

2021

FIRST QUARTERLY REPORT

中彩網通控股有限公司
China Netcom Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8071)



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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.

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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 (the “**GEM Listing Rules**”) of the Stock Exchange 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 Listed Company Information” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.irasia.com/listco/hk/chinanetcom.

HIGHLIGHTS

- The unaudited consolidated revenue from continuing operations of the Group for the three months ended 31 March 2021 was approximately HK\$6,574,000 (three months ended 31 March 2020: approximately HK\$1,902,000), representing an increase of approximately 246% as compared with that for the corresponding period in 2020.
- The Group recorded an unaudited consolidated loss from continuing and discontinued operations attributable to owners of the Company of approximately HK\$8,577,000 for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK\$10,298,000).
- The unaudited basic and diluted loss per share from continuing and discontinued operations of the Company was approximately HK0.18 cent for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK0.22 cent).

RESULTS

The board (the “**Board**”) of Directors hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2021 together with the comparative figures for the corresponding period in 2020 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		(Unaudited) For the three months ended 31 March	
	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
Revenue	2	6,574	1,902
Cost of sales and services		<u>(5,119)</u>	<u>(539)</u>
Gross profit		1,455	1,363
Other income and gains/(losses), net		685	(7,377)
Administrative expenses		(4,611)	(2,669)
Finance costs	3	<u>(51)</u>	<u>(414)</u>
Loss before tax		(2,522)	(9,097)
Income tax charge	4	<u>(103)</u>	<u>(32)</u>
Loss for the period from continuing operations	5	(2,625)	(9,129)
Loss for the period from discontinued operation	6	<u>(6,474)</u>	<u>(1,189)</u>
Loss for the period		<u>(9,099)</u>	<u>(10,318)</u>
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translating continuing foreign operations		(301)	(1,207)
– Exchange differences on translating discontinued foreign operation		572	17
Other comprehensive income/(expense) for the period		<u>271</u>	<u>(1,190)</u>
Total comprehensive expense for the period		<u>(8,828)</u>	<u>(11,508)</u>

	(Unaudited)	
	For the	
	three months ended	
	31 March	
	2021	2020
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Restated)
(Loss)/profit attributable to:		
Owners of the Company		
– Continuing operations	(2,103)	(9,663)
– Discontinued operation	(6,474)	(635)
	(8,577)	(10,298)
Non-controlling interests		
– Continuing operations	(522)	534
– Discontinued operation	–	(554)
	(522)	(20)
	(9,099)	(10,318)
Total comprehensive (expense)/income attributable to:		
Owners of the Company		
– Continuing operations	(2,391)	(10,888)
– Discontinued operation	(5,902)	(626)
	(8,293)	(11,514)
Non-controlling interests		
– Continuing operations	(535)	552
– Discontinued operation	–	(546)
	(535)	6
	(8,828)	(11,508)
Loss per share for loss from continuing operations		
– Basic and diluted	(0.04)	(0.21)
<i>(HK cents per share)</i>		
Loss per share for loss from continuing and discontinued operations		
– Basic and diluted	(0.18)	(0.22)
<i>(HK cents per share)</i>		

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

Notes:

1 BASIS OF PREPARATION AND IMPACT OF NEW HKFRSs AND HKASs

The unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the three months ended 31 March 2021 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 ended 31 March 2021 has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2020, 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 2021. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

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

The unaudited consolidated statement of profit or loss and other comprehensive income does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

2 REVENUE

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

	(Unaudited)	
	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Revenue from contracts with customers		
within the scope of HKFRS 15		
Provision of smart retail solutions	6,357	1,564
Credit referral and service fee	-	13
Provision of management, marketing and operating services for lottery system and lottery halls	-	34
Provision of sports training services	217	291
	<hr/>	<hr/>
	6,574	1,902
	<hr/>	<hr/>

3 FINANCE COSTS

	(Unaudited)	
	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Effective interest on convertible bonds	-	378
Interest on lease liabilities	51	36
	<hr/>	<hr/>
	51	414
	<hr/>	<hr/>

4 INCOME TAX CHARGE

Income tax recognised in profit or loss

	(Unaudited) For the three months ended 31 March	
	2021 HK\$'000	2020 HK\$'000
The People's Republic of China (the "PRC") Corporate Income Tax		
– Current tax	(103)	(94)
– Deferred tax	-	62
	<hr/>	<hr/>
Total income tax charge recognised in profit or loss	(103)	(32)

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 has no assessable profits arising in or derived from Hong Kong for both periods.

Under the prevailing tax law in the PRC, the Corporate Income Tax rate of the PRC subsidiaries is 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group did not have significant unprovided deferred tax liabilities as at 31 March 2021 and 2020.

5 LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

(Unaudited)
For the three months ended
31 March
2021 2020
HK\$'000 *HK\$'000*
(Restated)

Loss for the period has been arrived at after (crediting)/charging:

Bank interest income	(237)	(494)
Net foreign exchange gain	(192)	(110)
Quality assurance fund recovered	-	(2)
Quality assurance fund loss, net	-	5,522
	_____	_____
Auditor's remuneration	230	240
Employee benefit expenses (excluding directors' emoluments)		
- Salaries and other benefits in kind	3,966	1,315
- Contributions to retirement benefits schemes	564	83
Directors' emoluments	336	336
Short-term leases expenses	27	23
Depreciation of property, plant and equipment	23	305
Depreciation of right-of-use assets	498	307
(Reversal of)/recognition of loss allowance for contract assets	(27)	2,480
Covid-19-related rent concession	(17)	-
	_____	_____

6 DISCONTINUED OPERATION

During the year ended 31 December 2020, the Group discontinued its apartment leasing business in the PRC. The results of the discontinued operation for the periods ended 31 March 2021 and 2020 are presented below. The comparative figures in the unaudited consolidated statement of profit or loss and other comprehensive income have been restated to re-present the apartment leasing business as discontinued operation.

	(Unaudited)	
	For the three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Revenue	-	1,358
Cost of sales and services	-	(2,119)
Gross loss	-	(761)
Other income and (losses)/gains, net	(6,473)	86
Administrative expenses	(1)	(252)
Finance costs	-	(262)
Loss before tax	(6,474)	(1,189)
Income tax charge	-	-
Loss for the period from discontinued operation	(6,474)	(1,189)
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translating discontinued foreign operation	572	17
Other comprehensive income for the period	572	17
Total comprehensive expense arises from discontinued operation for the period	(5,902)	(1,172)

(Unaudited)
For the three months ended
31 March

2021	2020
<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)

Loss for the period has been arrived at after (crediting)/charging:

Gain on lease termination	-	(47)
Employee benefit expenses (excluding directors' emoluments)		
- Salaries and other benefits in kind	-	246
- Contributions to retirement benefits schemes	-	92
Short-term leases expenses	-	6
Depreciation of property, plant and equipment	-	450
Depreciation of right-of-use assets	-	1,573
Loss on deregistration of a subsidiary	6,501	-
	6,501	-

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)
For the three months ended
31 March

2021	2020
<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)

Loss

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

- From continuing operations	(2,103)	(9,663)
- From discontinued operation	(6,474)	(635)
	(8,577)	(10,298)

(Unaudited)
For the three months ended
31 March

2021	2020
<i>'000</i>	<i>'000</i>

Number of shares

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

4,686,048	4,671,035
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There was no difference between the basic and diluted loss per share during the three months ended 31 March 2021 as there were no dilutive potential shares outstanding for the period.

The computation of diluted loss per share for the three months ended 31 March 2020 did not assume the conversion of the Company's outstanding convertible bonds and warrants since their assumed exercise would result in a decrease in loss per share.

8 RESERVES

For the three months ended 31 March 2021

	Attributable to owners of the Company										
	Share premium account (Unaudited) HK\$'000	Capital contribution reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Financial asset at fair value through other comprehensive income reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2021	3,466,638	9,777	1	666	215	116,559	(49)	(3,560,685)	33,122	(1,738)	31,384
Loss for the period	-	-	-	-	-	-	-	(8,577)	(8,577)	(522)	(9,099)
Other comprehensive income/(expense) for the period	-	-	-	-	-	284	-	-	284	(13)	271
Total comprehensive income/(expense) for the period	-	-	-	-	-	284	-	(8,577)	(8,293)	(535)	(8,828)
Lapse of warrants	-	-	-	(666)	-	-	-	666	-	-	-
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	5,926	5,926
Balance at 31 March 2021	3,466,638	9,777	1	-	215	116,843	(49)	(3,568,596)	24,829	3,653	28,482

For the three months ended 31 March 2020

	Attributable to owners of the Company											
	Share premium account (Unaudited) HK\$'000	Capital contribution reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Financial asset at fair value through other comprehensive income reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2020	3,443,597	9,777	1	3,935	-	245	113,725	(49)	(3,543,370)	27,861	(881)	26,980
Loss for the period	-	-	-	-	-	-	-	-	(10,298)	(10,298)	(20)	(10,318)
Other comprehensive (expense)/income for the period	-	-	-	-	-	-	(1,216)	-	-	(1,216)	26	(1,190)
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	(1,216)	-	(10,298)	(11,514)	6	(11,508)
Issue of utilised warrants net of expense	-	-	-	-	666	-	-	-	-	666	-	666
Capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	547	547
Balance at 31 March 2020	3,443,597	9,777	1	3,935	666	245	112,509	(49)	(3,553,668)	17,013	(228)	16,685

9 INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Smart Retail Business

The Group's smart retail business is operated under its subsidiary, Hangzhou Zhongtuo Netcom Technology Limited ("**Zhongtuo Netcom**"), which positions itself as an integrated smart retail solution provider. Its main business is to provide software and hardware technical development service to chain enterprises and merchants, and a series of cloud solutions extending from such technical service including omni-channel payment service, server service and SMS traffic service, etc. The Group receives a fixed income from system development and sales of hardware, and also receives agency fees that are based on customers' volume of usage such as transaction payment rate, server usage and SMS traffic volume, etc. For the three months ended 31 March 2021, the Group's smart retail business generated revenue of approximately HK\$6,357,000 (three months ended 31 March 2020: approximately HK\$1,564,000).

Financial Technology Services Business

Under the backdrop of stringent regulatory requirements in the PRC for Internet financial technology companies, uncertainties remained in the Group's development of its financial technology services business in the first quarter of 2021. For the three months ended 31 March 2021, the Group's financial technology services business did not generate any revenue (three months ended 31 March 2020: approximately HK\$13,000).

Sports Training Business

The Group operates Hui So Hung Table Tennis Training Centre in Hong Kong to provide table tennis training services to students with different ages and levels. The outbreak of the coronavirus disease 2019 ("**COVID-19**") since 2020 had directly and continuously affected the operation and revenue of the Group's sports training business during the first quarter of 2021. For the three months ended 31 March 2021, the sports training business of the Group recorded a revenue of approximately HK\$217,000 (three months ended 31 March 2020: approximately HK\$291,000).

Lottery Business

As at 31 March 2021, the Group had submitted applications for the establishment of 1,629 sales points in various cities in Shandong, the PRC, 1,011 of which had been approved. There were 323 sales points in operation as at the end of March 2021. For the three months ended 31 March 2021, the Group's lottery business did not generate any revenue (three months ended 31 March 2020: approximately HK\$34,000). The Group is closely monitoring the performance of the lottery business and is downsizing this business, as it continuously records an operating loss.

Financial Review

For the three months ended 31 March 2021, the Group recorded an unaudited consolidated revenue from continuing operations of approximately HK\$6,574,000 (three months ended 31 March 2020: approximately HK\$1,902,000), representing an increase of approximately 246% as compared with that of the corresponding period in 2020.

The Group's discontinued operation, being its apartment leasing business, had incurred a loss attributable to owners of the Company of approximately HK\$6,474,000 for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK\$635,000), which was mainly attributable to the loss recognised upon deregistration of a company engaged in the apartment leasing business.

For the three months ended 31 March 2021, the unaudited consolidated loss attributable to owners of the Company was approximately HK\$8,577,000 (three months ended 31 March 2020: approximately HK\$10,298,000). The Group's loss for the three months ended 31 March 2021 was mainly attributable to the loss arising from the discontinued operation while the operating businesses had also incurred losses.

Capital structure

As at 31 March 2021, the capital structure of the Group consists of equity attributable to equity shareholders of the Group comprising of issued share capital and reserves. As at 31 March 2021, the Company's total number of issued shares (the "**Shares**") of HK\$0.005 each was 4,686,048,381 (31 December 2020: 4,686,048,381 Shares).

Prospects

Looking forward, the Group's business growth will continue to be propelled by its smart retail business. At the same time, the Group will closely monitor and may downsize or cease certain continuous loss-making business(es) in order to focus its resources on profit-making businesses.

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

As at 31 March 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings in securities by directors of listed issuers (the “Required Standard of Dealings”) 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	Capacity and nature of interests	Number of Shares	Approximate percentage of issued Shares ⁽¹⁾
Mr. Sun Haitao (“Mr. Sun”)	Interest in controlled corporation	1,834,963,213 ⁽²⁾	39.16%

Notes:

- (1) The calculation is based on the number of Shares as a percentage of the total number of issued Shares (i.e. 4,686,048,381 Shares) as at 31 March 2021.
- (2) 51RENPIN.COM INC. is wholly owned by Shanghai Wuniu Network Technology Company Limited* (“Shanghai Wuniu”), which is in turn wholly owned by Hangzhou Enniu Network Technology Co., Ltd.* (“Enniu Network”). Further, contractual arrangements are entered into between Hangzhou Zhenniu Information Technology Co., Ltd.* (“Hangzhou Zhenniu”) (a company wholly owned by 51 Credit Card (China) Limited, which is in turn wholly owned by 51 Credit Card Inc. (“51 Credit Card”) (listed on the Stock Exchange, stock code: 2051), and ultimately controlled by Mr. Sun) (details of which are set out in the section headed “Long position in shares of associated corporation” below) and Enniu Network so that Hangzhou Zhenniu can control Enniu Network. By virtue of the SFO, Mr. Sun is deemed to be interested in those Shares held by 51RENPIN.COM INC.

Long position in shares of associated corporation

Name of Directors	Name of associated corporation	Capacity and nature of interests	Number of shares	Approximate percentage of issued shares ⁽¹⁾
Mr. Sun	51 Credit Card	Founder of a discretionary trust who can influence how the trustee exercises his discretion ⁽²⁾	114,117,732	8.40%
		Others ⁽²⁾	50,355,000	3.71%
		Others ⁽²⁾	251,099,004	18.49%
			415,571,736	30.59%
Mr. Zhao Ke	51 Credit Card	Beneficial owner	3,100,000	0.23%

Notes:

- (1) The calculation is based on the number of shares as a percentage of the total number of issued shares of 51 Credit Card (i.e. 1,358,320,188 shares) as at 31 March 2021.
- (2) Rising Sun Limited (the sole shareholder of which is Wukong Ltd., which is beneficially owned by a discretionary trust, Wukong Trust, founded by Mr. Sun), (i) beneficially holds 114,117,732 shares in 51 Credit Card; (ii) acts as a general partner and controls 51 Xinhu L.P., which in turn holds 50,355,000 shares in 51 Credit Card; and (iii) holds 251,099,004 shares in 51 Credit Card through various voting proxies.

Save as disclosed above, as at 31 March 2021, none of the Directors and the chief executive of the Company had or deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

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

As at 31 March 2021, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had or deemed to have an interest or a short position in the shares, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Capacity and nature of interests	Number of Shares directly or indirectly held and category ⁽⁴⁾	Approximate percentage of issued Shares ⁽¹⁾
51 Credit Card ⁽²⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
51 Credit Card (China) Limited ⁽²⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Hangzhou Zhenniu ⁽²⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Enniu Network ⁽²⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Shanghai Wuniu ⁽²⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
51RENPIN.COM INC. ⁽²⁾	Beneficial owner	1,834,963,213 (L)	39.16%
Mr. Wang Yonghua ("Mr. Wang") ⁽³⁾	Interest in controlled corporation	2,199,963,213 (L)	46.95%
Tian Tu Capital Co., Ltd.* ("Tian Tu Capital") ⁽³⁾	Interest in controlled corporation	2,199,963,213 (L)	46.95%
Tiantu Advisory Company Limited ⁽³⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Tiantu Investments Limited ⁽³⁾	Person having a security interest in shares	1,834,963,213 (L)	39.16%

Name	Capacity and nature of interests	Number of Shares directly or indirectly held and category⁽⁴⁾	Approximate percentage of issued Shares⁽¹⁾
Tiantu Investments International Limited ⁽³⁾	Beneficial owner	365,000,000 (L)	7.79%
Mr. Zuo Lei	Beneficial owner	244,320,000 (L)	5.21%

Notes:

- (1) The calculation is based on the number of Shares which each party is interested in (whether directly or indirectly interested or deemed to be interested) as a percentage of the total number of issued Shares (i.e. 4,686,048,381 Shares) as at 31 March 2021.
- (2) Duplicate with those disclosed in the section headed "INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above.
- (3) Tiantu Investments Limited is wholly owned by Tiantu Advisory Company Limited, which is in turn wholly owned by Tian Tu Capital which is owned as to approximately 40.35% 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.
- (4) (L) – Long Position, (S) – Short Position.

Save as disclosed above, so far as was known to the Directors, as at 31 March 2021, there was no person (not being a Director or a chief executive of the Company) who had or deemed to have an interest or a short position in the Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

For the three months ended 31 March 2021, the Company had applied and complied with all the code provisions in the Corporate Governance Code (the **"CG Code"**) as set out in Appendix 15 to the GEM Listing Rules except for the following:

Code Provision A.2.1

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

While this constitutes a deviation from code provision A.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the management of the Board and the day-to-day management of the Group's business, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of five Directors, which is more than the GEM Listing Rules requirement of one-third, as such the Board believes there is sufficient check and balance in the Board; (ii) Mr. Sun and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; (iii) the balance of power and authority is ensured by the operations of the Board which comprises qualified professionals and experienced individuals who meet regularly to discuss issues relating to the operations of the Company; and (iv) the effective execution of strategic initiatives could be promoted and the flow of information between the Directors could be facilitated under the role of chairman of the Board performed by Mr. Sun.

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

UNLISTED WARRANTS

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

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

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

The vesting of the corresponding number of Warrants are subject to the vesting conditions to be achieved by Zhongtuo Netcom as stipulated in the JV Agreement. As at 23 March 2021, all the unvested Warrants had lapsed as the vesting conditions could not be achieved.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2021 had been reviewed by the audit committee of the Company which was of the opinion that such statements complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosures have been made.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2021.

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

6 May 2021

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

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