-commerce and trading HK\$'000	
Segment revenue	<u>15,545</u>	<u>6,180</u>	<u>6,200</u>	<u>1,127</u>	<u>29,052</u>
Segment results	<u>260</u>	<u>1,423</u>	<u>1,562</u>	<u>22</u>	3,267
Other income					<u>2,135</u>
Operating profit					5,402
Unallocated costs					(7,310)
Finance costs					<u>(1,048)</u>
Loss before income tax					(2,956)
Income tax expense					<u>(141)</u>
Loss for the year					<u>(3,097)</u>

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (Continued)

#### (b) Business segments – primary reporting format (Continued)

	2018				Total HK\$'000
	Telecommunication equipment sales and related services HK\$'000	IT application- Prospecting and related services HK\$'000	IT application- GBjobs and recruitment related services HK\$'000	IT application- E-commerce and trading HK\$'000	
Segment assets	3,028	10,473	10,331	928	24,760
Unallocated assets					5,103
Total assets					<u>29,863</u>
Segment liabilities	5,286	868	742	29	6,925
Unallocated liabilities					20,569
Total liabilities					<u>27,494</u>
Capital expenditures	-	3,117	170	-	3,287
Unallocated capital expenditures					-
					<u>3,287</u>
Depreciation and amortisation	40	891	964	2	1,897
Unallocated depreciation and amortisation					-
					<u>1,897</u>

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION *(Continued)*

#### (b) Business segments – primary reporting format *(Continued)*

	2017 (Restated)				
Telecommunication equipment sales and related services HK\$'000	IT application- Prospecting and related services HK\$'000	IT application- GBjobs and recruitment related services HK\$'000	IT application- E-commerce and trading HK\$'000	Total HK\$'000	
Segment revenue	590	–	1,059	1,666	3,315
Segment results	(1,389)	–	(8,376)	(195)	(9,960)
Other income					55
Operating loss					(9,905)
Unallocated costs					(11,215)
Finance costs					(111)
Loss before income tax					(21,231)
Income tax expense					(6)
Loss for the year					(21,237)

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (Continued)

#### (b) Business segments – primary reporting format (Continued)

	2017 (Restated)				
	Telecommunication equipment sales and related services HK\$'000	IT application- Prospecting and related services HK\$'000	IT application- GBjobs and recruitment related services HK\$'000	IT application- E-commerce and trading HK\$'000	Total HK\$'000
Segment assets	<u>629</u>	<u>3,242</u>	<u>4,221</u>	<u>661</u>	8,753
Unallocated assets					<u>4,354</u>
Total assets					<u>13,107</u>
Segment liabilities	<u>2,840</u>	<u>–</u>	<u>1,342</u>	<u>18</u>	4,200
Unallocated liabilities					<u>8,694</u>
Total liabilities					<u>12,894</u>
Capital expenditures	<u>–</u>	<u>1,542</u>	<u>322</u>	<u>–</u>	1,864
Unallocated capital expenditures					<u>–</u>
					<u>1,864</u>
Depreciation and amortisation	<u>30</u>	<u>–</u>	<u>1,169</u>	<u>37</u>	1,236
Unallocated depreciation and amortisation					<u>–</u>
					<u>1,236</u>

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (Continued)

#### (c) Geographical segments – secondary reporting format

	2018			
	Segment revenue HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditures HK\$'000
Hong Kong	15,627	(2,739)	26,532	2,948
Mainland China and other countries	<u>13,425</u>	<u>(2,352)</u>	<u>3,331</u>	<u>339</u>
	<u>29,052</u>	<u>(5,091)</u>	<u>29,863</u>	<u>3,287</u>
Other income		<u>2,135</u>		
Loss before income tax		(2,956)		
Income tax expense		<u>(141)</u>		
Loss for the year		<u>(3,097)</u>		
	2017			
	Segment revenue HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditures HK\$'000
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>3,315</u>	<u>(21,286)</u>	<u>13,107</u>	<u>1,864</u>
Other income		<u>55</u>		
Loss before income tax		(21,231)		
Income tax expense		<u>(6)</u>		
Loss for the year		<u>(21,237)</u>		



## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (Continued)

#### (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:

	2018 HK\$'000	2017 HK\$'000
Customer A	5,082	–
Customer B	3,879	–
Customer C	3,876	–
Customer D	–	1,041
Customer E	–	399

Revenues from Customers A and B of telecommunication equipment sales and related services represent approximately HK\$8,961,000 of the Group's total revenues. Revenues from Customer C of telecommunication equipment sales and related services and IT application related services represent approximately HK\$3,876,000 of the Group's total revenues (2017: Revenues from e-commerce and trading approximately HK\$1,440,000).

### 6 REVENUE AND OTHER INCOME

The Group is principally engaged in telecommunication equipment sales and related services and IT applications related services. Revenue and other income recognised during the year are as follows:

	2018 HK\$'000	2017 HK\$'000
Revenue		
Telecommunication equipment sales and related services	15,545	590
IT application – Prospecting and related services	6,180	–
IT application – GBjobs and recruitment related services	6,200	1,059
IT application – E-commerce and trading	1,127	1,666
	<u>29,052</u>	<u>3,315</u>
Other income		
Exchange gain	13	13
Over-provision of accruals and trade payables	2,122	–
Sundry income	–	42
	<u>2,135</u>	<u>55</u>
	<u>31,187</u>	<u>3,370</u>

## Notes to the Consolidated Financial Statements

### 7 OPERATING LOSS

	2018	2017
	HK\$'000	HK\$'000
Operating loss is stated after charging the following:		
Auditor's remuneration	420	420
Amortisation of intangible assets	1,498	841
Bad debt	36	15
Cost of inventories sold	14,469	2,219
Depreciation		
– owned assets	293	284
– leased assets	106	111
Loss on disposal of plant and equipment	–	35
Operating lease – land and buildings	1,231	961
Provision for doubtful debts	470	46
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	7,697	13,121
– employee and individual share options benefits	1,979	2,412
– retirement benefits scheme contributions	314	271

### 8 FINANCE COSTS

	2018	2017
	HK\$'000	HK\$'000
Interest expense on corporate bonds	1,020	96
Interest expense on loans from non-controlling interest	8	–
Interest expense on other loan	10	–
Finance lease interests	10	15
	<b>1,048</b>	<b>111</b>

## Notes to the Consolidated Financial Statements

### 9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

The PRC enterprise income tax in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. The subsidiaries of the Group in the PRC are eligible small-size and low profits enterprises and are entitled to domestic tax concession at the reduced rate of 20% for the year ended 31 May 2018.

	2018 HK\$'000	2017 HK\$'000
Hong Kong profits tax		
–for current year	30	6
–over-provision in respect of prior year	(4)	–
	26	6
PRC enterprise income tax	115	–
	<b>141</b>	<b>6</b>

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 (2017: 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:

	2018 HK\$'000	2017 HK\$'000
Loss before income tax	(2,956)	(21,231)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(464)	(3,591)
Income not taxable for taxation purposes	–	(1)
Expenses not deductible for taxation purposes	585	591
Utilisation of tax loss	(302)	–
Tax losses not recognised	678	3,187
Accelerated depreciation not recognised	(222)	(180)
Tax concession	(116)	–
Over-provision of profits tax in prior year	(4)	–
Others	(14)	–
Income tax expense	<b>141</b>	<b>6</b>

## Notes to the Consolidated Financial Statements

### 10 DIVIDEND

The Directors do not recommend the payment of dividend in respect for the year ended 31 May 2018 (2017: Nil).

### 11 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\$3,186,000 (2017: HK\$21,206,000) and the weighted average number of approximately 1,202,388,000 ordinary shares (2017: 1,098,332,000 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 2018 and 2017 respectively, as the share options had anti-dilutive effects.

### 12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	10,411	14,728
Employee and individual share options benefits	1,979	2,412
Retirement benefits scheme contributions	391	377
	<u>12,781</u>	<u>17,517</u>

Note: Salaries paid to an executive Director and certain staff of the Group of approximately HK\$2,791,000 (2017: HK\$1,713,000), which were wholly and exclusively attributable to the development of telecommunication and IT applications and value-added service software, were capitalised as intangible assets as at 31 May 2018 and 2017.

## Notes to the Consolidated Financial Statements

### 13 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

#### (a) Directors' emoluments

The aggregate amount of emoluments paid and payable to the Directors of the Company are as follows:

	2018				2017	
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Employee share option benefits HK\$'000	Total HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Mr. James Ang	–	3,384	18	45	3,447	7,488
Mr. Wei Ren	57	–	–	–	57	55
Ms. Yau Pui Chi, Maria	–	1,332	18	45	1,395	2,380
Dr. Zhong Shi	–	345	8	197	550	1,112
	<u>57</u>	<u>5,061</u>	<u>44</u>	<u>287</u>	<u>5,449</u>	<u>11,035</u>
<b>Non-executive Directors</b>						
Mr. Chiang Kin Kon	–	–	–	–	–	27
Mr. Wong Kwok Fai	3	–	–	–	3	27
Mr. Chau Siu Keung	3	–	–	–	3	27
	<u>6</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6</u>	<u>81</u>
	<u>63</u>	<u>5,061</u>	<u>44</u>	<u>287</u>	<u>5,455</u>	<u>11,116</u>

For the year ended 31 May 2018, Mr. James Ang has waived his director's salaries as an executive director of the Company of approximately HK\$932,000 (2017: None of the directors of the Company or operating subsidiary waived nor agreed to waive their emoluments).

## Notes to the Consolidated Financial Statements

### 13 EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2017: three) directors whose emoluments have been reflected in the analysis presented above. The emoluments paid or payable to the remaining two (2017: two) individuals during the year are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	879	901
Employee share options benefits	241	532
Retirement benefits scheme contributions	33	34
	<b>1,153</b>	1,467

The emoluments of these individuals fell within the following bands:

	<b>Number of individuals</b>	
	<b>2018</b>	2017
Emolument bands		
Nil to HK\$1,000,000	2	2
	<b>2</b>	2

During the current and prior years, no emoluments were paid by the Group to any of the above Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## Notes to the Consolidated Financial Statements

### 14 PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer and software HK\$'000	Telecom- munication equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
<b>At 1 June 2016</b>						
Cost	1,736	1,588	1,426	11,515	1,179	17,444
Accumulated depreciation	(1,218)	(1,401)	(1,347)	(11,506)	(788)	(16,260)
Net book value	<u>518</u>	<u>187</u>	<u>79</u>	<u>9</u>	<u>391</u>	<u>1,184</u>
<b>Year ended 31 May 2017</b>						
Opening net book value	518	187	79	9	391	1,184
Additions	33	67	51	–	–	151
Disposals	(568)	(2)	–	–	–	(570)
Depreciation	(148)	(73)	(49)	(7)	(118)	(395)
Written-back on disposals	534	1	–	–	–	535
Closing net book value	<u>369</u>	<u>180</u>	<u>81</u>	<u>2</u>	<u>273</u>	<u>905</u>
<b>At 31 May 2017</b>						
Cost	1,201	1,653	1,477	11,515	1,179	17,025
Accumulated depreciation	(832)	(1,473)	(1,396)	(11,513)	(906)	(16,120)
Net book value	<u>369</u>	<u>180</u>	<u>81</u>	<u>2</u>	<u>273</u>	<u>905</u>
<b>Year ended 31 May 2018</b>						
Opening net book value	369	180	81	2	273	905
Additions	244	81	14	–	–	339
Depreciation	(158)	(82)	(51)	(2)	(106)	(399)
Closing net book value	<u>455</u>	<u>179</u>	<u>44</u>	<u>–</u>	<u>167</u>	<u>845</u>
<b>At 31 May 2018</b>						
Cost	1,445	1,734	1,491	11,515	1,179	17,364
Accumulated depreciation	(990)	(1,555)	(1,447)	(11,515)	(1,012)	(16,519)
Net book value	<u>455</u>	<u>179</u>	<u>44</u>	<u>–</u>	<u>167</u>	<u>845</u>

Note:

As at 31 May 2018, the carrying amount of motor vehicles of approximately HK\$144,000 (2017: HK\$250,000) was held under finance lease.

## Notes to the Consolidated Financial Statements

### 15 INTANGIBLE ASSETS

	Website development cost HK\$'000	Telecommunication and IT applications and value-added service software development costs HK\$'000	Total HK\$'000
<b>At 1 June 2016</b>			
Cost	222	8,837	9,059
Accumulated amortisation and impairment	(222)	(3,940)	(4,162)
Net book value	–	4,897	4,897
<b>Year ended 31 May 2017</b>			
Opening net book value	–	4,897	4,897
Additions	–	1,713	1,713
Amortisation	–	(841)	(841)
Closing net book value	–	5,769	5,769
<b>At 31 May 2017</b>			
Cost	222	10,550	10,772
Accumulated amortisation and impairment	(222)	(4,781)	(5,003)
Net book value	–	5,769	5,769
<b>Year ended 31 May 2018</b>			
Opening net book value	–	5,769	5,769
Additions	–	2,948	2,948
Amortisation	–	(1,498)	(1,498)
Closing net book value	–	7,219	7,219
<b>At 31 May 2018</b>			
Cost	222	13,498	13,720
Accumulated amortisation and impairment	(222)	(6,279)	(6,501)
Net book value	–	7,219	7,219



## Notes to the Consolidated Financial Statements

### 16 INTERESTS IN ASSOCIATES

<b>Share of net assets of associates</b>	<b>2018 HK\$'000</b>	<b>2017 HK\$'000</b>
Beginning of the year	3	3
Additions	–	–
Share of results, net of tax	–	–
End of the year	3	3

The Group's interests in its principal associates, which are unlisted, are as follows:

<b>Name</b>	<b>Place of incorporation</b>	<b>Registered capital</b>	<b>Group's Interest</b>	<b>Measurement method</b>
ITP Innovation Limited (Note a)	Hong Kong	10,000 ordinary shares	30%	Equity
Crown Multimedia & Information Services Corp. (Note b)	Philippines	Ordinary shares and preferred shares of PHP 1 each respectively	40%	Equity

Notes:

- (a) The associate did not commence operation from the date of incorporation to 31 May 2018.
- (b) Set out below are the summarized financial information for Crown Multimedia & Information Services Corp. ("Crown Multimedia"), which are accounted for using the equity method:

#### Summarised statement of financial position

	<b>Crown Multimedia</b>	
	<b>2018 HK\$'000</b>	<b>2017 HK\$'000</b>
<b>Non-current assets</b>	<b>197</b>	210
<b>Current assets</b>		
Cash and cash equivalents	1	10
Other current assets	44	349
	<b>45</b>	359
	<b>242</b>	569
<b>Current liabilities</b>		
Financial liabilities	(1,593)	(1,915)
Other current liabilities	(345)	(471)
	<b>(1,938)</b>	(2,386)
Net liabilities	<b>(1,696)</b>	(1,817)

## Notes to the Consolidated Financial Statements

### 16 INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) (Continued)

#### Summarised statement of comprehensive income

	Crown Multimedia	
	2018 HK\$'000	2017 HK\$'000
Revenue	—	—
Depreciation and amortisation	(1)	(1)
Loss before income tax	(3)	(176)
Income tax expense	—	—
<b>Post-tax loss from continuing operations</b>	<b>(3)</b>	<b>(176)</b>
<b>Post-tax loss from discontinued operations</b>	<b>—</b>	<b>—</b>
Other comprehensive income	—	—
<b>Total comprehensive loss</b>	<b>(3)</b>	<b>(176)</b>
<b>Dividends received from associate</b>	<b>—</b>	<b>—</b>

#### Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates is as follows:

#### Summarised financial information

	Crown Multimedia	
	2018 HK\$'000	2017 HK\$'000
<b>Opening net liabilities at 1 June</b>	<b>(1,817)</b>	<b>(1,727)</b>
Loss for the year	(3)	(176)
Other comprehensive income	—	—
Currency translation differences	124	86
<b>Closing net liabilities at 31 May</b>	<b>(1,696)</b>	<b>(1,817)</b>
Interest in associates (40%)	—	—

## Notes to the Consolidated Financial Statements

### 17 INTEREST IN A JOINT VENTURE

	2018 HK\$'000	2017 HK\$'000
Beginning of the year	50	50
Additions	–	–
Other comprehensive income	–	–
Share of results, net of tax	–	–
End of the year	<u>50</u>	<u>50</u>

Notes:

- (a) Netel Cyber Education Limited, a subsidiary of the Group, acquired 50% equity interest and formed a joint venture company named Sino Financial Big Data Limited. As at 31 May 2018, the joint venture company has not yet commenced any business.
- (b) The results of Sino Financial Big Data Limited and its aggregated assets and liabilities at the end of the reporting period are shown below:

	2018 HK\$'000	2017 HK\$'000
Assets	<u>100</u>	<u>100</u>
Liabilities	<u>–</u>	<u>–</u>
Revenues	<u>–</u>	<u>–</u>
Profit/(loss)	<u>–</u>	<u>–</u>

There is no impairment charge of the investment in a joint venture for the year ended 31 May 2018.

### 18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$'000	2017 HK\$'000
Unlisted equity securities (Note)	<u>–</u>	<u>–</u>

Note:

At 31 May 2018 and 2017, available-for-sale financial asset represented interest in unlisted equity securities issued by a private entity incorporated in Hong Kong. As the Directors consider the fair value of the available-for-sale financial asset cannot be measured reliably, it is stated at cost less accumulated impairment loss, if any.

## Notes to the Consolidated Financial Statements

### 19 INVENTORIES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Telecommunication equipment, cards and accessories	<u>145</u>	<u>134</u>

As at 31 May 2018 and 2017, all inventories are stated at cost.

### 20 TRADE AND OTHER RECEIVABLES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade receivables (Notes a and b)	<b>9,937</b>	1,014
Other receivables, prepayments and deposits	<u>981</u>	<u>948</u>
	<b>10,918</b>	1,962

The carrying amounts of trade receivables are denominated in:

HK\$	<b>4,560</b>	1,014
Renminbi	<u>5,377</u>	<u>–</u>
	<b>9,937</b>	1,014

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:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>1,467</b>	273
31 – 60 days	<b>716</b>	275
61 – 90 days	<b>302</b>	298
91 – 180 days	<b>3,304</b>	115
181 – 365 days	<b>4,504</b>	78
Over 365 days	<u>4,155</u>	<u>4,016</u>
	<b>14,448</b>	5,055
Less: provision for doubtful debts	<u>(4,511)</u>	<u>(4,041)</u>
	<b>9,937</b>	1,014

## Notes to the Consolidated Financial Statements

### 20 TRADE AND OTHER RECEIVABLES (Continued)

Note: (Continued)

- (b) Trade receivables that are less than four months or that have been settled subsequent to the year end are not considered impaired. As at 31 May 2018, trade receivables of approximately HK\$3,113,000 (2017: HK\$88,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2018 HK\$'000	2017 HK\$'000
Past due but not impaired:		
0 – 60 days	163	34
61 – 120 days	2,216	16
121 – 365 days	734	23
Over 365 days	–	15
	<u>3,113</u>	<u>88</u>

### 21 BANK BALANCES AND CASH

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2018 HK\$'000	2017 HK\$'000
Bank balances and cash	<u>10,683</u>	<u>4,284</u>
Denominated in:		
HK\$	10,633	4,201
Renminbi	<u>50</u>	<u>83</u>
	<u>10,683</u>	<u>4,284</u>

## Notes to the Consolidated Financial Statements

### 22 TRADE AND OTHER PAYABLES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade payables (Note a)	<b>4,614</b>	2,141
Other payables and accruals	2,872	2,672
Receipt in advance	337	314
	<b>7,823</b>	5,127

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:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>4,424</b>	38
31 – 60 days	19	14
61 – 90 days	11	17
91 – 180 days	20	97
181 – 365 days	27	224
Over 365 days	113	1,751
	<b>4,614</b>	2,141

## Notes to the Consolidated Financial Statements

### 23 AMOUNTS DUE TO DIRECTORS

Amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

### 24 LOAN FROM NON-CONTROLLING INTEREST

As at 31 May 2018, loan from non-controlling interest with the carrying amount of HK\$400,000 was guaranteed by an executive director, interest bearing at 7% per annum and repayable within one year.

### 25 OTHER LOAN

As at 31 May 2018, other loan with the carrying amount of HK\$500,000 was guaranteed by an executive director, interest bearing at 1% per month and repayable within one year.

### 26 OBLIGATIONS UNDER FINANCE LEASE

	2018 HK\$'000	2017 HK\$'000
Non-current obligations	28	138
Current obligations under finance lease	110	104
Total obligations under finance lease	<b>138</b>	<b>242</b>

Obligations under finance lease are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2018 HK\$'000	2017 HK\$'000
Gross obligations under finance lease – minimum lease payments:		
Not later than 1 year	114	114
Later than 1 year but not later than 5 years	28	142
	<b>142</b>	256
Future finance charges on finance lease	(4)	(14)
Present value of obligations under finance lease	<b>138</b>	<b>242</b>
The present value of obligations under finance lease is as follows:		
Not later than 1 year	110	104
Later than 1 year but not later than 5 years	28	138
	<b>138</b>	<b>242</b>

## Notes to the Consolidated Financial Statements

### 27 SHARE CAPITAL

	2018		2017	
	Number of shares (‘000)	HK\$’000	Number of shares (‘000)	HK\$’000
Authorised ordinary shares of HK\$0.02 (2017: HK\$0.02) each At 1 June and 31 May	<b>5,000,000</b>	<b>100,000</b>	5,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.02 (2017: HK\$0.02) each				
At 1 June	<b>1,189,635</b>	<b>23,793</b>	1,038,445	20,769
Issue of shares by subscriptions (Note a)	–	–	117,800	2,356
Issue of shares upon exercise of share options	<b>24,621</b>	<b>492</b>	33,390	668
At 31 May	<b>1,214,256</b>	<b>24,285</b>	1,189,635	23,793

Note:

- (a) 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. During the year ended 31 May 2017, 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 report, all proceeds have been utilised as intended.

On 25 July 2016, the Company entered into subscription agreements with independent third party subscribers, Mr. Wong Wing Hong and Ms. Zeng Wen Bin, for the allotment and issuance of approximately 4,900,000 ordinary shares respectively at the subscription price of HK\$0.10 per share. During the year ended 31 May 2017, approximately 4,900,000 ordinary shares respectively 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 report, all proceeds have been utilised as intended.



## Notes to the Consolidated Financial Statements

### 27 SHARE CAPITAL (Continued)

Note: (Continued)

(a) (Continued)

On 25 October 2016, the Company entered into a subscription agreement with an independent third party subscriber, Chinese Arts (Hong Kong) Auction Company Limited, for the allotment and issuance of approximately 25,000,000 ordinary shares at the subscription price of HK\$0.10 per share. During the year ended 31 May 2017, approximately 25,000,000 ordinary shares of HK\$0.02 each were allotted and issued to the subscriber at the price of HK\$0.10 per share pursuant to the subscription agreement. The gross proceeds from the issue of ordinary shares was approximately HK\$2,500,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK\$2,400,000, 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 report, all proceeds have been utilised as intended.

On 11 January 2017, the Company entered into subscription agreements with independent third party subscribers, Chinese Arts (Hong Kong) Auction Company Limited and Ms. CEN, Weiji, for the allotment and issuance of approximately 6,000,000 ordinary shares respectively at the subscription price of HK\$0.10 per share. During the year ended 31 May 2017, approximately 6,000,000 ordinary shares respectively 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\$1,200,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK\$1,140,000, 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 report, all proceeds have been utilised as intended.

On 22 May 2017, the Company entered into subscription agreements with independent third party subscribers, Ms. Luo Ying, Mr. Yeung King Pui and Ms. Li Yun Chi Candice, for the allotment and issuance of approximately 5,000,000, 5,000,000 and 50,000,000 ordinary shares respectively at the subscription price of HK\$0.10 per share. During the year ended 31 May 2017, approximately 5,000,000, 5,000,000 and 50,000,000 ordinary shares respectively 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\$6,000,000, and the net proceeds, after deducting professional fees incurred by the Company, was approximately HK\$5,760,000, 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 report, all proceeds have been utilised as intended.

## Notes to the Consolidated Financial Statements

### 28 RESERVES

	Share Premium HK\$'000	Share Option Reserve HK\$'000	Other Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
<b>Balance at 1 June 2016</b>	148,449	13,047	(13,783)	247	(165,963)	(18,003)
Loss for the year	-	-	-	-	(21,206)	(21,206)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	-	(21,206)	(21,206)
Transactions with owners:						
- Issue of shares by subscriptions	9,575	-	-	-	-	9,575
- Issue of shares upon exercise of share options	5,267	(1,483)	-	-	-	3,784
- Grant of share options	-	1,151	-	-	-	1,151
- Recognition of equity-settled share-based payments	-	1,261	-	-	-	1,261
- Lapse of share options	-	(189)	-	-	189	-
<b>Total transactions with owners</b>	14,842	740	-	-	189	15,771
<b>Balance at 31 May and 1 June 2017</b>	163,291	13,787	(13,783)	247	(186,980)	(23,438)
Loss for the year	-	-	-	-	(3,186)	(3,186)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	-	(3,186)	(3,186)
Transactions with owners:						
- Issue of shares upon exercise of share options	4,492	(1,715)	-	-	-	2,777
- Grant of share options	-	1,307	-	-	-	1,307
- Recognition of equity-settled share-based payments	-	672	-	-	-	672
- Lapse of share options	-	(459)	-	-	459	-
<b>Total transactions with owners</b>	4,492	(195)	-	-	459	4,756
<b>Balance at 31 May 2018</b>	167,783	13,592	(13,783)	247	(189,707)	(21,868)

### 29 SHARE-BASED PAYMENTS

#### (a) Share Option Scheme

Under a share option scheme approved and adopted by the shareholders on 10 September 2012 (the "New Share Option Scheme"), the Directors of the Company may, at their discretion, invite eligible participants including the Company's Directors, independent non-executive Directors, other employees of the Group, any consultants, advisers, managers or officers of the Group, and the shareholders of the Company, to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of options under the New Share Option Scheme).

## Notes to the Consolidated Financial Statements

### 29 SHARE-BASED PAYMENTS (Continued)

#### (a) Share Option Scheme (Continued)

The subscription price determined by the Board will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant and; (iii) the nominal value of the Company's shares.

Further details of the New Share Option Scheme are set out in the Report of the Directors on pages 25 and 34.

#### (b) The terms and conditions of the grant that existed during the year are as follows, whereby all options are settled by physical delivery of shares.

	Number of share options outstanding as at 31 May 2018	Vesting condition	Contractual life of option
Options granted on 13 October 2009:			
– to Executive Directors	4,700,000	Not Applicable	10 years
– to Independent Non-Executive Directors	4,700,000	Not Applicable	10 years
	<b>9,400,000</b>		
Options granted on 8 December 2010:			
– to Executive Directors	2,000,000	Not Applicable	10 years
– to Employees	940,000	Not Applicable	10 years
	<b>2,940,000</b>		
Options granted on 31 January 2011:			
– to Individuals	<b>22,800,000</b>	Not Applicable	10 years
Options granted on 30 May 2011:			
– to Individuals	<b>5,000,000</b>	Not Applicable	10 years
Options granted on 16 May 2014:			
– to Executive Director	5,500,000	Vested and exercisable in 5 tranches (note a)	10 years
– to Employees	5,900,000	Vested and exercisable in 5 tranches (note a)	10 years
– to Individual	500,000	Vested and exercisable on the second anniversary of the date of grant	10 years
	<b>11,900,000</b>		

## Notes to the Consolidated Financial Statements

### 29 SHARE-BASED PAYMENTS (Continued)

(b) (Continued)

	Number of share options outstanding as at 31 May 2018	Vesting condition	Contractual life of option
Options granted on 3 December 2014:			
– to Employee	4,400,000	Vested and exercisable in 5 tranches (note b)	10 years
– to Individuals	<u>43,400,000</u>	Not Applicable	10 years
	<b><u>47,800,000</u></b>		
Options granted on 12 October 2015:			
– to Executive Director	5,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Employees	12,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Individuals	2,000,000	Vested and exercisable in 5 tranches (note c)	10 years
– to Individual	1,000,000	Vested and exercisable on the second anniversary of the date of grant	10 years
	<u>20,000,000</u>		
Options granted on 12 February 2016:			
– to Executive Director	1,000,000	Not Applicable	10 years
– to Independent Non-Executive Directors	2,000,000	Not Applicable	10 years
– to Employees	5,500,000	Not Applicable	10 years
– to Individuals	<u>4,800,000</u>	Not Applicable	10 years
	<b><u>13,300,000</u></b>		
Options granted on 14 October 2016:			
– to Executive Director	1,000,000	Vested and exercisable in 5 tranches (note d)	10 years
– to Independent Non-Executive Directors	3,000,000	Not Applicable	10 years
– to Employees	8,500,000	Vested and exercisable in 5 tranches (note d)	10 years
– to Individuals	2,500,000	Vested and exercisable in 5 tranches (note d)	10 years
– to Individuals	<u>8,200,000</u>	Not Applicable	10 years
	<b><u>23,200,000</u></b>		

## Notes to the Consolidated Financial Statements

### 29 SHARE-BASED PAYMENTS (Continued)

(b) (Continued)

	Number of share options outstanding as at 31 May 2018	Vesting condition	Contractual life of option
Options granted on 14 June 2017:			
- to Employees	8,000,000	Vested and exercisable in 5 tranches (note e)	10 years
- to Individuals	2,000,000	Vested and exercisable in 5 tranches (note e)	10 years
- to Individuals	<u>14,445,000</u>	Not Applicable	10 years
	<b><u>24,445,000</u></b>		

## Notes to the Consolidated Financial Statements

### 29 SHARE-BASED PAYMENTS (Continued)

#### (b) (Continued)

Note:

- (a) The share options granted to Dr. Zhong Shi, the executive Director, and other employees of the Group on 16 May 2014 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2015 – 15.11.2016
40%* of the options granted	16.11.2016 – 15.11.2017
60%* of the options granted	16.11.2017 – 15.11.2018
80%* of the options granted	16.11.2018 – 15.11.2019
100%* of the options granted	16.11.2019 – 15.05.2024

\* including those not previously exercised

- (b) The share options granted to employees of the Group on 3 December 2014 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2015 – 15.11.2016
40%* of the options granted	16.11.2016 – 15.11.2017
60%* of the options granted	16.11.2017 – 15.11.2018
80%* of the options granted	16.11.2018 – 15.11.2019
100%* of the options granted	16.11.2019 – 02.12.2024

\* including those not previously exercised

- (c) The share options granted to Dr. Zhong Shi, the executive Director, other employees and individuals of the Group on 12 October 2015 are exercisable in the following manner:

Maximum options exercisable	Exercise period
20% of the options granted	16.11.2016 – 15.11.2017
40%* of the options granted	16.11.2017 – 15.11.2018
60%* of the options granted	16.11.2018 – 15.11.2019
80%* of the options granted	16.11.2019 – 15.11.2020
100%* of the options granted	16.11.2020 – 11.10.2025

\* including those not previously exercised

## Notes to the Consolidated Financial Statements

### 29 SHARE-BASED PAYMENTS (Continued)

#### (b) (Continued)

- (d) The share options granted to Dr. Zhong Shi, the executive Director, other employees and individuals of the Group on 14 October 2016 are exercisable in the following manner:

<b>Maximum options exercisable</b>	<b>Exercise period</b>
20% of the options granted	16.11.2017 – 15.11.2018
40%* of the options granted	16.11.2018 – 15.11.2019
60%* of the options granted	16.11.2019 – 15.11.2020
80%* of the options granted	16.11.2020 – 15.11.2021
100%* of the options granted	16.11.2021 – 13.10.2026

\* including those not previously exercised

- (e) The share options granted to other employees and individuals of the Group on 14 June 2017 are exercisable in the following manner:

<b>Maximum options exercisable</b>	<b>Exercise period</b>
20% of the options granted	16.11.2018 – 15.11.2019
40%* of the options granted	16.11.2019 – 15.11.2020
60%* of the options granted	16.11.2020 – 15.11.2021
80%* of the options granted	16.11.2021 – 15.11.2022
100%* of the options granted	16.11.2022 – 13.6.2027

\* including those not previously exercised

During the year ended 31 May 2018, 47,466,000 share options were granted under the New Share Option Scheme (2017: 43,320,000), 24,621,000 share options were exercised (2017: 33,390,000), 21,980,000 share options were lapsed (2017: 7,500,000) and no share options were cancelled (2017: Nil).

## Notes to the Consolidated Financial Statements

### 29 SHARE-BASED PAYMENTS (Continued)

#### (b) (Continued)

The fair value of the share option granted on 14 June 2017 and 14 October 2016 were determined by an independent valuer, Ascent Partners Valuation Service Limited, using the Binomial Option Pricing model. The following principal assumptions were adopted in the valuation:

	14 June 2017	14 October 2016
Spot price	HK\$0.099	HK\$0.1120
Exercise price	HK\$0.110	HK\$0.1184
Annual risk-free interest rate	1.38%	1.05%
Expected dividend yield	Nil	Nil
Expected volatility	99.586%	98.37%
Fair value at grant date	HK\$2,095,000	HK\$1,963,000

The expected volatility was determined based on the historical volatility of the share price of the Company.

In total, approximately HK\$1,979,000 (2017: HK\$2,412,000) of share-based payment expense has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2018, the corresponding amount of which has been credited to share option reserve.

#### (c) The number and weighted average exercise price of share options are as follows:

	2018		2017	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
At beginning of the year	179,920,000	0.162	177,490,000	0.167
Exercised during the year	(24,621,000)	0.133	(33,390,000)	0.133
Granted during the year	47,466,000	0.110	43,320,000	0.118
Lapsed during the year	(21,980,000)	0.136	(7,500,000)	0.143
At end of the year	<u>180,785,000</u>	<u>0.156</u>	<u>179,920,000</u>	<u>0.162</u>

The options outstanding at 31 May 2018 had a weighted average exercise price at HK\$0.156 (2017: HK\$0.162) and a weighted average remaining contractual life of 6.29 years (2017: 7.02 years).



## Notes to the Consolidated Financial Statements

### 30 CORPORATE BONDS

	2018 HK\$'000	2017 HK\$'000
<b>Non-current liability</b>		
Corporate bonds due over one year	7,736	7,096
<b>Current liability</b>		
Corporate bonds due within one year	<u>6,155</u>	<u>–</u>
Total corporate bonds	<u><b>13,891</b></u>	<u>7,096</u>

Movement of the corporate bonds is as follows:

	2018 HK\$'000	2017 HK\$'000
Beginning of year	7,096	–
Additions net of direct transaction costs	6,370	7,000
Interest expense of corporate bonds	1,020	96
Coupons payment	<u>(595)</u>	<u>–</u>
End of year	<u><b>13,891</b></u>	<u>7,096</u>

As at 31 May 2018, the Company had corporate bonds in issue with the principal amount ranging from HK\$500,000 to HK\$5,000,000 (2017: HK\$500,000 to HK\$1,000,000) in the aggregate total of HK\$14,500,000 (2017: HK\$7,000,000), at the coupon rate of 7.0% to 8.5% (2017: 8.5%) per annum and for a term of 1.0 to 7.5 years (2017: 2.0 to 7.5 years).

As at 31 May 2018, the corporate bond and interest expense with total carrying amount of approximately HK\$5,000,000 was guaranteed by an executive director.

## Notes to the Consolidated Financial Statements

### 31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash used in operations:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Operating loss	<b>(1,908)</b>	(21,120)
Adjustments for:		
Amortisation and impairment	<b>1,498</b>	841
Bad debt	<b>36</b>	15
Depreciation	<b>399</b>	395
Loss on disposal of plant and equipment	–	35
Over-provision of accruals and trade payables	<b>(2,122)</b>	–
Provision for doubtful debts	<b>470</b>	46
Share-based payments	<b>1,979</b>	2,412
Operating profit/(loss) before working capital changes	<b>352</b>	(17,376)
(Increase)/decrease in inventories	<b>(11)</b>	7
Increase in trade and other receivables	<b>(9,462)</b>	(821)
Increase/(decrease) in trade and other payables	<b>4,811</b>	(240)
Net cash used in operations	<b>(4,310)</b>	(18,430)

(b) Reconciliations of liabilities arising from financing activities:

	Liabilities from financing activities							Total
				Obligations	Obligations			
				under	under	Corporate	Corporate	
	Amounts	Loans from		finance	finance	bonds due	bonds due	
due to	non-	Other loan	lease due	lease due	within	after		
directors	interest		within	after	1 year	1 year		
HK\$'000	HK\$'000	HK\$'000	1 year	1 year	HK\$'000	HK\$'000	HK\$'000	
Net debt as at 1 June 2017	423	–	–	104	138	–	7,096	7,761
Cash flows	4,172	400	500	(104)	–	5,000	775	10,743
Other non-cash movements	–	–	–	110	(110)	1,155	(135)	1,020
Net debt as at 31 May 2018	<b>4,595</b>	<b>400</b>	<b>500</b>	<b>110</b>	<b>28</b>	<b>6,155</b>	<b>7,736</b>	<b>19,524</b>

## Notes to the Consolidated Financial Statements

### 32 COMMITMENTS

#### (a) Commitments under operating leases

The future aggregate minimum lease payments under non-cancellable operating lease in respect of offices and building are as follows:

	2018 HK\$'000	2017 HK\$'000
Not later than one year	1,151	520
Later than one year but not later than five years	550	381
	<b>1,701</b>	<b>901</b>

#### (b) Capital commitment

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2018 HK\$'000	2017 HK\$'000
Plant and equipment	88	–

## Notes to the Consolidated Financial Statements

### 33 RELATED PARTY TRANSACTIONS

- (a) Save as disclosed in other notes to the consolidated financial statements, significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Rental expenses paid to a related company (Note 1)	<u>369</u>	<u>369</u>
Recruitment car rental income from a related company (Note 2)	<u>–</u>	<u>78</u>
Purchases from a related company (Note 2)	<u>520</u>	<u>–</u>
Interest expense on loans from non-controlling interest	<u>8</u>	<u>–</u>

Notes: 1 Rental expenses were paid to Charmfine Investment Limited, a related company beneficially owned by Mr. James Ang and Ms. Yau Pui Chi, Maria, at arm's length rates in accordance with the terms of the underlying agreements.

2 The related company is beneficially owned by Mr. James Ang.

- (b) Key management compensation

The compensation of key management personnel paid or payable by the Group in respect of the year is set out in Note 13 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

### 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

#### Statement of financial position of the Company

As at 31 May 2018

	2018 HK\$'000	2017 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	1	1
<b>Current assets</b>		
Other receivables	15	15
<b>Total assets</b>	<b>16</b>	<b>16</b>
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	24,285	23,793
Share premium and reserves (Note (a))	(39,430)	(32,133)
<b>Total equity</b>	<b>(15,145)</b>	<b>(8,340)</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Corporate bonds	7,736	7,096
<b>Current liabilities</b>		
Trade and other payables	1,267	1,257
Receipt in advance	3	3
Corporate bonds	6,155	–
	7,425	1,260
<b>Total liabilities</b>	<b>15,161</b>	<b>8,356</b>
<b>Total equity and liabilities</b>	<b>16</b>	<b>16</b>

The statement of financial position of the Company was approved by the Board of Directors on 29 August 2018 and was signed on its behalf.

James Ang  
Director

Yau Pui Chi, Maria  
Director

## Notes to the Consolidated Financial Statements

### 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) – Reserve movement of the Company

	Share Premium HK\$'000	Share Option Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
<b>Balance at 1 June 2016</b>	154,930	13,047	(190,896)	(22,919)
Loss for the year	–	–	(24,985)	(24,985)
Other comprehensive income	–	–	–	–
<b>Total comprehensive loss for the year</b>	–	–	(24,985)	(24,985)
Transactions with owners:				
– Issue of shares by subscriptions	9,575	–	–	9,575
– Issue of shares upon exercise of share options	5,267	(1,483)	–	3,784
– Grant of share options	–	1,151	–	1,151
– Recognition of equity-settled share-based payments	–	1,261	–	1,261
– Lapse of share options	–	(189)	189	–
<b>Total transactions with owners</b>	14,842	740	189	15,771
<b>Balance at 31 May and 1 June 2017</b>	<u>169,772</u>	<u>13,787</u>	<u>(215,692)</u>	<u>(32,133)</u>
Loss for the year	–	–	(12,053)	(12,053)
Other comprehensive income	–	–	–	–
<b>Total comprehensive loss for the year</b>	–	–	(12,053)	(12,053)
Transactions with owners:				
– Issue of shares upon exercise of share options	4,492	(1,715)	–	2,777
– Grant of share options	–	1,307	–	1,307
– Recognition of equity-settled share-based payments	–	672	–	672
– Lapse of share options	–	(459)	459	–
<b>Total transactions with owners</b>	4,492	(195)	459	4,756
<b>Balance at 31 May 2018</b>	<u>174,264</u>	<u>13,592</u>	<u>(227,286)</u>	<u>(39,430)</u>

## Notes to the Consolidated Financial Statements

### 35 PRINCIPAL SUBSIDIARIES

(a) Details of the principal subsidiaries as at 31 May 2018 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held	
				2018	2017
<b>DIRECTLY HELD:</b>					
Think Gold Assets Limited	British Virgin Islands ("BVI")	Investment holding	100 ordinary shares of US\$1 each	100%	100%
Nation Power Limited	BVI	Investment holding	1 ordinary share of US\$1 each	100%	100%
<b>INDIRECTLY HELD:</b>					
Netel Technology Limited	Hong Kong	Trading of telecommunication equipment and provision of long distance call services in Hong Kong	10,000 ordinary shares	100%	100%
Pacific Long Distance Telephone Corporation Limited	Hong Kong	Provision of long distance call services and sale of long distance calling cards in Hong Kong	10,000 ordinary shares	100%	100%
Netel Cyber Education Limited	Hong Kong	Research and development of telecommunication applications software in Hong Kong	10,000 ordinary shares	100%	100%
3G Lab Limited	Hong Kong	Research and development of telecommunication applications software in Hong Kong	1 ordinary share	100%	100%
Lotus Communication Limited	Hong Kong	Research and development and provision of long distance call and value- added service applications software in Hong Kong	1 ordinary share	100%	100%

## Notes to the Consolidated Financial Statements

### 35 PRINCIPAL SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries at 31 May 2018 are as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held	
				2018	2017
<b>INDIRECTLY HELD (continued):</b>					
北京金利德科技有限公司	The People's Republic of China (The "PRC")	Research and development of telecommunication application software and provision of recruitment agency services in the PRC	Registered capital of RMB2,000,000	100%	100%
Hong Kong Financial Talent Consultant Company Limited	Hong Kong	Provision of recruitment, advertisements and human resources consultancy services in Hong Kong	1 ordinary share	100%	100%
GBjobs.com Limited	Hong Kong	Research and development of recruitment and IT applications and provision of recruitment services in Hong Kong	7,218,539 ordinary shares	99.24%	99.24%
Dolphins HR Consultancy Limited	Hong Kong	Provision of human resources consultancy services in Hong Kong	10,000 ordinary shares	99.24%	99.24%
Hong Kong Domestic Services Limited (formerly known as Asian Talent Development Centre Limited)	Hong Kong	Provision of education and related consultancy services in Hong Kong	10,000 ordinary shares	99.24%	99.24%
Netel Digital Marketing Limited	Hong Kong	Provision of prospecting and related services	10,000 ordinary shares	99.24%	99.24%



## Notes to the Consolidated Financial Statements

### 35 PRINCIPAL SUBSIDIARIES (Continued)

(a) Details of the principal subsidiaries at 31 May 2018 are as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued/ registered and fully paid share capital	Attributable equity interest held	
				2018	2017
金飯碗人力資源服務(深圳)有限公司	The PRC	Provision of prospecting and recruitment services in the PRC	Registered capital of RMB10,000,000	99.24%	99.24%
Cosmos Gold Trading Limited	Hong Kong	E-commerce and trading business in Hong Kong	10,000 ordinary shares	50.61%	50.61%
Lotus 118 Limited	Hong Kong	Research and development and provision long distance call and value-added service applications software in Hong Kong	100 ordinary shares	51%	51%
VMAC (HK) Limited	Hong Kong	Provision of IT consultancy, hardware and software services	10,000 ordinary shares	51%	N/A

### 36 EVENTS AFTER THE REPORTING PERIOD

#### 1. Subscription and Termination Agreements

As per the Company's announcement dated 8 June 2018, the Company and the Subscriber entered into a subscription agreement (the "Subscription Agreement") on 28 May 2018. Pursuant to the Subscription Agreement, the Subscriber was to conditionally subscribe for and the Company was to conditionally allot and issue certain subscription shares which represented more than 130% of the issued share capital of the Company as at the date of the announcement at certain subscription price per such subscription share.

After the entering into of the Subscription Agreement, there was change in circumstance which led to the Company and Subscriber considering that it is unlikely for the conditions precedent of the Subscription Agreement to be fulfilled before the long stop date stated therein. To avoid unnecessary prolongation of the process which may affect the business development of both the Company and the Subscriber, the Company and the Subscriber have mutually agreed, and entered into a termination agreement on 7 June 2018, to terminate the Subscription Agreement.

## Notes to the Consolidated Financial Statements

### 36 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

#### 2. Decision of the GEM Listing (Review) Committee and Suspension of Trading

On 24 July 2018, the GEM Listing (Review) Committee of the Stock Exchange (the "Review Committee") conducted a review hearing, upon the application of the Company, to review the decision of the GEM Listing Committee set out in its letter dated 6 March 2018 (the "GLC's Decision"). On 7 August 2018, the Company received a letter from the Review Committee (the "Review Committee Letter") setting out its decision to uphold the GLC's Decision to suspend trading in the Company's shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules.

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:00 a.m. on 8 August 2018.

Details of the above matters are set out in the Company's announcements on 6 March 2018, 14 March 2018 and 7 August 2018.

### 37 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with current year's presentation.

### 38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 August 2018.

## Five Years Financial Summary

	<b>2018</b>	2017	2016	2015	2014
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>29,052</b>	3,315	2,367	2,127	1,972
Share of profit/(loss) of associates	–	–	–	–	–
Loss attributable to shareholders	<u><b>(3,186)</b></u>	<u>(21,206)</u>	<u>(23,247)</u>	<u>(20,547)</u>	<u>(16,521)</u>
Assets and liabilities					
Total assets	<b>29,863</b>	13,107	8,913	8,806	6,938
Total liabilities	<b>(27,494)</b>	(12,894)	(6,263)	(7,056)	(6,677)
Non-controlling interests	<u><b>48</b></u>	<u>142</u>	<u>116</u>	<u>110</u>	<u>115</u>
Shareholders' fund	<u><b>2,417</b></u>	<u>355</u>	<u>2,766</u>	<u>1,860</u>	<u>376</u>