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)

SUPPLEMENTAL ANNOUNCEMENT REGARDING ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to the announcement (the "**Announcement**") of China Netcom Technology Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 20 March 2018 in relation to the annual results of the Group for the year ended 31 December 2017. Terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The Company would like to provide following updates and supplementary information in relation to the Announcement:

(1) The reasons and circumstances leading to the impairment loss of approximately HK$58.2 million to the concession rights pursuant to the three agreements entered into by Shenzhen Huancai Puda Technology Company Limited* (深圳環彩普達科技有限公司) dated 15 March 2007, 22 September 2009 and 16 March 2009 respectively (the "**Concession Rights**") include the following:

(i) the historical financial performance of the Group's welfare lottery business in Shenzhen and Chongqing of PRC did not record any revenue for the year ended 31 December 2017;

(ii) the competitive operating environment of the Group's lottery business in Shenzhen and Chongqing;

(iii) the Directors are of the opinion that the Group's lottery business in Shenzhen and Chongqing under the Concession Rights will not generate substantial revenue or profits in the foreseeable future;

* *(The English name has been transliterated from its Chinese name and is for identification purposes only)*

(iv) consequently, after the review by the Directors there is change in business strategy in relation to the Group's lottery business in the PRC to focus on Shangdong instead of Shenzhen and Chongqing. As at the end of December 2017, the Group has applied to establish a total of 1,068 sales points in various cities in Shangdong and 488 of which had already been approved. The Group does not expect to make any new material investment in the lottery business of Shenzhen and Chongqing in the future;

(v) the valuation report issued by an external valuer which set out the appraised value of the cash generating units operating under the Concession Rights to be at HK$nil as at 31 December 2017;

(vi) given the factors as set out under (i) to (v) above, the Directors are of the view that the impairment to the Concession Rights of approximately HK$58.2 million is necessary after due and careful consideration; and

(vii) the Directors are of the view that the impairment to the Concession Rights to be of a prudent nature.

In this connection, set out below are (i) the basis of the valuations; and (ii) principal assumptions and value of inputs used in the valuations.

	Valuation report for year ended 31 December 2017 (the "2017 Valuation")	**Valuation report for year ended 31 December 2016 (the "2016 Valuation")**	**Reasons for differences**
Date of valuation	31 December 2017	31 December 2016	–
Subject	The Group's cash generating unit comprising of the Concession Rights	The Group's cash generating unit comprising of the Concession Rights	–
Basis of valuation	Valuation using discounted cashflow	Valuation using discounted cashflow	–
Book value *(Note 1)*/ **Appraised value**	Nil/Nil	approximately HK$60.6 million/ approximately RMB62.2 million (approximately HK$69.4 million)	Primarily attributable to the principal assumptions and value of inputs set out in this announcement

Principal assumptions

Forecast period	Shenzhen concession: a forecast period of five years with no terminal value Chongqing concession: a forecast period of one year with no terminal value	Shenzhen concession: a forecast period of seven years with a terminal value Chongqing concession: a forecast period of seven years with a terminal value	The management of the Company at the time of the 2016 Valuation (the "**Previous Management**") is of the view that the Shenzhen concession and the Chongqing concession will be renewed upon their respective expiry dates, thus a terminal value has correspondingly been reflected in the 2016 Valuation. However, based on the revised business strategy, the existing Directors are of the view that the Shenzhen concession and the Chongqing concession will not be renewed upon their respective expiry dates, thus no terminal value has been reflected in the 2017 Valuation.

Estimated revenue streams	Based on historical revenue derived from the Concession Rights during the year ended 31 December 2017, being RMB Nil	Based on the then business plan formulated by the Previous Management	Difference in circumstances, including the business plan, at the relevant time
Post tax discount rate *(Note 2)*	21%	21.45%	Both of the discount rates are derived from the weighted average cost of capital of the Company which include the estimate of cost of equity and debt, cost of equity involved the use of the capital asset pricing model and the cost of debt involved the use of certain lending rates in the PRC. The differences were primarily attributable to, among others, market risk premium, equity beta, size premium and the different selection criteria of the comparable companies as well as variations in estimates adopted.

Annual growth rate	Nil	10%	The differences in the view of the existing Directors and the Previous Management in terms of growth potential of the Group's lottery business in the PRC.

Notes:

(1) For avoidance of doubt, the book values did not form part of the respective valuation reports and are included in the above table for information purposes only. It is noted that the appraised value set out in the 2016 Valuation Report was higher than that of the book value (after impairment) set out in the Group's financial statements as at 31 December 2016.

(2) As set out in the 2016 annual report of the Company, the pre-tax discount rate was applied in impairment assessment as required under the relevant accounting standards.

(2) As at 31 December 2017, the cash and bank balances of the Group amounted to approximately HK$59.2 million. In this connection, the Company sets out below its intended usage of cash and bank balances up to 30 June 2018:

Details of proposed usage	***Amount (HK$ million)***	***Timeline***
Cash and bank balances as at 28 February 2018	55.0	As at 28 February 2018 *(Note 1)*
Intended use of unutilized cash and bank balances	(25.2)	March 2018 to June 2018
– *Estimated cash usage related to the Group's financial technology services business: Such cash usage shall mainly be caused by the need to place more deposits to the third party P2P platform(s) as the customer base expands*	(12.4) *(Note 2)*	March 2018 to June 2018

– *Estimated cash usage related to the Group's smart wearable device business, lottery business and sports training business: Due to unprofitability, these traditional business segments are expected to have mild cash usage during the second quarter of 2018*	(0.8)	March 2018 to June 2018
– *Estimated cash usage related to the Group's apartment leasing business: The Group has planned to invest around HK$10 million into its apartment leasing business, mainly used for the renovation of apartments.*	(10.1) *(Notes 2 & 3)*	March 2018 to June 2018
– *Estimated cash usage related to head office overhead expenses: These are cash outflow arising from operating expenses such as salaries and rent etc.*	(1.9)	March 2018 to June 2018

Notes:

(1) Being the latest practicable date for ascertaining the related information.

(2) The majority of cash usage in this regard will constitute new assets for the Group and will not be expensed off.

(3) This includes HK$8.0 million which was part of the net proceeds raised from the Subscription (defined hereafter) which was originally intended for business development of the Group's lottery business in the PRC, as further detailed under section (3) below.

(3) The Company, as the issuer, entered into a subscription agreement with 51RENPIN.COM INC., as the subscriber, dated 12 April 2017 (as amended by the side letter dated 23 April 2017 and the second side letter dated 16 June 2017) (the "**Subscription Agreement**"), pursuant to which, the Company allotted and issued 390,000,000 shares to the subscriber (the "**Subscription**"). The net proceeds of the Subscription were approximately HK$32.0 million. The original intended use of proceeds as set out in the circular of the Company dated 23 June 2017 (the "**Circular**") and the actual use of proceeds up to and including the date of this announcement are set out below:

Intended use of proceeds as set out in the Circular	***Intended amount (HK$ million)***	***Utilized amount as of 28 February 2018 (Note) (HK$ million)***
Staff costs which includes salaries and other benefits of staff and Directors	14.0	5.5
Rental expenses for office premises	2.5	1.7
Legal and professional fees	4.5	4.0
Business development of the Group's lottery business in the PRC	8.0	–
Other administrative and operating expenses	2.5	2.5
Total	**31.5**	**13.7**

Note: Being the latest practicable date for ascertaining the related information.

In connection with the HK$8.0 million, which was intended to be utilized on the business development of the Group's lottery business in the PRC, after the Directors' review of the Group's overall lottery business, including its strategy, historical financial performance and operating environment, the Directors believe that such amount will preferentially be utilized to invest in the apartment leasing business of the Group, which is expected to generate higher return than the lottery business and can broaden the Group's revenue stream and improve the Group's financial position. The Directors do not intend to invest this amount again into the staff costs, rental expenses for office premises and legal and professional fees as set out in the Circular because there is still unutilized amount for these expenses as at the above latest practicable date.

Save for the HK$8.0 million as mentioned above, the remaining balance of net proceeds of the Subscription, being approximately HK$10.3 million, shall be utilized for the intended use as set out in the Circular and the table above.

The additional information set out above does not affect other information contained in the Announcement and the contents of the Announcement remain unchanged.

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

Hong Kong, 13 April 2018

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 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 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.