



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)

2017

FIRST QUARTERLY REPORT

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

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HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2017 was approximately HK\$740,000 with an increase of approximately HK\$640,000 as compared with that for the corresponding period in 2016.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$6,128,000 for the three months ended 31 March 2017, with a decrease of approximately HK\$293,000 as compared with that for the corresponding period in 2016.
- The unaudited loss per share of the Company was approximately HK0.2 cent for the three months ended 31 March 2017.

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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		(Unaudited)	
		Three months ended	
		31 March	
		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	740	100
Cost of sales		<u>(490)</u>	<u>(139)</u>
Gross profit/(loss)		250	(39)
Other income and gains		3,029	128
Gain on early redemption of convertible bonds		–	386
Administrative expenses		(6,106)	(4,827)
Finance costs	4	(1,379)	(1,725)
Other operating expenses		<u>(1,559)</u>	<u>(1,893)</u>
Loss before tax		(5,765)	(7,970)
Income tax credit	5	<u>459</u>	<u>626</u>
Loss for the period	6	<u>(5,306)</u>	<u>(7,344)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>603</u>	<u>522</u>
Other comprehensive income for the period		<u>603</u>	<u>522</u>
Total comprehensive expense for the period		<u><u>(4,703)</u></u>	<u><u>(6,822)</u></u>

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:		
Owners of the Company	(6,128)	(6,421)
Non-controlling interests	822	(923)
	<u>(5,306)</u>	<u>(7,344)</u>
Total comprehensive expense/(income)		
attributable to:		
Owners of the Company	(5,806)	(6,142)
Non-controlling interests	1,103	(680)
	<u>(4,703)</u>	<u>(6,822)</u>
Loss per share		
Basic and diluted (HK cents per share)	(0.20)	(0.21)

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Notes:

1. BASIS OF PREPARATION

The unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the three months ended 31 March 2017 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 the 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 2017 has been prepared in accordance with the same accounting policies adopted in the Group’s annual financial statements for the year ended 31 December 2016, 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 beginning on 1 January 2017. 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.

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 a significant impact on the Group’s results of operation and financial position.

3. REVENUE

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

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
	HK\$’000	HK\$’000
Provision of management, marketing, and operating services for lottery system and lottery halls	36	100
Provision of sports training services	628	–
Sale of information technology products	76	–
	740	100

4. FINANCE COSTS

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Effective interest on convertible bonds	1,379	1,725

5. INCOME TAX CREDIT

Income tax recognised in profit or loss

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax	-	-
Deferred tax	(459)	(626)
Total income tax credit recognised in profit or loss	(459)	(626)

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 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 2016 and 2017.

6. LOSS FOR THE PERIOD

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period has been arrived at after (crediting)/charging:		
Bank interest income	(1)	(10)
Net foreign exchange gain	(37)	(118)
	<u> </u>	<u> </u>
Auditors' remuneration	240	233
Employee benefits expense (excluding directors' and chief executive's emoluments)		
— Salaries and other benefits in kind	1,236	721
— Contributions to retirement benefits schemes	66	27
Directors' emoluments	1,669	1,723
Minimum lease payments paid under operating leases in respect of land and buildings	623	370
Depreciation of property, plant and equipment	253	53
Amortisation of other intangible assets (included in other operating expenses)	1,559	1,893
	<u> </u>	<u> </u>

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	
	2017	2016
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(6,128)	(6,421)
	<u> </u>	<u> </u>

(Unaudited)
Three months ended
31 March

2017 2016
'000 **'000**

Number of shares

Weighted average number of ordinary shares for the purposes of
basic and diluted loss per share

3,120,035 **3,120,035**

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

8. RESERVES

For the three months ended 31 March 2017

	Attributable to owners of the Company								Attributable to non-controlling interests	
	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options 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	Total (Unaudited) HK\$'000	Total (Unaudited) 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 income/ (expense) for the period	-	-	-	-	322	-	(6,128)	(5,806)	1,103	(4,703)
Balance at 31 March 2017	<u>3,348,003</u>	<u>1</u>	<u>16,341</u>	<u>36,783</u>	<u>116,014</u>	<u>(49)</u>	<u>(3,543,768)</u>	<u>(26,675)</u>	<u>22,026</u>	<u>(4,649)</u>

For the three months ended 31 March 2016

	Attributable to owners of the Company									
	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options 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	Attributable to non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2016	3,348,003	1	29,735	32,722	118,256	(49)	(3,501,041)	27,627	29,313	56,940
Loss for the period	-	-	-	-	-	-	(6,421)	(6,421)	(923)	(7,344)
Other comprehensive income for the period	-	-	-	-	279	-	-	279	243	522
Total comprehensive income/ (expense) for the period	-	-	-	-	279	-	(6,421)	(6,142)	(680)	(6,822)
Redemption of convertible bonds	-	-	(4,420)	-	-	-	(238)	(4,658)	-	(4,658)
Deferred tax relating to convertible bonds	-	-	704	-	-	-	-	704	-	704
Balance at 31 March 2016	<u>3,348,003</u>	<u>1</u>	<u>26,019</u>	<u>32,722</u>	<u>118,535</u>	<u>(49)</u>	<u>(3,507,700)</u>	<u>17,531</u>	<u>28,633</u>	<u>46,164</u>

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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, provision of sports training services and sale of information technology products. The Company focused on consolidating and optimising the Group's existing lottery and sports business, and continued to deepen the research and development of wearable devices business, while keep looking for new opportunities to maximise the shareholders' return.

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.

Financial Review

For the three months ended 31 March 2017, the Group recorded an unaudited revenue of approximately HK\$740,000 with an increase of approximately HK\$640,000 as compared with that for the corresponding period in 2016. During the three months ended 31 March 2017, the revenue of the Group was mainly derived from sale of information technology products, provision of management, marketing, and operating services for lottery system and lottery halls and provision of sports training services. For the three months ended 31 March 2017, the unaudited loss attributable to owners of the Company decreased by approximately HK\$293,000 as compared with that for the corresponding period in 2016.

Capital structure

As at 31 March 2017, the Company had 3,120,035,049 ordinary shares of HK\$0.005 each (the “**Shares**”, each, a “**Share**”) (31 March 2016: 3,120,035,049 Shares) in issue.

Prospect

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

Events after the reporting period

Convertible Preferred Share Purchase Agreement

The Board was informed that on 11 April 2017, Mr. Leung Ngai Man (“**Mr. Leung**”) (as seller) and 51RENPIN.COM INC. (the “**Offeror**”) (as purchaser) had entered into a convertible preferred share purchase agreement (the “**Convertible Preferred Share Purchase Agreement**”) pursuant to which Mr. Leung agreed to sell and the Offeror agreed to acquire 1,003,333,333 convertible preferred shares at the consideration of HK\$82,273,333.31, being HK\$0.082 per convertible preferred share. It was further stated in the Convertible Preferred Share Purchase Agreement that the Offeror shall, immediately upon completion of the sale and purchase of the convertible preferred shares, exercise its conversion rights attaching to the convertible preferred shares to convert all the convertible preferred shares into Shares. Completion of the Convertible Preferred Share Purchase Agreement was effected on the same day.

Immediately after the completion of the sale and purchase of the convertible preferred shares and pursuant to the terms of the Convertible Preferred Share Purchase Agreement, the Company received a notice of conversion from the Offeror in respect of the exercise of conversion rights attaching to all the convertible preferred shares. As a result of the exercise of the conversion rights attaching to the 1,003,333,333 convertible preferred shares, 1,003,333,333 Shares were allotted and issued to the Offeror on 12 April 2017 (the “**Converted Shares**”). Please refer to the Company’s announcement dated 24 April 2017 for further details.

Share Purchase Agreement

The Board was further informed by Mr. Leung that, immediately after allotment and issue of the 1,003,333,333 Converted Shares, on the same date, Mr. Leung, the Offeror and Tiantu Investments International Limited (“**Tiantu**”) had entered into a share purchase agreement (the “**Share Purchase Agreement**”) pursuant to which (i) the Offeror and Tiantu have conditionally agreed to acquire 441,629,880 Shares and 365,000,000 Shares; and (ii) Mr. Leung has conditionally agreed to sell an aggregate of 806,629,880 Shares at an aggregate consideration of HK\$66,143,650.16, being HK\$0.082 per Share. Completion of the Share Purchase Agreement was effected on 18 April 2017. Please refer to the Company’s announcement dated 24 April 2017 for further details.

Mandatory Conditional Cash Offers

Immediately after the allotment and issue of the Converted Shares to the Offeror and the completion of the sale and purchase of Shares pursuant to the Share Purchase Agreement (the “**Share Purchase Completion**”), the Offeror and parties acting in concert with it became interested in an aggregate of 1,809,963,213 Shares representing approximately 43.89% of the total number of issued Shares as at 24 April 2017. Accordingly, the Offeror and parties acting in concert with it will be required to make a conditional mandatory cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) (the “**Share Offer**”). Pursuant to Rule 13.5 of the Takeovers Code, the mandatory conditional cash offer will also be made to cancel all the outstanding share options (the “**Option Offer**”, together with the Share Offer, the “**Offers**”). Please refer to the Company’s announcement dated 24 April 2017 for further details.

Connected Transaction in Relation to Proposed Subscription of New Shares under Specific Mandate

Simultaneously with the entering into of the Share Purchase Agreement, the Company and the Offeror entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Company has conditionally agreed to allot and issue and the Offeror has conditionally agreed to subscribe for 1,445,000,000 Shares at the consideration of HK\$72,250,000, being HK\$0.05 per Share (the “**Subscription**”).

As a result of the allotment and issue of the Converted Shares and the Share Purchase Completion, the Offeror is interested in 1,444,963,213 Shares, representing approximately 35.04% of the total Shares in issue as at 24 April 2017, and thus the Offeror is a controlling shareholder and a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder will constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules which requires the approval of the independent shareholders by way of poll at an extraordinary general meeting of the Company to be convened (the “**EGM**”). Please refer to the Company’s announcement dated 24 April 2017 for further details.

The Special Deal

Pursuant to the terms of the Subscription Agreement and subject to the completion of the Subscription, the outstanding principal amount of the convertible bonds issued to Mr. Leung will be partially redeemed by the Company. Using a portion of the net proceeds of the Subscription for the redemption constitutes a “special deal” under Rule 25 of the Takeovers Code (the “**Special Deal**”) and will be conditional upon obtaining the consent of the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the “**Executive**”) under Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the Special Deal provided that: (i) the independent financial adviser to be appointed (the “**Independent Financial Adviser**”) publicly states in its opinion that the terms of the Special Deal are fair and reasonable; and (ii) the Special Deal is approved at the EGM by way of poll by the independent shareholders. Please refer to the Company’s announcement dated 24 April 2017 for further details.

Trading Halt and Resumption of Trading in the Shares

Trading in the Shares on the Stock Exchange had been halted with effect from 9:00 a.m. on 11 April 2017. Trading in the Shares was resumed with effect from 9:00 a.m. on 24 April 2017.

Formation of the Independent Board Committee

On 28 April 2017, the Company announced that an independent committee of the Board (the “**Independent Board Committee**”) comprising Mr. Cai Wei Lun, Mr. Qi Ji and Ms. Xuan Hong, being the independent non-executive Directors had been constituted for the purposes of advising and giving a recommendation to (i) the independent shareholders in respect of the Subscription and the Special Deal; and (ii) the shareholders other than the Offeror and parties acting in concert with it, in respect of the Offers, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. Please refer to the Company’s announcement dated 28 April 2017 for further details.

Appointment of Independent Financial Adviser

On 28 April 2017, the Company announced that the Independent Board Committee had appointed VMS Securities Limited as the Independent Financial Adviser to advise the Independent Board Committee to make recommendation to (i) the independent shareholders in respect of the Subscription and the Special Deal; and (ii) the shareholders other than the Offeror and parties acting in concert with it in respect of the Offers, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. Please refer to the Company's announcement dated 28 April 2017 for further details.

Issue of Shares under the Share Option Scheme

On 5 May 2017, the Company allotted and issued 10,000,000 Shares to an employee of the Group due to the exercise of share options at an exercise price of HK\$0.105 per Share which were granted on 6 May 2016.

On 8 May 2017, the Company allotted and issued 60,000,000 Shares and 16,000,000 Shares to certain consultants of the Group due to the exercise of share options at exercise prices of HK\$0.105 per Share and HK\$0.087 per Share which were granted on 6 May 2016 and 10 October 2013 respectively.

On 10 May 2017, the Company allotted and issued 30,000,000 Shares to a consultant of the Group due to the exercise of share options at an exercise price of HK\$0.105 per Share which were granted on 6 May 2016.

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 2017, 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 (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 rule 5.46 of the GEM Listing Rules (the “**Required Standard of Dealings**”), were as follows:

Long position in the Shares and underlying Shares

Name of Director	Number of Shares		Equity derivatives	Total	Approximate percentage of issued share capital (Note 8)
	Personal interest	Corporate interest			
Mr. Leung Ngai Man	906,335,000 (Note 1)	294,880 (Notes 1 & 2)	1,060,013,333 (Notes 3, 4 & 5)	1,966,643,213	63.03%
Ms. Wu Wei Hua (“Ms. Wu”)	–	–	22,000,000 (Notes 6 & 7)	22,000,000	0.71%

Notes:

- As a result of the 2012 Share Consolidation (as defined below), these Shares were adjusted.
- These Shares were held by Speedy Well Investments Limited (“**Speedy Well**”) which was wholly and beneficially owned by Mr. Leung. By virtue of the SFO, Mr. Leung was deemed to be interested in the Shares held by Speedy Well.
- These equity derivatives comprise 56,680,000 Shares to be issued upon exercise of conversion rights attaching to the convertible bonds which were issued by the Company on 27 August 2010 and 1,003,333,333 convertible preferred shares were allotted and issued by the Company on 17 December 2012.

4. The convertible bonds in an aggregate principal amount of HK\$797,500,000 at a conversion price of HK\$0.240 per share were issued to Mr. Leung on 27 August 2010. Upon full conversion of the convertible bonds, a maximum of 3,322,916,666 shares of HK\$0.001 each in the share capital of the Company shall be issued to Mr. Leung. As at 31 March 2017, the convertible bonds in the amount of HK\$68,016,000 remained outstanding. As a result of the consolidation of every five shares of HK\$0.001 each in both issued and unissued share capital of the Company into one consolidated share of HK\$0.005 each which became effective on 27 February 2012 (the “**2012 Share Consolidation**”), the relevant conversion price was adjusted from HK\$0.240 to HK\$1.200 per Share and the number of Shares falling to be issued under the outstanding convertible bonds was adjusted from 283,400,000 shares of HK\$0.001 each in the share capital of the Company to 56,680,000 consolidated shares. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO.
5. 1,563,333,333 convertible preferred shares at an issue price of HK\$0.600 per convertible preferred share were allotted and issued to Mr. Leung on 17 December 2012 to capitalise the outstanding amount of approximately HK\$938,000,000 due by the Company to Mr. Leung pursuant to the promissory note issued by the Company to Mr. Leung on 27 August 2010 as part of the consideration for the acquisition of the entire equity interest in Pearl Sharp Limited. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO. As at 31 March 2017, 1,003,333,333 allotted and issued convertible preferred shares were not converted yet.
6. On 10 July 2008, Ms. Wu was granted share options pursuant to the share option scheme adopted on 29 June 2007 (the “**Share Option Scheme**”) to subscribe for a total of 20,000,000 shares of HK\$0.0005 each in the share capital of the Company at an exercise price of HK\$0.1328 per share. Such share options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the consolidation of every two shares in both issued and unissued share capital of the Company into one consolidated share of HK\$0.001 each which became effective on 21 October 2008, the relevant subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. As a result of the 2012 Share Consolidation, the relevant subscription price was further adjusted from HK\$0.2656 to HK\$1.3280 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 10,000,000 consolidated shares to 2,000,000 Shares. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO.
7. On 10 July 2014, Ms. Wu was further granted share options pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 Shares at an exercise price of HK\$0.280 per share. Such share options would be exercisable during the period from 10 July 2014 to 29 June 2017. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO.
8. The percentage is calculated on the basis of 3,120,035,049 Shares in issue as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, none of the Directors and the chief executive of the Company had 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.

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

Save as disclosed above, as at 31 March 2017, the Company had not been notified by any person or company, other than the Directors or the chief executive of the Company whose interest are set out in the section headed “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” in this report, who had interest or short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the Shares and underlying Shares that is required to be disclosed under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 29 June 2007 to replace its previous share option scheme adopted on 19 February 2001 and refreshed its 10% general limit on the grant of share options on 9 April 2009, 20 April 2010 and 5 May 2014 respectively. The principal purpose of the Share Option Scheme is to motivate and give incentive to the eligible participants as defined in the Share Option Scheme for their contributions to the Group.

For the three months ended 31 March 2017, detailed movements relating to options granted under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercise price	Exercise period	Movements of share options during the period				As at 31 March 2017
				As at 1 January 2017	Granted	Exercised	Lapsed/Cancelled/Forfeited	
Other Participants	9 July 2007	1.425*	9 July 2007 – 29 June 2017	9,600,000*	-	-	-	9,600,000*
	22 August 2007	2.030*	22 August 2007 – 29 June 2017	8,200,000*	-	-	-	8,200,000*
	10 July 2008	1.328*	10 July 2008 – 29 June 2017	7,200,000*	-	-	-	7,200,000*
	10 October 2013	0.087	10 October 2013 – 29 June 2017	16,000,000	-	-	-	16,000,000
	25 March 2014	0.364	25 March 2014 – 29 June 2017	32,000,000	-	-	-	32,000,000
	26 March 2014	0.365	26 March 2014 – 29 June 2017	2,700,000	-	-	-	2,700,000
	27 May 2015	0.290	27 May 2015 – 29 June 2017	66,000,000	-	-	-	66,000,000
	4 June 2015	0.270	4 June 2015 – 29 June 2017	10,000,000	-	-	-	10,000,000
6 May 2016	0.105	6 May 2016 – 29 June 2017	100,000,000	-	-	-	100,000,000	
Director								
— Ms. Wu	10 July 2008	1.328*	10 July 2008 – 29 June 2017	2,000,000*	-	-	-	2,000,000*
	10 July 2014	0.280	10 July 2014 – 29 June 2017	20,000,000	-	-	-	20,000,000

* The number of share options granted and the exercise price had been adjusted as a result of the 2012 Share Consolidation.

During the three months ended 31 March 2017, no share options were granted by the Company. No share options granted under the Share Option Scheme were exercised.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections “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” and “SHARE OPTION SCHEME” in this report, at no time during the three months ended 31 March 2017 and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporation as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

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.

For the period under review from 1 January 2017 to 31 March 2017, 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 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 (the “**Chairman**”) is performed by Mr. Leung who 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 of the Company.

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 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.

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 has made specific inquiry with all the Directors, and has not been notified of any non-compliance with the Required Standard of Dealings and the Code by the Directors during the three months ended 31 March 2017.

AUDIT COMMITTEE

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

The Group’s first quarterly results for the three months ended 31 March 2017 have been reviewed by the Audit Committee 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, substantial shareholders of the Company or any of their respective 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 OF THE COMPANY

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 2017.

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

Hong Kong, 15 May 2017

As at the date of this report, 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.