



NETEL TECHNOLOGY (HOLDINGS) LIMITED

金利通科技(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8256)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 NOVEMBER 2018

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 November 2018

The board (the “Board”) of directors (the “Directors”) of Netel Technology (Holdings) Limited (the “Company”) are pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 November 2018 together with the comparative unaudited figures for the corresponding period in 2017:

	Notes	For the three months ended 30 November		For the six months ended 30 November	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	9,555	6,107	46,893	8,636
Cost of sales		<u>(6,011)</u>	<u>(259)</u>	<u>(39,652)</u>	<u>(1,689)</u>
Gross profit		3,544	5,848	7,241	6,947
Other income		(6)	–	566	–
Selling and marketing expenses		(22)	(83)	(31)	(522)
Administrative expenses		<u>(2,582)</u>	<u>(4,624)</u>	<u>(5,855)</u>	<u>(10,926)</u>
Operating profit/(loss)	4	934	1,141	1,921	(4,501)
Finance costs	5	(292)	(230)	(615)	(427)
Share of profit/(loss) of associates		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(Loss) before income tax		642	911	1,306	(4,928)
Income tax expense	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6)</u>
Profit/(Loss) for the period		642	911	1,306	(4,934)
Other comprehensive income		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive profit/(loss) for the period		<u><u>642</u></u>	<u><u>911</u></u>	<u><u>1,306</u></u>	<u><u>(4,934)</u></u>

	For the three months ended 30 November		For the six months ended 30 November	
	2018	2017	2018	2017
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(Loss) for the period attributable to:				
– Equity holders of the Company	633	891	1,287	(4,959)
– Non-controlling interests	<u>9</u>	<u>20</u>	<u>19</u>	<u>25</u>
	<u>642</u>	<u>911</u>	<u>1,306</u>	<u>(4,934)</u>
Total comprehensive profit/(loss) for the period attributable to:				
– Equity holders of the Company	633	891	1,287	(4,959)
– Non-controlling interests	<u>9</u>	<u>20</u>	<u>19</u>	<u>25</u>
	<u>642</u>	<u>911</u>	<u>1,306</u>	<u>(4,934)</u>
Profit/(Loss) per share attributable to equity holders of the Company				
– Basic and diluted	8 <u>HK0.05 cents</u>	<u>HK0.07 cents</u>	<u>HK0.11 cents</u>	<u>HK(0.42 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2018

		As at 30 November 2018 <i>HK\$'000</i> (Unaudited)	As at 31 May 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Plant and equipment	6	703	845
Intangible assets		6,780	7,219
Interests in associates		3	3
Interest in a joint venture		50	50
Available-for-sale financial assets		—	—
		<u>7,536</u>	<u>8,117</u>
Current assets			
Inventories		171	145
Trade receivables	9	7,717	9,937
Prepayments, deposits and other receivables	9	971	981
Bank balances and cash		4,675	10,683
		<u>13,534</u>	<u>21,746</u>
Total assets		<u>21,070</u>	<u>29,863</u>
LIABILITIES			
Current liabilities			
Trade payables	10	265	4,614
Other payables and accruals	10	1,648	2,872
Receipt in advance	10	727	337
Amounts due to directors		5,361	4,595
Tax payable		146	147
Loan from non-controlling interest		—	400
Other loan		—	500
Obligations under finance leases		84	110
Corporate bonds		1,415	6,155
		<u>9,646</u>	<u>19,730</u>

	As at 30 November 2018	As at 31 May 2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Net current assets	<u>3,888</u>	<u>2,016</u>
Total assets less current liabilities	<u>11,424</u>	<u>10,133</u>
Non-current liabilities		
Obligations under finance leases	–	28
Corporate bonds	<u>7,882</u>	<u>7,736</u>
	<u>7,882</u>	<u>7,764</u>
Net assets	<u><u>3,542</u></u>	<u><u>2,369</u></u>
EQUITY		
Capital and reserves		
Share capital	<i>11</i> 24,285	24,285
Share premium and reserves	<u>(20,714)</u>	<u>(21,868)</u>
	3,571	2,417
Non-controlling interests	<u>(29)</u>	<u>(48)</u>
Total equity	<u><u>3,542</u></u>	<u><u>2,369</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 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
Balance at 1 June 2017 (Audited)	23,793	163,291	13,787	(13,783)	247	(186,980)	355	(142)	213
Loss for the period	-	-	-	-	-	(4,959)	(4,959)	25	(4,934)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(4,959)	(4,959)	25	(4,934)
Transactions with owners:									
- Issue of shares upon exercise of share options	492	4,492	(1,715)	-	-	-	3,269	-	3,269
- Recognition of equity-settled share-based payments	-	-	844	-	-	-	844	-	844
- Grant of share options	-	-	1,019	-	-	-	1,019	-	1,019
- Lapse of share options	-	-	(158)	-	-	158	-	-	-
Total transactions with owners	492	4,492	(10)	-	-	158	5,132	-	5,132
Balance at 30 November 2017 (Unaudited)	<u>24,285</u>	<u>167,783</u>	<u>13,777</u>	<u>(13,783)</u>	<u>247</u>	<u>(191,781)</u>	<u>528</u>	<u>(117)</u>	<u>411</u>
Balance at 1 June 2018 (Audited)	<u>24,285</u>	<u>167,783</u>	<u>13,592</u>	<u>(13,783)</u>	<u>247</u>	<u>(189,707)</u>	<u>2,417</u>	<u>(48)</u>	<u>2,369</u>
Profit for the period	-	-	-	-	-	1,287	1,287	19	1,306
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	-	-	1,287	1,287	19	1,306
Transactions with owners:									
- Recognition of equity-settled share-based payments	-	-	(133)	-	-	-	(133)	-	(133)
- Lapse of share options	-	-	(824)	-	-	824	-	-	-
Total transactions with owners	-	-	(957)	-	-	824	(133)	-	(133)
Balance at 30 November 2018 (Unaudited)	<u>24,285</u>	<u>167,783</u>	<u>12,635</u>	<u>(13,783)</u>	<u>247</u>	<u>(187,596)</u>	<u>3,571</u>	<u>(29)</u>	<u>3,542</u>

The other reserve represents the difference between the fair value of consideration paid to acquire non-controlling interests in subsidiaries, GBjobs.com Limited, GBjobs China Salary Index Company Limited (formerly known as Dolphins HR Consultancy Limited), Hong Kong Domestic Services Limited (formerly known as Asian Talent Development Centre Limited), Netel Digital Marketing Limited (formerly known as GBjobs (SSP) Services Centre 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 2015 and 31 May 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2018

	For the six months ended 30 November	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(157)	(7,131)
Net cash used in investing activities	(470)	(289)
Net cash (used in)/generated from financing activities	<u>(5,381)</u>	<u>5,876</u>
Decrease in cash and cash equivalents	(6,008)	(1,544)
Cash and cash equivalents at beginning of the period	<u>10,683</u>	<u>4,284</u>
Cash and cash equivalents at end of the period	<u><u>4,675</u></u>	<u><u>2,740</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u><u>4,675</u></u>	<u><u>2,740</u></u>

NOTES TO THE CONDENSED 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 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of GEM Listing Rules.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 May 2018.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 May 2018.

In the current interim period, the Group has applied the following new or revised Hong Kong Financial Reporting Standards ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of these new HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in those condensed consolidated financial statements.

Going Concern

The condensed consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had an accumulated losses of approximately HK\$187.60 million as at 30 November 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 condensed 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 to meet the present and future cash flow requirement from operation and settlement of its outstanding obligations
- Continuous development and improvement of the Group's products and services and future cash flows to be generated from new revenue source and new businesses
- Continuous effort to control cost of the Group

The Directors believe that the Group is able to meet its financial obligations in full as and when they fall due and consider that the preparation of the condensed consolidated financial statements on going concern basis is appropriate.

3. REVENUE AND 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 is further classified into sub-divisions in (i) Prospecting and relating services, (ii) GBjobs and recruitment related services and (iii) E-commerce and trading.

(b) Business segments – primary reporting format

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

For the six months ended 30 November 2018 (Unaudited)

	Telecommunication equipment sales and related services <i>HK\$'000</i>	IT application- Prospecting and related services <i>HK\$'000</i>	IT application- GBjobs and recruitment related services <i>HK\$'000</i>	IT application- E-commerce and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>40,345</u>	<u>3,215</u>	<u>3,333</u>	<u>-</u>	<u>46,893</u>
Segment results	<u>169</u>	<u>932</u>	<u>1,016</u>	<u>-</u>	2,117
Other income					<u>566</u>
Operating profit					2,683
Unallocated costs					(762)
Finance costs					<u>(615)</u>
Profit before income tax					1,306
Income tax expense					<u>-</u>
Profit for the period					<u>1,306</u>

For the six months ended 30 November 2017 (Unaudited and Restated)

	Telecommunication equipment sales and related services <i>HK\$'000</i>	IT application- Prospecting and related services <i>HK\$'000</i>	IT application- GBjobs and recruitment related services <i>HK\$'000</i>	IT application- E-commerce and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>1,367</u>	<u>-</u>	<u>6,102</u>	<u>1,167</u>	<u>8,636</u>
Segment results	<u>(375)</u>	<u>-</u>	<u>(1,846)</u>	<u>(638)</u>	(2,859)
Other income					<u>-</u>
Operating loss					(2,859)
Unallocated costs					(1,642)
Finance costs					<u>(427)</u>
Loss before income tax					(4,928)
Income tax expense					<u>(6)</u>
Loss for the period					<u>(4,934)</u>

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

	Revenue		Segment results	
	For the six months ended 30 November (Unaudited)		For the six months ended 30 November (Unaudited)	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	41,603	3,931	657	(2,243)
Mainland China and other countries	5,290	4,705	83	(2,685)
	46,893	8,636	740	(4,928)
Other income			566	–
Profit/(Loss) before income tax			1,306	(4,928)
Income tax expense			–	(6)
Profit/(Loss) for the period			1,306	(4,934)

(d) **Information about major customers**

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

	For the six months ended 30 November	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	29,018	–
Customer B	8,838	–
Customer C	–	1,175

Revenues from Customers A, B and C of telecommunication equipment sales and related services represent approximately HK\$37,856,000 of the Group's total revenues during the period (for the six months ended 30 November 2017: HK\$1,175,000).

4. OPERATING PROFIT/(LOSS)

For the six months ended
30 November

2018	2017
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Operating profit/(loss) is stated after charging/(crediting) the following:

Amortisation of intangible assets	900	534
Cost of inventories sold	39,595	1,689
Depreciation		
– owned assets	91	151
– leased assets	59	59
Operating lease – land and buildings	670	596
Staff costs (including directors' remuneration)		
– salaries, allowances and benefits in kind	2,467	5,942
– employee and individual share options (credit upon lapsed)/expenses	(133)	1,863
– retirement benefits scheme contributions	148	171
	<u> </u>	<u> </u>

5. FINANCE COSTS

For the six months ended
30 November

2018	2017
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Interest expense on corporate bonds	607	421
Finance lease interests	3	6
Other interest expense	5	–
	<u> </u>	<u> </u>
	<u>615</u>	<u>427</u>

6. PLANT AND EQUIPMENT

As at 30 November 2018, the Group's plant and equipment was amounting to approximately HK\$703,000 (31 May 2018: HK\$845,000). The Directors consider that the fair value of the plant and equipment as at 30 November 2018 does not change significantly from their carrying amounts as at 31 May 2018.

During the six months ended 30 November 2018, the Group had acquired plant and equipment of approximately HK\$8,000 (six months ended 30 November 2017: HK\$289,000), while the Group had not disposed any plant and equipment for the six months ended 30 November 2018 (six months ended 30 November 2017: Nil).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 November 2017: 16.5%) on the estimated assessable profits for the current interim period.

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 (six months ended 30 November 2017: Nil).

8. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit per share for the three months and six months ended 30 November 2018 are based on the Group's unaudited consolidated profit for the three months and six months ended 30 November 2018 attributable to the equity holders of the Company of approximately HK\$633,000 and HK\$1,287,000 respectively (profit for the three months and loss for the six months ended 30 November 2017: HK\$891,000 and HK\$4,959,000) and the weighted average number of approximately 1,214,255,718 and 1,214,255,718 ordinary shares (three months and six months ended 30 November 2017: 1,191,546,000 and 1,190,585,000 ordinary shares) in issue during the three months and six months ended 30 November 2018 respectively.

The dilutive profit/(loss) per share is equal to the basic profit/(loss) per share for the three months and six months ended 30 November 2018 and 2017 respectively, as the share options had anti-dilutive effects.

9. TRADE AND OTHER RECEIVABLES

	As at 30 November 2018 <i>HK\$'000</i> (Unaudited)	As at 31 May 2018 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note a</i>)	7,717	9,937
Other receivables, prepayments and deposits	<u>971</u>	<u>981</u>
	<u>8,688</u>	<u>10,918</u>

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:

	As at 30 November 2018 <i>HK\$'000</i> (Unaudited)	As at 31 May 2018 <i>HK\$'000</i> (Audited)
0 – 30 days	2,511	1,467
31 – 60 days	582	716
61 – 90 days	364	302
91 – 180 days	1,605	3,304
181 – 365 days	2,089	4,504
Over 365 days	<u>4,640</u>	<u>4,155</u>
	11,791	14,448
Less: provision for doubtful debts	<u>(4,074)</u>	<u>(4,511)</u>
	<u>7,717</u>	<u>9,937</u>

10. TRADE AND OTHER PAYABLES

	As at 30 November 2018 <i>HK\$'000</i> (Unaudited)	As at 31 May 2018 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note a</i>)	265	4,614
Other payables and accruals	1,648	2,872
Receipt in advance	727	337
	<u>2,640</u>	<u>7,823</u>

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:

	As at 30 November 2018 <i>HK\$'000</i> (Unaudited)	As at 31 May 2018 <i>HK\$'000</i> (Audited)
0 – 30 days	1	4,424
31 – 60 days	72	19
61 – 90 days	34	11
91 – 180 days	42	20
181 – 365 days	–	27
Over 365 days	116	113
	<u>265</u>	<u>4,614</u>

11. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised ordinary shares of HK\$0.02 (31 May 2018: HK\$0.02) each At 1 June 2018 and 30 November 2018	<u>5,000,000</u>	<u>100,000</u>
Issued and fully paid ordinary shares of HK\$0.02 (31 May 2018: HK\$0.02) each At 1 June 2018 and At 30 November 2018	<u>1,214,256</u>	<u>24,285</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a total revenue of approximately HK\$46.89 million for the six months ended 30 November 2018, an increase of approximately HK\$38.25 million from approximately HK\$8.64 million for the same period of last year. The increase was mainly attributable to the increase in mobile phone trading business, Big Data business on property prospecting and the set-up of website incorporating China Online Salary Index during the period. The result has changed from loss of approximately HK\$4.93 million in the same period of last year to profit of approximately HK\$1.31 million for this interim period. The Company generated profit for the interim period was mainly due to the increase in revenue and decrease in directors' emoluments and share-based payments recorded in the current interim period.

The administrative expenses were decreased by approximately HK\$5.07 million from approximately HK\$10.93 million of the same period of last year to approximately HK\$5.86 million for this interim period mainly due to the decrease in directors' emoluments and share-based payments recorded in the current interim period.

LIQUIDITY AND FINANCING

For the six months ended 30 November 2018, the Group had a profit of approximately HK\$1.31 million and the net cash used in operations was approximately HK\$0.16 million. With the net cash used in investing activities and financing activities of HK\$0.47 million and HK\$5.38 million respectively, the net cash and cash equivalents of the Group was decreased by approximately HK\$6.01 million.

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowing when appropriate. At 30 November 2018, the underlying current ratio, defined as current assets over current liabilities, was approximately 1.40 (31 May 2018: 1.10). At 30 November 2018, the non-current liabilities was approximately HK\$7.88 million (31 May 2018: HK\$7.76 million) while the current liabilities to the total assets ratio was approximately 0.46 (31 May 2018: 0.66). At 30 November 2018, the net current assets was approximately HK\$3.89 million (31 May 2018: HK\$2.02 million) while bank balances and cash was approximately HK\$4.68 million (31 May 2018: HK\$10.68 million).

BUSINESS REVIEW

Since trading in the shares of the Company has been suspended, the Company undertook a comprehensive business review by evaluating each segment's performance and its segment long term outlook. A refined and focused business goal has been identified as a result and restructuring has begun accordingly.

During the period, the management continued to rely on the Company's internal financial resources and its intangible assets to run the business. Given the difficult moments which the Company has been facing, the Company is proud to report that it has been profitable in last three consecutive quarters.

One of the key IT application, Gbjobs and recruitment related service, has undergone a high growth rate due to more deals were concluded with reputable employers including, but not limited to, various food and beverage companies and two companies who providing ground services in the Hong Kong International Airport. The curriculum vitae database growth also contributed a big jump in business. The cross border recruitment is also a promising business that demonstrates product differentiations between the Company and its competitor. Further, with the introduction of China Online Salary Index, business enterprises began to subscribe the data service offered by the Company.

The other key IT application, prospecting and related services, has delivered promising results. The Company's prospecting ranging from prospecting for real estate companies in search for their buyers to prospecting for export and retail business in promoting their marketing end.

BUSINESS OUTLOOK

The Management sees big opportunities in the IT applications. Gbjobs and Prospecting are the two core areas which the Company will continue to spend resources and efforts on.

Gbjobs grows in term of leveraging its Big Data database with head hunting companies who have jobs offer from their clients but with lacking candidates. This business will grow significantly in Hong Kong and China. The Company started cooperation with a Hong Kong head hunters specializing in banking and IT and proved working very well.

As disclosed in the voluntary announcement, the Company launched its China Online Salary Index. China Online Salary Index is innovative in term of applications and enjoys a high degree of social value. The Company has appointed the Ex Commissioner for Census and Statistics Department of the HKSAR Government, Mr. HW Fung, as consultant to this project. His vast knowledge and professional experiences in this field will certainly helps the Company especially how new application products can be designed and launched.

Real estate purchase prospecting helped the Company capture couple millions profit in the last six months in the Bay Area. As the result is encouraging, the Company decides to extend its geographic coverage to Australia, Cambodia. There may be short term interruptions by the economic impact on China-US trade war but in the long term, the real estate prospecting services is solid and strong.

Commercial entities prospecting is a long term business and the growth of new media helps to cultivate the acceptance of commercial entities to use this services. This business has huge potential in China because the promotion already moved from traditional media to social media.

There are trust funds and reputable investors who are showing their intentions to invest in the Company provided the Stock Exchange has allowed the Company to take the investments. These investors believe Netel is an IT Company who already developed significant intangible assets to fly the business as long as the hurdle of delisting is solved.

FINANCIAL RISK MANAGEMENT

Operations of the Group are mainly conducted in Hong Kong Dollars and Renminbi. The revenue, expenses, assets and liabilities are principally denominated in Hong Kong Dollars and Renminbi, 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 interim period. Management considers that the Group does not have any significant liquidity risk.

EMPLOYEE INFORMATION

At 30 November 2018, the Group employed a total of 37 (31 May 2018: 35) 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 30 November 2018, 157,685,000 (31 May 2018: 180,785,000) share options remained outstanding from the share option schemes.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend in respect for the six months ended 30 November 2018 (six months ended 30 November 2017: Nil).

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

At 30 November 2018, apart from the details as below, 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:

Ordinary shares of HK\$0.02 each in the Company

Name of Directors	Capacity	Number of shares held			Number of share options held	Exercise price of share options HK\$	Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests				
Mr. James Ang (“Mr. Ang”)	Interest in controlled corporation	-	-	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
Mr. Chiang Kin Kon	Beneficial owner	-	-	-	2,300,000 1,000,000 1,000,000	0.233 0.111 0.1184	4,300,000	0.35
Mr. Wong Kwok Fai	Beneficial owner	-	-	-	1,200,000 1,000,000 1,000,000	0.233 0.111 0.1184	3,200,000	0.26
Mr. Chau Siu Keung	Beneficial owner	1,272,000	-	-	1,200,000 1,000,000	0.233 0.1184	3,472,000	0.29

Note:

- 1) These shares are registered as 3,190,000 shares held by Cyber Wealth Company Group Limited (“Cyber Wealth”) and 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 30 November 2018.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the six months ended 30 November 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.

The following shows the outstanding position as at 30 November 2018 with respect to the 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 30.11.2018
				Balance as at 1.6.2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
Under Share Option Scheme								
Name of Directors								
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>

Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				Balance as at 30.11.2018
			Balance as at 1.6.2018	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
Other employees and individuals							
In aggregate							
08.12.2010	0.150	08.12.2010 to 07.12.2020	940,000	-	-	-	940,000
31.01.2011	0.182	31.01.2011 to 30.01.2021	22,800,000	-	-	-	22,800,000
30.05.2011	0.1486	30.05.2011 to 29.05.2021	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
			<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>

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
				Balance as at 1.6.2018	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 30.11.2018
Under New Share Option Scheme								
Name of Directors								
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
				<u>17,500,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,500,000</u>
Other employees and individuals								
In aggregate								
	16.05.2014	0.145	16.05.2014 to 15.05.2024	6,400,000	–	–	(3,200,000)	3,200,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	47,800,000	–	–	(4,400,000)	43,400,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	15,000,000	–	–	(6,500,000)	8,500,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	10,300,000	–	–	(2,500,000)	7,800,000
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	19,200,000	–	–	(3,500,000)	15,700,000
	14.06.2017	0.110	14.06.2017 to 13.06.2027	<u>24,445,000</u>	<u>–</u>	<u>–</u>	<u>(3,000,000)</u>	<u>21,445,000</u>
				<u>123,145,000</u>	<u>–</u>	<u>–</u>	<u>(23,100,000)</u>	<u>100,045,000</u>
Sub-total				<u>140,645,000</u>	<u>–</u>	<u>–</u>	<u>(23,100,000)</u>	<u>117,545,000</u>
Total				<u>180,785,000</u>	<u>–</u>	<u>–</u>	<u>(23,100,000)</u>	<u>157,685,000</u>

During the six months ended 30 November 2018, no share options were granted under the New Share Option Scheme (six months ended 30 November 2017: 47,466,000), no share options were exercised (six months ended 30 November 2017: 24,621,000), 23,100,000 share options were lapsed (six months ended 30 November 2017: 7,000,000) and no share options were cancelled (six months ended 30 November 2017: Nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in Directors' interests and/or short positions under the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation", and in the share option scheme under the section "Share Option Scheme" of this announcement, at no time during the period 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 six months ended 30 November 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.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the six months ended 30 November 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 Rule 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 six months ended 30 November 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 for the six months ended 30 November 2018.

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 interim results of the Group for the six months ended 30 November 2018, and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

NOMINATION COMMITTEE

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control and risk management systems for the Company to safeguard its assets and shareholders' interests. In consideration of the size of the Group, the Board does not consider to establish an internal audit function at present.

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

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 November 2018, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

Hong Kong, 14 January 2019

As at the date of this announcement, the Board comprises four executive Directors, Mr. James Ang, Mr. Wei Ren, Ms. Yau Pui Chi, Maria, and Dr. Zhong Shi, and three Independent Non-Executive Directors, Mr. Chiang Kin Kon, Mr. Wong Kwok Fai and Mr. Chau Siu Keung.

This announcement will remain on the “Latest Company Announcement” page of the GEM website for at least 7 days from its date of publication and on the website of the Company at www.neteltech.com.hk.