



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 29 FEBRUARY 2020

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

GEM has been positioned as a market designed to accommodate 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly, disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Netel Technology (Holdings) Limited (“Netel”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 29 February 2020

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 nine months ended 29 February 2020 together with the comparative unaudited figures for the corresponding period in 2019:

	Notes	For the three months ended		For the nine months ended	
		29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Turnover	3	4,198	3,825	14,990	50,718
Cost of sales		(246)	(301)	(819)	(39,953)
Gross profit		3,952	3,524	14,171	10,765
Other revenues		-	139	-	705
Selling and marketing expenses		(31)	(19)	(104)	(50)
Administrative expenses		(2,044)	(2,838)	(7,252)	(8,693)
Operating profit		1,877	806	6,815	2,727
Finance costs		(239)	(299)	(727)	(914)
Share of profit/(loss) of associates		-	-	-	-
Profit before income tax		1,638	507	6,088	1,813
Income tax expense		-	-	-	-
Profit for the period		1,638	507	6,088	1,813
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		1,638	507	6,088	1,813
Profit for the period attributable to:					
- Equity holders of the Company		1,614	497	6,022	1,784
- Non-controlling interests		24	10	66	29
		1,638	507	6,088	1,813
Total comprehensive income for the period attributable to:					
- Equity holders of the Company		1,614	497	6,022	1,784
- Non-controlling interests		24	10	66	29
		1,638	507	6,088	1,813
Earnings per share attributable to equity holders of the Company					
- Basic and diluted	5	HK0.13 cents	HK0.04 cents	HK0.50 cents	HK0.15 cents

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 third quarterly 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 2019.

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 2019.

In the current 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.

Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 Deletion of Short-term Exemptions for First-time Adopters
Annual Improvements 2014-2016 Cycle	Amendments to HKAS 28 Measuring an Associate or Joint Venture at Fair Value
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarification to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The application of these new HKFRSs in the current 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.

3. REVENUE

The Group's operating activities are attributable to two operating segments focusing on provision of different types of services, namely 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.

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (nine months ended 28 February 2019: 16.5%) on the estimated assessable profits for the current 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 (nine months ended 28 February 2019: Nil).

5. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and nine months ended 29 February 2020 are based on the Group's unaudited consolidated profit for the three months and nine months ended 29 February 2020 attributable to the equity holders of the Company of approximately HK\$1,614,000 and HK\$6,022,000 respectively (profit for the three months and nine months ended 28 February 2019: HK\$497,000 and HK\$1,784,000) and the weighted average number of approximately 1,214,255,718 and 1,214,255,718 ordinary shares (three months and nine months ended 28 February 2019: 1,214,256,000 and 1,214,256,000 ordinary shares) in issue during the three months and nine months ended 29 February 2020 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. 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
Balance at 1 June 2018 (Audited)	167,783	13,592	(13,783)	247	(189,707)	(21,868)
Profit for the period	-	-	-	-	1,784	1,784
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,784	1,784
Transactions with owners:						
- Recognition of equity-settled share-based payments	-	(133)	-	-	-	(133)
- Lapse of share options	-	(824)	-	-	824	-
Total transactions with owners	-	(957)	-	-	824	(133)
Balance at 28 February 2019 (Unaudited)	167,783	12,635	(13,783)	247	(187,099)	(20,217)
Balance at 1 June 2019 (Audited)	167,783	12,169	(13,783)	247	(187,013)	(20,597)
Profit for the period	-	-	-	-	6,022	6,022
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	6,022	6,022
Transactions with owners:						
- Recognition of equity-settled share-based payments	-	-	-	-	-	-
- Lapse of share options	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance at 29 February 2020 (Unaudited)	167,783	12,169	(13,783)	247	(180,991)	(14,575)

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 2018 and 31 May 2019.

7. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated third quarterly financial statements were approved and authorised for issue by the Board of Directors on 13 April 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a total revenue of approximately HK\$14.99 million for the nine months ended 29 February 2020, an decrease of approximately HK\$35.73 million from approximately HK\$50.72 million for the same period of last year. The decrease was mainly attributable to the decrease in mobile phone trading business, during the period. The results has increased from profit of approximately HK\$1.81 million in the same period of last year to profit of approximately 6.08 million for this period. The Company generated profit for the nine months period was mainly due to the decrease in expenses and increase in gross profit in the current period.

The administrative expenses were decreased by approximately HK\$1.44 million from approximately HK\$8.69 million of the same period of last year to approximately HK\$7.25 million for this period mainly due to the decrease in operating expenses in the current period.

BUSINESS REVIEW

Hong Kong has undergone a social event since June 2019 and it follows by the new pneumonia that occurred from January 2020 to now affects Hong Kong, the mainland and the entire global economy. So without a doubt, this quarter was a big challenge for most companies.

Our big data has been applied in recruitment, real estate prospecting and exporting yellow pages. In this quarter, the application has been extended to sell epidemic products. On February 4, 2020, we imported 1,000 boxes of alcohol sterilized cotton pads from the Philippines. Through our big data, we announced its availability and they were all sold out within a day and a half. After that, we imported various types of epidemic products from ASEAN and the Mainland, and sales rose sharply. In addition to selling through big data, the company has established nearly 70 retail outlets in Hong Kong. Our goal is to establish more than 150 retail outlets by May 2020. Through big data and offline sales, our agents have been repeating orders repeatedly this quarter, and there are more and more large customers, including medical institutions, charities, academic institutions and listed companies. The customer base is getting wider and wider. We will use this customer base and sales channels to add non-epidemic products to consolidate our long-term interests.

As different countries implement different levels of segregation policies, the Groups' staffs have faced various difficulties. But we turned the crisis into an opportunity, and the exchange meeting which was originally held in the Mainland changed from a face-to-face physical meeting to a video teleconference system meeting. We have organized such events many times this quarter, and have established relationships with many mainland customers and potential customers.

Our acquisition project in Shanghai has made good progress in due diligence work. This will be another achievement for us in this quarter.

BUSINESS OUTLOOK

We are very grateful because we started to build our big data 10 years ago, so no matter in recruitment, real estate prospecting and exporting yellow pages or even epidemic products, our big data has played an important role in deriving sales.

This pneumonia outbreak is a crisis and an opportunity. It leads us to use big data to sell epidemic products to our big data users. The process is clear, the road is clear and the effect is real. Therefore, we will use the same channel, the same database, and the same class of consumers established during this period according to this model in the future, and through offering additional products to increase our turnover and profit. For example, we now have more than 70 retail outlets, like a pharmacy selling our alcohol products today, and tomorrow we can sell wet tissues or even adult diapers, transforming epidemic products into long-term supplies.

There are probably 4,000 sales outlets for medical supplies in Hong Kong. Today, we have obtained close to 70 as our agents. We believe that in May 2020, our sales outlets will exceed 200 to gain more. With more points of sale and more types of products, our turnover will increase accordingly. So we built our own brand Circle Cross from the beginning. Combined with export big data, our goal is to occupy overseas markets.

On the other hand, this successful business model can also be applied to the export of yellow pages and other products. Many factories in the Mainland are also paying attention to the sales role of our big data and social media. This will lay the foundation for our further export of yellow pages. Therefore, in addition to our own applications, our big data can also be used by other companies.

Once we successfully acquire a Shanghai enterprise, this IT company will use our big data to further expand its business, and we look forward to using our relationship in ASEAN to do better for our partners.

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 period. Management considers that the Group does not have any significant liquidity risk.

EMPLOYEE INFORMATION

At 29 February 2020, the Group employed a total of 37 (31 May 2019: 38) 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 29 February 2020, 157,685,000 (31 May 2019: 157,685,000) share options remained outstanding from the share option schemes.

DIVIDEND

The Board of Directors does not recommend the payment of dividend in respect for the nine months ended 29 February 2020 (nine months ended 28 February 2019: 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 29 February 2020, apart from the details as below, the Directors and chief executive do not have any other interests and short positions in the shares, underlying shares and debentures of the Company and/or 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 29 February 2020.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the nine months ended 29 February 2020, 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 29 February 2020 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 1.6.2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 29.02.2020
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>
Other employees and individuals								
In aggregate								
	08.12.2010	0.150	08.12.2010 to 07.12.2020	940,000	-	-	-	940,000
	31.01.2011	0.182	31.01.2011 to 30.01.2021	22,800,000	-	-	-	22,800,000
	30.05.2011	0.1486	30.05.2011 to 29.05.2021	5,000,000	-	-	-	5,000,000
				<u>28,740,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,740,000</u>
Sub-total				<u>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 1.6.2019	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 28.02.2020
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	3,200,000	-	-	-	3,200,000
	03.12.2014	0.1838	03.12.2014 to 02.12.2024	43,400,000	-	-	-	43,400,000
	12.10.2015	0.159	12.10.2015 to 11.10.2025	8,500,000	-	-	-	8,500,000
	12.02.2016	0.111	12.02.2016 to 11.02.2026	7,800,000	-	-	-	7,800,000
	14.10.2016	0.1184	14.10.2016 to 13.10.2026	15,700,000	-	-	-	15,700,000
	14.06.2017	0.110	14.06.2017 to 13.06.2027	21,445,000	-	-	-	21,445,000
				<u>100,045,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,045,000</u>
Sub-total				<u>117,545,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,545,000</u>
Total				<u>157,685,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,685,000</u>

During the nine months ended 29 February 2020, no share options were granted under the New Share Option Scheme (nine months ended 28 February 2019: Nil) no share options were exercised (nine months ended 28 February 2019: Nil), no share options were lapsed (nine months ended 28 February 2019: 23,100,000) and no share options were cancelled (nine months ended 28 February 2019: 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 schemes 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 A COMPETING BUSINESS

For the nine months ended 29 February 2020, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the nine months ended 29 February 2020, 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 provisions A1.8 and A4.1 of the CG Code stipulated in the following paragraphs.

Under the code provision A1.8 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 A4.1 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 nine months ended 29 February 2020.

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 nine months ended 29 February 2020.

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 quarterly results of the Company for the nine months ended 29 February 2020, 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 nine months ended 29 February 2020, 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, 13 April 2020

Directors of the Company as at the date hereof:

Executive Directors

Mr. James Ang

Mr. Wei Ren

Ms. Yau Pui Chi, Maria

Dr. Zhong Shi

Independent Non-Executive Directors

Mr. Chiang Kin Kon

Mr. Wong Kwok Fai

Mr. Chau Siu Keung