



2020 THIRD 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 will remain on the “Latest Listed Company Information” 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 consolidated revenue of the Group for the nine months ended 30 September 2020 was approximately HK\$19,515,000 (nine months ended 30 September 2019: approximately HK\$62,246,000), representing a decrease of approximately 69% as compared with that for the corresponding period in 2019.
- The Group recorded an unaudited consolidated loss attributable to owners of the Company of approximately HK\$14,483,000 for the nine months ended 30 September 2020 (nine months ended 30 September 2019: unaudited consolidated profit attributable to owners of the Company of approximately HK\$21,248,000).
- The unaudited basic and diluted loss per share of the Company was approximately HK0.31 cent for the nine months ended 30 September 2020 (nine months ended 30 September 2019: unaudited basic and diluted earnings per share of approximately HK0.45 cent).

RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the three months and nine months ended 30 September 2020

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	9,335	20,868	19,515	62,246
Cost of sales and services		(7,424)	(6,799)	(12,439)	(15,679)
Gross profit		1,911	14,069	7,076	46,567
Other income and (losses)/gains, net		2,067	(2,750)	(3,658)	(4,125)
Administrative expenses		(3,071)	(3,266)	(11,104)	(9,977)
Finance costs	3	(208)	(708)	(1,501)	(2,197)
Profit/(loss) before tax		699	7,345	(9,187)	30,268
Income tax charge	4	(3,918)	(2,489)	(4,035)	(9,713)
(Loss)/profit for the period from continuing operations	5	(3,219)	4,856	(13,222)	20,555
Loss for the period from discontinued operation	6	-	(75)	-	(960)
(Loss)/profit for the period		(3,219)	4,781	(13,222)	19,595
Other comprehensive income/ (expense)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
- Exchange differences on translating continuing foreign operations		2,513	(2,160)	1,215	(2,718)
- Exchange differences on translating discontinued foreign operation		-	(1)	-	12
Other comprehensive income/ (expense) for the period		2,513	(2,161)	1,215	(2,706)
Total comprehensive (expense)/ income for the period		(706)	2,620	(12,007)	16,889

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
(Loss)/profit attributable to:					
Owners of the Company					
– Continuing operations		(3,618)	5,249	(14,483)	22,208
– Discontinued operation		–	(75)	–	(960)
		<u>(3,618)</u>	<u>5,174</u>	<u>(14,483)</u>	<u>21,248</u>
Non-controlling interests					
– Continuing operations		399	(393)	1,261	(1,653)
		<u>399</u>	<u>(393)</u>	<u>1,261</u>	<u>(1,653)</u>
		<u>(3,219)</u>	<u>4,781</u>	<u>(13,222)</u>	<u>19,595</u>
Total comprehensive (expense)/ income attributable to:					
Owners of the Company					
– Continuing operations		(1,115)	3,099	(13,288)	19,462
– Discontinued operation		–	(76)	–	(948)
		<u>(1,115)</u>	<u>3,023</u>	<u>(13,288)</u>	<u>18,514</u>
Non-controlling interests					
– Continuing operations		409	(403)	1,281	(1,625)
		<u>409</u>	<u>(403)</u>	<u>1,281</u>	<u>(1,625)</u>
		<u>(706)</u>	<u>2,620</u>	<u>(12,007)</u>	<u>16,889</u>
(Loss)/earnings per share for (loss)/profit from continuing operations					
	7				
– Basic and diluted (HK cents per share)		(0.08)	0.11	(0.31)	0.48
		<u>(0.08)</u>	<u>0.11</u>	<u>(0.31)</u>	<u>0.48</u>
(Loss)/earnings per share for (loss)/profit from continuing and discontinued operations					
	7				
– Basic and diluted (HK cents per share)		(0.08)	0.11	(0.31)	0.45
		<u>(0.08)</u>	<u>0.11</u>	<u>(0.31)</u>	<u>0.45</u>

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



Notes:

1 BASIS OF PREPARATION AND IMPACT OF NEW HKFRSs AND HKASs

The unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the three months and nine months ended 30 September 2020 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Ints**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. The unaudited consolidated statement of profit or loss and other comprehensive income also complies with the applicable disclosure requirements of the GEM Listing Rules. It has been prepared under historical cost convention.

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 2020 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2019, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints).

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The unaudited consolidated statement of profit or loss and other comprehensive income does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

2 REVENUE

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

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers				
Provision of smart retail solutions	8,592	–	15,459	–
Credit referral and service fee	39	17,611	113	52,680
Provision of management, marketing and operating services for lottery system and lottery halls	34	166	195	496
Provision of sports training services	245	586	1,001	1,733
Revenue from other sources				
Apartment leasing	425	2,505	2,747	7,337
	9,335	20,868	19,515	62,246

3 FINANCE COSTS

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Effective interest on convertible bonds	71	382	828	1,135
Interest on lease liabilities	137	326	673	1,062
	208	708	1,501	2,197

4 INCOME TAX CHARGE

Income tax recognised in profit or loss

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
PRC Corporate Income Tax				
Current tax	(379)	(2,552)	(4,172)	(9,900)
Deferred tax	(3,539)	63	137	187
Total income tax charge recognised in profit or loss	<u>(3,918)</u>	<u>(2,489)</u>	<u>(4,035)</u>	<u>(9,713)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits arising in or derived from Hong Kong for both periods.

Under the prevailing tax law in the PRC, the Corporate 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 any significant unprovided deferred tax liabilities at 30 September 2020 and 31 December 2019.

5 (LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period has been arrived at after (crediting)/charging:				
Bank interest income	(454)	(363)	(1,416)	(512)
Net foreign exchange loss/(gain)	368	27	223	(86)
Interest income on financial assets at fair value through profit or loss	(15)	–	(20)	(136)
Quality assurance fund recovered	(5)	(4)	(19)	(191)
Quality assurance fund (gain)/loss, net	(1,306)	1,793	6,938	518
Impairment of contract assets	25	1,542	832	4,884
Gain on lease termination	(169)	(80)	(2,088)	(80)
Auditor's remuneration	240	257	720	763
Employee benefits expenses (excluding Directors' emoluments)				
– Salaries, bonus and other benefits in kind	2,253	2,313	5,327	6,389
– Contributions to retirement benefits schemes	160	194	451	754
Directors' emoluments	336	302	1,008	905
Short-term leases expenses	33	24	103	73
Depreciation of property, plant and equipment	259	726	1,274	2,343
Depreciation of right-of-use assets	443	2,016	3,807	6,465
Loss on disposal of property, plant and equipment	304	–	2,861	–

6 DISCONTINUED OPERATION

During the year ended 31 December 2019, the Group discontinued the smart wearable device business in the PRC. The results of the discontinued operation for the periods ended 30 September 2020 and 2019 are presented below.

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	-	17	-	42
Cost of sales	-	(24)	-	(36)
Gross (loss)/profit	-	(7)	-	6
Other income and gains, net	-	148	-	177
Administrative expenses	-	(216)	-	(1,143)
Loss before tax	-	(75)	-	(960)
Income tax charge	-	-	-	-
Loss for the period from discontinued operation	-	(75)	-	(960)
Other comprehensive (expense)/ income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating discontinued foreign operation	-	(1)	-	12
Other comprehensive (expense)/ income for the period	-	(1)	-	12
Total comprehensive expense arises from discontinued operation for the period	-	(76)	-	(948)

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period of discontinued operation has been arrived at after (crediting)/charging:				
Bank interest income	-	(2)	-	(3)
Interest income on financial assets at fair value through profit or loss	-	-	-	(29)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Employee benefits expenses (excluding Directors' emoluments)				
– Salaries and other benefits in kind	-	107	-	624
– Contributions to retirement benefits schemes	-	16	-	58
Short-term leases expenses	-	65	-	233
Low-value leases expenses	-	4	-	10
Depreciation of property, plant and equipment	-	11	-	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7 (LOSS)/EARNINGS PER SHARE

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

(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
2020	2019	2020	2019
HK\$'000	HK\$'000	HK\$'000	HK\$'000

(Loss)/earnings

(Loss)/earnings for the period attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share

– From continuing operations	(3,618)	5,249	(14,483)	22,208
– From discontinued operation	-	(75)	-	(960)
	(3,618)	5,174	(14,483)	21,248

Number of shares

(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
2020	2019	2020	2019
'000	'000	'000	'000

Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share

	4,683,437	4,671,035	4,675,199	4,671,035
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The computation of diluted (loss)/earnings per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's warrants since such exercise would have an anti-dilutive effect.

8 RESERVES

For the nine months ended 30 September 2020

	Attributable to owners of the Company											
	Share premium account (Unaudited) HK\$'000	Capital contribution reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Financial asset at fair value through other comprehensive income reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2020	3,443,597	9,777	1	3,935	-	245	113,725	(49)	(3,543,370)	27,861	(881)	26,980
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(14,483)	(14,483)	1,261	(13,222)
Other comprehensive income for the period	-	-	-	-	-	-	1,195	-	-	1,195	20	1,215
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	1,195	-	(14,483)	(13,288)	1,281	(12,007)
Issue of unlisted warrants net of expense	-	-	-	-	666	-	-	-	-	666	-	666
Capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	547	547
Shares issued upon conversion of convertible bonds	19,974	-	-	(3,935)	-	-	-	-	-	16,039	-	16,039
Balance at 30 September 2020	3,463,571	9,777	1	-	666	245	114,920	(49)	(3,557,853)	31,278	947	32,225

For the nine months ended 30 September 2019

	Attributable to owners of the Company											
	Share premium account (Unaudited) HK\$'000	Capital contribution reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Financial asset at fair value through other comprehensive income reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2019 (Originally stated)	3,443,597	9,777	1	3,935	235	115,387	(49)	(3,537,432)	35,451	2,861		38,312
Effect on adoption of HKFRS 16	-	-	-	-	-	13	-	(298)	(245)	(238)		(403)
Balance at 1 January 2019 (Restated)	3,443,597	9,777	1	3,935	235	115,400	(49)	(3,537,690)	35,206	2,623		37,829
Profit/(loss) for the period	-	-	-	-	-	-	-	21,248	21,248	(1,653)		19,595
Other comprehensive (expense)/income for the period	-	-	-	-	-	(2,734)	-	-	(2,734)	28		(2,706)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(2,734)	-	21,248	18,514	(1,625)		16,889
Balance at 30 September 2019	3,443,597	9,777	1	3,935	235	112,666	(49)	(3,516,442)	53,720	998		54,718



9 EVENTS AFTER THE REPORTING PERIOD

Cease of apartment leasing business

In November 2020, the Board has resolved to cease the apartment leasing business after considering that this business has been continuously loss-making and that its future operation will remain unfavorable to the Group. The Group will proceed to withdraw from its contractual relationships with existing landlords and tenants, and initiate formal deregistration procedures for its subsidiaries which operate the apartment leasing business.

Outbreak of Novel Coronavirus epidemic

The widespread of the Novel Coronavirus epidemic in the PRC since the beginning of 2020 is a turbulent and challenging situation faced by all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and have taken all possible effective measures to limit and minimize such impact. The Group will continue to pay attention on the change of situation and make timely response and adjustments in the future.

10 INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Smart Retail Business

The Group's smart retail business is operated under its subsidiary, Hangzhou Zhongtuo Netcom Technology Limited ("**Zhongtuo Netcom**"), which positions itself as an integrated smart retail solution provider. Its main business is to provide software and hardware technical development service to chain enterprises and merchants, and a series of cloud solutions extended from such technical service including omni-channel payment service, server service and SMS traffic service, etc. The Group receives a fixed income from system development and sales of hardware, and also receives agency fees that are based on customers' volume of usage such as transaction payment rate, server usage and SMS traffic volume, etc. For the period from 27 February 2020 (date of incorporation of Zhongtuo Netcom) to 30 September 2020, the smart retail business of the Group recorded a revenue of approximately HK\$15,459,000.

Financial Technology Services Business

Since late 2019, the PRC government has issued a series of regulatory documents and guidances, specifying that the exiting and transformation of all P2P businesses in the PRC would be the general principle. In the first half of 2020, the Group had already ceased its business cooperation with P2P organizations and began to plan for the transformation of its financial technology services business by trying to form business cooperation with commercial banks and other financial institutions. However, due to the impact of Novel Coronavirus epidemic in early 2020, the trend of increasing delinquency rate in the personal consumption credit market was still prominent in 2020, and various financial institutions remain cautious in cooperating with Internet financial technology companies. Therefore, although the Group has carried out business negotiations with several financial institutions, no consensus on cooperation has been reached with any of them as at the date of this report. As the regulatory requirement in the PRC for financial institutions and Internet financial technology companies is becoming increasingly stringent (e.g. the China Banking and Insurance Regulatory Commission promulgated the Interim Measures for the Administration of Internet Loans issued by Commercial Banks* (《商業銀行互聯網貸款管理暫行辦法》) in July 2020, etc.), the Group expects that the prospect of its financial technology services business will remain unfavorable in the remaining period of 2020. For the nine months ended 30 September 2020, the financial technology services business of the Group recorded a revenue of approximately HK\$113,000 (nine months ended 30 September 2019: approximately HK\$52,680,000).



Sports Training Business

The Group operates Hui So Hung Table Tennis Training Centre in Hong Kong to provide table tennis training services to students with different ages and levels. The outbreak of Novel Coronavirus epidemic in early 2020 had directly affected the Group's sports training business operation and revenue during the first nine months of 2020. Revenue from the sports training business for the nine months ended 30 September 2020 was approximately HK\$1,001,000 (nine months ended 30 September 2019: approximately HK\$1,733,000).

Lottery Business

As at 30 September 2020, the Group had submitted applications for the establishment of 1,629 sales points in various cities in Shandong, 1,011 of which have been approved and 357 were in operation. For the nine months ended 30 September 2020, the Group's lottery business generated revenue of approximately HK\$195,000 (nine months ended 30 September 2019: approximately HK\$496,000). The Group is closely monitoring the performance of the lottery business and is downsizing this business, as it continues to record an operating loss.

Apartment Leasing Business

Due to the continuous impact of Novel Coronavirus epidemic, the Group's apartment leasing business has been facing an increasingly difficult operating environment. As the number of tenants in Wuhan's leasing market continued to decline, the Group had negotiated with the landlords to cancel the lease of some apartments during 2020. As at 30 September 2020, the Group had secured the agency rights of 87 apartments (with 332 rooms in total) and successfully procured the leasing of 150 rooms thereof. For the nine months ended 30 September 2020, the apartment leasing business of the Group recorded a revenue of approximately HK\$2,747,000 (nine months ended 30 September 2019: approximately HK\$7,337,000).

In November 2020, the Board has resolved to cease the apartment leasing business after considering that this business has been continuously loss-making and that its future operation will remain unfavorable to the Group. The Group will proceed to withdraw from its contractual relationships with existing landlords and tenants, and initiate formal deregistration procedures for its subsidiaries which operate the apartment leasing business.

Financial Review

For the nine months ended 30 September 2020, the Group recorded an unaudited consolidated revenue of approximately HK\$19,515,000 (nine months ended 30 September 2019: approximately HK\$62,246,000), representing a decrease of approximately 69% as compared with that of the corresponding period in 2019. The revenue of the Group was derived from its (i) smart retail business; (ii) financial technology services business; (iii) sports training business; (iv) lottery business; and (v) apartment leasing business.


For the nine months ended 30 September 2020, the unaudited consolidated loss attributable to owners of the Company was approximately HK\$14,483,000 (nine months ended 30 September 2019: unaudited consolidated profit attributable to owners of the Company of approximately HK\$21,248,000). The Group's loss for the nine months ended 30 September 2020 was mainly attributable to the loss arising from the Group's financial technology services business and apartment leasing business.

Capital structure

As at 30 September 2020, the capital structure of the Group consists of equity attributable to equity shareholders of the Group comprising of issued share capital and reserves. As at 30 September 2020, the Company's total number of issued shares (the "**Shares**") of HK\$0.005 each was 4,686,048,381 (31 December 2019: 4,671,035,048 Shares).

Prospects

The Novel Coronavirus epidemic remains active globally and its impact on the Group's businesses is profound. The Group has decided to cease its apartment leasing business to mitigate further losses in the future. As for the financial technology services business, under the tight supervision of the PRC government on the online lending industry, this business is undergoing a transformation process. The Group expects that its future business growth will focus on the smart retail business launched early this year. At the same time, the Group will closely monitor and may downsize or cease certain continuous loss-making business(es) in order to focus its resources on profit-making businesses.



INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings in securities by directors of listed issuer as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules (the “Required Standard of Dealings”), were as follows:

Long position in the Shares

Name of Director	Capacity and nature of interests	Number of Shares	Approximate percentage of issued Shares
Mr. Sun Haitao (“Mr. Sun”)	Interest in controlled corporation	1,834,963,213 ⁽¹⁾	39.16%

Note:

- (1) 51RENPIN.COM INC. is wholly owned by Shanghai Wuniu Network Technology Company Limited* (“**Shanghai Wuniu**”), which is in turn wholly owned by Hangzhou Enniu Network Technology Co., Ltd.* (“**Enniu Network**”). Further, contractual arrangements are entered into between Hangzhou Zhenniu Information Technology Co., Ltd.* (“**Hangzhou Zhenniu**”) (a company wholly owned by 51 Credit Card (China) Limited, which is in turn wholly owned by 51 Credit Card Inc. (“**51 Credit Card**”) (listed on the Stock Exchange, stock code: 2051), and ultimately controlled by Mr. Sun) (details of which are set out in the section headed “Long position in shares of associated corporation” below) and Enniu Network so that Hangzhou Zhenniu can control Enniu Network. By virtue of the SFO, Mr. Sun is deemed to be interested in those Shares held by 51RENPIN.COM INC.

Long position in shares of associated corporation

Name of Directors	Name of associated corporation	Capacity and nature of interests	Number of shares	Approximate percentage of issued shares
Mr. Sun	51 Credit Card	Founder of a discretionary trust who can influence how the trustee exercises his discretion ⁽¹⁾	120,076,000	8.84%
		Others ⁽¹⁾	50,355,000	3.71%
		Others ⁽¹⁾	245,140,736	18.05%
			415,571,736	30.59%
Mr. Zhao Ke	51 Credit Card	Beneficial owner	3,100,000	0.23%

Note:

- (1) Rising Sun Limited (the sole shareholder of which is Wukong Ltd., which is beneficially owned by a discretionary trust, Wukong Trust, founded by Mr. Sun), (i) beneficially holds 120,076,000 shares in 51 Credit Card; (ii) acts as a general partner and controls 51 Xinhu L.P., which in turn holds 50,355,000 shares in 51 Credit Card; and (iii) holds 245,140,736 shares in 51 Credit Card through various voting proxies.

Save as disclosed above, as at 30 September 2020, none of the Directors and the chief executive of the Company had or deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

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

As at 30 September 2020, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had or deemed to have an interest or a short position in the shares, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Capacity and nature of interests	Number of Shares directly or indirectly held and category ⁽⁴⁾	Approximate percentage of issued Shares
51 Credit Card ⁽¹⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
51 Credit Card (China) Limited ⁽¹⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Hangzhou Zhenniu ⁽¹⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Enniu Network ⁽¹⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Shanghai Wuniu ⁽¹⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
51RENPIN.COM INC. ⁽¹⁾	Beneficial owner	1,834,963,213 (L)	39.16%
Mr. Wang Yonghua ("Mr. Wang") ⁽²⁾	Interest in controlled corporation	2,199,963,213 (L)	46.95%
Tian Tu Capital Co., Ltd.* ("Tian Tu Capital") ⁽²⁾	Interest in controlled corporation	2,199,963,213 (L)	46.95%
Tiantu Advisory Company Limited ⁽²⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Tiantu Investments Limited ⁽²⁾	Person having a security interest in shares	1,834,963,213 (L)	39.16%

Name	Capacity and nature of interests	Number of Shares directly or indirectly held and category ⁽⁴⁾	Approximate percentage of issued Shares
Tiantu Investments International Limited ⁽²⁾	Beneficial owner	365,000,000 (L)	7.79%
Mr. Ye Cunshi (“Mr. Ye”) ⁽³⁾	Interest in controlled corporation	700,655,257 (L)	14.95%
Yun Ma Limited ⁽³⁾	Beneficial owner	700,655,257 (L)	14.95%

Notes:

- (1) Duplicate with those disclosed in the section headed “INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES 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 Tian Tu Capital which is owned as to approximately 59.80% by Mr. Wang. Mr. Wang is deemed to be interested in an aggregate of 2,199,963,213 Shares, of which 1,834,963,213 Shares held by 51RENPIN.COM INC. is charged in favour of Tiantu Investments Limited and 365,000,000 Shares are held by Tiantu Investments International Limited, a company wholly owned by Tian Tu Capital.
- (3) 700,655,257 unlisted warrants (the “**Warrant(s)**”) of the Company were issued to Yun Ma Limited (a company controlled as to approximately 70.40% by Mr. Ye) at the issue price of HK\$0.001 per Warrant as performance incentive. Upon the exercise of the subscription rights attaching to the Warrants, 700,655,257 Shares will be allotted and issued. Details of the Warrants are set out in the section headed “UNLISTED WARRANTS” below.
- (4) (L) – Long Position, (S) – Short Position.

Save as disclosed above, so far as was known to the Directors, as at 30 September 2020, there was no person (not being a Director or a chief executive of the Company) who had or deemed to have an interest or a short position in the Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

For the nine months ended 30 September 2020, the Company had applied and 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 is performed by Mr. Sun. The Board believes that this structure will not impair the balance of power and authority between the management of the Board and the day-to-day management of the Group’s business, because: (i) decision(s) to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of five Directors, which is more than the Listing Rules requirement of one-third, as such the Board believes there is sufficient check and balance in the Board; (ii) the balance of power and authority is ensured by the operations of the Board which comprises qualified professionals and experienced individuals who meet regularly to discuss issues relating to the operations of the Company; and (iii) the effective execution of strategic initiatives could be promoted and the flow of information between the Directors could be facilitated under the role of chairman of the Board performed by Mr. Sun.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company is performed by Mr. Sun and Mr. Zhao Ke, their respective areas of profession have 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 of the Company in order to comply with the CG Code.

EVENTS AFTER THE REPORTING PERIOD


For details of events of the Group which have occurred since the end of the nine months ended 30 September 2020, please refer to note 9 to the financial statements.

UNLISTED WARRANTS

On 22 November 2019, Zhong Tuo Limited (“**Zhong Tuo**”) (a wholly owned subsidiary of the Company) entered into the joint venture agreement (the “**JV Agreement**”) with Ningbo Yunni Enterprise Management Partnership (Limited Partnership)* (“**Ningbo Yunni**”), Ningbo Yun Ma Enterprise Management Partnership (Limited Partnership)* (“**Yun Ma Partnership**”) and Mr. Ye, pursuant to which the parties agreed to jointly establish a joint venture to explore the business development, cooperation and investment opportunities in the area of smart retail business, and Zhong Tuo conditionally agreed to procure the Company to issue 700,655,257 Warrants to Yun Ma Limited (a company controlled as to approximately 70.40% by Mr. Ye) at the issue price of HK\$0.001 per Warrant as performance incentive. Each Warrant carries the right to subscribe at any time during the subscription period for one warrant Share (“**Warrant Share**”) at the subscription price of HK\$0.054 (subject to adjustment) per Warrant Share. The closing price per Share as quoted in the Stock Exchange on the date of the JV Agreement was HK\$0.034. The approval of the issue of Warrants and the grant of specific mandate to issue Warrant Shares upon the exercise of the subscription rights attaching to the Warrants was obtained at the extraordinary general meeting of the Company held on 13 December 2019.

On 23 January 2020, Zhong Tuo and Zhong Tuo Holdings (HK) Limited (a wholly owned subsidiary of Zhong Tuo) further entered into the supplemental joint venture agreement with Ningbo Yunni and Yun Ma Partnership, pursuant to which all rights and obligations of Zhong Tuo under the JV Agreement would be transferred to Zhong Tuo Holdings (HK) Limited. The said joint venture (Zhongtuo Netcom) was incorporated in February 2020.

700,655,257 Warrants were issued in February 2020 by the Company to Yun Ma Limited at the issue price of HK\$0.001 per Warrant, carrying the right to subscribe for up to a maximum of 700,655,257 Warrant Shares during a 36-month period commencing from the date of vesting of the Warrants. After the exercise of the subscription rights attaching to the Warrants, the Warrant Shares will be allotted and issued under the specific mandate.



Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that the gross and net proceeds of approximately HK\$39 million and HK\$38 million will be raised, respectively. The net proceeds will be used for the general working capital of the Group, i.e. the net proceeds from (i) issue of the Warrants of approximately HK\$666,000 (adjusted) will be applied for remuneration of Directors and employees of the Group; and (ii) the full exercise of the subscription rights attaching to the Warrants of approximately HK\$37,617,000 will be applied as to 50% for remuneration of Directors and employees of the Group, 20% for rental expenses, 20% for legal and professional fees and 10% for other administrative and operating expenses. The net issue price, after deduction of the relevant expenses, is approximately HK\$0.0009 (adjusted, previously HK\$0.0008).

After the issue of 700,655,257 Warrants in February 2020, the Group received the net proceeds from the issue of the Warrants of approximately HK\$666,000 and such proceeds were applied for remuneration of Directors and employees of the Group.

As at the date of this report, none of the said subscription rights attached to the Warrants have been exercised, and the Group has no intention to deviate from the proposed use of proceeds as previously disclosed by the Company.

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 against which issuers and their directors must measure their conduct regarding transactions in securities of their issuers. The Company made specific enquiry with all Directors and had not been notified of any non-compliance with the Required Standard of Dealings and the Code by any of the Directors during the period under review.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2020 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 purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2020.

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

6 November 2020

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.

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