



2018 FIRST QUARTERLY REPORT

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)





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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 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 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.*

This report 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.

HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2018 was approximately HK\$4,877,000 with an increase of approximately HK\$4,137,000 as compared with that for the corresponding period in 2017.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$2,550,000 for the three months ended 31 March 2018, with a decrease of approximately HK\$3,578,000 as compared with that for the corresponding period in 2017.
- The unaudited loss per share of the Company was approximately HK0.05 cent for the three months ended 31 March 2018.

RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2018 together with the comparative figures for the corresponding period in 2017 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

| | | (Unaudited) | |
|--|--------------|---------------------------|-----------------|
| | | Three months ended | |
| | | 31 March | |
| | <i>Notes</i> | 2018 | 2017 |
| | | HK\$'000 | <i>HK\$'000</i> |
| Revenue | 3 | 4,877 | 740 |
| Cost of sales | | (2,259) | (490) |
| | | <hr/> | <hr/> |
| Gross profit | | 2,618 | 250 |
| Other income and gains | | 1,199 | 3,029 |
| Administrative expenses | | (5,307) | (6,106) |
| Finance costs | 4 | (702) | (1,379) |
| Other operating expenses | | - | (1,559) |
| | | <hr/> | <hr/> |
| Loss before tax | | (2,192) | (5,765) |
| Income tax (expense)/credit | 5 | (448) | 459 |
| | | <hr/> | <hr/> |
| Loss for the period | 6 | (2,640) | (5,306) |
| | | <hr/> | <hr/> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified</i> | | | |
| <i>subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | 1,082 | 603 |
| | | <hr/> | <hr/> |
| Other comprehensive income for the period | | 1,082 | 603 |
| | | <hr/> | <hr/> |
| Total comprehensive expense for the period | | (1,558) | (4,703) |
| | | <hr/> <hr/> | <hr/> <hr/> |

| | (Unaudited) | |
|---|---------------------------|-----------------------|
| | Three months ended | |
| | 31 March | |
| | 2018 | 2017 |
| <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| Loss attributable to: | | |
| Owners of the Company | (2,550) | (6,128) |
| Non-controlling interests | (90) | 822 |
| | <u>(2,640)</u> | <u>822</u> |
| | <u>(2,640)</u> | <u>(5,306)</u> |
| Total comprehensive expense attributable to: | | |
| Owners of the Company | (1,396) | (5,806) |
| Non-controlling interests | (162) | 1,103 |
| | <u>(1,558)</u> | <u>1,103</u> |
| | <u>(1,558)</u> | <u>(4,703)</u> |
| Loss per share | | |
| Basic and diluted | 7 | |
| (HK cents per share) | <u>(0.05)</u> | <u>(0.20)</u> |
| | <u>(0.05)</u> | <u>(0.20)</u> |



Notes:

1. BASIS OF PREPARATION

The unaudited consolidated statement of profit or loss and other comprehensive income of the Group for three months ended 31 March 2018 has 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 comply with applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules.


2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2018 has been prepared in accordance with the same accounting policies adopted in the Group’s annual financial statements for the year ended 31 December 2017, 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 2018. 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 15 “Revenue from Contracts with Customers” as described in the paragraph below.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have significant impact on the Group’s results of operation and financial position.

First time adoption of HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 “Revenue from Contracts with Customers” replaces the previous revenue standard HKAS 18 “Revenue”. The standard is effective for the financial year beginning on or after 1 January 2018 and the Group has first time adopted HKFRS 15 for the three months ended 31 March 2018. The Group elected to apply HKFRS 15 retrospectively to each prior reporting period.



HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract.

The Group’s revenue recognition accounting policy under HKFRS 15 is as follows:

Revenue recognition

Revenue is recognised when good or service is provided to the customer. Depending on the terms of the contract and the laws that apply to the contract, good or service may be provided over time or at a point in time. Good or service is provided over time if the Group’s performance meets any one of the following criteria:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.


If good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depicts the Group’s performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group’s efforts or inputs to the satisfaction of the performance obligation.

If a contract involves multiple good or services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.



The following is a description of the accounting policy for the principal revenue streams of the Group:

(a) Credit facilitation and service fee

The Group engages primarily in operating an online consumer finance marketplace by providing an online platform which matches borrowers with investors. The Group determined that it is not the legal lender and legal borrower in the loan origination and repayment process. Therefore, the Group does not record loans receivable and payable arising from the loans between investors and borrowers on its marketplace.

Service fees are collected on a monthly basis over the loan period. The total consideration received from borrowers generally includes the services fees for facilitating loan origination (covering matching of investors to borrowers and facilitating the execution of loan agreement between investors and borrowers) and for providing ongoing monthly services (mainly covering cash processing services and collection services), and also includes contribution to the quality assurance fund, which provides a protection mechanism to investors who subscribe to these loans.

The total consideration from borrowers is first allocated to the quality assurance fund payable at fair value which meets the definition of a financial guarantee under HKFRS 9, and the remaining amount is then allocated to credit facilitation service and ongoing monthly service. The Group generally collects the entire amount relating to credit facilitation and ongoing monthly services as one combined fee.

The Group considers the credit facilitation services and ongoing monthly services as distinct performance obligations. Although the Group does not sell these services separately, the Group determined that both deliverables have standalone value. However, the Group does not provide these services separately, and the third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees that competitors charge for these services. As a result, the Group uses the expected-cost-plus-a-margin approach to determine its best estimate standalone selling prices of the different performance obligations as the basis for allocation. The total service fee allocated to credit facilitation is recognised as revenue upon execution of loan agreements between investors and borrowers. The service fees allocated to post-origination services are deferred and recognised over the period of the loan on a straight-line method, which approximates the pattern of when the underlying services are performed. When the cash received is different from the revenue recognised, a "Contract Asset" or "Contract Liability" shall be recognised in the consolidated statement of financial position.

(b) Sale of goods

Revenue is recognised when the Group transfers a good to a customer and the customer obtains control of that asset. The customer obtains control of an asset when the significant risks and rewards of ownership of the asset have been transferred to the customer.

The impacts of adopting HKFRS 15 on the Group's unaudited consolidated statement of profit or loss and other comprehensive income for the current period are as follows:

| | Three months ended 31 March 2018 | | |
|--|---|--|--------------------|
| | Without the adoption of HKFRS 15 | Effects of adoption of HKFRS 15 | As reported |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 7,254 | (2,377) | 4,877 |
| Cost of Sales | <u>(4,636)</u> | <u>2,377</u> | <u>(2,259)</u> |
| Gross Profit | 2,618 | – | 2,618 |
| Other income and gains | 1,199 | – | 1,199 |
| Administrative expenses | (5,307) | – | (5,307) |
| Finance costs | <u>(702)</u> | <u>–</u> | <u>(702)</u> |
| Loss before tax | (2,192) | – | (2,192) |
| Income tax expense | <u>(448)</u> | <u>–</u> | <u>(448)</u> |
| Loss for the period | (2,640) | – | (2,640) |
| Other comprehensive income for the period – exchange differences on translating foreign operations | <u>1,082</u> | <u>–</u> | <u>1,082</u> |
| Total comprehensive expense for the period | <u>(1,558)</u> | <u>–</u> | <u>(1,558)</u> |

The adoption of HKFRS 15 has no impact on the Group's unaudited consolidated financial statements for the three months ended 31 March 2017.

3. REVENUE

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

| | (Unaudited) | |
|---|---------------------------|----------|
| | Three months ended | |
| | 31 March | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Credit facilitation and service fee | 1,512 | – |
| Sale of smart wearable devices | 2,656 | 76 |
| Provision of management, marketing, and operation services for lottery system and lottery halls | 190 | 36 |
| Provision of sports training services | 519 | 628 |
| | 4,877 | 740 |

4. FINANCE COSTS

| | (Unaudited) | |
|---|---------------------------|----------|
| | Three months ended | |
| | 31 March | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Effective interest on convertible bonds | 702 | 1,379 |

5. INCOME TAX (EXPENSE)/CREDIT

Income tax recognised in profit or loss

| | (Unaudited) | |
|---|---------------------------|----------|
| | Three months ended | |
| | 31 March | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| PRC Enterprise Income Tax | (564) | — |
| Deferred tax | 116 | 459 |
| | <hr/> | <hr/> |
| Total income tax (expense)/credit recognised in profit or loss | (448) | 459 |
| | <hr/> | <hr/> |

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 has no assessable profits arising in or derived from Hong Kong for both periods.

Under the prevailing tax law in the People's Republic of China (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 as at 31 March 2017 and 2018.

6. LOSS FOR THE PERIOD

(Unaudited)
Three months ended
31 March

2018 2017
HK\$'000 **HK\$'000**

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

| | | |
|--|--------------|-------|
| Bank interest income | (48) | (1) |
| Net foreign exchange loss/(gain) | 479 | (37) |
| <hr/> | | |
| Auditors' remuneration | – | 240 |
| Employee benefits expense (excluding directors' and chief executive's emoluments) | | |
| – Salaries and other benefits in kind | 1,795 | 1,236 |
| – Contributions to retirement benefits schemes | 180 | 66 |
| Directors' emoluments | 302 | 1,669 |
| Minimum lease payments paid under operating leases in respect of land and buildings | 649 | 623 |
| Depreciation of property, plant and equipment | 249 | 253 |
| Amortisation of other intangible assets (included in other operating expenses) | – | 1,559 |
| <hr/> | | |

7. 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:

| | (Unaudited) Three months ended 31 March | |
|---|--|--------------------------------|
| | 2018 HK\$'000 | 2017 HK\$'000 |
| Loss | | |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | (2,550) | (6,128) |
| | | |
| | (Unaudited) Three months ended 31 March | |
| | 2018 '000 | 2017 '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 4,659,461 | 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 convertible bonds since their exercise and conversion would have an anti-dilutive effect.

8. RESERVES

For the three months ended 31 March 2018

| | Attributable to owners of the Company | | | | | | | | | | Attributable to non-controlling interests | Total |
|--|---------------------------------------|------------------------------|----------------------------|----------------------------------|-----------------------|--------------------------------------|---------------|--------------------|-------------|-------------|---|-------|
| | Share premium account | Capital contribution reserve | Capital redemption reserve | Convertible bonds equity reserve | Share options reserve | Foreign currency translation reserve | Other reserve | Accumulated losses | Subtotal | | | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | 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 | - | - | - | - | - | - | - | (2,550) | (2,550) | (90) | (2,640) | |
| Other comprehensive income for the period | - | - | - | - | - | 1,154 | - | - | 1,154 | (72) | 1,082 | |
| Total comprehensive expense for the period | - | - | - | - | - | 1,154 | - | (2,550) | (1,396) | (162) | (1,558) | |
| Exercise of convertible bonds | 49,792 | - | - | (12,406) | - | - | - | - | 37,386 | - | 37,386 | |
| Balance at 31 March 2018 | 3,443,597 | 9,628 | 1 | 3,935 | - | 119,568 | (49) | (3,556,179) | 20,501 | (444) | 20,057 | |

For the three months ended 31 March 2017

| | Attributable to owners of the Company | | | | | | | | | | Attributable to non-controlling interests | Total |
|--|---------------------------------------|----------------------------|----------------------------------|-----------------------|--------------------------------------|---------------|--------------------|-------------|-------------|-------------|---|-------|
| | Share premium account | Capital redemption reserve | Convertible bonds equity reserve | Share options reserve | Foreign currency translation reserve | Other reserve | Accumulated losses | Subtotal | | | | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| Balance at 1 January 2017 | 3,348,003 | 1 | 16,341 | 36,783 | 115,692 | (49) | (3,537,640) | (20,869) | 20,923 | 54 | | |
| Loss for the period | - | - | - | - | - | - | (6,128) | (6,128) | 822 | (5,306) | | |
| Other comprehensive income for the period | - | - | - | - | 322 | - | - | 322 | 281 | 603 | | |
| Total comprehensive expense for the period | - | - | - | - | 322 | - | (6,128) | (5,806) | 1,103 | (4,703) | | |
| Balance at 31 March 2017 | 3,348,003 | 1 | 16,341 | 36,783 | 116,014 | (49) | (3,543,768) | (26,675) | 22,026 | (4,649) | | |

9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Financial Technology Services Business

In response to the requirements of new national laws and regulations in the end of 2017, the Group has completed the adjustment and relaunch of product for financial technology services business in the beginning of March 2018. After a series of product transformation and business adjustments, the business has been compiled with relevant prevailing laws and regulations.

Based on the business foundation and the accumulated brands and users in 2017, the business showed a robust growth momentum since its restart. As of the end of March 2018, the accumulated borrowings for the business amounted to above RMB43 million, and the maximum borrowings accumulated in a single day amounted to RMB3 million. More than 26,000 transactions in total were reached, and generated a revenue of approximately HK\$1,512,000 (2017: Nil) for the three months ended 31 March 2018.

Apartment Leasing Business

杭州仁分信息科技有限公司 (transliterated as Hangzhou Safen Information Technology Company Limited ("**Hangzhou Safen**")), a wholly-owned subsidiary of the Company, and Mr. Liu Jiping (劉繼平先生) established a joint venture company known as 武漢伍浩物業管理有限責任公司 (transliterated as Wuhan Wuhao Property Management Company Limited ("**Wuhan Wuhao**")), which is owned by Hangzhou Safen and Mr. Liu Jiping as to 55% and 45%, respectively. Wuhan Wuhao is principally engaged in apartment leasing business. It secures long-term agency rights from owners who hold several apartments for their leasing, and utilises its capability of customer acquisition (mainly targeting young generation customers) to procure apartment leasing, and in return, it will charge the owner and/or lessee a certain amount of fee. The business was launched at the end of March 2018 and had not yet generated any revenue for the first quarter of this year.

Smart Wearable Device Business

The Group is still continuously developing and upgrading the functions of the next generation smart glasses and smart fitness watches. For the three months ended 31 March 2018, the Group has sold approximately 200 pairs of smart glasses and 15,000 smart fitness watches, which generated revenue of approximately HK\$195,000 and HK\$2,461,000 (2017: approximately HK\$76,000 and Nil), respectively.



Lottery Business

As disclosed in the Company's announcements dated 16 January and 13 April 2018, respectively, the Directors have made changes in business strategy in relation to the Group's lottery business in the PRC to focus on Shandong instead of Shenzhen and Chongqing. Pursuant to the respective agreements entered into by 深圳高榮財智科技有限公司 (transliterated as Shenzhen Gaorong Caizhi Technology Company Limited ("**Shenzhen Gaorong**")) with each of Shandong Province Sports Lottery Management Centre and an independent third party, 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 the end of March 2018, the Group has submitted the applications for the establishment of a total of 1,223 sales points in various cities in Shandong and 655 of which have been approved. For the three months ended 31 March 2018, the Group's lottery business generated a revenue of approximately HK\$190,000 (2017: approximately HK\$36,000).

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 during the quarter. Revenue for the three months ended 31 March 2018 has reached approximately HK\$519,000 (2017: approximately HK\$628,000) which was slightly less than the corresponding period in 2017 due to normal business fluctuation.

Financial Review

For the three months ended 31 March 2018, the Group recorded an unaudited revenue of approximately HK\$4,877,000 (2017: approximately HK\$740,000), representing an increase of approximately 559% as compared with that for the corresponding period in 2017. The revenue of the Group was mainly derived from (i) financial technology services business; (ii) smart wearable device business; (iii) lottery business and (iv) sports training business. For the three months ended 31 March 2018, the unaudited loss attributable to owners of the Company was approximately HK\$2,550,000 (2017: approximately HK\$6,128,000), representing a decrease of approximately 58% as compared with that for the corresponding period in 2017. The decrease in loss was mainly attributed by the profit generated from the new financial technology services business and the loss reduction from the smart wearable device business and lottery business.

Capital structure

As at 31 March 2018, the Company's total number of issued ordinary shares of HK\$0.005 each ("**Shares**") was 4,671,035,048 (31 March 2017: 3,120,035,049 Shares).

Prospects

Looking forward to 2018, the Group will focus on developing its financial technology services business and apartment leasing business. The management of the Group believes that with the implementation of new laws and regulations in the PRC, the development of the fintech industry will be more regulated and healthy, and the Group's financial technology services business will also achieve stable development in the long run. The management of the Group also believes that apartment leasing industry in PRC has developed rapidly in recent years. Carrying out the apartment leasing business would bring greater contribution to the Group's operating revenue and profitability, which is conducive to the continuous improvement of the Group's earning position.

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 31 March 2018, 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, 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 ⁽¹⁾ | 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**”). Mr. Sun is indirectly interested in approximately 28.4% of the equity interest in 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.) (a company wholly-owned by 51 Credit Card (China) Limited, which is in turn wholly-owned by 51 Credit Card Inc., and ultimately controlled by Mr. Sun) (“**Hangzhou Zhenniu**”) 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.

Save as disclosed above, as at 31 March 2018, 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 corporation (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 in securities by directors of listed issuer as referred to in rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2018, 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 interest | Number of Shares directly or indirectly held and category⁽³⁾ | Approximate percentage of issued shares |
|---|--|--|--|
| 51 Credit Card Inc. ⁽¹⁾ | Interest in controlled corporation | 1,834,963,213 (L) | 39.28% |
| 51 Credit Card (China) Limited ⁽¹⁾ | Interest in controlled corporation | 1,834,963,213 (L) | 39.28% |

| Name | Capacity and Nature of interest | Number of Shares directly or indirectly held and category⁽³⁾ | Approximate percentage of issued shares |
|---|---|--|--|
| Hangzhou Zhenniu ⁽¹⁾ | Interest in controlled corporation | 1,834,963,213 (L) | 39.28% |
| Hangzhou Enniu ⁽¹⁾ | Interest in controlled corporation | 1,834,963,213 (L) | 39.28% |
| Shanghai Wuniu ⁽¹⁾ | Interest in controlled corporation | 1,834,963,213 (L) | 39.28% |
| 51RENPIN.COM INC. ⁽¹⁾ | Beneficial owner | 1,834,963,213 (L) | 39.28% |
| Mr. Wang Yonghua ("Mr. Wang") ⁽²⁾ | Interest in controlled corporation | 2,199,963,213 (L) | 47.10% |
| Tian Tu Capital Co., Ltd. ^{(2)*} | Interest in controlled corporation | 2,199,963,213 (L) | 47.10% |
| Tiantu Advisory Company Limited ⁽²⁾ | Interest in controlled corporation | 1,834,963,213 (L) | 39.28% |
| Tiantu Investments Limited ⁽²⁾ | Person having a security interest in shares | 1,834,963,213 (L) | 39.28% |
| Tiantu Investments International Limited ⁽²⁾ | Beneficial owner | 365,000,000 (L) | 7.81% |

* (The English names have been transliterated from their respective Chinese names and 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 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 31 March 2018, 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 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

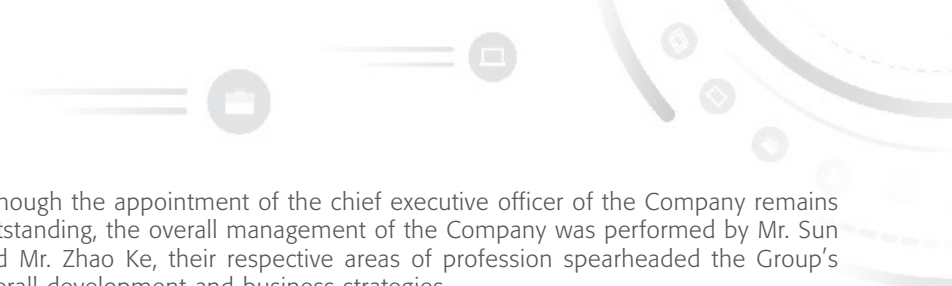
The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders of the Company (the “**Shareholders**”).

During the period under review from 1 January 2018 to 31 March 2018, 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 and financial technology business development 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.

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 period under review.

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2018 have been reviewed by the audit committee of the Company which is of the opinion that such 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 three months ended 31 March 2018.

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

Hong Kong, 11 May 2018

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.