



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)



2015

THIRD QUARTERLY REPORT

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

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HIGHLIGHTS

- The unaudited revenue of the Group for the nine months ended 30 September 2015 was approximately HK\$772,000 with a decrease of approximately HK\$2,433,000 as compared with that for the corresponding period in 2014.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$35,579,000 for the nine months ended 30 September 2015, with an increase of approximately HK\$3,723,000 as compared with that for the corresponding period in 2014.
- The unaudited loss per share of the Company was approximately HK1.36 cent for the nine months ended 30 September 2015.

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 2015 together with the comparative figures for the corresponding periods in 2014 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2015

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	3	283	274	772	3,205
Cost of sales		<u>(261)</u>	<u>(845)</u>	<u>(854)</u>	<u>(3,217)</u>
Gross profit/(loss)		22	(571)	(82)	(12)
Other income and gains – net		54	748	1,014	1,815
Administrative expenses		(7,232)	(5,535)	(23,926)	(24,370)
Finance costs	4	(3,641)	(2,824)	(11,715)	(8,380)
Other operating expenses		<u>(3,783)</u>	<u>(3,521)</u>	<u>(8,005)</u>	<u>(10,256)</u>
Loss before tax		(14,580)	(11,703)	(42,714)	(41,203)
Income tax credit	5	<u>1,632</u>	<u>1,101</u>	<u>3,938</u>	<u>4,619</u>
Loss for the period	6	<u>(12,948)</u>	<u>(10,602)</u>	<u>(38,776)</u>	<u>(36,584)</u>
Other comprehensive (expense)/ income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>(3,760)</u>	<u>884</u>	<u>(3,428)</u>	<u>(2,822)</u>
Other comprehensive (expense)/ income for the period		<u>(3,760)</u>	<u>884</u>	<u>(3,428)</u>	<u>(2,822)</u>
Total comprehensive expense for the period		<u>(16,708)</u>	<u>(9,718)</u>	<u>(42,204)</u>	<u>(39,406)</u>

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
<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	(12,173)	(8,539)	(35,579)	(31,856)
Non-controlling interests	<u>(775)</u>	<u>(2,063)</u>	<u>(3,197)</u>	<u>(4,728)</u>
	<u>(12,948)</u>	<u>(10,602)</u>	<u>(38,776)</u>	<u>(36,584)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(14,189)	(8,086)	(37,419)	(33,301)
Non-controlling interests	<u>(2,519)</u>	<u>(1,632)</u>	<u>(4,785)</u>	<u>(6,105)</u>
	<u>(16,708)</u>	<u>(9,718)</u>	<u>(42,204)</u>	<u>(39,406)</u>
Loss per share				
– Basic and diluted				
(HK cents per share)	<u>(0.39)</u>	<u>(0.39)</u>	<u>(1.36)</u>	<u>(1.47)</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 2015 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 the applicable disclosure requirements of Chapter 18 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 2015 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2014, 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 amendments issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2015:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010 – 2012 Cycle</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011 – 2013 Cycle</i>

The Directors anticipate that the application of the amendments has had no material impact on the Group’s financial performance and positions for the current and prior periods.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

3. REVENUE

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

	(Unaudited) Three months ended 30 September 2015		(Unaudited) Nine months ended 30 September 2015	
	2015 HK\$’000	2014 HK\$’000	2015 HK\$’000	2014 HK\$’000
Sale of lottery equipment	–	–	–	2,393
Provision of management, marketing and operating services for lottery system and lottery halls	283	274	772	812
	<u>283</u>	<u>274</u>	<u>772</u>	<u>3,205</u>

4. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest on convertible bonds	3,641	2,824	11,715	8,380

5. INCOME TAX CREDIT

Income tax recognised in profit or loss

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax	1,632	1,101	3,938	4,619

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

Under the prevailing tax law in the People's Republic of China ("PRC"), the Enterprise Income Tax rate of the PRC subsidiaries is 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group did not have significant unprovided deferred tax liabilities at 30 September 2015 and 2014.

6. LOSS FOR THE PERIOD

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2015	2014	2015	2014
	<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	(239)	(653)	(951)	(1,667)
Net foreign exchange gain	–	(155)	–	–
Gain on disposal of a subsidiary	–	–	–	(10)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Charging:				
Cost of inventories recognised as an expense (included in cost of sales)	–	–	–	1,355
Auditors' remuneration	225	205	675	675
Employee benefits expense (excluding directors' emoluments):				
– Salaries and other benefits	1,254	907	2,986	3,306
– Contributions to retirement benefits schemes	59	101	170	343
Directors' emoluments	<u>1,697</u>	<u>3,292</u>	<u>5,149</u>	<u>6,971</u>
Total staff costs	<u>3,010</u>	<u>4,300</u>	<u>8,305</u>	<u>10,620</u>
Minimum lease payments paid under operating leases in respect of land and buildings	326	614	1,061	1,392
Net foreign exchange loss	2,301	–	2,117	1,456
Depreciation of property, plant and equipment	28	190	274	578
Expenses in relation to share options granted to consultants	–	–	7,463	7,500
Amortisation of concession rights (included in other operating expenses)	2,081	3,416	6,303	10,151
Net loss on disposal of property, plant and equipment	<u> </u>	<u>148</u>	<u> </u>	<u>105</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	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss				
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(12,173)	(8,539)	(35,579)	(31,856)
Number of shares				
	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2015	2014	2015	2014
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	3,120,035	2,217,035	2,613,834	2,166,023

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, convertible bonds and outstanding warrants since their exercise and conversion would have an anti-dilutive effect.

8. RESERVES

For the nine months ended 30 September 2015

	Attributable to owners of the Company								Subtotal (Unaudited) HK\$'000	Attributable to non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Share premium account (Unaudited) HK\$'000	Warrants reserve (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			
Balance at 1 January 2014	3,213,139	1,740	1	66,267	14,347	122,407	(49)	(3,329,439)	88,413	180,775	269,188
Loss for the period	-	-	-	-	-	-	-	(31,856)	(31,856)	(4,728)	(36,584)
Other comprehensive expense for the period	-	-	-	-	-	(1,445)	-	-	(1,445)	(1,377)	(2,822)
Total comprehensive expense for the period	-	-	-	-	-	(1,445)	-	(31,856)	(33,301)	(6,105)	(39,406)
Recognition of equity-settled share-based payments	-	-	-	-	8,952	-	-	-	8,952	-	8,952
Issue of new ordinary shares	73,332	-	-	-	-	-	-	-	73,332	-	73,332
Transaction costs attributable to issue of new ordinary shares	(1,943)	-	-	-	-	-	-	-	(1,943)	-	(1,943)
Release of reserve upon share options lapsed	-	-	-	-	(994)	-	-	994	-	-	-
Issue of ordinary shares under share option scheme	2,328	-	-	-	(588)	-	-	-	1,740	-	1,740
Balance at 30 September 2014	<u>3,286,856</u>	<u>1,740</u>	<u>1</u>	<u>66,267</u>	<u>21,717</u>	<u>120,962</u>	<u>(49)</u>	<u>(3,360,301)</u>	<u>137,193</u>	<u>174,670</u>	<u>311,863</u>

	Attributable to owners of the Company										
	Share premium account (Unaudited) HK\$'000	Warrants reserve (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 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

9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the trading of computer hardware and software and the provision of lottery system management service and the operation of lottery sales halls services in the PRC.

During the nine months ended 30 September 2015, the Group operated and managed the sales hall of a quick-result lottery game of China Welfare Lottery “Happy 12” in Liaoning Province, the PRC. Besides, the Group is also the terminal equipment provider for the Hainan sports entertainment electronic video lottery terminals (“VLT”) instant lottery project in the PRC.

Supply contract of sports entertainment electronic video lottery terminals

In 2014, the Group won the open bid (quotation required) for the procurement of sports entertainment electronic VLT by Hainan Provincial Government of the PRC (the “**Hainan VLT Project**”). An indirect non wholly-owned subsidiary of the Company, 深圳環彩普達科技有限公司 (transliterated as Shenzhen Huancai Puda Technology Company Limited) (“**Huancai Puda**”) has entered into a supply contract with Hainan Provincial Sports Lottery Administration Centre.

The Company is aware that, the procurement of Hainan VLT Project is the first open bid (quotation required) for government VLT procurement in the sports lottery market in the PRC. In 2014, sales of sports lotteries in the PRC reached Renminbi (“**RMB**”)176.41 billion. In comparison, sales of welfare lotteries in the PRC amounted to RMB205.97 billion in 2014, while the video lottery “China Welfare Lottery Online” recorded sales of approximately RMB22.423 billion, approximately RMB28.939 billion and approximately RMB37.746 billion respectively for 2012, 2013 and 2014. The sales of electronic video lottery recorded a year-on-year growth of approximately 30.4%. The Group is the sports entertainment electronic VLT provider in the first open bid (quotation required) for government procurement in the PRC’s sports lottery market. Capitalising on our technical strengths, the Group will extend its VLT business presence in other provincial sports lottery markets. The Hainan VLT Project is also the “only” VLT video electronic instant lottery in the sports lottery market of the PRC, which includes games such as horse racing and certain other games. The project has obtained approval for sales online from the Ministry of Finance of the PRC. Details of the Hainan VLT Project were set out in the Company’s announcements dated 5 June 2014, 9 June 2014 and 2 January 2015 respectively.

Framework agreement in relation to a possible acquisition

On 11 November 2011, a subsidiary of the Company (the “**Subsidiary**”) entered into a framework agreement (the “**Framework Agreement**”) with, among others, an independent third party (the “**Potential Vendor**”) in relation to a possible acquisition by the Subsidiary of equity interests in a company principally engaged in the provision of services for an instant lottery game in the PRC from the Potential Vendor. Details of the Framework Agreement were set out in the Company’s announcement dated 14 November 2011. Pursuant to the supplemental agreements to the Framework Agreement, the period during which the Subsidiary had the exclusive right to negotiate with the Potential Vendor in relation to such possible acquisition expired on 28 February 2014 and the Framework Agreement was terminated on 4 March 2014. A refundable advance deposit of HK\$2 million was paid. The management of the Company is negotiating with the Potential Vendor for the refund of this advance deposit.

Termination of a cooperation agreement

Huancai Puda and its subsidiary entered into several cooperation agreements with several lottery issuing centres with its concession rights recognised as non-current assets in the consolidated statement of financial position of the Group. A cooperation agreement was terminated in the first quarter of 2015 as agreed after negotiations between one of the aforesaid lottery issuing centres and Huancai Puda in the wake of the industry integration in the PRC during the second half of 2014. The impairment loss of the concession rights of approximately HK\$374,217,000 was recognised in 2014.

Completion of placing of existing Shares and top-up subscription of new Shares

On 21 May 2015, an aggregate of 443,000,000 ordinary shares of the Company of HK\$0.005 each (the “**Shares**”, each, a “**Share**”) were successfully placed by Mr. Leung Ngai Man (“**Mr. Leung**”) to not less than six places (the “**Placing**”) who are independent third parties at the placing price of HK\$0.148 per placing share. Completion of the subscription (the “**Subscription**”) took place on 1 June 2015 whereby 443,000,000 subscription shares were allotted and issued to Mr. Leung at the subscription price of HK\$0.148 per subscription share. The net proceeds from the Subscription were approximately HK\$63.3 million. The net price for the Subscription was approximately HK\$0.143 per Share. The Company intends to utilise the net proceeds from the Subscription for the Group’s general working capital and future business development. Such proceeds have not been utilised and have remained at the Company’s bank as at the date of this report. Details of the Placing and the Subscription were set out in the Company’s announcements dated 20 May 2015 and 1 June 2015 respectively.

Letter of intent in relation to possible cooperation with Shoutz, Inc. in certain PRC lottery markets

On 22 May 2015, Far East Golden Star Limited, a wholly-owned subsidiary of the Company, and Shoutz, Inc. (“**Shoutz**”), an independent third party, entered into a letter of intent (the “**LOI**”) in relation to the possible cooperation between the Group and Shoutz regarding the proposed use of Shoutz’s software in the PRC lottery markets. The Group and Shoutz have established a joint venture recently and will continue to push forward their cooperations.

The LOI is non-legally binding save for certain arrangements prior to the execution of definitive agreements including the exchange of information, the issue of public announcements, and other miscellaneous matters.

The Directors believe that cooperating with Shoutz is in line with the development strategy of the Group, and will bring new elements and opportunities for the Group to develop its lottery business in the PRC. Details of the LOI were set out in the Company’s announcement dated 26 May 2015.

The strategic cooperation agreement

On 8 June 2015, 深圳高榮財智科技有限公司 (transliterated as Shenzhen Gaorong Caizhi Technology Company Limited) (“**Shenzhen Gaorong**”), a wholly-owned subsidiary of the Company, entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) with 北京雷客天地科技有限公司 (transliterated as Beijing Skyrocket Technology Company Limited) (“**Beijing Skyrocket**”), an independent third party, and 北京雷旺鑫科技有限公司 (transliterated as Beijing Leiwangxin Technology Company Limited) (“**Beijing Leiwangxin**”), an independent third party. The parties agreed to cooperate on the business development of the sales and related value-added services of national lottery (including welfare lottery and sports lottery) in the KTV premises covered by Beijing Skyrocket’s products nationwide (the “**Cooperation**”).

In connection with the Strategic Cooperation Agreement, on 8 June 2015, Shenzhen Gaorong engaged Beijing Leiwangxin to develop the front-end software for the KTV lottery sales system. Pursuant to such engagement, Shenzhen Gaorong has paid the development fees to Beijing Leiwangxin for the development of the front-end software for the KTV lottery sales system, and the software being developed by Beijing Leiwangxin is nearly completed.

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. Details of the Strategic Cooperation Agreement were set out in the Company’s announcement dated 9 June 2015.

Financial Review

For the nine months ended 30 September 2015, the Group recorded an unaudited revenue of approximately HK\$772,000 with a decrease of approximately HK\$2,433,000 as compared with that for the corresponding period in 2014. During the nine months ended 30 September 2015, 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 2015, the unaudited loss attributable to owners of the Company increased by approximately HK\$3,723,000 as compared with that for the corresponding period in 2014.

Capital structure

As at 30 September 2015, the Company had 3,120,035,049 Shares (30 September 2014: 2,217,035,049 Shares) in issue.

Prospect

The Group successfully won the open bid (quotation for procurement), the PRC Government's first open bid for the PRC sports lotteries, for the procurement of Hainan VLT Project in 2014, and for the provision of VLT for the PRC sports lotteries. Under the Hainan VLT Project, certain lottery games were already approved by the Ministry of Finance of the PRC in October 2014 for betting on terminals. This project is also the only VLT video electronic lottery of the PRC sports lotteries. Its horse racing video game is an innovative Chinese lottery. Among the existing lottery games in the PRC, this lottery game has the highest rate of return and the longest betting period (daily from 10 a.m. to 2 a.m. the next day), which hit a record in Chinese lottery. Lotteries related to the project have already been available for betting from 1 January 2015 on VLT provided by the Group. The Group has delivered 300 VLTs. The Group will receive certain percentage of the sales amount of the aforesaid project as the Group's income.

The Group entered into the LOI with Shoutz on 22 May 2015 for the possible cooperation in relation to the proposed use of Shoutz's software in the PRC lottery markets. Both parties have established a joint venture recently and will continue to push forward their cooperation. The Directors believe that cooperating with Shoutz will bring new elements and opportunities for the Group to develop its lottery business in the PRC.

On 8 June 2015, Shenzhen Gaorong entered into the Strategic Cooperation Agreement with Beijing Skyrocket and Beijing Leiwangxin. In connection with the Strategic Cooperation Agreement, on 8 June 2015, Shenzhen Gaorong engaged Beijing Leiwangxin to develop the front-end software for the KTV lottery sales system. Pursuant to such engagement, Shenzhen Gaorong has paid the development fees to Beijing Leiwangxin for the development of the front-end software for the KTV lottery sales system, and the software being developed by Beijing Leiwangxin is nearly completed. 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 as a whole.

Nowadays, business models are changing and becoming more innovative. Internet plus O2O, wide communication, big data, big cloud computing, great health, intelligent wearable devices, etc. have become an emerging industry with huge potential growth in the future market. Companies under the Group keep pace with the times and have put resources into the development and research of businesses related to video Internet advertising and medical-grade intelligent wearable devices.

Other Information

Resignation of Director

Mr. Sung Kin Man resigned as an executive Director with effect from 2 March 2015 (the “**Resignation of Director**”). Details of the Resignation of Director were set out in the announcement of the Company dated 2 March 2015.

Issue of Shares under the conversion of the Convertible Preferred Shares

On 5 June 2015, the Company allotted and issued 460,000,000 Shares to Mr. Leung due to the conversion of 460,000,000 Convertible Preferred Shares (as defined below) issued by the Company on 17 December 2012.

Grant of share options

On 27 May 2015, the Company granted share options to certain eligible participants to subscribe for a total of 66,000,000 new Shares pursuant to the share option scheme adopted on 29 June 2007 (the “**Share Option Scheme**”) at an exercise price of HK\$0.290 per Share. Details of which were set out in the announcement of the Company dated 27 May 2015.

On 4 June 2015, the Company granted share options to an eligible participant to subscribe for a total of 10,000,000 new Shares pursuant to the Share Option Scheme at an exercise price of HK\$0.270 per Share. Details of which were set out in the announcement of the Company dated 4 June 2015.

Extension of the maturity date of the convertible bond

On 24 August 2015, the Company entered into a supplemental deed (the “**Supplemental Deed**”) with Mr. Leung (the “**Bondholder**”) pursuant to which the Company and the Bondholder agreed to extend the maturity date of the convertible bond in the aggregate principal amount of HK\$797.5 million issued by the Company to the Bondholder on 27 August 2010 (the “**Convertible Bond**”) for 5 years from the date falling on the fifth year to the date falling on the tenth year from the date of issue of the Convertible Bond, subject to the conditions precedent contained in the Supplemental Deed being satisfied (the “**Proposed Extension of the Maturity Date of the Convertible Bond**”).

Pursuant to the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. On 25 August 2015, the Company applied to the Stock Exchange for its approval of the proposed amendment to the terms and conditions of the Convertible Bond pursuant to the Supplemental Deed to extend the maturity date of the Convertible Bond (the “**Amendment of Terms**”) contemplated by the Supplemental Deed.

On 2 September 2015, the Stock Exchange granted its approval for the Amendment of Terms subject to (i) the independent shareholders’ approval; (ii) fulfilment of all other conditions of the Amendment of Terms as contemplated under the Supplemental Deed; and (iii) disclosure of the approval for the Amendment of Terms contemplated by the Supplemental Deed by the way of an announcement (i.e. the announcement of the Company dated 4 September 2015).

The resolution was duly passed by the independent shareholders by way of poll at the extraordinary general meeting of the Company on 3 November 2015. Details of the Proposed Extension of the Maturity Date of the Convertible Bond were set out in the Company’s announcements and circular dated 24 August 2015, 4 September 2015, 11 September 2015, 29 September 2015, 13 October 2015, 3 November 2015 and 15 October 2015 respectively.

EVENT AFTER THE REPORTING PERIOD

Investment in Beijing Liangshi

On 3 November 2015, the Company invested in a 60% interest in the registered capital of 北京亮世風采文化傳媒有限公司 (transliterated as Beijing Liangshi Fengcai Culture Media Ltd.) (“**Beijing Liangshi**”), which is a company principally engaged in media publishing and distribution in sports lottery sales outlets in the PRC. Beijing Liangshi is a limited liability company established in the PRC. The main business scope of Beijing Liangshi is media publishing and distribution and it exclusively operates advertising, distribution and other related business of “Soccer World” (足球世界) (including special issue “Soccer World Quiz” of “Soccer World”), which is a publication of the Chinese Sports Newspaper Headquarters* (中國體育報業總社) (“**Newspaper Headquarters**”) for a term of 20 years. Newspaper Headquarters operates under the General Administration of Sport of China (國家體育總局) and “Soccer World” is currently the only quiz-type sports lottery publication in the PRC launched by the Sports Lottery Administration Centre of the General Administration of Sport of China and is the sole publication which could be distributed in the official sports lottery sales outlets in the PRC. The number of official sports lottery sales outlets amounts to approximately 111,000 while “Soccer World” has the full exposure to the end-users of sports lottery services in the PRC. According to the plans announced by the Chinese government over the lottery business in the 13th Five-Year Plan, Beijing Liangshi plans to establish an online platform for “Soccer World” and would jointly operate with Chinese Football Lottery Online* (中國足彩在線) upon obtaining the rights of its website and domain name, as well as for the related technical preparation for application of online lottery licence.

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 2015, 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			Total	Approximate percentage of issued share capital (Note 8)
	Personal interest	Corporate interest	Equity derivatives		
Mr. Leung	906,335,000 (Note 1)	294,880 (Notes 1 & 2)	1,090,083,333 (Notes 3, 4 & 5)	1,996,713,213	64.00%
Ms. Wu Wei Hua (“Ms. Wu”)	–	–	22,000,000 (Note 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 86,750,000 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 2015, the Convertible Bond in the amount of HK\$104,100,000 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 433,750,000 shares of HK\$0.001 each in the share capital of the Company to 86,750,000 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 2015, 1,003,333,333 allotted and issued Convertible Preferred Shares have not been 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 2015.

Save as disclosed above, as at 30 September 2015, 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 2015, 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 2015, detailed movements relating to options granted under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercise price	Exercise period	Movements of share options during the period				
				As at 1 January 2015	Granted	Exercised	Lapsed/Cancelled/Forfeited	As at 30 September 2015
Other Participants	9 July 2007	1.425*	9 July 2007 – 29 June 2017	9,600,000*	–	–	–	9,600,000*
	22 August 2007	2.030*	22 August 2007 – 29 June 2017	8,200,000*	–	–	–	8,200,000*
	10 July 2008	1.328*	10 July 2008 – 29 June 2017	7,200,000*	–	–	–	7,200,000*
	10 October 2013	0.087	10 October 2013 – 29 June 2017	16,000,000	–	–	–	16,000,000
	25 March 2014	0.364	25 March 2014 – 29 June 2017	32,000,000	–	–	–	32,000,000
	26 March 2014	0.365	26 March 2014 – 29 June 2017	2,700,000	–	–	–	2,700,000
	27 May 2015	0.290	27 May 2015 – 29 June 2017	–	66,000,000	–	–	66,000,000
	4 June 2015	0.270	4 June 2015 – 29 June 2017	–	10,000,000	–	–	10,000,000
Director								
– Ms. Wu	10 July 2008	1.328*	10 July 2008 – 29 June 2017	2,000,000*	–	–	–	2,000,000*
	10 July 2014	0.280	10 July 2014 – 29 June 2017	20,000,000	–	–	–	20,000,000

* The number of share options granted and the exercise price had been adjusted as a result of the 2012 Share Consolidation.

During the nine months ended 30 September 2015, 66,000,000 share options at an exercise price of HK\$0.290 per Share and 10,000,000 share options at an exercise price of HK\$0.270 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 2015.

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 2015 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 2015 to 30 September 2015, 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 whom 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 2015.

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 2015 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 2015.

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

Hong Kong, 12 November 2015

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.