



中彩網通控股有限公司
China Netcom Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8071)

2017

THIRD QUARTERLY REPORT



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*This report, for which the directors (the “**Directors**”) of China Netcom Technology Holdings Limited (the “**Company**”) 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 (the “**GEM Listing Rules**”) 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.irasia.com/listco/hk/chinanetcom.

HIGHLIGHTS

- The unaudited revenue of the Group for the nine months ended 30 September 2017 was approximately HK\$6,230,000 (nine months ended 30 September 2016 (restated): approximately HK\$1,574,000), representing an increase of approximately 295.81% as compared with that for the corresponding period in 2016.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$18,572,000 for the nine months ended 30 September 2017 (nine months ended 30 September 2016: approximately HK\$26,062,000), representing a decrease of approximately 28.74% as compared with that for the corresponding period in 2016.
- The unaudited loss per share of the Company was approximately HK0.47 cent for the nine months ended 30 September 2017.

RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and nine months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

| | Notes | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|-------|---|--------------------------------|--|--------------------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 (Restated) | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
| Revenue | 2 | 2,519 | 716 | 6,230 | 1,574 |
| Cost of sales | | (1,461) | (604) | (3,996) | (1,353) |
| Gross profit | | 1,058 | 112 | 2,234 | 221 |
| Other income and gains – net | | 119 | 95 | 3,233 | 659 |
| Gain on early redemption of convertible bonds | | - | - | - | 651 |
| Administrative expenses | | (4,940) | (7,596) | (16,735) | (22,413) |
| Finance costs | 3 | (1,410) | (1,316) | (4,183) | (4,505) |
| Other operating expenses | | (1,665) | (1,998) | (5,269) | (5,717) |
| Loss before tax | | (6,838) | (10,703) | (20,720) | (31,104) |
| Income tax credit | 4 | 356 | 1,063 | 1,144 | 2,673 |
| Loss for the period | 5 | (6,482) | (9,640) | (19,576) | (28,431) |
| Other comprehensive income/(expense) | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences on translating foreign operations | | 1,166 | (1,456) | 2,975 | (2,118) |
| Other comprehensive income/ (expense) for the period | | 1,166 | (1,456) | 2,975 | (2,118) |
| Total comprehensive expense for the period | | (5,316) | (11,096) | (16,601) | (30,549) |



| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|--|--|-----------------|---|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | | (Restated) |
| Loss attributable to: | | | | |
| Owners of the Company | (5,717) | (8,804) | (18,572) | (26,062) |
| Non-controlling interests | (765) | (836) | (1,004) | (2,369) |
| | <u>(6,482)</u> | <u>(9,640)</u> | <u>(19,576)</u> | <u>(28,431)</u> |
| Total comprehensive (expense)/income attributable to: | | | | |
| Owners of the Company | (5,074) | (9,558) | (16,948) | (27,229) |
| Non-controlling interests | (242) | (1,538) | 347 | (3,320) |
| | <u>(5,316)</u> | <u>(11,096)</u> | <u>(16,601)</u> | <u>(30,549)</u> |
| Loss per share | | | | |
| – Basic and diluted (HK cents per share) | <u>(0.13)</u> | <u>(0.28)</u> | <u>(0.47)</u> | <u>(0.84)</u> |

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Notes:

1. BASIS OF PREPARATION AND IMPACT OF NEW HKFRSs AND HKASs

The unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the three months and nine months ended 30 September 2017 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Ints**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. The unaudited consolidated statement of profit or loss and other comprehensive income also comply with the applicable disclosure requirements of the GEM Listing Rules. It has been prepared under historical cost convention.

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 2017 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2016, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints).

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The unaudited consolidated statement of profit or loss and other comprehensive income does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

Certain comparative amounts have been reclassified to conform with current period’s presentation as the Group has introduced additional segments of (i) information technology business segment regarding the research and development of information technology products and sale of self-developed information technology products; (ii) sports training business segment regarding the provision of sports training services; and (iii) technology-driven Internet financial business segment regarding the provision of technology-driven Internet financial services. Accordingly, unaudited consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 2017 for comparative purposes have been reclassified to reflect the newly reportable segments.

2. REVENUE

An analysis of the Group's revenue for the period is as follows:

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|--|--------------------------------|---|--------------------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 (Restated) | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
| Sale of lottery equipment | 19 | 36 | 63 | 75 |
| Provision of management, marketing, and operating services for lottery system and lottery halls | 49 | 37 | 91 | 220 |
| Provision of sports training services | 682 | 643 | 1,846 | 1,279 |
| Sale of information technology products | 1,625 | – | 4,086 | – |
| Provision of technology-driven Internet financial services | 144 | – | 144 | – |
| | <u>2,519</u> | <u>716</u> | <u>6,230</u> | <u>1,574</u> |

3. FINANCE COSTS

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|--|------------------|---|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Effective interest on convertible bonds | 1,410 | 1,316 | 4,183 | 4,505 |

4. INCOME TAX CREDIT

Income tax recognised in profit or loss

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|--------------|--|--------------------------------|---|--------------------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Deferred tax | (356) | (1,063) | (1,144) | (2,673) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits arising in or derived from Hong Kong for both periods.

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the PRC subsidiaries is 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group did not have significant unprovided deferred tax liabilities at 30 September 2017 and 31 December 2016.

5. LOSS FOR THE PERIOD

| | (Unaudited) Three months ended 30 September 2017 HK\$'000 | | (Unaudited) Nine months ended 30 September 2017 HK\$'000 | |
|--|---|------------------|--|------------------|
| | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 |
| Loss for the period has been arrived at after (crediting)/charging: | | | | |
| Crediting: | | | | |
| Bank interest income | | (6) | (4) | (21) |
| Net foreign exchange gain | (71) | (110) | (167) | (44) |
| Charging: | | | | |
| Auditors' remuneration | 240 | 224 | 720 | 728 |
| Employee benefits expense (excluding directors' emoluments): | | | | |
| – Salaries and other benefits in kind | 756 | 995 | 3,160 | 2,672 |
| – Equity-settled share-based payments | – | – | – | 406 |
| – Contributions to retirement benefits schemes | 56 | 58 | 182 | 154 |
| Directors' emoluments | – | 1,686 | 2,441 | 5,131 |
| Total staff costs | 812 | 2,739 | 5,783 | 8,363 |
| Minimum lease payments paid under operating leases in respect of land and buildings | 616 | 630 | 1,864 | 1,737 |
| Depreciation of property, plant and equipment | 258 | 321 | 766 | 639 |
| Expenses in relation to share options granted to consultants (included in administrative expenses) | – | – | – | 3,655 |
| Amortisation of concession rights (included in other operating expenses) | 1,657 | 1,934 | 4,807 | 5,653 |
| Provision for impairment loss on trade receivables | 5 | – | 5 | – |
| Loss on disposal of property, plant and equipment (included in other operating expenses) | 8 | 64 | 462 | 64 |

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

| | (Unaudited) | | (Unaudited) | |
|--|---------------------------|-------------------------|--------------------------|-------------------------|
| | Three months ended | | Nine months ended | |
| | 30 September | | 30 September | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Loss | | | | |
| Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share | <u>(5,717)</u> | <u>(8,804)</u> | <u>(18,572)</u> | <u>(26,062)</u> |
| Number of shares | | | | |
| | (Unaudited) | | (Unaudited) | |
| | Three months ended | | Nine months ended | |
| | 30 September | | 30 September | |
| | 2017 | 2016 | 2017 | 2016 |
| | '000 | '000 | '000 | '000 |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | <u>4,553,064</u> | <u>3,120,035</u> | <u>3,919,813</u> | <u>3,120,035</u> |

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme, non-redeemable convertible preferred shares and convertible bonds since their exercise and conversion would have an anti-dilutive effect.

7. RESERVES

For the nine months ended 30 September 2017

| | Attributable to owners of the Company | | | | | | | | Attributable to non-controlling interests | Total |
|--|--|---|---|--|---|--|---|-------------------------------------|---|---------------|
| | Share premium account (Unaudited) HK\$'000 | Capital redemption reserve (Unaudited) HK\$'000 | Convertible bonds equity reserve (Unaudited) HK\$'000 | Share options reserve (Unaudited) HK\$'000 | Foreign currency translation reserve (Unaudited) HK\$'000 | Other reserve (Unaudited) HK\$'000 | Accumulated losses (Unaudited) HK\$'000 | Subtotal (Unaudited) HK\$'000 | | |
| Balance at 1 January 2016 | 3,348,003 | 1 | 29,735 | 32,722 | 118,256 | (49) | (3,501,041) | 27,627 | 29,313 | 56,940 |
| Loss for the period | - | - | - | - | - | - | (26,062) | (26,062) | (2,369) | (28,431) |
| Other comprehensive expense for the period | - | - | - | - | (1,167) | - | - | (1,167) | (951) | (2,118) |
| Total comprehensive expense for the period | - | - | - | - | (1,167) | - | (26,062) | (27,229) | (3,320) | (30,549) |
| Recognition of equity-settled share-based payments | - | - | - | 4,061 | - | - | - | 4,061 | - | 4,061 |
| Redemption of convertible bonds | - | - | (15,824) | - | - | - | 464 | (15,360) | - | (15,360) |
| Deferred tax relating to convertible bonds | - | - | 2,427 | - | - | - | - | 2,427 | - | 2,427 |
| Balance at 30 September 2016 | 3,348,003 | 1 | 16,338 | 36,783 | 117,089 | (49) | (3,526,639) | (8,474) | 25,993 | 17,519 |

| | Attributable to owners of the Company | | | | | | | | | |
|---|--|---|--|---|---|------------------------------------|-----------------------------------|-------------------------------------|--|----------------------------------|
| | Share premium account (Unaudited) HK\$'000 | Capital redemption reserve (Unaudited) HK\$'000 | Convertible | | Foreign | | | Subtotal (Unaudited) HK\$'000 | Attributable to non- controlling interests (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
| | | | bonds | Share | currency | Other | Accumulated | | | |
| | | | equity reserve (Unaudited) HK\$'000 | options reserve (Unaudited) HK\$'000 | translation reserve (Unaudited) HK\$'000 | reserve (Unaudited) HK\$'000 | losses (Unaudited) HK\$'000 | | | |
| Balance at 1 January 2017 | 3,348,003 | 1 | 16,341 | 36,783 | 115,692 | (49) | (3,537,640) | (20,869) | 20,923 | 54 |
| Loss for the period | - | - | - | - | - | - | (18,572) | (18,572) | (1,004) | (19,576) |
| Other comprehensive income for the period | - | - | - | - | 1,624 | - | - | 1,624 | 1,351 | 2,975 |
| Total comprehensive income/(expense) for the period | - | - | - | - | 1,624 | - | (18,572) | (16,948) | 347 | (16,601) |
| Issue of new ordinary shares under share option scheme | 15,791 | - | - | (4,479) | - | - | - | 11,312 | - | 11,312 |
| Release of reserve upon share options lapsed | - | - | - | (32,304) | - | - | 32,304 | - | - | - |
| Issue of new ordinary shares | 30,030 | - | - | - | - | - | - | 30,030 | - | 30,030 |
| Balance at 30 September 2017 | 3,395,824 | 1 | 16,341 | - | 117,316 | (49) | (3,523,908) | 3,525 | 21,270 | 24,795 |

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Lottery Business

In late 2016 and August 2017, 深圳高榮財智科技有限公司 (transliterated as Shenzhen Gaorong Caizi Technology Company Limited (“**Shenzhen Gaorong**”)), a wholly-owned subsidiary of the Company, entered into cooperative agreements and amendment agreements (the “**Agreements**”) with each of Shandong Province Sports Lottery Management Centre and an independent third party, respectively for the development of the sports lottery sales network in Shandong in relation to conducting sports lottery sales business.

Pursuant to the Agreements, Shenzhen Gaorong is responsible for providing relevant technical services and is entitled to collect a particular percentage of the revenue from the sales network. As of September 2017, the applications for the establishment of a total of 722 sales points in various cities in Shandong had been submitted and 336 of which had been approved. The annual sales of sports lottery in Shandong reached RMB17.2 billion for the year 2016.

The new Board, which was in place in the end of August 2017, is now reviewing the performance of lottery business and the valuation of related concession rights. The Company will reflect the results of the revaluation in the financial statements for the year ending 31 December 2017.

Smart Wearable Devices Business

After the research and development work for over a year since the launch of the smart wearable devices business in January 2016, a breakthrough advancement was achieved in the first half of 2017. Smart glasses were awarded the 3C certification issued by China Quality Certification Centre in late March 2017. The Company also obtained the CE certification issued by the European Union and the FCC certification issued by the United States of America in April and May 2017, respectively, enabling the Company to sell the product in China, Europe and the United States of America. The Company is in the process of continuous development and upgrading the functions of the next generation smart glasses and smart fitness watches. As of September 2017, sales of approximately 5,000 pairs of smart glasses have been accomplished, with sales amounts of approximately HK\$4,086,000.

The Launch of Technology-driven Internet Financial Services

In September 2017, the Group launched a mobile application serving users in Mainland China with micro-financing needs. This group of users with limited credit history are not fully served by traditional banks and demand alternative financing channel. The application collects the loan applications from these users and helps to facilitate the financing transaction by recommending them to third-party investment platform. The Group charges the borrowers a certain percentage of the borrowing amount as service fees. As of September 2017, the Group has facilitated over 5,000 transactions and generated a revenue of approximately HK\$144,000.

Letter of Intent for Strategic Cooperation Agreement with Caissa Travel and Airports Corporation of Vietnam

On 3 January 2017, Max Choice Holdings Limited, a wholly-owned subsidiary of the Company, entered into a letter of intent for strategic cooperation agreement with Caissa Tongsheng Travel Service (Group) Co., Ltd. ("**Caissa Travel**") and Airports Corporation of Vietnam in relation to its business development in Phu Quoc (富國島) (the "**Letter of Intent**"). Details of the Letter of Intent were set out in the Company's announcement dated 9 January 2017. However, the possible transaction with Caissa Travel in Phu Quoc was terminated in August 2017 as a result of the failure of reaching a concrete cooperation plan between the relevant parties.

Financial Review

For the nine months ended 30 September 2017, the Group recorded an unaudited revenue of approximately HK\$6,230,000 (nine months ended 30 September 2016 (restated): approximately HK\$1,574,000), representing an increase of approximately 295.81% as compared with that for the corresponding period in 2016. During the nine months ended 30 September 2017, the revenue of the Group was mainly derived from (i) lottery business; (ii) information technology business; (iii) sports training business and (iv) technology-driven Internet financial business. For the nine months ended 30 September 2017, the Group had achieved the sales of approximately 5,000 pairs of smart glasses with sales amounts of approximately HK\$4,086,000. In September 2017, the Group started to offer technology-driven Internet financial services. As of September 2017, it has facilitated over 5,000 transactions and generated a revenue of approximately HK\$144,000. For the nine months ended 30 September 2017, the unaudited loss attributable to owners of the Company was approximately HK\$18,572,000 (nine months ended 30 September 2016: approximately HK\$26,062,000), representing a decrease of approximately 28.74% as compared with that for the corresponding period in 2016.

Capital structure

As at 30 September 2017, the Company had issued 4,629,368,382 ordinary shares of HK\$0.005 each (the “**Shares**”, each, a “**Share**”) (30 September 2016: 3,120,035,049 Shares).

Prospect

Since the new Directors got on board, the Directors have conducted a detailed review on the Group’s business activities and assets, and formulated the future development plan for the Group. The Directors believe that there is a huge consumption financial market generated by the rapid growth of the China economy, and tremendous business opportunities exist especially in the areas where traditional banks are unable to serve. With many years of in-depth practices in the Internet finance industry in China, the new executive directors possess a wealth of experience in technology development and business operation in Internet finance industry. As the founder, Mr. Sun Haitao (“**Mr. Sun**”) has successfully launched several Internet finance products such as “51 Credit Card Management” and he has been awarded a number of honours. The management team plans to gear up its effort in the product promotion for technology-driven Internet financial business in the fourth quarter of 2017, and will further expand the scale of business and cooperate with more strategic partners. Meanwhile, the Company will continue to optimise the existing lottery, smart wearable devices and sports services businesses in order to strengthen the Group’s financial position.

Change of Controlling Shareholder

Convertible Preferred Share Purchase Agreement

The Board was informed that on 11 April 2017, Mr. Leung Ngai Man (“**Mr. Leung**”) (as seller) and 51RENPIN.COM INC. (the “**Offeror**”) (as purchaser) had entered into a convertible preferred share purchase agreement (the “**Convertible Preferred Share Purchase Agreement**”) pursuant to which Mr. Leung agreed to sell, and the Offeror agreed to acquire, 1,003,333,333 convertible preferred shares at the consideration of HK\$82,273,333.31, being HK\$0.082 per convertible preferred share. It was further stated in the Convertible Preferred Share Purchase Agreement that the Offeror shall, immediately upon completion of the sale and purchase of the convertible preferred shares, exercise its conversion rights attaching to the convertible preferred shares to convert all the convertible preferred shares into ordinary shares. Completion of the Convertible Preferred Share Purchase Agreement took place on the same day.

Immediately after the completion of the sale and purchase of the convertible preferred shares and pursuant to the terms of the Convertible Preferred Share Purchase Agreement, the Company received a notice of conversion from the Offeror in respect of the exercise of conversion rights attaching to all the convertible preferred shares. As a result of the exercise of the conversion rights attaching to the 1,003,333,333 convertible preferred shares, 1,003,333,333 shares were allotted and issued to the Offeror on 12 April 2017 (the **"Converted Shares"**). Please refer to the Company's announcement dated 24 April 2017 for further details.

Share Purchase Agreement

The Board was further informed by Mr. Leung that, immediately after allotment and issue of the 1,003,333,333 Converted Shares, on the same date, Mr. Leung, the Offeror and Tiantu Investments International Limited (**"Tiantu International"**) had entered into a share purchase agreement (the **"Share Purchase Agreement"**) pursuant to which (i) the Offeror and Tiantu International have conditionally agreed to acquire 441,629,880 shares and 365,000,000 shares; and (ii) Mr. Leung has conditionally agreed to sell an aggregate of 806,629,880 shares at an aggregate consideration of HK\$66,143,650.16, being HK\$0.082 per share. Completion of the Share Purchase Agreement was effected on 18 April 2017. Please refer to the Company's announcement dated 24 April 2017 for further details.

Mandatory Conditional Cash Offers

Immediately after the allotment and issue of the Converted Shares to the Offeror and the completion of the sale and purchase of shares pursuant to the Share Purchase Agreement, the Offeror and parties acting in concert with it became interested in an aggregate of 1,809,963,213 shares representing approximately 43.89% of the total number of issued shares as at 24 April 2017. Accordingly, the Offeror and parties acting in concert with it were required to make a conditional mandatory cash offer to acquire all the issued shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the **"Takeovers Code"**) at HK\$0.082 per share (the **"Share Offer"**). Pursuant to Rule 13.5 of the Takeovers Code, the mandatory conditional cash offer had also been made to cancel all the outstanding share options (the **"Option Offer"**, together with the Share Offer, the **"Offers"**). As the condition was not fulfilled, the Offers failed to become unconditional in all respects and lapsed on 20 July 2017. Please refer to the Company's announcements dated 24 April 2017, 15 May 2017, 29 May 2017, 9 June 2017, 16 June 2017, 30 June 2017 and 20 July 2017 and the composite document jointly issued by the Company and the Offeror dated 9 June 2017 for further details.

Connected Transaction in Relation to Proposed Subscription of New Shares under Specific Mandate

Simultaneously with the entering into of the Share Purchase Agreement, the Company and the Offeror entered into a subscription agreement (as amended by a side letter dated 23 April 2017 and a second side letter dated 16 June 2017) (the "**Subscription Agreement**") pursuant to which the Company had conditionally agreed to allot and issue, and the Offeror had conditionally agreed to subscribe for, 390,000,000 shares at the consideration of HK\$31,980,000, being HK\$0.082 per share (the "**Subscription**").

The resolution proposed at the extraordinary general meeting of the Company held on 14 July 2017 (the "**EGM**") regarding the Subscription and the granting of the specific mandate was duly passed by the independent shareholders of the Company by way of poll at the EGM. On 19 July 2017, 390,000,000 subscription shares were allotted and issued to the Offeror at the subscription price of HK\$0.082 per subscription share, pursuant to the completion of the Subscription Agreement upon the fulfilment of all terms and conditions thereto. Please refer to the Company's announcements dated 24 April 2017, 15 May 2017, 29 May 2017, 9 June 2017, 16 June 2017, 14 July 2017 and 19 July 2017 and the Company's circular dated 23 June 2017 for further details.

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

As at 30 September 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings in securities by directors of listed issuer as referred to in rules 5.46 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"), were as follows:

Long position in the Shares

| Name of Director | Number of Shares | Capacity and nature of interests | Approximate percentage of issued share capital |
|-------------------------|------------------------------|---|---|
| Mr. Sun | 1,834,963,213 ⁽¹⁾ | Interest in controlled corporation | 39.64% |

Note:

- (1) 51RENPIN.COM INC. is wholly owned by 上海悟牛網絡科技有限公司 (transliterated as Shanghai Wuniu Network Technology Company Limited) (“**Shanghai Wuniu**”), which is in turn wholly owned by 杭州恩牛網絡技術有限公司 (transliterated as Hangzhou Enniu Network Technology Company Limited) (“**Hangzhou Enniu**”). Mr. Sun, through 萍鄉紀牛資產管理合夥企業 (有限合夥) (Pingxiang Jiniu Asset Management Partnership (Limited Partnership))*、上海卿牛投資中心 (有限合夥) (Shanghai Qingniu Investment Center (Limited Partnership))*、萍鄉益耕牛資產管理合夥企業 (有限合夥) (Pingxiang Yigengniu Asset Management Partnership (Limited Partnership))*、萍鄉益金牛資產管理合夥企業 (有限合夥) (Pingxiang Yijinniu Asset Management Partnership (Limited Partnership))*、萍鄉益猛牛資產管理合夥企業 (有限合夥) (Pingxiang Yimengniu Asset Management Partnership (Limited Partnership))* and 萍鄉益牛資產管理合夥企業 (有限合夥) (Pingxiang Yiniu Asset Management Partnership (Limited Partnership))*、is the ultimate controlling shareholder of Hangzhou Enniu and is indirectly interested in approximately 31.11% of the equity interest therein. By virtue of the SFO, Mr. Sun is deemed to be interested in those shares held by 51RENPIN.COM INC.

* *(The English names have been transliterated from their respective Chinese names and are for identification only)*

Save as disclosed above, as at 30 September 2017, none of the Directors and the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2017, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had or deemed to have an interest or a short position in the shares which were recorded in the register required to be kept by the Company under section 336 of the SFO, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

| Name | Capacity and Nature of interest | Number of Shares directly or indirectly held and category⁽³⁾ | Approximate percentage of issued share capital |
|---|---|--|---|
| 51RENPIN.COM INC. ⁽¹⁾ | Beneficial owner | 1,834,963,213 (L) | 39.64% |
| Tiantu International ⁽²⁾ | Beneficial owner | 365,000,000 (L) | 7.88% |
| Mr. Wang Yonghua ("Mr. Wang") ⁽²⁾ | Person having a security interest in shares | 1,834,963,213 (L) | 39.64% |
| | Interest in controlled corporation | 365,000,000 (L) | 7.88% |
| | | 2,199,963,213 (L) | 47.52% |

Notes:

(1) Duplicate with those disclosed in the section "Interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation" above.

(2) Mr. Wang is deemed to be interested an aggregate of 2,199,963,213 Shares, of which 1,834,963,213 Shares are held by 51RENPIN.COM INC. and charged in favour of Mr. Wang, and 365,000,000 Shares are held by Tiantu International, a company wholly owned by 深圳市天圖投資管理股份有限公司 (Tian Tu Capital Co., Ltd)*, which is owned as to 59.80% by Mr. Wang.

* (The English names have been transliterated from their respective Chinese names and are for identification only)

(3) (L) – Long Position, (S) – Short Position.

Save as disclosed above, so far as was known to the Directors, as at 30 September 2017, there was no person (not being a Director or a chief executive of the Company) who had or deemed to have an interest or a short position in the shares which were recorded in the register required to be kept by the Company under section 336 of the SFO, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders of the Company. For the period under review from 1 January 2017 to 30 September 2017, the Company complied with all the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules except for the following:

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, the role of the chairman of the Board (the “**Chairman**”) is performed by Mr. Sun. Mr. Sun has been engaging in Internet business development and financial technology for years. The Board believes that by virtue of the practical experience of Mr. Sun in mobile Internet and financial technology, Mr. Sun is able to provide the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders of the Company.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company was performed by Mr. Sun and Mr. Zhao Ke, their respective areas of profession spearheaded the Group’s overall development and business strategies.

The Company is still looking for a suitable candidate to fill the vacancy of the chief executive officer in order to comply with the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors (the “**Code**”) which is on terms no less exacting than the Required Standard of Dealings. The Company has made specific inquiry with all the Directors, and has not been notified of any non-compliance with the Required Standard of Dealings and the Code by the Directors during the nine months ended 30 September 2017.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2017 have been reviewed by the Audit Committee which is of the opinion that such statements complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosures have been made.

COMPETING INTERESTS

During the period under review, none of the Directors, substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2017.

By order of the Board
China Netcom Technology Holdings Limited
Sun Haitao
Chairman and Executive Director

Hong Kong, 14 November 2017

As at the date of this report, the executive Directors are Mr. Sun Haitao and Mr. Zhao Ke; and the independent non-executive Directors are Mr. Song Ke, Mr. Wu Bo and Mr. Michael Yu Tat Chi.