



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)

2016

FIRST QUARTERLY REPORT



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.chinanetcomtech.com.

HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2016 was approximately HK\$100,000 with a decrease of approximately HK\$144,000 as compared with that for the corresponding period in 2015.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$6,421,000 for the three months ended 31 March 2016, with a decrease of approximately HK\$589,000 as compared with that for the corresponding period in 2015.
- The unaudited loss per share of the Company was approximately HK0.21 cent for the three months ended 31 March 2016.

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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2016

		(Unaudited)	
		Three months ended	
		31 March	
		2016	2015
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	3	100	244
Cost of sales		(139)	(310)
Gross loss		(39)	(66)
Other income and gains		128	350
Gain on early redemption of convertible bonds		386	–
Administrative expenses		(4,827)	(4,955)
Finance costs	4	(1,725)	(2,290)
Other operating expenses		(1,893)	(2,094)
Loss before tax		(7,970)	(9,055)
Income tax credit	5	626	827
Loss for the period	6	(7,344)	(8,228)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		522	303
Other comprehensive income for the period		522	303
Total comprehensive expense for the period		(6,822)	(7,925)

	(Unaudited)	
	Three months ended	
	31 March	
	2016	2015
<i>Notes</i>	HK\$'000	HK\$'000
Loss attributable to:		
Owners of the Company	(6,421)	(7,010)
Non-controlling interests	(923)	(1,218)
	<u>(7,344)</u>	<u>(8,228)</u>
	<u>(7,344)</u>	<u>(8,228)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(6,142)	(6,849)
Non-controlling interests	(680)	(1,076)
	<u>(6,822)</u>	<u>(7,925)</u>
	<u>(6,822)</u>	<u>(7,925)</u>
Loss per share		
Basic and diluted (HK cents per share)	7 (0.21)	(0.32)
	<u>(0.21)</u>	<u>(0.32)</u>

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 2016 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.

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2016 has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints) as disclosed in note 2 below.

2. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2016:

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

The directors anticipate that the application of the new and revised standards, amendments or interpretations has had no material impact on the results and the financial position of the Group.

3. REVENUE

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

	(Unaudited)	
	Three months ended	
	31 March	
	2016	2015
	HK\$’000	HK\$’000
Provision of management, marketing, and operating services for lottery system and lottery halls	100	244

4. FINANCE COSTS

	(Unaudited)	
	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Effective interest on convertible bonds	1,725	2,290

5. INCOME TAX CREDIT

Income tax recognised in profit or loss

	(Unaudited)	
	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax	-	-
Deferred tax	(626)	(827)
Total income tax credit recognised in profit or loss	(626)	(827)

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 ("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 2015 and 2016.

6. LOSS FOR THE PERIOD

	(Unaudited)	
	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging/(crediting):		
Bank interest income	<u>(10)</u>	<u>(350)</u>
Auditors' remuneration	233	225
Employee benefits expense (excluding directors' and chief executive's emoluments)		
— Salaries and other benefits in kind	721	851
— Contributions to retirement benefits schemes	27	71
Directors' emoluments	1,723	1,726
Minimum lease payments paid under operating leases in respect of land and buildings	370	388
Net foreign exchange (gain)/loss (included in administrative expenses)	(118)	315
Depreciation of property, plant and equipment	53	73
Amortisation of other intangible assets (included in other operating expenses)	<u>1,893</u>	<u>2,094</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	
	2016	2015
	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	<u>(6,421)</u>	<u>(7,010)</u>

Number of shares

(Unaudited)
Three months ended
31 March
2016 2015
'000 '000

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

3,120,035 2,217,035

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. CONVERTIBLE BONDS

In January 2016, the Company early redeemed 8,400,000 convertible bonds at a total consideration of approximately HK\$10,080,000 from Mr. Leung Ngai Man (a substantial shareholder, the chairman and executive director of the Company), pursuant to the terms and conditions of the convertible bonds.

9. RESERVES

For the three months ended 31 March 2016

	Attributable to owners of the Company							Attributable to non-controlling interests		Total
	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	Interests (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>

For the three months ended 31 March 2015

	Attributable to owners of the Company									Attributable to non-controlling interests	Total
	Share premium account	Warrants 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)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015	3,286,855	1,740	1	54,771	21,718	120,883	(49)	(3,503,218)	(17,299)	35,294	17,995
Loss for the period	-	-	-	-	-	-	-	(7,010)	(7,010)	(1,218)	(8,228)
Other comprehensive income for the period	-	-	-	-	-	161	-	-	161	142	303
Total comprehensive income/ (expense) for the period	-	-	-	-	-	161	-	(7,010)	(6,849)	(1,076)	(7,925)
Release of reserve upon lapse of warrants	-	(1,740)	-	-	-	-	-	1,740	-	-	-
Balance at 31 March 2015	<u>3,286,855</u>	<u>-</u>	<u>1</u>	<u>54,771</u>	<u>21,718</u>	<u>121,044</u>	<u>(49)</u>	<u>(3,508,488)</u>	<u>(24,148)</u>	<u>34,218</u>	<u>10,070</u>

10. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Great health, big data, cloud computing, wearable intelligent device, etc., have become an emerging industry with huge potential growth in the future market. According to the National 13th Five-Year Development Plan, the Group is aggressively developing a “medical” grade wearable intelligent device. A team of world-class professionals has been recruited and the world’s first “medical” grade wearable device “watch” with functions of communication and 24 hours real-time continuous automatic remote monitoring of pulse rate, heart rate, electrocardio and blood pressure functions within one single interface has been developed. It has been sent to the independent medical inspection organisation designated by the State Food and Drug Administration for examination. Medical device registration certificate and medical device manufacturer certification are being applied in progress following regular procedures.

Financial Review

For the three months ended 31 March 2016, the Group recorded an unaudited revenue of approximately HK\$100,000 with a decrease of approximately HK\$144,000 as compared with that for the corresponding period in 2015. During the three months ended 31 March 2016, the revenue of the Group was mainly derived from the provision of management, marketing and operating services for lottery system and lottery halls. For the three months ended 31 March 2016, the unaudited loss attributable to owners of the Company decreased by approximately HK\$589,000 as compared with that for the corresponding period in 2015.

Capital structure

As at 31 March 2016, the Company had 3,120,035,049 ordinary shares of HK\$0.005 each (the “Shares”, each, a “Share”) (31 March 2015: 2,217,035,049 Shares) in issue.

Prospect

In 2016, the Group will concentrate its resources in promoting the development of the developing “medical” grade wearable intelligent devices, and at the same time will keep looking for new business development opportunities.

Other Information

Early redemption of Convertible Bond

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

Events after the reporting period

Share Transfer Agreement and Appointment of Dr. Wang

The Company and Doctor Wang Xin (“**Dr. Wang**”) entered into a share transfer agreement (the “**Share Transfer Agreement**”) on 26 April 2016, pursuant to which the Company conditionally agreed to sell to Dr. Wang 30% of the issued shares of Ocean Keen Investment Holdings Limited (the “**Target Company**”), a wholly-owned subsidiary of the Company, at the consideration that Dr. Wang would enter into a technology transfer and support agreement (the “**Technology Transfer Agreement**”) with the Target Company upon completion of the Share Transfer Agreement.

Pursuant to the Technology Transfer Agreement, Dr. Wang would transfer to the Target Company the ownership of certain medical equipment technologies, including the 高抗干擾脈搏呼吸傳導裝置 (transliterated as high interference resistance pulse and respiration conducting devices) and other relevant research and development results and provide technical support to the Target Company in the application of these medical equipment technologies. Completion of the Share Transfer Agreement is conditional upon certain conditions being fulfilled.

Dr. Wang was appointed as the chief technology officer of the Group with effect from 26 April 2016 (the “**Appointment**”), being responsible for the development of and research on wearable intelligent medical devices of the Group.

The Directors believe the Share Transfer Agreement and the Appointment would lay the foundation for the Company to enter into the rapidly growing market of wearable intelligent medical devices. Details of the Share Transfer Agreement and the Appointment were set out in the Company’s announcement dated 29 April 2016.

Early redemption of Convertible Bond

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

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 2016, 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)	1,081,683,333 (Notes 3, 4 & 5)	1,988,313,213	63.73%
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 78,350,000 Shares to be issued upon exercise of conversion rights attaching to the Convertible Bond which were issued by the Company on 27 August 2010 and 1,003,333,333 Convertible Preferred Shares (as defined below) were allotted and issued by the Company on 17 December 2012.
- The Convertible Bond 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 Bond, 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 2016, the Convertible Bond in the amount of HK\$94,020,000 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 Bond was adjusted from 391,750,000 shares of HK\$0.001 each in the share capital of the Company to 78,350,000 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 (the “**Convertible Preferred Shares**”) 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 2016, 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 2016.

Save as disclosed above, as at 31 March 2016, 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 2016, 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 2016, 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 1 January 2016	Granted	Exercised	Lapsed/ Cancelled/ Forfeited	As at 31 March 2016
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
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 2016, 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 2016 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 (the “Shareholders”).

For the period under review from 1 January 2016 to 31 March 2016, 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 possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the Chairman in Mr. Leung provides the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company was performed by Mr. Leung and Ms. Wu 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 2016.

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 2016 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 2016.

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

Hong Kong, 5 May 2016

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.