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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)**

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of China Netcom Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the nine months ended 30 September 2019. This announcement, containing the full text of the 2019 third quarterly report of the Company, complies with the relevant requirements of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of third quarterly results. Printed version of the Company’s 2019 third quarterly report will be despatched to the shareholders of the Company and published on the websites of the Company ([www.irasia.com/listco/hk/chinanetcom](http://www.irasia.com/listco/hk/chinanetcom)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on or before 14 November 2019.

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

7 November 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://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](http://www.irasia.com/listco/hk/chinanetcom).*



## 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 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.**

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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 (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.*

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## HIGHLIGHTS

- The unaudited consolidated revenue from continuing operations of the Group for the nine months ended 30 September 2019 was approximately HK\$62,246,000 (nine months ended 30 September 2018: approximately HK\$22,895,000), representing an increase of approximately 172% as compared with that for the corresponding period in 2018.
- The Group recorded an unaudited consolidated profit from continuing and discontinued operations attributable to owners of the Company of approximately HK\$21,248,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018: unaudited consolidated loss from continuing and discontinued operations attributable to owners of the Company of approximately HK\$1,592,000).
- The unaudited basic and diluted earnings per share of the Company was approximately HK0.45 cent for the nine months ended 30 September 2019 (nine months ended 30 September 2018: unaudited basic and diluted loss per share of approximately HK0.03 cent).

## RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018 as follows:

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2019 HK\$'000	2018 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>Revenue</b>	3	<b>20,868</b>	13,150	<b>62,246</b>	22,895
Cost of sales and services		<b>(6,799)</b>	(4,188)	<b>(15,679)</b>	(7,457)
<b>Gross profit</b>		<b>14,069</b>	8,962	<b>46,567</b>	15,438
Other income and (losses)/gains, net		<b>(2,750)</b>	1,260	<b>(4,125)</b>	3,535
Administrative expenses		<b>(3,266)</b>	(4,605)	<b>(9,977)</b>	(12,958)
Finance costs	4	<b>(708)</b>	(382)	<b>(2,197)</b>	(1,463)
<b>Profit before tax</b>		<b>7,345</b>	5,235	<b>30,268</b>	4,552
Income tax charge	5	<b>(2,489)</b>	(3,240)	<b>(9,713)</b>	(6,248)
Profit/(loss) for the period from continuing operations	6	<b>4,856</b>	1,995	<b>20,555</b>	(1,696)
Loss for the period from discontinued operation	7	<b>(75)</b>	(1,004)	<b>(960)</b>	(2,289)
<b>Profit/(loss) for the period</b>		<b>4,781</b>	991	<b>19,595</b>	(3,985)
<b>Other comprehensive (expense)/income</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
– Exchange differences on translating continuing foreign operations		<b>(2,160)</b>	(1,818)	<b>(2,718)</b>	(2,325)
– Exchange differences on translating discontinued foreign operation		<b>(1)</b>	(71)	<b>12</b>	(56)
Other comprehensive expense for the period		<b>(2,161)</b>	(1,889)	<b>(2,706)</b>	(2,381)
<b>Total comprehensive income/(expense) for the period</b>		<b>2,620</b>	(898)	<b>16,889</b>	(6,366)

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000 (Restated)
<i>Notes</i>				
<b>Profit/(loss) attributable to:</b>				
Owners of the Company				
– Continuing operations	5,249	3,446	22,208	697
– Discontinued operation	(75)	(1,004)	(960)	(2,289)
	<u>5,174</u>	<u>2,442</u>	<u>21,248</u>	<u>(1,592)</u>
Non-controlling interests				
– Continuing operations	(393)	(1,451)	(1,653)	(2,393)
	<u>4,781</u>	<u>991</u>	<u>19,595</u>	<u>(3,985)</u>
<b>Total comprehensive income/ (expense) attributable to:</b>				
Owners of the Company				
– Continuing operations	3,099	1,629	19,462	(1,536)
– Discontinued operation	(76)	(1,075)	(948)	(2,345)
	<u>3,023</u>	<u>554</u>	<u>18,514</u>	<u>(3,881)</u>
Non-controlling interests				
– Continuing operations	(403)	(1,452)	(1,625)	(2,485)
	<u>2,620</u>	<u>(898)</u>	<u>16,889</u>	<u>(6,366)</u>
<b>Earnings per share for profit from continuing operations</b>				
– Basic and diluted (HK cents per share)	0.11	0.07	0.48	0.01
<b>Earnings/(loss) per share for profit from continuing and discontinued operations</b>				
– Basic and diluted (HK cents per share)	0.11	0.05	0.45	(0.03)

The accompany notes are an integral part of this quarterly financial information.



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 2019 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 complies 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 2019 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2018, 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 2019. The impact of the adoption of the new and revised HKFRSs are disclosed in note 2.

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 2018.

## 2 CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 2019 has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints) issued by the HKICPA that are relevant to the Group's operations and effective for its accounting period beginning on 1 January 2019. The effect of the adoption of these new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and position of the current and prior periods except for the adoption of HKFRS 16 "Leases" as described in the paragraph below.

### HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate.

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position.

Each lease payment is allocated between the principal repayment of lease liabilities and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities for each period. The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis.

The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. The impacts of adopting HKFRS 16 on the opening balance of the unaudited consolidated financial statements are as follows:

***Unaudited consolidated statement of financial position (extracted)***

	As at 1 January 2019		
	Originally presented	Effect of adoption of	Restated
	HK\$'000	HKFRS 16 HK\$'000	HK\$'000
Right-of-use assets	–	29,007	29,007
Trade and other receivables	6,826	(618)	6,208
Trade and other payables	(10,070)	498	(9,572)
Current lease liabilities	–	(8,054)	(8,054)
Non-current lease liabilities	–	(21,316)	(21,316)
Foreign currency translation reserve	115,387	13	115,400
Accumulated losses	(3,537,432)	(258)	(3,537,690)
Non-controlling interests	2,861	(238)	2,623

The unaudited reconciliation of operating lease commitment to lease liabilities is set out below:

	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	31,407
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2,112)
Less: short-term leases recognised on a straight-line basis as expenses	(452)
Less: low-value assets leases recognised on a straight-line basis as expenses	(31)
Add: others	558
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>29,370</b>
Of which are:	
– Current lease liabilities	8,054
– Non-current lease liabilities	21,316
	<b>29,370</b>



### 3 REVENUE

An analysis of the Group's revenue from continuing operations for the below mentioned periods is as follows:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000 (Restated)
Credit referral and service fee	17,611	10,671	52,680	18,406
Apartment leasing	2,505	1,490	7,337	1,927
Provision of management, marketing and operating services for lottery system and lottery halls	166	296	496	752
Provision of sports training services	586	693	1,733	1,810
	<b>20,868</b>	13,150	<b>62,246</b>	22,895

### 4 FINANCE COSTS

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Effective interest on convertible bonds	382	382	1,135	1,463
Interest expenses on lease liabilities	326	—	1,062	—
	<b>708</b>	382	<b>2,197</b>	1,463

## 5 INCOME TAX CHARGE

### Income tax recognised in profit or loss

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– PRC Enterprise Income Tax	(2,552)	(3,303)	(9,900)	(6,489)
Deferred tax	63	63	187	241
Total income tax charge recognised in profit or loss	<u>(2,489)</u>	<u>(3,240)</u>	<u>(9,713)</u>	<u>(6,248)</u>

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 2019 and 31 December 2018.

## 6 PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000 (Restated)
Profit/(loss) for the period has been arrived at after (crediting)/charging:				
Bank interest income	(363)	(3)	(512)	(115)
Net foreign exchange loss/(gain)	27	(429)	(86)	(609)
Reversal of impairment loss recognised	-	(707)	-	(2,691)
Interest income on financial assets at fair value through profit or loss	-	-	(136)	-
Quality assurance fund recovered	(4)	-	(191)	-
Quality assurance fund loss, net	1,793	-	518	-
Auditor's remuneration	257	-	763	-
Employee benefits expenses (excluding Directors' emoluments)				
– Salaries, bonus and other benefits in kind	2,313	3,161	6,389	7,229
– Contributions to retirement benefits schemes	194	143	754	584
Directors' emoluments	302	302	905	905
Short-term leases expenses	24	-	73	-
Minimum lease payments paid under operating leases in respect of land and buildings	-	2,657	-	4,726
Depreciation of property, plant and equipment	726	561	2,343	1,353
Depreciation of right-of-use assets	2,016	-	6,465	-
Loss on disposal of property, plant and equipment	-	-	-	99
Impairment on contract assets	1,542	84	4,884	120

## 7 DISCONTINUED OPERATION

The Group discontinued the smart wearable device business in the PRC. The results of the discontinued operation for the periods ended 30 September 2019 and 2018 are presented below. The comparative figures in the unaudited consolidated statement of profit or loss and other comprehensive income have been restated to re-present the smart wearable device business as a discontinued operation.

	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 September</b>		<b>(Unaudited)</b> <b>Nine months ended</b> <b>30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	<b>17</b>	<b>1</b>	<b>42</b>	<b>2,675</b>
Cost of sales	<b>(24)</b>	<b>(21)</b>	<b>(36)</b>	<b>(1,407)</b>
<b>Gross (loss)/profit</b>	<b>(7)</b>	<b>(20)</b>	<b>6</b>	<b>1,268</b>
Other income and gains/(losses), net	<b>148</b>	<b>1</b>	<b>177</b>	<b>(8)</b>
Administrative expenses	<b>(216)</b>	<b>(985)</b>	<b>(1,143)</b>	<b>(3,549)</b>
<b>Loss before tax</b>	<b>(75)</b>	<b>(1,004)</b>	<b>(960)</b>	<b>(2,289)</b>
Income tax charge	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss for the period from discontinued operation</b>	<b>(75)</b>	<b>(1,004)</b>	<b>(960)</b>	<b>(2,289)</b>
<b>Other comprehensive (expense)/income</b>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating discontinued foreign operation	<b>(1)</b>	<b>(71)</b>	<b>12</b>	<b>(56)</b>
<b>Other comprehensive (expense)/income for the period</b>	<b>(1)</b>	<b>(71)</b>	<b>12</b>	<b>(56)</b>
<b>Total comprehensive expense arises from discontinued operation for the period</b>	<b>(76)</b>	<b>(1,075)</b>	<b>(948)</b>	<b>(2,345)</b>

**(Unaudited)**  
**Three months ended**  
**30 September**

**2019**      2018  
**HK\$'000**      **HK\$'000**

**(Unaudited)**  
**Nine months ended**  
**30 September**

**2019**      2018  
**HK\$'000**      **HK\$'000**

Loss for the period of discontinued operation has been arrived at after (crediting)/charging:

Bank interest income	<b>(2)</b>	–	<b>(3)</b>	(6)
Net foreign exchange (gain)/loss	–	(1)	–	16
Interest income on financial assets at fair value through profit or loss	–	–	<b>(29)</b>	–
	<hr/>	<hr/>	<hr/>	<hr/>
Employee benefits expenses (excluding Directors' emoluments)				
– Salaries and other benefits in kind	<b>107</b>	469	<b>624</b>	1,328
– Contributions to retirement benefits schemes	<b>16</b>	34	<b>58</b>	99
Short-term leases expenses	<b>65</b>	–	<b>233</b>	–
Low-value assets leases expenses	<b>4</b>	–	<b>10</b>	–
Minimum lease payments paid under operating leases in respect of land and buildings	–	152	–	485
Depreciation of property, plant and equipment	<b>11</b>	183	<b>100</b>	575
	<hr/>	<hr/>	<hr/>	<hr/>

## 8 EARNINGS/(LOSS) PER SHARE

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

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
<b>Earnings/(loss)</b>				
Earnings/(loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share				
– From continuing operations	5,249	3,446	22,208	697
– From discontinued operation	(75)	(1,004)	(960)	(2,289)
	<u>5,174</u>	<u>2,442</u>	<u>21,248</u>	<u>(1,592)</u>

### Number of shares

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019	2018	2019	2018
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	4,671,035	4,671,035	4,671,035	4,667,219

The computation of diluted earnings/(loss) per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's convertible bonds since their exercise and conversion would have an anti-dilutive effect.

## 9 RESERVES

### For the nine months ended 30 September 2019

	Attributable to owners of the Company										
	Share premium account (Unaudited) HK\$'000	Capital contribution reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Financial asset at fair value through other comprehensive income 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	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2019 (Originally stated)	3,443,597	9,777	1	3,935	235	115,387	(49)	(3,537,432)	35,451	2,861	38,312
Effect on adoption of HKFRS 16	-	-	-	-	-	13	-	(258)	(245)	(238)	(483)
Balance at 1 January 2019 (Restated)	3,443,597	9,777	1	3,935	235	115,400	(49)	(3,537,690)	35,206	2,623	37,829
Profit/(loss) for the period	-	-	-	-	-	-	-	21,248	21,248	(1,653)	19,595
Other comprehensive (expense)/income for the period	-	-	-	-	-	(2,734)	-	-	(2,734)	28	(2,706)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(2,734)	-	21,248	18,514	(1,625)	16,889
Balance at 30 September 2019	3,443,597	9,777	1	3,935	235	112,666	(49)	(3,516,442)	53,720	998	54,718

### For the nine months ended 30 September 2018

	Attributable to owners of the Company									
	Share premium account (Unaudited) HK\$'000	Capital contribution reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity 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	Non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2018	3,393,805	9,628	1	16,341	118,414	(49)	(3,553,629)	(15,489)	(282)	(15,771)
Loss for the period	-	-	-	-	-	-	(1,592)	(1,592)	(2,393)	(3,985)
Other comprehensive expense for the period	-	-	-	-	(2,289)	-	-	(2,289)	(92)	(2,381)
Total comprehensive expense for the period	-	-	-	-	(2,289)	-	(1,592)	(3,881)	(2,485)	(6,366)
Exercise of convertible bonds	49,792	-	-	(12,406)	-	-	-	37,386	-	37,386
Capital contribution by a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	690	690
Balance at 30 September 2018	3,443,597	9,628	1	3,935	116,125	(49)	(3,555,221)	18,016	(2,077)	15,939



## **10 INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

## **11 COMPARATIVE FIGURES**

Certain comparative figures have been adjusted to conform to current period's presentation.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Financial Technology Services Business*

For the nine months ended 30 September 2019, the financial technology services business of the Group maintained a positive development momentum, with the accumulated loan facilitation volume amounting to approximately RMB840 million, and recorded a revenue of approximately HK\$52,680,000 (nine months ended 30 September 2018: approximately HK\$18,406,000).

Since late October 2019, following the investigation of the relevant debt-collection agencies assigned by the Company's ultimate parent company, 51 Credit Card Inc. (for details, please refer to the announcement dated 22 October 2019 issued by 51 Credit Card Inc.) and a series of regulatory documents recently released by the PRC government, taking into account the possibility of increasing fluctuations in the personal credit market in the short run, in order to achieve the long-term goal of sustainable development, the Company decides to adopt a more prudent strategy regarding the financial technology services business and reduces the scale of recent credit facilitation. The Company will closely monitor the market fluctuations so as to promptly restore the financial technology services business to a satisfying and feasible level when the impact of market fluctuations is lessened.

#### *Apartment Leasing Business*

For the nine months ended 30 September 2019, the apartment leasing business of the Group maintained a sustainable and stable operation, and has cumulatively secured the agency rights of 233 apartments (with 796 rooms in total) and successfully procured the leasing of 598 rooms thereof. The apartment leasing business is still loss-making due to certain fixed operating expenses. For the nine months ended 30 September 2019, the apartment leasing business of the Group recorded a revenue of approximately HK\$7,337,000 (nine months ended 30 September 2018: approximately HK\$1,927,000).



## ***Lottery Business***

As at 30 September 2019, the Group had submitted applications for the establishment of 1,629 sales points in various cities in Shandong, PRC and 1,011 of which had been approved. For the nine months ended 30 September 2019, the Group's lottery business generated revenue of approximately HK\$496,000 (nine months ended 30 September 2018: approximately HK\$752,000).

The strengthened control over the lottery industry by the PRC government and the fierce competition in the lottery business led to a decrease in the Group's lottery sales as compared to the corresponding period of 2018. In the future, the Group will closely monitor the results of the lottery business and may consider the discontinuance or downsizing of this business.

## ***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. The Group's sports training business maintained a stable operation and revenue during the first nine months of 2019. For the nine months ended 30 September 2019, the sports training business recorded a revenue of approximately HK\$1,733,000 (nine months ended 30 September 2018: approximately HK\$1,810,000).

## ***Smart Wearable Device Business***

For the nine months ended 30 September 2019, sales of smart glasses and smart fitness watches of the Group generated revenue of approximately HK\$17,000 and HK\$25,000 (nine months ended 30 September 2018: approximately HK\$215,000 and HK\$2,460,000). The Group's smart wearable device business recorded a loss of approximately HK\$960,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018: loss of approximately HK\$2,289,000).

In September 2019, the Board resolved to cease the smart wearable device business in order to focus the Group's resources on the financial technology services business after considering that the smart wearable device business had been continuously loss-making, faced fierce competition and could not cope with the direction of the Group's future development. Therefore, the smart wearable device business has since then been classified as a discontinued operation of the Group.



## Financial Review

For the nine months ended 30 September 2019, the Group recorded an unaudited revenue of approximately HK\$62,246,000 (nine months ended 30 September 2018: approximately HK\$22,895,000), representing an increase of approximately 172% as compared with that of the corresponding period in 2018. The revenue of the Group was derived from continuing operations, being (i) financial technology services business; (ii) apartment leasing business; (iii) lottery business; and (iv) sports training business.

The Group's discontinued operation, being its smart wearable device business, had incurred a loss attributable to owners of the Company of approximately HK\$960,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018: loss of approximately HK\$2,289,000).

For the nine months ended 30 September 2019, the unaudited consolidated profit attributable to owners of the Company was approximately HK\$21,248,000 (nine months ended 30 September 2018: unaudited consolidated loss attributable to owners of the Company of approximately HK\$1,592,000). The Group's profit for the nine months ended 30 September 2019 was mainly attributable to the profit contribution from the Group's financial technology services business.

## Capital structure

The capital structure of the Group mainly consists of convertible bonds and equity attributable to equity shareholders of the Group comprising of issued share capital and reserves. The convertible bonds carry zero coupon and will mature on 26 August 2020. As at 30 September 2019, the Company's total number of issued ordinary shares of HK\$0.005 each ("**Shares**") was 4,671,035,048 (31 December 2018: 4,671,035,048 Shares).

## Prospects

In the long term, the Group's financial technology services business is expected to continue to become the main revenue and profit stream of the Group with its brand promotion, product promotion and experiences accumulation. The Group will continue to assess its businesses based on its strategies, certain loss-making businesses may be downsized or suspended, with a view to focusing the Group's resources on its profit-making businesses and thereby improving the financial performance of the Group.

## 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 2019, 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 (Chapter 571 of the Laws of Hong Kong) (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 Shares
Mr. Sun Haitao (“Mr. Sun”)	1,834,963,213 <sup>(1)</sup>	Interest in controlled corporation	39.28%

*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 Co., Ltd.) (“**Hangzhou Enniu**”). Further, contractual arrangements are entered into between 杭州振牛信息科技有限公司 (transliterated as Hangzhou Zhenniu Information Technology Co., Ltd.) (“**Hangzhou Zhenniu**”) (a company wholly-owned by 51 Credit Card (China) Limited, which is in turn wholly-owned by 51 Credit Card Inc. (shares of which are listed on the Stock Exchange, stock code: 2051), and ultimately controlled by Mr. Sun) (details of which are set out in “Long position in shares of associated corporation” below) and Hangzhou Enniu so that Hangzhou Zhenniu can control Hangzhou Enniu. By virtue of the SFO, Mr. Sun is deemed to be interested in those Shares held by 51RENPIN.COM INC.

## Long position in shares of associated corporation

Name of Director	Name of associated corporation	Capacity and nature of interests	Number of shares	Approximate percentage of issued shares
Mr. Sun	51 Credit Card Inc.	Founder of a discretionary trust who can influence how the trustee exercises his discretion <sup>(1)</sup>	120,076,000	10.05%
		Others <sup>(1)</sup>	50,355,000	4.22%
		Others <sup>(1)</sup>	295,697,693	24.76%
			<u>466,128,693</u>	<u>39.03%</u>

### Note:


- (1) Rising Sun Limited (the sole shareholder of which is Wukong Ltd., which is beneficially owned by a discretionary trust, Wukong Trust, founded by Mr. Sun), (i) beneficially holds 120,076,000 shares in 51 Credit Card Inc.; (ii) acts as a general partner and controls 51 Xinhua L.P., which in turn holds 50,355,000 shares in 51 Credit Card Inc.; and (iii) holds 295,697,693 shares in 51 Credit Card Inc. through various voting proxies.

Save as disclosed above, as at 30 September 2019, none of the Directors and the chief executive of the Company had or deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (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 SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2019, 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, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Capacity and nature of interests	Number of Shares directly or indirectly held and category <sup>(3)</sup>	Approximate percentage of issued Shares
51 Credit Card Inc. <sup>(1)</sup>	Interest in controlled corporation	1,834,963,213 (L)	39.28%
51 Credit Card (China) Limited <sup>(1)</sup>	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Hangzhou Zhenniu <sup>(1)</sup>	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Hangzhou Enniu <sup>(1)</sup>	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Shanghai Wuniu <sup>(1)</sup>	Interest in controlled corporation	1,834,963,213 (L)	39.28%
51RENPIN.COM INC. <sup>(1)</sup>	Beneficial owner	1,834,963,213 (L)	39.28%
Mr. Wang Yonghua ("Mr. Wang") <sup>(2)</sup>	Interest in controlled corporation	2,199,963,213 (L)	47.10%
Tian Tu Capital Co., Ltd. <sup>(2)*</sup>	Interest in controlled corporation	2,199,963,213 (L)	47.10%



<b>Name</b>	<b>Capacity and nature of interests</b>	<b>Number of Shares directly or indirectly held and category <sup>(3)</sup></b>	<b>Approximate percentage of issued Shares</b>
Tiantu Advisory Company Limited <sup>(2)</sup>	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Tiantu Investments Limited <sup>(2)</sup>	Person having a security interest in shares	1,834,963,213 (L)	39.28%
Tiantu Investments International Limited <sup>(2)</sup>	Beneficial owner	365,000,000 (L)	7.81%

\* *(The English name(s) has/have been transliterated from its/their respective Chinese name(s) and is/are for identification only.)*

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

Save as disclosed above, so far as was known to the Directors, as at 30 September 2019, 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, or 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 (the **"Shareholders"**).

During the period under review from 1 January 2019 to 30 September 2019, 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 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 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, facilitate effective and efficient planning, implementation of business decisions and strategies, and ensure 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 is 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 made specific enquiry with all Directors and had not been notified of any non-compliance with the Required Standard of Dealings and the Code by the Directors during the period under review.

## **AUDIT COMMITTEE**

The Group's third quarterly results for the nine months ended 30 September 2019 have been reviewed by the audit committee of the Company which is of the opinion that such financial 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 or controlling Shareholders or any of their respective close 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**

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 2019.

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

7 November 2019

*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.*