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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 2016 was approximately HK\$336,000, representing a decrease of approximately 65% as compared with that in 2015.
- Loss attributable to owners of the Company was approximately HK\$37,043,000 for the year ended 31 December 2016, representing a decrease of approximately 32% as compared with that in 2015.
- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: 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 2016 together with the comparative figures as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	5	336	964
Cost of sales		<u>(649)</u>	<u>(1,135)</u>
Gross loss		(313)	(171)
Other income	6	1,799	1,120
Administrative expenses		(29,364)	(35,524)
Impairment loss of concession rights	11	(8,460)	(4,500)
Gain/(loss) on early redemption of convertible bonds		656	(1,655)
Finance costs	7	(5,650)	(16,394)
Other operating expenses		<u>(7,982)</u>	<u>(10,357)</u>
Loss before tax		(49,314)	(67,481)
Income tax credit	8	6,170	7,155
Loss for the year	9	(43,144)	(60,326)
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(4,853)</u>	<u>(4,961)</u>
Other comprehensive expense for the year		<u>(4,853)</u>	<u>(4,961)</u>
Total comprehensive expense for the year		<u>(47,997)</u>	<u>(65,287)</u>
Loss attributable to:			
Owners of the Company		(37,043)	(54,679)
Non-controlling interests		<u>(6,101)</u>	<u>(5,647)</u>
		<u>(43,144)</u>	<u>(60,326)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(39,607)	(57,306)
Non-controlling interests		<u>(8,390)</u>	<u>(7,981)</u>
		<u>(47,997)</u>	<u>(65,287)</u>
Loss per share	10		
Basic and diluted (HK cents per share)		<u>(1.19)</u>	<u>(1.99)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,436	1,215
Club debenture		115	115
Concession rights	<i>11</i>	<u>60,580</u>	<u>81,526</u>
		<u>63,131</u>	<u>82,856</u>
Current assets			
Inventories		911	–
Prepayments, deposits and other receivables	<i>12</i>	2,516	9,770
Amounts due from non-controlling interests of subsidiaries		1,497	2,227
Pledged bank deposit		216	215
Cash and bank balances		<u>23,817</u>	<u>78,077</u>
		<u>28,957</u>	<u>90,289</u>
Current liabilities			
Trade and other payables	<i>13</i>	7,776	7,884
Receipt in advance		126	–
Amount due to a director		–	136
Amount due to a non-controlling interest of a subsidiary		472	215
Current tax liabilities		<u>–</u>	<u>1</u>
		<u>8,374</u>	<u>8,236</u>
Net current assets		<u>20,583</u>	<u>82,053</u>
Total assets less current liabilities		<u>83,714</u>	<u>164,909</u>
Non-current liabilities			
Convertible bonds		43,923	59,633
Deferred tax liabilities		<u>19,120</u>	<u>27,719</u>
		<u>63,043</u>	<u>87,352</u>
Net assets		<u>20,671</u>	<u>77,557</u>
Capital and reserves			
Share capital — ordinary shares		15,600	15,600
Share capital — non-redeemable convertible preferred shares		5,017	5,017
Reserves		<u>(20,869)</u>	<u>27,627</u>
Equity attributable to owners of the Company		(252)	48,244
Non-controlling interests		<u>20,923</u>	<u>29,313</u>
Total equity		<u>20,671</u>	<u>77,557</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Attributable to owners of the Company

	Share capital — ordinary shares	Share capital — non-redeemable convertible preferred shares	Share premium account	Warrants reserve	Capital redemption reserve	Convertible bonds equity reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015	11,085	7,317	3,286,855	1,740	1	54,771	21,718	120,883	(49)	(3,503,218)	1,103	35,294	36,397
Loss for the year	-	-	-	-	-	-	-	-	-	(54,679)	(54,679)	(5,647)	(60,326)
Other comprehensive expense for the year	-	-	-	-	-	-	-	(2,627)	-	-	(2,627)	(2,334)	(4,961)
Total comprehensive expense for the year	-	-	-	-	-	-	-	(2,627)	-	(54,679)	(57,306)	(7,981)	(65,287)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	11,004	-	-	-	11,004	-	11,004
Conversion of non-redeemable convertible preferred shares	2,300	(2,300)	-	-	-	-	-	-	-	-	-	-	-
Issue of new ordinary shares	2,215	-	63,349	-	-	-	-	-	-	-	65,564	-	65,564
Transaction costs attributable to issue of new ordinary shares	-	-	(2,201)	-	-	-	-	-	-	-	(2,201)	-	(2,201)
Redemption of convertible bonds	-	-	-	-	-	(8,261)	-	-	-	8,231	(30)	-	(30)
Extension of convertible bonds upon maturity	-	-	-	-	-	(9,619)	-	-	-	46,885	37,266	-	37,266
Deferred tax relating to convertible bonds	-	-	-	-	-	(7,156)	-	-	-	-	(7,156)	-	(7,156)
Capital contribution by a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000
Release of reserve upon lapse of warrants	-	-	-	(1,740)	-	-	-	-	-	1,740	-	-	-
Balance at 31 December 2015	15,600	5,017	3,348,003	-	1	29,735	32,722	118,256	(49)	(3,501,041)	48,244	29,313	77,557

Attributable to owners of the Company

	Share capital — ordinary shares	Share capital — non-redeemable convertible preferred shares	Share premium account	Capital redemption reserve	Convertible bonds equity reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016	15,600	5,017	3,348,003	1	29,735	32,722	118,256	(49)	(3,501,041)	48,244	29,313	77,557
Loss for the year	-	-	-	-	-	-	-	-	(37,043)	(37,043)	(6,101)	(43,144)
Other comprehensive expense for the year	-	-	-	-	-	-	(2,564)	-	-	(2,564)	(2,289)	(4,853)
Total comprehensive expense for the year	-	-	-	-	-	-	(2,564)	-	(37,043)	(39,607)	(8,390)	(47,997)
Recognition of equity-settled share-based payments	-	-	-	-	-	4,061	-	-	-	4,061	-	4,061
Redemption of convertible bonds	-	-	-	-	(15,824)	-	-	-	444	(15,380)	-	(15,380)
Deferred tax relating to convertible bonds	-	-	-	-	2,430	-	-	-	-	2,430	-	2,430
Balance at 31 December 2016	15,600	5,017	3,348,003	1	16,341	36,783	115,692	(49)	(3,537,640)	(252)	20,923	20,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

China Netcom Technology Holdings Limited (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 Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited.

During the year ended 31 December 2016, the Company and its subsidiaries were involved in the provision of lottery system management service and operation of lottery sales hall services in the People’s Republic of China (the “**PRC**”).

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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interest in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>

The application of the new and 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ²
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16. The Directors are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The Directors do not anticipate that the application of other new and amendments to HKFRSs will have a material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the Board, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment.

The CODM reviews the Group's internal reporting, assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of 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 PRC and development and provision of operation system sector of the PRC lottery market. Therefore, the CODM considers there is only one operating segment under the requirements of HKFRS 8 *Operating Segments*. In this regard, no segment information is presented.

Additional disclosure in relation to segment information is not presented as the CODM assesses the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total segment result is equivalent to total comprehensive expense for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
PRC	336	964	62,999	82,731
Hong Kong	—	—	132	125
	<u>336</u>	<u>964</u>	<u>63,131</u>	<u>82,856</u>

Information about major customers

For the year ended 31 December 2016, there were two customers with revenue of approximately HK\$72,000 and HK\$251,000 respectively which accounted for more than 10% of the total revenue of the Group.

For the year ended 31 December 2015, there were two customers with revenue of approximately HK\$125,000 and HK\$795,000 respectively which 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sale of lottery equipment	72	44
Provision of management, marketing, and operating services for lottery system and lottery halls	<u>264</u>	<u>920</u>
	<u><u>336</u></u>	<u><u>964</u></u>

6. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	31	990
Sundry income	<u>1,768</u>	<u>130</u>
	<u><u>1,799</u></u>	<u><u>1,120</u></u>

7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Effective interest on convertible bonds	<u>5,650</u>	<u>16,394</u>

8. INCOME TAX CREDIT

Income tax recognised in profit or loss

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax	–	–
Overprovision in prior years		
PRC Enterprise Income Tax	(1)	–
Deferred tax	<u>(6,169)</u>	<u>(7,155)</u>
Total income tax credit recognised in profit or loss	<u><u>(6,170)</u></u>	<u><u>(7,155)</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year has been arrived at after (crediting)/charging:		
Cost of inventories recognised as an expense (included in cost of sales)	29	36
Auditors' remuneration	960	930
Employee benefits expense (excluding directors' emoluments)		
— Salaries and other benefits in kind	5,262	4,002
— Contributions to retirement benefits schemes	286	218
— Equity-settled share-based payment	406	–
Directors' emoluments	7,352	7,522
Total staff costs	<u>13,306</u>	<u>11,742</u>
Minimum lease payments paid under operating leases in respect of land and buildings	2,086	1,382
Net foreign exchange loss	143	2,270
Depreciation of property, plant and equipment	1,100	613
Expense in relation to share options granted to consultants	3,655	11,004
(Gain)/loss on early redemption of convertible bonds	(656)	1,655
Amortisation of concession rights (<i>Note</i>)	7,470	8,357
Provision for impairment loss on deposits and other receivables (<i>Note</i>)	–	2,000
Loss on disposal of property, plant and equipment (<i>Note</i>)	65	–
	<u>65</u>	<u>–</u>

Note:

Amortisation of concession rights, provision for impairment loss on deposits and other receivables and loss on disposal of property, plant and equipment are included in other operating expenses.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(37,043)</u>	<u>(54,679)</u>
Number of shares		
	2016 <i>'000</i>	2015 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>3,120,035</u>	<u>2,741,424</u>

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

11. CONCESSION RIGHTS

	<i>HK\$'000</i>
Cost	
Balance at 1 January 2015	2,546,533
Effect of foreign currency exchange differences	(134,552)
	<u>2,411,981</u>
Balance at 31 December 2015	2,411,981
Effect of foreign currency exchange differences	(157,883)
	<u>2,254,098</u>
Accumulated amortisation and impairment	
Balance at 1 January 2015	(2,447,209)
Amortisation expense	(8,357)
Impairment loss recognised in profit or loss	(4,500)
Effect of foreign currency exchange differences	129,611
	<u>(2,330,455)</u>
Balance at 31 December 2015	(2,330,455)
Amortisation expense	(7,470)
Impairment loss recognised in profit or loss	(8,460)
Effect of foreign currency exchange differences	152,867
	<u>(2,193,518)</u>
Balance at 31 December 2016	<u>(2,193,518)</u>
Carrying amounts	
Balance at 31 December 2016	<u>60,580</u>
Balance at 31 December 2015	<u>81,526</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	1,113	1,392
Deposits and other receivables	3,403	10,378
	<u>4,516</u>	<u>11,770</u>
Less: allowance for doubtful debts	(2,000)	(2,000)
	<u>2,516</u>	<u>9,770</u>
Total prepayments, deposits and other receivables	2,516	9,770
Movement in the allowance for doubtful debts		
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 January	2,000	–
Impairment loss recognised on deposits and other receivables	–	2,000
	<u>2,000</u>	<u>2,000</u>
31 December	2,000	2,000

13. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	3	4
Other payables and accruals	7,489	7,688
Accrued salaries and other benefits in kind	284	192
	<hr/>	<hr/>
Total trade and other payables	7,776	7,884
	<hr/> <hr/>	<hr/> <hr/>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Over 90 days	3	4
	<hr/> <hr/>	<hr/> <hr/>

14. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year, the Group's audited revenue and the loss attributable to owners of the Company were approximately HK\$336,000 and approximately HK\$37,043,000 respectively, representing a decrease of approximately HK\$628,000 and a decrease of approximately HK\$17,636,000 respectively as compared with the audited revenue of approximately HK\$964,000 and the loss attributable to owners of the Company of approximately HK\$54,679,000 for the year ended 31 December 2015. The decrease of the loss attributable to owners of the Company for the year under review was mainly attributable to the decrease of the finance cost and administrative expenses.

Management has reviewed concession rights for impairment testing purpose by making estimations and taking reference with a valuation performed by an independent valuer. The income approach has been consistently adopted for impairment testing of concession rights. The valuation of the lottery business employing the income approach projects the five-year cash flows and discount these cash flows to its present value at a discount rate reflecting the risks associated with the cash flows. The market approach is not adopted as there are insufficient relevant comparable transaction for reference and the asset approach is not applied as it may ignore the future economic benefits of the business. Therefore, only income approach is employed for the valuation. The cash flow projection has been prepared by referring to the current operation environment and market conditions. The major inputs of the valuation include the pre-tax discount rate, revenue growth rate and terminal growth rate. The pre-tax discount rate of 33.15% reflects the minimum required return of the lottery business plus other specific risk of the underlying business. The revenue growth rate of 10% is determined by referring to the industry growth rate. Terminal growth rate of zero is used for the cash flows extrapolated beyond the five-year projection period.

As at 31 December 2016, the Group recorded total assets of approximately HK\$92,088,000 (2015: approximately HK\$173,145,000), and recorded total liabilities of approximately HK\$71,417,000 (2015: approximately HK\$95,588,000).

As at 31 December 2016, the Group has cash and bank balances (excluding pledged bank deposit) of approximately HK\$23,817,000 (2015: approximately HK\$78,077,000). The cash and bank balances were placed in short term deposit.

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

Business Review

The Group is principally engaged in the provision of lottery system management service and the operation of lottery sales halls services in the PRC. The Company focused on consolidating and optimising the Group's existing lottery business, and continued to deepen the research and development of wearable devices business, while keep looking for new opportunities to maximise the shareholders' return.

Termination of Dr. Wang's appointment

Doctor Wang Xin (“**Dr. Wang**”) was appointed as the chief technology officer of the Group (the “**Chief Technology Officer**”) with effect from 26 April 2016 (the “**Appointment**”), being responsible for the development of and research on wearable intelligent medical devices of the Group. Details of the Appointment were set out in the Company’s announcement dated 29 April 2016. On 3 August 2016, pursuant to the employment contract (the “**Contract**”) entered into between the Group and Dr. Wang, the Appointment of Dr. Wang as the Chief Technology Officer and the Contract were terminated by the Group.

Cooperation with Hainan Xinsheng

On 17 June 2016, 深圳高榮財智科技有限公司 (transliterated as Shenzhen Gaorong Caizhi Technology Company Limited), a wholly-owned subsidiary of the Company (“**Shenzhen Gaorong**”), entered into a memorandum of understanding (the “**Memorandum of Understanding**”) with 海南新生中彩科技有限公司 (transliterated as Hainan Xinsheng Zhongcai Technology Co., Ltd.) (“**Hainan Xinsheng**”), an independent third party.

The parties agreed to cooperate on the business development of the sales and related value-added services of KTV lottery in the Hainan Province. Hainan Xinsheng shall be responsible for the arrangement of entering into the agreement with Hainan Sports Lottery Administrative Centre (海南省體育彩票管理中心) in relation to sale of sports lottery through KTV channels in Hainan Province. Shenzhen Gaorong shall be responsible for providing the technology platforms, other relevant technology and documentation support for the KTV lottery sales. In addition, Shenzhen Gaorong shall be responsible for the promotion of KTV channel lottery sales and payment for the relevant expenses incurred by the KTV channel co-operation partners in lottery sales. The way of allocation of income will be confirmed at the time of the entering into the formal co-operation agreement between the parties. The Memorandum of Understanding will be expired upon the entering into the formal co-operation agreement.

Hainan Xinsheng is a professional lottery operating company in Hainan Province, the PRC which has long co-operation history with Hainan Sports Lottery Administrative Centre (海南省體育彩票管理中心). Considering that Shenzhen Gaorong has entered into an agreement with 北京雷石世紀科技有限公司 (transliterated as Beijing Thunderstone Technology Limited), the biggest provider of KTV technologies, platforms and music copyrights in the world, for sale of Chinese lotteries at the KTV bars/clubs it operates in China, the Directors are of the view that the cooperation is consistent with the Group’s strategy to develop its lottery business and will benefit the Company and the shareholders of the Company (the “**Shareholders**”) as a whole. The Directors consider the terms of the Memorandum of Understanding are fair and reasonable and the cooperation is in the interest of the Company and Shareholders as a whole. Details of the cooperation were set out in the Company’s announcement dated 17 June 2016.

OTHER INFORMATION

Early redemption of Convertible Bond

On 18 January 2016, the Company early redeemed a portion of the convertible bond in the aggregate principal amount of HK\$797.5 million issued by the Company to Mr. Leung Ngai Man (“**Mr. Leung**”) on 27 August 2010 (the “**Convertible Bond**”) in the aggregate principal amount of approximately HK\$10,080,000.

On 2 April 2016, the Company early redeemed a portion of the Convertible Bond in the aggregate principal amount of approximately HK\$15,000,000.

On 28 June 2016, the Company early redeemed a portion of the Convertible Bond in the aggregate principal amount of approximately HK\$11,004,000.

Grant of share options

On 6 May 2016, the Company granted share options to certain eligible participants to subscribe for a total of 100,000,000 new shares of the Company pursuant to the share option scheme adopted on 29 June 2007 at an exercise price of HK\$0.105 per share of the Company. Details of which were set out in the announcement of the Company dated 6 May 2016.

Change of Company Secretary

Mr. Wong Ka Bong resigned as the company secretary of the Company (the “**Company Secretary**”) with effect from 30 June 2016 and Mr. Wong Chun Kit has been appointed as the Company Secretary in place of Mr. Wong Ka Bong with effect from 30 June 2016 (the “**Change of Company Secretary**”). Details of the Change of Company Secretary were set out in the announcement of the Company dated 30 June 2016.

Event after the reporting period

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

On 3 January 2017, Max Choice Holdings Limited (a wholly-owned subsidiary of the Company) entered into a letter of intent for strategic cooperation agreement (the “**Letter of Intent**”) with Caissa Tongsheng Travel Service (Group) Co., Ltd., and Airports Corporation of Vietnam regarding the business development in relation to Phu Quoc (富國島). The Directors are of the view that the cooperation as contemplated under the Letter of Intent, if materialises, can enable the Group to be benefited from diversifying the Group’s existing business which is expected to increase the Shareholders’ value. Details of the Letter of Intent were set out in the Company’s announcement dated 9 January 2017.

Prospect

The Group will seek new investment opportunity to generate investment returns for the Shareholders according to the national economic development plan.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. During the year, the Audit Committee comprised three independent non-executive Directors, namely, Ms. Xuan Hong (chairman of the Audit Committee), Mr. Cai Wei Lun and Mr. Qi Ji.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. During the year, the Audit Committee held four meetings. The annual results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that adequate disclosures have been made.

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.

During the financial year under review, the Company complied with all the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules except 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 (the “**Chairman**”) is performed by Mr. Leung who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the Chairman in Mr. Leung provides 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. Leung and Ms. Wu Wei Hua who have extensive experience in the business of the Group. 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.

By order of the Board
China Netcom Technology Holdings Limited
Leung Ngai Man
Chairman and Executive Director

Hong Kong, 21 March 2017

As at the date of this announcement, the executive Directors are Mr. Leung Ngai Man and Ms. Wu Wei Hua; and the independent non-executive Directors are Mr. Cai Wei Lun, Mr. Qi Ji and Ms. Xuan Hong.

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.chinanetcomtech.com.