2018
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)

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

*This report, for which the directors (the "**Directors**") of China Netcom Technology Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.irasia.com/listco/hk/chinanetcom.

HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the nine months ended 30 September 2018 was approximately HK$25,570,000 (nine months ended 30 September 2017: approximately HK$6,230,000), representing an increase of approximately 310% as compared with that for the corresponding period in 2017.

- The Group recorded an unaudited consolidated loss attributable to owners of the Company of approximately HK$1,592,000 for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK$18,572,000), representing a decrease of approximately 91% as compared with that for the corresponding period in 2017.

- The unaudited basic and diluted loss per share of the Company was approximately HK0.03 cent for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK0.47 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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018 (Unaudited)

		(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**13,151**	2,519	**25,570**	6,230
Cost of sales		**(4,209)**	(1,461)	**(8,864)**	(3,996)
Gross profit		**8,942**	1,058	**16,706**	2,234
Other income and gains, net		**1,260**	119	**3,526**	3,233
Administrative expenses		**(5,589)**	(6,605)	**(16,506)**	(22,004)
Finance costs	*4*	**(382)**	(1,410)	**(1,463)**	(4,183)
Profit/(loss) before tax		**4,231**	(6,838)	**2,263**	(20,720)
Income tax (expense)/credit	*5*	**(3,240)**	356	**(6,248)**	1,144
Profit/(loss) for the period	*6*	**991**	(6,482)	**(3,985)**	(19,576)
Other comprehensive (expense)/income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(1,889)**	1,166	**(2,381)**	2,975
Other comprehensive (expense)/income for the period		**(1,889)**	1,166	**(2,381)**	2,975
Total comprehensive expense for the period		**(898)**	(5,316)	**(6,366)**	(16,601)

	Notes	(Unaudited) Three months ended 30 September **2018** **HK$'000**	2017 HK$'000	(Unaudited) Nine months ended 30 September **2018** **HK$'000**	2017 HK$'000
Profit/(loss) attributable to:					
Owners of the Company		**2,442**	(5,717)	**(1,592)**	(18,572)
Non-controlling interests		**(1,451)**	(765)	**(2,393)**	(1,004)
		991	(6,482)	**(3,985)**	(19,576)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		**554**	(5,074)	**(3,881)**	(16,948)
Non-controlling interests		**(1,452)**	(242)	**(2,485)**	347
		(898)	(5,316)	**(6,366)**	(16,601)
Profit/(loss) per share	7				
Basic and diluted (HK cents per share)		**0.05**	(0.13)	**(0.03)**	(0.47)

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 2018 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 2018 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2017, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints).

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 2018. The impact of the adoption of the new and revised HKFRSs are disclosed in note 2.

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 2017.

2. CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 2018 has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints) issued by the HKICPA that are relevant to the Group's operations and effective for its accounting period beginning on 1 January 2018. The effect of the adoption of these new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and position of the current and prior periods except for the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" as described in the paragraph below.

(a) HKFRS 9 "Financial Instruments"

The complete version of HKFRS 9 — Financial Instruments was issued in September 2014 which replaces the guidance in HKAS 39 — Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The key changes to the Group's accounting policies and the expected impact resulting from the adoption of HKFRS 9 are described below.

Classification and measurement

The classification and measurement of financial assets will depend on how the assets are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ("**FV-OCI**") or fair value through profit or loss ("**FVTPL**"). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with HKAS 39.

The HKFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" ("**SPPI**") test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVTPL. Subsequent measurement of instruments classified as FVTPL under HKFRS 9 operates in a similar manner to trading under HKAS 39.

For debt instrument financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as FV-OCI for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as amortised cost. Subsequent measurement of instruments classified at FV-OCI and amortised cost classifications under HKFRS 9 operate in a similar manner to available for sale ("**AFS**") for debt securities and loans and receivables, respectively, under existing HKAS 39, except for the impairment provisions which are discussed below.

For those debt instrument financial assets that would otherwise be classified as FV-OCI or amortised cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All equity instrument financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FV-OCI for equities. Unlike AFS for equity securities under HKAS 39, the FV-OCI for equities category results in all realised and unrealised gains and losses being recognised in other comprehensive income ("**OCI**") with no recycling to profit and loss. Only dividends will continue to be recognised in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current HKAS 39 requirements, except that changes in fair value of liabilities designated at fair value through profit or loss attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Derivatives will continue to be measured at FVTPL under HKFRS 9.

Impairment

The new impairment guidance sets out an expected credit loss ("**ECL**") model applicable to all debt instrument financial assets classified as amortised cost or FV-OCI. In addition, the ECL model applies to financial guarantees that are not measured at FVTPL.

Expected credit loss methodology

The application of ECL will change the Group's credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment.

(b) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standard HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual period beginning on or after 1 January 2018 and earlier application is permitted. The Group has first time adopted HKFRS 15 for the nine months ended 30 September 2018 and has elected to apply HKFRS 15 retrospectively to each prior reporting period.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

Revenue recognition

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

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation.

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

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

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

(i) Credit referral and service fee

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

The total consideration received from borrowers generally includes the services fees for facilitating loan origination and for providing ongoing monthly services (mainly covering cash processing services and collection services), and also includes contribution to the quality assurance fund, which provides a protection mechanism to investors who subscribe to these loans.

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

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

(ii) Sale of goods

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

(iii) Impacts of adoption of HKFRS 15

The adoption of HKFRS 15 has no material impact on the Group's consolidated financial statements for the nine months ended 30 September 2017 and as at 31 December 2017.

The impacts of adopting HKFRS 15 on the Group's unaudited consolidated financial statements for the current period are as follows:

Unaudited consolidated statement of profit or loss and other comprehensive income

	Nine months ended 30 September 2018		
	Without the adoption of HKFRS 15	**Effects of adoption of HKFRS 15**	**As reported**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**44,816**	**(19,246)**	**25,570**
Cost of sales	**(28,110)**	**19,246**	**(8,864)**
Gross profit	**16,706**	**–**	**16,706**
Other income and gains, net	**3,526**	**–**	**3,526**
Administrative expenses	**(16,506)**	**–**	**(16,506)**
Finance costs	**(1,463)**	**–**	**(1,463)**
Profit before tax	**2,263**	**–**	**2,263**
Income tax expense	**(6,248)**	**–**	**(6,248)**
Loss for the period	**(3,985)**	**–**	**(3,985)**
Other comprehensive expense for the period – exchange differences on translating foreign operations	**(2,381)**	**–**	**(2,381)**
Total comprehensive expense for the period	**(6,366)**	**–**	**(6,366)**

Unaudited consolidated statement of financial position (extracted)

	As at 30 September 2018		
	Without the adoption of HKFRS 15	**Effects of adoption of HKFRS 15**	**As reported**
	HK$'000	***HK$'000***	***HK$'000***
Current assets			
Contract assets	**–**	**11,252**	**11,252**
Trade and other receivables	**35,296**	**(11,252)**	**24,044**

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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Credit referral and service fee	**10,671**	144	**18,406**	144
Apartment leasing	**1,490**	–	**1,927**	–
Sale of smart wearable devices	**1**	1,625	**2,675**	4,086
Sale of lottery equipment	**–**	19	**–**	63
Provision of management, marketing, and operating services for lottery system and lottery halls	**296**	49	**752**	91
Provision of sports training services	**693**	682	**1,810**	1,846
	13,151	2,519	**25,570**	6,230

4. FINANCE COSTS

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Effective interest on convertible bonds	**382**	1,410	**1,463**	4,183

5. INCOME TAX (EXPENSE)/CREDIT

Income tax recognised in profit or loss

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
– PRC Enterprise Income Tax	**(3,303)**	–	**(6,489)**	–
Deferred tax	**63**	356	**241**	1,144
Total income tax (expense)/credit recognised in profit or loss	**(3,240)**	356	**(6,248)**	1,144

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 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 2018 and 31 December 2017.

6. PROFIT/(LOSS) FOR THE PERIOD

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) for the period has been arrived at after (crediting)/charging:				
Crediting:				
Bank interest income	**(3)**	(2)	**(121)**	(4)
Net foreign exchange gain	**(430)**	(71)	**(593)**	(167)
Reversal of impairment loss recognised	**(707)**	–	**(2,691)**	–
Charging:				
Auditors' remuneration	**–**	240	**–**	720
Employee benefits expense (excluding directors' emoluments):				
– Salaries and other benefits in kind	**3,266**	756	**8,193**	3,160
– Contributions to retirement benefits schemes	**177**	56	**683**	182
Directors' emoluments	**302**	–	**905**	2,441
Total staff costs	**3,745**	812	**9,781**	5,783
Minimum lease payments paid under operating leases in respect of land and buildings	**2,809**	616	**5,211**	1,864
Depreciation of property, plant and equipment	**744**	258	**1,928**	766
Amortisation of concession rights	**–**	1,657	**–**	4,807
Provision for impairment loss on trade receivables	**–**	5	**–**	5
Loss on disposal of property, plant and equipment	**–**	8	**99**	462
Impairment on contract assets	**84**	–	**120**	–

7. PROFIT/(LOSS) PER SHARE

The calculation of the basic and diluted profit/(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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss)				
Profit/(loss) for the period attributable to owners of the Company for the purposes of basic and diluted profit/(loss) per share	**2,442**	(5,717)	**(1,592)**	(18,572)

Number of shares

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2018	2017	**2018**	2017
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted profit/(loss) per share	**4,671,035**	4,553,064	**4,667,219**	3,919,813

The computation of diluted profit/(loss) per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's convertible bonds since their exercise and conversion would have an anti-dilutive effect.

8. RESERVES

For the nine months ended 30 September 2017

	Attributable to owners of the Company									
	Share premium account (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Convertible bonds equity reserve (Unaudited) *HK$'000*	Share options reserve (Unaudited) *HK$'000*	Foreign currency translation reserve (Unaudited) *HK$'000*	Other reserve (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Subtotal (Unaudited) *HK$'000*	Attributable to non-controlling interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Balance at 1 January 2017	3,348,003	1	16,341	36,783	115,692	(49)	(3,537,640)	(20,869)	20,923	54
Loss for the period	–	–	–	–	–	–	(18,572)	(18,572)	(1,004)	(19,576)
Other comprehensive income for the period	–	–	–	–	1,624	–	–	1,624	1,351	2,975
Total comprehensive income/(expense) for the period	–	–	–	–	1,624	–	(18,572)	(16,948)	347	(16,601)
Issue of new ordinary shares under share option scheme	15,791	–	–	(4,479)	–	–	–	11,312	–	11,312
Release of reserve upon share options lapsed	–	–	–	(32,304)	–	–	32,304	–	–	–
Issue of new ordinary shares	30,030	–	–	–	–	–	–	30,030	–	30,030
Balance at 30 September 2017	3,393,824	1	16,341	–	117,316	(49)	(3,523,908)	3,525	21,270	24,795

For the nine months ended 30 September 2018

	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***	**Foreign currency translation reserve (Unaudited) *HK$'000***	**Other reserve (Unaudited) *HK$'000***	**Accumulated losses (Unaudited) *HK$'000***	**Subtotal (Unaudited) *HK$'000***	**Attributable to non-controlling interests (Unaudited) *HK$'000***	**Total (Unaudited) *HK$'000***
Balance at 1 January 2018	**3,393,805**	**9,628**	**1**	**16,341**	**118,414**	**(49)**	**(3,553,629)**	**(15,489)**	**(282)**	**(15,771)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,592)**	**(1,592)**	**(2,393)**	**(3,985)**
Other comprehensive expense for the period	**-**	**-**	**-**	**-**	**(2,289)**	**-**	**-**	**(2,289)**	**(92)**	**(2,381)**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**(2,289)**	**-**	**(1,592)**	**(3,881)**	**(2,485)**	**(6,366)**
Exercise of convertible bonds	**49,792**	**-**	**-**	**(12,406)**	**-**	**-**	**-**	**37,386**	**-**	**37,386**
Capital contribution by a non-controlling interest of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**690**	**690**
Balance at 30 September 2018	**3,443,597**	**9,628**	**1**	**3,935**	**116,125**	**(49)**	**(3,555,221)**	**18,016**	**(2,077)**	**15,939**

9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Financial Technology Services Business

The Group has restarted the financial technology services business in the beginning of March 2018, and it showed a steady growth momentum. As at 30 September 2018, the accumulated borrowings for the business amounted to approximately RMB350 million, and had generated a revenue of approximately HK$18,406,000 for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK$144,000).

Apartment Leasing Business

The Group jointly established 武漢伍浩物業管理有限責任公司 (transliterated as Wuhan Wuhao Property Management Company Limited) ("**Wuhan Wuhao**") with an independent third party and commenced apartment leasing business at the end of March 2018. As of 30 September 2018, the Group has secured the agency rights of 254 apartments (with 864 rooms in total) and successfully procured the leasing of 591 rooms thereof, which generated a revenue of approximately HK$1,927,000 for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

Smart Wearable Device Business

The Group is still continuously developing and upgrading the functions of the next generation smart glasses and smart fitness watches. For the nine months ended 30 September 2018, the Group had sold 233 pairs of smart glasses and 15,417 smart fitness watches, which generated revenue of approximately HK$215,000 and HK$2,460,000 (nine months ended 30 September 2017: approximately HK$4,086,000 and Nil), respectively.

Lottery Business

As disclosed in the Company's announcements dated 16 January and 13 April 2018, respectively, the Directors have made changes in the business strategy in relation to the Group's lottery business in the PRC to focus on Shandong instead of Shenzhen and Chongqing. Pursuant to the respective agreements entered into by 深圳高榮財智科技有限公司 (transliterated as Shenzhen Gaorong Caizhi Technology Company Limited ("**Shenzhen Gaorong**")) with each of Shandong Province Sports Lottery Management Centre and an independent third party, Shenzhen Gaorong is responsible for providing relevant technical services and is entitled to collect a particular percentage of the revenue from the sales network. As of the end of September 2018, the Group has submitted the applications for the establishment of a total of 1,558 sales points in various cities in Shandong and 994 of which have been approved. For the nine months ended 30 September 2018, the Group's lottery business generated a revenue of approximately HK$752,000 (nine months ended 30 September 2017: approximately HK$154,000).

Sports Training Business

The Group operates the Hui So Hung Table Tennis Training Centre in Hong Kong to provide table tennis training services to students with different ages and levels. The Group's sports training business maintained a stable operation during the first nine months of 2018. Revenue for the nine months ended 30 September 2018 has reached approximately HK$1,810,000 (nine months ended 30 September 2017: approximately HK$1,846,000) which was slightly lower than the corresponding period in 2017 due to normal business fluctuation.

Financial Review

For the nine months ended 30 September 2018, the Group recorded an unaudited revenue of approximately HK$25,570,000 (nine months ended 30 September 2017: approximately HK$6,230,000), representing an increase of approximately 310% as compared with that for the corresponding period in 2017. During the nine months ended 30 September 2018, the revenue of the Group was mainly derived from (i) financial technology services business; (ii) apartment leasing business; (iii) smart wearable device business; (iv) lottery business; and (v) sports training business. For the nine months ended 30 September 2018, the unaudited loss attributable to owners of the Company was approximately HK$1,592,000 (nine months ended 30 September 2017: approximately HK$18,572,000), representing a decrease of approximately 91% as compared with that for the corresponding period in 2017, which was mainly attributable to the profitable results from the Group's financial technology services business segment and a reduction in central administration costs.

For the three months ended 30 September 2018, the Group recorded an unaudited profit attributable to owners of the Company of approximately HK$2,442,000 (three months ended 30 September 2017: loss of approximately HK$5,717,000).

Capital structure

The capital structure of the Group mainly consists of convertible bonds and equity attributable to equity shareholders of the Group comprising of issued share capital and reserves. The convertible bonds carry zero coupon and will mature on 26 August 2020. As at 30 September 2018, the Company's total number of issued ordinary shares of HK$0.005 each ("**Shares**") was 4,671,035,048 (31 December 2017: 4,629,368,382 Shares).

Prospects

The management of the Group believes that with the implementation of new regulatory policies in the PRC, the development of the fintech industry will be more regulated and healthy. The Group's financial technology services business is affected by industry movements in short term which results in prudent and stable business development while such business sector will enjoy a favourable development prospect in the long run.

The management of the Group also believes that the Group's apartment leasing business has entered into a preliminary scale after initial investment and operation. With the Group's fine management in the future, we will strive for better revenue and profit for such business sector.

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 CORPORATIONS

As at 30 September 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings in securities by directors of listed issuer as referred to in rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares

Name of Director	Number of Shares	Capacity and nature of interests	Approximate percentage of issued Shares
Mr. Sun Haitao ("**Mr. Sun**")	1,834,963,213 (1)	Interest in controlled corporation	39.28%

Note:

(1) 51RENPIN.COM INC. is wholly-owned by 上海悟牛網絡科技有限公司 (transliterated as Shanghai Wuniu Network Technology Company Limited) ("**Shanghai Wuniu**"), which is in turn wholly-owned by 杭州恩牛網絡技術有限公司 (transliterated as Hangzhou Enniu Network Technology Co., Ltd.) ("**Hangzhou Enniu**"). Mr. Sun is indirectly interested in approximately 26.94% of the equity interest in Hangzhou Enniu. Further, contractual arrangements are entered into between 杭州振牛信息科技有限公司 (transliterated as Hangzhou Zhenniu Information Technology Co., Ltd.) ("**Hangzhou Zhenniu**") (a company wholly-owned by 51 Credit Card (China) Limited, which is in turn wholly-owned by 51 Credit Card Inc. (shares of which are listed on the Main Board of the Stock Exchange in July 2018, stock code: 2051), and ultimately controlled by Mr. Sun) (details of which are set out in "Long position in shares of associated corporation" below) and Hangzhou Enniu so that Hangzhou Zhenniu can control Hangzhou Enniu. By virtue of the SFO, Mr. Sun is deemed to be interested in those Shares held by 51RENPIN.COM INC.

Long position in shares of associated corporation

Name of Director	Name of associated corporation	Capacity and nature of interests	Number of shares	Approximate percentage of issued shares
Mr. Sun	51 Credit Card Inc.	Founder of a discretionary trust who can influence how the trustee exercises his discretion (1)	120,076,000	10.05%
		Others (1)	50,355,000	4.22%
		Others (1)	387,756,522	32.46%
			558,187,522	46.73%

Note:

(1) Mr. Sun's indirect wholly-owned subsidiary, Rising Sun Limited, (i) beneficially holds 120,076,000 shares in 51 Credit Card Inc. through Wukong Ltd. which is beneficially owned by Wukong Trust (a discretionary trust founded by Mr. Sun); (ii) acts as a general partner and controls 51 Xinhu L.P., which in turn holds 50,355,000 shares in 51 Credit Card Inc.; and (iii) holds 387,756,522 shares in 51 Credit Card Inc. through various voting proxies.

Save as disclosed above, as at 30 September 2018, none of the Directors and the chief executive of the Company had or deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated 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 in securities by directors of listed issuer as referred to in rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2018, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had or deemed to have an interest or a short position in the shares, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Capacity and nature of interests	Number of Shares directly or indirectly held and category[3]	Approximate percentage of issued Shares
51 Credit Card Inc.[1]	Interest in controlled corporation	1,834,963,213 (L)	39.28%
51 Credit Card (China) Limited[1]	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Hangzhou Zhenniu[1]	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Hangzhou Enniu[1]	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Shanghai Wuniu[1]	Interest in controlled corporation	1,834,963,213 (L)	39.28%
51RENPIN.COM INC.[1]	Beneficial owner	1,834,963,213 (L)	39.28%
Mr. Wang Yonghua ("**Mr. Wang**")[2]	Interest in controlled corporation	2,199,963,213 (L)	47.10%
Tian Tu Capital Co., Ltd.[2]*	Interest in controlled corporation	2,199,963,213 (L)	47.10%

Name	Capacity and nature of interests	Number of Shares directly or indirectly held and category(3)	Approximate percentage of issued Shares
Tiantu Advisory Company Limited(2)	Interest in controlled corporation	1,834,963,213 (L)	39.28%
Tiantu Investments Limited(2)	Person having a security interest in shares	1,834,963,213 (L)	39.28%
Tiantu Investments International Limited(2)	Beneficial owner	365,000,000 (L)	7.81%

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

Notes:

(1) Duplicate with those disclosed in the section "Interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations" above.

(2) Tiantu Investments Limited is wholly-owned by Tiantu Advisory Company Limited, which is in turn wholly-owned by 深圳市天圖投資管理股份有限公司 (transliterated as Tian Tu Capital Co., Ltd.) which is owned as to approximately 59.80% by Mr. Wang. Mr. Wang is deemed to be interested 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 Co., Ltd.

(3) (L) – Long Position, (S) – Short Position.

Save as disclosed above, so far as was known to the Directors, as at 30 September 2018, there was no person (not being a Director or a chief executive of the Company) who had or deemed to have an interest or a short position in the shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the period under review from 1 January 2018 to 30 September 2018, the Company complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except for the following:

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, the role of the chairman of the Board is performed by Mr. Sun. Mr. Sun has been engaging in Internet and financial technology business development for years. The Board believes that by virtue of the practical experience of Mr. Sun in mobile Internet and financial technology, Mr. Sun is able to provide the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company was performed by Mr. Sun and Mr. Zhao Ke, their respective areas of profession spearheaded the Group's overall development and business strategies.

The Company is still looking for a suitable candidate to fill the vacancy of the chief executive officer in order to comply with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors (the "**Code**") which is on terms no less exacting than the required standard against which issuers and their directors must measure their conduct regarding transactions in securities of their issuers (the "**Required Standard of Dealings**") under rules 5.48 to 5.67 of the GEM Listing Rules. The Company made specific enquiry with all Directors and has not been notified of any non-compliance with the Required Standard of Dealings and the Code by the Directors during the period under review.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2018 have been reviewed by the audit committee of the Company which is of the opinion that such statements complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosures have been made.

COMPETING INTERESTS

During the period under review, none of the Directors or controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause any significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2018.

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

Hong Kong, 8 November 2018

As at the date of this report, the executive Directors are Mr. Sun Haitao and Mr. Zhao Ke; and the independent non-executive Directors are Mr. Song Ke, Mr. Wu Bo and Mr. Michael Yu Tat Chi.