



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 THIRD QUARTERLY REPORT



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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 nine months ended 30 September 2016 was approximately HK\$295,000 with a decrease of approximately HK\$477,000 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\$26,062,000 for the nine months ended 30 September 2016, with a decrease of approximately HK\$9,517,000 as compared with that for the corresponding period in 2015.
- The unaudited loss per share of the Company was approximately HK0.84 cent for the nine months ended 30 September 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 and nine months ended 30 September 2016 together with the comparative figures for the corresponding periods in 2015 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	<i>Notes</i>	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	73	283	295	772
Cost of sales		(119)	(261)	(435)	(854)
Gross (loss)/profit		(46)	22	(140)	(82)
Other income and gains – net		321	54	1,521	1,014
Gain on early redemption of convertible bonds		–	–	651	–
Administrative expenses		(7,664)	(7,232)	(22,914)	(23,926)
Finance costs	4	(1,316)	(3,641)	(4,505)	(11,715)
Other operating expenses		(1,998)	(3,783)	(5,717)	(8,005)
Loss before tax		(10,703)	(14,580)	(31,104)	(42,714)
Income tax credit	5	1,063	1,632	2,673	3,938
Loss for the period	6	(9,640)	(12,948)	(28,431)	(38,776)
Other comprehensive expense					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		(1,456)	(3,760)	(2,118)	(3,428)
Other comprehensive expense for the period		(1,456)	(3,760)	(2,118)	(3,428)
Total comprehensive expense for the period		(11,096)	(16,708)	(30,549)	(42,204)

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:				
Owners of the Company	(8,804)	(12,173)	(26,062)	(35,579)
Non-controlling interests	(836)	(775)	(2,369)	(3,197)
	<u>(9,640)</u>	<u>(12,948)</u>	<u>(28,431)</u>	<u>(38,776)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(9,558)	(14,189)	(27,229)	(37,419)
Non-controlling interests	(1,538)	(2,519)	(3,320)	(4,785)
	<u>(11,096)</u>	<u>(16,708)</u>	<u>(30,549)</u>	<u>(42,204)</u>
Loss per share				
— Basic and diluted				
(HK cents per share)	<u>(0.28)</u>	<u>(0.39)</u>	<u>(0.84)</u>	<u>(1.36)</u>

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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 and nine months ended 30 September 2016 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. These financial statements also comply 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 2016 have 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 and HKASs) as disclosed in note 2 below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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 30 September		(Unaudited) Nine months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sale of lottery equipment	36	–	75	–
Provision of management, marketing, and operating services for lottery system and lottery halls	37	283	220	772
	73	283	295	772

4. FINANCE COSTS

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Effective interest on convertible bonds	1,316	3,641	4,505	11,715

5. INCOME TAX CREDIT

Income tax recognised in profit or loss

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deferred tax	(1,063)	(1,632)	(2,673)	(3,938)

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 at 30 September 2016 and 31 December 2015.

6. LOSS FOR THE PERIOD

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after (crediting)/charging:				
Crediting:				
Bank interest income	(6)	(239)	(21)	(951)
Net foreign exchange gain	<u>(110)</u>	<u>–</u>	<u>(44)</u>	<u>–</u>
Charging:				
Auditors' remuneration	224	255	728	675
Cost of inventories recognised as expense	12	–	35	–
Employee benefits expense (excluding directors' emoluments):				
— Salaries and other benefits in kind	995	1,254	2,672	2,986
— Equity-settled share-based payments	–	–	406	–
— Contributions to retirement benefits schemes	58	59	154	170
Directors' emoluments	<u>1,686</u>	<u>1,697</u>	<u>5,131</u>	<u>5,149</u>
Total staff costs	<u>2,739</u>	<u>3,010</u>	<u>8,363</u>	<u>8,305</u>
Minimum lease payments paid under operating leases in respect of land and buildings	630	326	1,737	1,061
Net foreign exchange loss	–	2,301	–	2,117
Depreciation of property, plant and equipment	321	28	639	274
Expense in relation to share options granted to consultants	–	–	3,655	7,463
Amortisation of concession rights	1,934	2,081	5,653	6,303
Loss on disposal of property, plant and equipment	<u>64</u>	<u>–</u>	<u>64</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 30 September		(Unaudited) Nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	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	(8,804)	(12,173)	(26,062)	(35,579)

Number of shares

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2016	2015	2016	2015
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	3,120,035	3,120,035	3,120,035	2,613,834

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

During the nine months ended 30 September 2016, the Company early redeemed an aggregate of 30,070,000 convertible bonds at a total consideration of HK\$36,084,000 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. The difference between the redemption amounts and the total carrying amounts of liability component and equity component amounting to approximately HK\$651,000 has been credited to the consolidated statement of profit or loss and other comprehensive income and amounting to approximately HK\$464,000 has been credited to accumulated losses, respectively.

9. RESERVES

For the nine months ended 30 September 2016

	Attributable to owners of the Company										
	Share premium account	Warrants reserve	Capital redemption reserve	Convertible bonds equity reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	(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	-	-	-	-	-	-	-	(35,579)	(35,579)	(3,197)	(38,776)
Other comprehensive expense for the period	-	-	-	-	-	(1,840)	-	-	(1,840)	(1,588)	(3,428)
Total comprehensive expense for the period	-	-	-	-	-	(1,840)	-	(35,579)	(37,419)	(4,785)	(42,204)
Recognition of equity-settled share-based payments	-	-	-	-	7,463	-	-	-	7,463	-	7,463
Issue of new ordinary shares	63,349	-	-	-	-	-	-	-	63,349	-	63,349
Transaction costs attributable to issue of new ordinary shares	(2,201)	-	-	-	-	-	-	-	(2,201)	-	(2,201)
Release of reserve upon lapse of warrants	-	(1,740)	-	-	-	-	-	1,740	-	-	-
Redemption of convertible bonds	-	-	-	(8,261)	-	-	-	8,231	(30)	-	(30)
Release of reserve upon maturity of convertible bonds	-	-	-	(47,873)	-	-	-	47,873	-	-	-
Deferred tax relating to convertible bonds	-	-	-	1,363	-	-	-	-	1,363	-	1,363
Balance at 30 September 2015	3,348,003	-	1	-	29,181	119,043	(49)	(3,480,953)	15,226	30,509	45,735

	Attributable to owners of the Company									
	Share premium account	Capital redemption reserve	Convertible bonds reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'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	-	-	-	-	-	-	(26,062)	(26,062)	(2,369)	(28,431)
Other comprehensive expense for the period	-	-	-	-	(1,167)	-	-	(1,167)	(951)	(2,118)
Total comprehensive expense for the period	-	-	-	-	(1,167)	-	(26,062)	(27,229)	(3,320)	(30,549)
Recognition of equity-settled share-based payments	-	-	-	4,061	-	-	-	4,061	-	4,061
Redemption of convertible bonds	-	-	(15,824)	-	-	-	464	(15,360)	-	(15,360)
Deferred tax relating to convertible bonds	-	-	2,427	-	-	-	-	2,427	-	2,427
Balance at 30 September 2016	<u>3,348,003</u>	<u>1</u>	<u>16,338</u>	<u>36,783</u>	<u>117,089</u>	<u>(49)</u>	<u>(3,526,639)</u>	<u>(8,474)</u>	<u>25,993</u>	<u>17,519</u>

10. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

According to the Outline of the 13th Five-Year Development Plan and the 13th Five-Year Plan for the Development of Sports Industry, the technical team of the Group has been proactively carrying out the research and development related to smart wearable devices, which are expected to be launched into the market in the fourth quarter, on back of consolidating and optimising the Group's existing lottery business in the PRC.

Termination of Dr. Wang's appointment

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

Cooperation with Hainan Xinsheng

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

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

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

Financial Review

For the nine months ended 30 September 2016, the Group recorded an unaudited revenue of approximately HK\$295,000 with a decrease of approximately HK\$477,000 as compared with that for the corresponding period in 2015. During the nine months ended 30 September 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 nine months ended 30 September 2016, the unaudited loss attributable to owners of the Company decreased by approximately HK\$9,517,000 as compared with that for the corresponding period in 2015.

Capital structure

As at 30 September 2016, the Company had 3,120,035,049 ordinary shares (the "**Shares**", each, a "**Share**") (30 September 2015: 3,120,035,049 Shares) in issue.

Prospect

In 2016, the Group will seek for new investment opportunity to generate investment returns for the Shareholders according to the national economic development plan.

Other Information

Early redemption of Convertible Bond

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

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

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

Grant of share options

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

Change of Company Secretary

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

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 30 September 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	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:

1. As a result of the 2012 Share Consolidation (as defined below), these Shares were adjusted.
2. 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.
3. These equity derivatives comprise 56,680,000 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.
4. 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 30 September 2016, the Convertible Bond 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 Bond 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 (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 30 September 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 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 30 September 2016.

Save as disclosed above, as at 30 September 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 30 September 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 nine months ended 30 September 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 30 September 2016
				As at 1 January 2016	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 nine months ended 30 September 2016, 100,000,000 share options at an exercise price of HK\$0.105 per Share were granted by the Company. No share options granted under the Share Option Scheme were exercised during the nine months ended 30 September 2016.

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 nine months ended 30 September 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.

For the period under review from 1 January 2016 to 30 September 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 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 nine months ended 30 September 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 third quarterly results for the nine months ended 30 September 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 nine months ended 30 September 2016.

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

Hong Kong, 3 November 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.