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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM ("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 Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, 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 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.*

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2017 was approximately HK$28,303,000, representing an increase of approximately 1,307% as compared with that in 2016.

- Loss attributable to owners of the Company was approximately HK$48,293,000 for the year ended 31 December 2017, representing an increase of approximately 30% as compared with that in 2016.

- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

RESULTS

The board of Directors (the "**Board**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000 (Restated)
Revenue	*5*	**28,303**	2,011
Cost of sales and services		**(22,231)**	(1,733)
Gross profit		**6,072**	278
Other income and gain	*6*	**3,271**	124
Administrative expenses		**(26,022)**	(28,280)
Impairment loss of concession rights	*11*	**(58,239)**	(8,460)
Gain on early redemption of convertible bonds		**–**	656
Finance costs	*7*	**(5,593)**	(5,650)
Other operating expenses		**(6,573)**	(7,982)
Loss before tax		**(87,084)**	(49,314)
Income tax credit	*8*	**15,713**	6,170
Loss for the year	*9*	**(71,371)**	(43,144)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**4,595**	(4,853)
Other comprehensive income/(expense) for the year		**4,595**	(4,853)
Total comprehensive expense for the year		**(66,776)**	(47,997)
Loss attributable to:			
Owners of the Company		**(48,293)**	(37,043)
Non-controlling interests		**(23,078)**	(6,101)
		(71,371)	(43,144)
Total comprehensive expense attributable to:			
Owners of the Company		**(45,571)**	(39,607)
Non-controlling interests		**(21,205)**	(8,390)
		(66,776)	(47,997)
Loss per share	*10*		
Basic and diluted (HK cents per share)		**(1.18)**	(1.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**2,713**	2,436
Club debenture		**115**	115
Concession rights	*11*	**–**	60,580
		2,828	63,131
Current assets			
Inventories		**1,433**	911
Trade and other receivables	*12*	**4,992**	2,516
Amount due from a related company		**574**	–
Amount due from a non-controlling interest of a subsidiary		**1,500**	1,497
Pledged bank deposit		**–**	216
Cash and bank balances		**59,173**	23,817
		67,672	28,957
Current liabilities			
Trade and other payables	*13*	**8,845**	7,776
Receipt in advance		**197**	126
Amount due to an intermediate holding company		**598**	–
Amount due to a non-controlling interest of a subsidiary		**–**	472
Current tax liabilities		**916**	–
		10,556	8,374
Net current assets		**57,116**	20,583
Total assets less current liabilities		**59,944**	83,714
Non-current liabilities			
Convertible bonds		**49,516**	43,923
Deferred tax liabilities		**3,052**	19,120
		52,568	63,043
Net assets		**7,376**	20,671

	2017	2016
	HK$'000	*HK$'000*
Capital and reserves		
Share capital – ordinary shares	**23,147**	15,600
Share capital – non-redeemable convertible preferred shares	**–**	5,017
Reserves	**(15,489)**	(20,869)
Equity attributable to owners of the Company	**7,658**	(252)
Non-controlling interests	**(282)**	20,923
Total equity	**7,376**	20,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors, its parent company is 51RENPIN.COM INC. (incorporated in the British Virgin Islands) and its ultimate parent company is 51 Credit Card Inc. (incorporated in the Cayman Islands). Its ultimate controlling party is Mr. Sun Haitao, who is also the chairman and executive director of the Company.

During the year ended 31 December 2017, the Company and its subsidiaries (collectively referred to as the "Group") were involved in financial technology services business, smart wearable device business, lottery business and sports training business.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

Certain comparative amounts have been reclassified to conform with current year's presentation as the Group has introduced additional segments of (i) financial technology services business segment regarding the provision of financial technology services; (ii) smart wearable device business segment regarding the research, development and sale of smart wearable devices; and (iii) sports training business segment regarding the provision of sports training services. Accordingly, consolidated statement of profit or loss and other comprehensive income and segment information for the year ended 31 December 2016 for comparative purposes have been reclassified to reflect the newly reportable segments. In addition, income and expenses for provision of sports training services for the year ended 31 December 2016, which were previously included in "Other income and gain" and "Administrative expenses", have been reclassified and presented in "Revenue" and "Cost of sales and services", respectively, in the consolidated statement of profit or loss and other comprehensive income.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2021.

Except as mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit loss are recognised.

Based on the Group's financial instruments and risk management policies, application of HKFRS 9 in the future may have an impact on the Group's financial assets. The expected credit loss model may result in early provision of the credit losses which have not yet incurred in relation to the Group's financial assets measured at amortised cost. The directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instruments as at 31 December 2017.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$3,007,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of such leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$459,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the board of directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

(a) Financial technology services business – provision of financial technology services (including credit facilitation services, post-origination services and financial guarantee services);

(b) Smart wearable device business – research, development and sale of smart wearable devices;

(c) Lottery business – development of computer software, hardware and application system, sale of self-developed technology or results, provision of relevant technical consultancy services in the People's Republic of China (the "PRC") and development and provision of operation system sector of the PRC lottery market; and

(d) Sports training business – provision of sports training services.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Financial technology services business		Smart wearable device business		Lottery business		Sports training business		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue:										
Revenue from external customers	**17,296**	–	**8,556**	–	**223**	336	**2,228**	1,675	**28,303**	2,011
Segment loss	**(2,249)**	–	**(1,261)**	(5,360)	**(72,249)**	(26,139)	**(47)**	(12)	**(75,806)**	(31,511)
Interest on bank deposits, other income and gain									**3,271**	124
Central administration costs									**(14,549)**	(17,927)
Loss before tax									**(87,084)**	(49,314)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment without allocation of interest on bank deposits, other income and gain and central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Financial technology services business		Smart wearable device business		Lottery business		Sports training business		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)		(Restated)		(Restated)
Segment assets	**13,412**	–	**7,842**	5,545	**4,162**	63,263	**2,795**	2,789	**28,211**	71,597
Corporate and unallocated assets									**42,289**	20,491
Consolidated assets									**70,500**	92,088
Segment liabilities	**2,573**	–	**884**	243	**57,213**	69,282	**212**	193	**60,882**	69,718
Corporate and unallocated liabilities									**2,242**	1,699
Consolidated liabilities									**63,124**	71,417

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than pledged bank deposit and other unallocated head office and corporate assets. Concession rights are allocated to operating segments; and

- all liabilities are allocated to operating segments other than other unallocated head office and corporate liabilities.

Other segment information

	Financial technology services business		Smart wearable device business		Lottery business		Sports training business		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)		(Restated)		(Restated)
Depreciation	**–**	–	**746**	644	**218**	449	**2**	1	**966**	1,094
Unallocated depreciation									**167**	6
Total depreciation									**1,133**	1,100
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**102**	65	**–**	–	**102**	65
Effective interest on convertible bonds	**–**	–	**–**	–	**5,593**	5,650	**–**	–	**5,593**	5,650
Gain on early redemption of convertible bonds	**–**	–	**–**	–	**–**	(656)	**–**	–	**–**	(656)
Impairment loss on trade receivables	**666**	–	**–**	–	**–**	–	**–**	–	**666**	–
Amortisation of concession rights	**–**	–	**–**	–	**6,471**	7,470	**–**	–	**6,471**	7,470
Impairment loss of concession rights	**–**	–	**–**	–	**58,239**	8,460	**–**	–	**58,239**	8,460
Additions to non-current assets	**–**	–	**4**	2,384	**–**	125	**8**	4	**12**	2,513
Unallocated									**1,365**	11
Total additions to non-current assets									**1,377**	2,524

Geographical information

The Group operates in two principal geographical areas – the PRC and Hong Kong.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
PRC	**26,075**	336	**1,493**	62,999
Hong Kong	**2,228**	1,675	**1,335**	132
	28,303	2,011	**2,828**	63,131

Information about major customers

For the year ended 31 December 2017, none of the customer with revenue was accounted for more than 10% of the total revenue of the Group.

For the year ended 31 December 2016, none of the customer (Restated) with revenue was accounted for more than 10% of the total revenue of the Group.

5. REVENUE

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Provision of financial technology services	**17,296**	–
Sale of smart wearable devices	**8,556**	–
Sale of lottery equipment	**79**	72
Provision of management, marketing, and operating services for lottery system and lottery halls	**144**	264
Provision of sports training services	**2,228**	1,675
	28,303	2,011

6. OTHER INCOME AND GAIN

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Bank interest income	**14**	31
Interest income	**4**	–
Waiver of other payables	**3,057**	–
Sundry income	**154**	93
Net foreign exchange gain	**42**	–
	3,271	124

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Effective interest on convertible bonds	**5,593**	5,650

8. INCOME TAX CREDIT

Income tax recognised in profit or loss

	2017	2016
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**355**	–
Overprovision in prior years		
PRC Enterprise Income Tax	**–**	(1)
Deferred tax	**(16,068)**	(6,169)
Total income tax credit recognised in profit or loss	**(15,713)**	(6,170)

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for both years. 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 years.

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

9. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Cost of inventories recognised as an expense (included in cost of sales and services)	**5,228**	29
Auditors' remuneration	**1,500**	960
Employee benefits expense (excluding directors' emoluments)		
– Salaries and other benefits in kind	**6,247**	5,262
– Contributions to retirement benefits schemes	**295**	286
– Equity-settled share-based payments	**–**	406
Directors' emoluments	**2,655**	7,352
Total staff costs	**9,197**	13,306
Minimum lease payments paid under operating leases in respect of land and buildings	**2,518**	2,086
Net foreign exchange loss	**–**	143
Depreciation of property, plant and equipment	**1,133**	1,100
Expense in relation to share options granted to consultants	**–**	3,655
Financial guarantee loss (included in cost of sales and services)	**14,061**	–
Amortisation of concession rights (included in other operating expenses)	**6,471**	7,470
Provision for impairment loss on trade receivables (included in cost of sales and services)	**666**	–
Loss on disposal of property, plant and equipment (included in other operating expenses)	**102**	65

10. 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:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(48,293)**	(37,043)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,098,660**	3,120,035

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.

11. CONCESSION RIGHTS

	HK$'000
Cost	
Balance at 1 January 2016	2,411,981
Effect of foreign currency exchange differences	(157,883)
Balance at 31 December 2016 and 1 January 2017	**2,254,098**
Effect of foreign currency exchange differences	**162,430**
Balance at 31 December 2017	**2,416,528**
Accumulated amortisation and impairment	
Balance at 1 January 2016	(2,330,455)
Amortisation expense	(7,470)
Impairment loss recognised in profit or loss	(8,460)
Effect of foreign currency exchange differences	152,867
Balance at 31 December 2016 and 1 January 2017	**(2,193,518)**
Amortisation expense	**(6,471)**
Impairment loss recognised in profit or loss	**(58,239)**
Effect of foreign currency exchange differences	**(158,300)**
Balance at 31 December 2017	**(2,416,528)**
Carrying amounts	
Balance at 31 December 2017	**–**
Balance at 31 December 2016	60,580

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**714**	–
Less: allowance for doubtful debts for trade receivables	**(666)**	–
	48	–
Deposits and other receivables	**4,199**	3,403
Less: allowance for doubtful debts for deposits and other receivables	**–**	(2,000)
	4,199	1,403
Prepayments	**745**	1,113
Total trade and other receivables	**4,992**	2,516

Trade receivables comprise of provision of financial technology services, sale of lottery equipment and provision of management, marketing, and operating services for lottery system and lottery halls.

The credit terms granted to customers are varied and are generally the result of negotiation between individual customer and the Group. 1% per day is charged on overdue trade receivables in respect of provision of financial technology services and no interest is charged on overdue trade receivables in respect of sale of smart wearable devices, sale of lottery equipment, provision of management, marketing, and operating services for lottery system and lottery halls and provision of sports training services.

The following is an analysis of trade receivables by age, presented based on the respective revenue recognition dates:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**27**	–
31 – 60 days	**11**	–
61 – 90 days	**6**	–
Over 90 days	**4**	–
	48	–

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**98**	3
Other payables and accruals	**7,683**	7,489
Accrued salaries and other benefits in kind	**1,064**	284
Total trade and other payables	**8,845**	7,776

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**24**	–
31 – 60 days	**5**	–
61 – 90 days	**6**	–
Over 90 days	**63**	3
	98	3

14. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial results

The consolidated revenue of the Group for the financial year ended 31 December 2017 amounted to approximately HK$28,303,000 as compared with approximately HK$2,011,000 last year. Loss attributable to owners of the Company amounted to approximately HK$48,293,000 as compared with approximately HK$37,043,000 last year.

The increase in loss attributable to owners of the Company for the year was mainly attributable to the increase in impairment loss on concession rights. As disclosed in the Company's announcement dated 16 January 2018, having considered the estimated cash flow to be generated from the welfare lottery business in Shenzhen and Chongqing, the relevant operating environment and market conditions as well as the view of the independent professional valuer, management decided to make a full impairment of the concession rights that amounted to approximately HK$58,239,000.

Excluding the effect of the concession right impairment and the related deferred tax effect, the loss for the year would be approximately HK$27,692,000 (2016: HK$36,799,000), representing a decrease of approximately HK$9,107,000 from last year. Such decrease was mainly contributed by the surge in revenue from the Group's financial technology services business and smart wearable device business for the year.

Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

Liquidity and Gearing Ratio

As at 31 December 2017, the Group recorded total assets of approximately HK$70,500,000 (2016: approximately HK$92,088,000), total liabilities of approximately HK$63,124,000 (2016: approximately HK$71,417,000) and cash and bank balances (excluding pledged bank deposit) of approximately HK$59,173,000 (2016: approximately HK$23,817,000).

As at 31 December 2017, the gearing ratio of the Group was approximately 671% (2016: approximately 212%), based on the total borrowings of approximately HK$49,516,000 (2016: approximately HK$43,923,000) and the total equity of approximately HK$7,376,000 (2016: approximately HK$20,671,000). The high gearing ratio was due to the full impairment made on the concession right during the year which substantially reduced total assets. The total borrowings solely represents the Group's convertible bonds. After the exercise of the conversion rights to the Company's convertible bonds on 26 January 2018, the gearing ratio of the Group has dropped significantly.

Capital Structure

As at 31 December 2017, the Company's total number of issued ordinary shares of HK$0.005 each was 4,629,368,382 (2016: 3,120,035,049 ordinary shares of HK$0.005 each).

The Company had no issued non-redeemable convertible preferred shares as at 31 December 2017 (2016: 1,003,333,333 preferred shares of HK$0.005 each) as all such shares had been converted to ordinary shares on 12 April 2017.

Charges on the Group's Assets

As at 31 December 2017, the Group had no asset that was pledged (2016: a fixed deposit of approximately HK$216,000 was pledged).

Capital Investment and Future Plans for Material Investment or Capital Asset Purchase

During the year, the Group paid approximately HK$1,377,000 (2016: approximately HK$2,524,000) for the purchase of property, plant and equipment.

Exposure to Fluctuation in Exchange Rates

The Group's sales and purchases for the year were mostly denominated in HK$ and Renminbi ("**RMB**").

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or devaluation of RMB against HK$ may have impact on the operation results of the Group.

The Group monitors its foreign currency risks and will consider hedging significant currency exposures should the need arises.

Contingent Liabilities

As at 31 December 2017, the Group had no significant contingent liabilities (2016: Nil).

BUSINESS REVIEW

Financial Technology Services Business

The Group started to carry out financial technology services business at the end of September 2017. The scale of this business achieved remarkable development from scratch through professional marketing and precision promotion with the basis of reasonable product design and market positioning. The maximum borrowings accumulated in a single month amounted to RMB120 million. More than 200,000 transactions in total in the year of 2017 were reached, the trading users exceeded 100,000 and the revenue generated reached HK$17,296,000. The business has grown and become one of the Group's very important businesses and revenue growth points.

However, the above business is very sensitive to the changes in national policies. On 1 December, 2017, the PRC government promulgated the "Regulations on Regulating the "Cash Loan" Business" [2017] No. 141 so as to supervise the country's Internet lending industry. The uncertainties caused by the new regulatory requirements affected the Group's financial technology services business in December 2017 and thus the Group has re-adjusted its products mix accordingly in early 2018. The management believes that the abovementioned impact is transient and will not impede the long-term development of the Group's financial technology services business.

Smart Wearable Device Business

2017 was a breakthrough year for the Group's smart wearable device business as the Group's year-long research effort in 2016 has paid off. In late March 2017, the Group's smart glasses were awarded the 3C certification issued by China Quality Certification Centre. The Group 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, which enables the Group to sell its products in China, Europe and the United States of America. The Group is still continuously developing and upgrading the functions of the next generation smart glasses and smart fitness watches. For the year 2017, approximately 7,000 pairs of smart glasses and 22,000 smart fitness watches have been sold, which generated revenue of approximately HK$5,573,000 and HK$2,983,000, respectively.

Lottery Business

The Group continued to operate its lottery business during the year and has well positioned itself to expand this business in Shangdong. 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 end of December 2017, the applications for the establishment of a total of 1,068 sales points in various cities in Shangdong had been submitted and 488 of which had been approved.

The 2017 annual turnover of the Group's lottery business amounted to approximately HK$223,000 (2016: approximately HK$336,000), representing a decrease of 34% as compared to the same period of last year.

With reference to the announcement of the Company dated 16 January 2018, the Company has re-assessed its welfare lottery business in Shenzhen and Chongqing during the year and provided a full impairment of its related concession rights, resulting in an impairment loss of approximately HK$58,239,000 for the year. While the lottery business contracts for these two cities remains effective, the Directors are of the opinion that they will not generate substantial profit for the Group in the foreseeable future.

Sports Training Business

The Group operates the Hui So Hung Table Tennis Training Centre in Hong Kong to provide table tennis training services to students with different ages and levels. This business has maintained stable growth as the number of students and revenue continued to increase for the year. Revenue from sports training business for 2017 was approximately HK$2,228,000 (2016: approximately HK$1,675,000), representing an increase of 33% from last year.

Termination of the Proposed Cooperation 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.

PROSPECTS

The potential of the financial technology industry is significant. The Group will actively follow the direction of the industry's development and the latest policies. With the initial basis built in 2017, the financial technology services business is expected to further expand its business scale with the promotion of brands, the expansion of users and the accumulation of experiences. At the same time, the Company will continue to optimize the Group's existing lottery, smart wearable device and sports training businesses, in order to strengthen the Group's financial position.

EMPLOYEES

As at 31 December 2017, the Group employed a total of 42 (2016: 38) employees.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

AUDITORS

There is no change in auditors of the Company in any of the preceding 3 years.

EVENT AFTER THE REPORTING PERIOD

On 24 January 2018, the Company received a conversion notice from Mr. Leung Ngai Man ("**Mr. Leung**"), a former substantial shareholder, and former chairman and executive director of the Company, to exercise the conversion rights attached to the outstanding convertible bond in the principal amount of HK$50,000,000. 41,666,666 shares of the Company, representing approximately 0.9% of the issued shares of the Company as at 24 January 2018 and approximately 0.89% of the enlarged issued shares of the Company immediately after the conversion, were alloted and issued to Mr. Leung on 26 January 2018 at the conversion price of HK$1.2 per share.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year, including the accounting principles and accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting.

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 ("**Shareholders**").

During the financial year under review, the Company complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except the following:

Code provision A.2.1

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 is performed by Mr. Sun Haitao ("**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.

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.

The corporate governance report will be included in the annual report to be published by the Company in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 against which issuers and their directors must measure their conduct regarding transactions in securities of their issuers (the "**Required Standard of Dealings**") under GEM Listing Rules 5.48 to 5.67. The Company made specific enquiry with all Directors and has not been notified of any non-compliance with the Required Standard of Dealings and the Code by the Directors during the year.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are qualified for attending and voting at the annual general meeting, the register of members of the Company will be closed from Wednesday, 23 May 2018 to Monday, 28 May 2018, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21 May 2018.

ANNUAL REPORT

This results announcement is published on the websites of the Company (www.irasia.com/listco/hk/chinanetcom) and the Stock Exchange (www.hkexnews.hk). The annual report will be dispatched to the Shareholders and published on both websites on or before 31 March 2018.

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

Hong Kong, 20 March 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 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.