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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
MAJOR TRANSACTION
SUBSCRIPTIONS OF WEALTH MANAGEMENT PRODUCTS

BACKGROUND

Reference is made to the 2018 Annual Report published by the Company on 28 March 2019.

The Company would like to provide further information in respect of its financial assets at fair value through profit or loss, which mainly consisted of Wealth Management Products, as at 31 December 2018. On 1 November 2018, the Company, through Hangzhou Hongmai, as subscriber, entered into the Wealth Management Agreement with the Bank, pursuant to which, the Company has subsequently subscribed for units of the Wealth Management Products (the “**Subscriptions**”). As at 31 December 2018, the fair value of the Wealth Management Products amounted to approximately HK\$19.6 million, which represented its principal amount as at 31 December 2018.

As one of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Subscriptions on an aggregated basis is more than 25% but less than 75%, the Subscriptions constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders’ approval requirements set out in Chapter 19 of the GEM Listing Rules.

However, at the relevant time, the Company was of the view that the Subscriptions were similar to placement of deposits in nature and did not constitute notifiable transactions of the Company under Chapter 19 of the GEM Listing Rules, which was resulted from the differences in interpretation of HKAS 7 and HKFRS 9 between the PRC Finance Team and the auditors of the Group (the “**Misinterpretation**”). Nevertheless, the Directors reiterated that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above. The Subscriptions were made in the interests of the Shareholders. Furthermore, the Subscriptions were conducted on normal commercial terms, and the terms under the Wealth Management Agreement were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company have taken/shall take the following actions to remedy the breach, (i) through the publication of this announcement, set out, among others, the principal terms of the Wealth Management Products, the reasons for and benefits of the Subscriptions, the GEM Listing Rules implications, reasons for non-compliance and measures to tighten the internal control of the Company with a view to prevent similar non-compliance in the future; (ii) notify the relevant staff who are responsible for effecting the Subscriptions that the Subscriptions have caused a non-compliance of the disclosure requirement of the GEM Listing Rules; (iii) review the operations of the PRC Finance Team and proceed with necessary restructuring; and (iv) with a view to remedy the breach, as at the date of this announcement, the Company has reduced the principal amount of the Wealth Management Products to nil without incurring any losses to the principal amount. Given that the Subscriptions have already been made and the principal amount of the Wealth Management Products has been reduced to nil as at the date of this announcement, no circular will be despatched to the Shareholders by the Company and no extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Subscriptions.

Furthermore, the Company comes to the view that internal control of the Group with regard to wealth management products needs to be tightened and certain measures shall be implemented/made in this regard. Please refer to the section headed “Implementation of measures to tighten internal control” in this announcement for further details.

WEALTH MANAGEMENT AGREEMENT

Details of the Wealth Management Agreement are as follows:

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| (1) Date: | 1 November 2018 |
| (2) Name of the Wealth Management Product: | 如意天添利002期 |
| (3) Parties: | <ul style="list-style-type: none"> (i) the Bank; and (ii) Hangzhou Hongmai as Subscriber |

To the best knowledge of the Company, (i) the Bank is principally engaged in the provision of banking and other financial services in the PRC; and (ii) the Bank and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

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| (4) Type of Wealth Management Products: | Principal protected financial products with floating return |
| (5) Risk rating of product: | Low |

- (6) Currency of the Subscriptions: RMB
- (7) Term: Not under a fixed term, redeemable upon request
- (8) Expected return on annual basis: Estimated to be ranged from approximately 0.35% to approximately 3.85%
- (9) Investment scope of the Wealth Management Products: The Wealth Management Products mainly invest in money market instruments including, but not limited to, cash, bank deposits, government bonds, central bank bills, inter-bank funding business, bonds repurchase, financial bonds, corporate debenture, credit bonds with higher credit rating, short term commercial paper, small-and-medium enterprise collective notes and medium-term notes

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Group is principally engaged in financial technology services business, apartment leasing business, smart wearable device business, lottery business and sports training business.

The Subscriptions were made from the spare funds of the Group and such utilisation of spare funds for wealth management purposes is beneficial for earning higher interest return. The Subscriptions would not affect the daily operations and the principal business development of the Group and would not adversely affect the interests of independent Shareholders.

The Company considers that the Subscriptions were on normal commercial terms, and the terms of the Wealth Management Agreement were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Subscriptions on an aggregated basis is more than 25% but less than 75%, the Subscriptions constitute a major transaction for the Company under the GEM Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements set out in Chapter 19 of the GEM Listing Rules. Attributable to the inadvertent consequence of the Misinterpretation, the Company recognised that it has unintentionally committed a breach of the reporting, announcement and shareholders' approval requirements for the Subscriptions under Rules 19.34, 19.38, 19.40 and 19.41 of the GEM Listing Rules.

IMPLEMENTATION OF MEASURES TO TIGHTEN INTERNAL CONTROL

The Company shall implement the following measures with immediate effect:

- (1) formulate guideline for purchasing any type of financial products regardless of its nature, being “principal-protected” or otherwise, and such internal control guideline shall include the requirement of obtaining approvals from the Hong Kong Finance Team, a member of the Board and a representative from the internal control and legal departments of the Company prior to subscription of financial products in the future and the punishment for non-compliance of the said guideline (the “**Internal Control Guideline**”);
- (2) circulate the Internal Control Guideline to all Directors and finance staff of the Group and that they must comply with such guideline upon its adoption;
- (3) the internal control and legal departments of the Company shall perform quarterly checks on whether the staff have complied with the Internal Control Guideline;
- (4) the relevant personnel shall consult the Hong Kong Finance Team, and where necessary, to report to the audit committee of the Company relating to the purchase of financial products to be made by the Group as he/she may see fit;
- (5) the Company will circulate training materials and organise trainings for the PRC Finance Team on the Company’s compliance with the GEM Listing Rules regularly;
- (6) the Company will improve its financial control system, and improve the communication, coordination and reporting arrangements for notifiable transactions among the relevant departments (the “**Relevant Departments**”) of the Group, including the PRC Finance Team, the Hong Kong Finance Team, the PRC legal team, and the office of board secretary team. Prior to entering into any relevant potential transaction in the future, the PRC Finance Team will seek approval from the Hong Kong Finance Team and perform size test analysis accordingly. Where disclosure threshold is met, the PRC Finance Team will notify the Relevant Departments the details of the proposed transaction and circulate the relevant drafts of transaction agreement for review by the PRC legal team and the office of board secretary team of the Company to ensure compliance with the GEM Listing Rules;
- (7) the Hong Kong Finance Team will also improve communication with the auditors of the Company and seek clarification from them, where necessary; and
- (8) the Company will improve its communication with its subsidiaries and emphasise the importance of ensuring the Company’s compliance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2018 Annual Report”	the annual report of the Company for the year ended 31 December 2018
“Bank”	Zhejiang Chouzhou Commercial Bank Co., Ltd. (浙江稠州商業銀行股份有限公司), an independent third party to the Company
“Board”	the board of directors of the Company
“Company”	China Netcom Technology Holdings Limited, a company incorporated in the Cayman Islands, the Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hangzhou Hongmai”	Hangzhou Hongmai Information Technology Limited (杭州泓脈信息科技有限公司), a limited liability company incorporated in the PRC, being an indirect wholly-owned PRC subsidiary of the Company
“HKAS 7”	Hong Kong Accounting Standard 7 – Statement of Cash Flows
“HKFRS 9”	Hong Kong Financial Reporting Standard 9 – Financial Instruments
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Finance Team”	the Hong Kong finance team of the Company
“PRC Finance Team”	the PRC finance team of the Company

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	the holder(s) of the issued shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wealth Management Agreement”	the wealth management agreement dated 1 November 2018 entered into between Hangzhou Hongmai and the Bank
“Wealth Management Products”	the unlisted wealth management products issued by the Bank, which are principal-protected with low risk in nature and denominated in RMB, subscribed by the Group pursuant to the Wealth Management Agreement
“%”	per cent.

In this announcement, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

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

16 April 2019

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.

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