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## **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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 AUGUST 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 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 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 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 three months ended 31 August 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 ended 31 August 2020 together with the comparative unaudited figures for the corresponding period in 2019:

		<b>For the three months ended 31 August</b>	
	<i>Notes</i>	<b>2020 HK\$'000 (Unaudited)</b>	2019 HK\$'000 (Unaudited)
Revenue	3	<b>2,662</b>	6,044
Cost of sales		<u>(213)</u>	<u>(510)</u>
Gross profit		<b>2,449</b>	5,534
Other income		–	–
Selling and marketing expenses		(15)	(34)
Administrative expenses		<u>(1,232)</u>	<u>(2,920)</u>
Operating profit		<b>1,202</b>	2,580
Finance costs		(199)	(250)
Share of profit of associates		<u>–</u>	<u>–</u>
Profit before income tax		<b>1,003</b>	2,330
Income tax expense	4	<u>–</u>	<u>–</u>
Profit for the period		<b>1,003</b>	2,330
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive profit for the period		<b><u>1,003</u></b>	<b><u>2,330</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

*For the three months ended 31 August 2020*

		<b>For the three months ended 31 August</b>	
		<b>2020</b>	2019
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<hr/>			
Profit for the period attributable to:			
	– Equity holders of the Company	<b>994</b>	2,309
	– Non-controlling interests	<b>9</b>	21
		<hr/> <b>1,003</b>	<hr/> 2,330
Total comprehensive profit for the period attributable to:			
	– Equity holders of the Company	<b>994</b>	2,309
	– Non-controlling interests	<b>9</b>	21
		<hr/> <b>1,003</b>	<hr/> 2,330
Earnings per share attributable to equity holders of the Company			
	– Basic and diluted	<b>5</b> <b>HK0.08 cents</b>	HK0.19 cents
		<hr/> <b>5</b> <b>HK0.08 cents</b>	<hr/> HK0.19 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 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.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first 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 2020.

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 2020.

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 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3. REVENUE

The Group's operating activities are attributable to four operating segments focusing on provision of different types of services, namely Telecommunication equipment sales and related services, IT application-Prospecting and related services, IT application-GBjobs and recruitment related services and IT application-E-commerce/and trading.

## 4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (three months ended 31 August 2019: 16.5%) on the estimated assessable profit for the period (three months ended 31 August 2018: Nil).

No deferred taxation has been provided as the Group has no material unprovided deferred tax assets or liabilities which are expected to be crystallised in the foreseeable future (three months ended 31 August 2019: Nil).

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

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit for the period attributable to the equity holders of the Company of approximately HK\$994,000 (profit for the three months ended 31 August 2019: HK\$2,309,000) and the weighted average number of approximately 1,214,255,718 ordinary shares (three months ended 31 August 2019: 1,214,255,718 ordinary shares) in issue during the period.

The dilutive earnings per share is equal to the basic earnings per share for the three months ended 31 August 2020 and 2019 respectively, as the share options had anti-dilutive effects.

## 6. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated first quarterly financial statements were approved and authorised for issue by the Board of Directors on 16 November 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Group recorded a total revenue of approximately HK\$2.66 million in the first quarter ended 31 August 2020, an decrease of approximately HK\$3.38 million from approximately HK\$6.04 million for the same quarter of last year. The result has changed from profit of approximately HK\$2.33 million in the same quarter of last year to profit of approximately HK\$1 million for this quarter. The company generated profit decrease for the period was mainly due to affected by the epidemic in the current period.

The administrative expenses were decreased by approximately HK\$1.69 million from approximately HK\$2.92 million of the same quarter of last year to approximately HK\$1.23 million for this quarter mainly due to the decrease in main administrative expenses in the current period.

## BUSINESS REVIEW

The first quarter of the Company for the year, being the period from June to August 2020, is the most severe period of pneumonia, during which many companies have dismissed staff, therefore the recruitment business of GBjobs has been directly affected. Although the government has subsidized companies to pay salaries during this period, there is no way to get companies to hire personnel.

Although this is the case, the Company is very proud to announce that in January 2020, we have begun to use Big Data to sell epidemic products, during which we use the foundation of 散工王 and Big Data. What is even more encouraging is that we launched 散工王 five years ago when we saw that many friends in the society could not pay for their household expenses with a full-time job, so many friends of GBjobs asked us to seek for part-time jobs for them. This was the sorrow of Hong Kong society. We felt that GBjobs needed to solve this problem for the society, so we launched 散工王. We have never thought that there will be an epidemic outbreak, let alone that 散工王 can outshine others today.

Our first batch of epidemic products were sold out after publicizing for a day and a half on 散工王. This is the hard evidence that 散工王 can bring indirect profits to the Group.

In this quarter, we have negotiated cooperation with a company that manufactures masks in Hong Kong. We have set up a joint venture company to sell through Big Data, the business result of which will be reflected in the future. During this quarter, we have no way to travel to the mainland, but we have held many online conferences to introduce our Big Data export service, achieving satisfactory results.

In any case, the sales of our epidemic products through Big Data cannot replace our income from GBjobs overnight. Therefore, the Company's managers have reduced their wages. Although the sales and profits of the Company have declined as compared to the same quarter of last year, 散工王 we operate with great efforts, export Big Data, the new properties of real estate prospecting, and sales of epidemic products are all moving forward solidly.

## BUSINESS OUTLOOK

As the entire economy in Hong Kong has been hit by pneumonia, and countries in Europe and America are still in a very harsh environment, although Hong Kong is recognised as an international city, it is also at a disadvantage. Although recovery in the PRC will be relatively faster than that in other countries, current situation will maintain for some time since the epidemic in Hong Kong cannot be cleared.

However, we have found that at this stage of the epidemic, performance varies from different industries. For example, both the hotel industry and aviation industry have been hit positively, while the logistics and household food industries are still promising. Similar to our guitar repair, epidemic products have their own potential to be exerted.

Although headhunting of GBjobs has been affected to a certain extent, part-time recruitment of 散工王 gains outperformance. Job seekers who cannot locate full-time jobs shift to part-time jobs, which is the same for employers. Therefore, the number of our registered members in 散工王 has exceeded 125,000, representing approximately 5% of the total work population in Hong Kong. The indirect and direct incomes brought thereon cannot be underestimated.

The Company will make use of its strength, being 散工王, and we will expand from the local to the mainland and other countries. 散工王, with the support of other scientific and technological achievements, such as China Salary Index, Hong Kong Salary Index, etc., will create remarkable results combined with our Big Data.

Taking further advantage of the publicity of 散工王 and the promotion of Big Data, the Company is very active in developing the business of real estate prospecting. We will soon announce one of the real estates in the Greater Bay Area, which is very suitable for members of 散工王. Due to the interruption of the epidemic, the results of the real estate prospecting from 2018 to 2019 will make a comeback and create new brilliance soon.

散工王 has generated considerable indirect profits to the Group, such as the headhunting of GBjobs, for which many customers are attracted through the advertisement of 散工王 for the part of looking for employees and seeking for buyers of group tours. Currently, as the number of members in 散工王 and the number of job advertisements have soared, it has entered a time that can directly bring advertising revenue. It is believed that such direct income will bring great benefits to the Group in the near future.

The listed company expect the Stock Exchange to allow us to resume trading so that our shareholders may have reasonable income. The target company in Shanghai we acquire will bring a very substantial business to the Group if the acquisition is finalised. In addition to sales and profits, we can also cross the client base of each other and the listed companies, which will result in a good matchmaking.

The investors of the Company have been supporting us before the IPO and up to the date, and our Big Data and high-technology businesses are fully consistent with the government's goal of promoting the IT industry. Therefore, we believe that the listed companies are currently in a promising industry with a limitless future!

## **FINANCIAL RISK MANAGEMENT**

Operations of the Group are mainly conducted in Hong Kong Dollars and Renminbi. Its 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 period. Management considers that the Group does not have any significant liquidity risk.

## **EMPLOYEE INFORMATION**

At 31 August 2020, the Group employed a total of 30 (31 May 2020: 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 August 2020, 152,685,000 (31 May 2020: 152,685,000) 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 three months ended 31 August 2020 (three months ended 31 August 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 31 August 2020, 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 31 August 2020.

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

For the three months ended 31 August 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 31 August 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 1.6.2020	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 31.8.2020
<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>

	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				Balance as at 31.8.2020
				Balance as at 1.6.2020	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
<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
				<u>17,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,500,000</u>

Date of grant	Exercise price HK\$	Exercise period	Number of Share Options				
			Balance as at 1.6.2020	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 31.8.2020
<b>Other employees and individuals</b>							
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	14,700,000	-	-	-	14,700,000
14.06.2017	0.110	14.06.2017 to 13.06.2027	<u>17,445,000</u>	-	-	-	<u>17,445,000</u>
			<u>95,045,000</u>	-	-	-	<u>95,045,000</u>
Sub-total			<u>112,545,000</u>	-	-	-	<u>112,545,000</u>
Total			<u>152,685,000</u>	-	-	-	<u>152,685,000</u>

During the three months ended 31 August 2020, no share options were granted under the New Share Option Scheme (three months ended 31 August 2019: Nil), no share options were exercised (three months ended 31 August 2019: Nil), no share options were lapsed (three months ended 31 August 2019: Nil) and no share options were cancelled (three months ended 31 August 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 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 three months ended 31 August 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 three months ended 31 August 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 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 three months ended 31 August 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 three months ended 31 August 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 Group for the three months ended 31 August 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 three months ended 31 August 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, 16 November 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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, 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.*

*This announcement will remain on the "Latest Company Announcement" page of the GEM website for at least 7 days from its date of publication and on the website of the Company at [www.neteltech.com.hk](http://www.neteltech.com.hk).*