

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Netcom Technology Holdings Limited (the “**Company**”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, for which the directors of the Company (the “**Directors**”) 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 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 circular 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 circular misleading.



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)

**PROPOSED ISSUE OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting (the “**EGM**”) of the Company to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 13 December 2019 at 11:00 a.m. is set out on pages 18 to 20 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

This circular 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.

CHARACTERISTICS OF GEM

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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
NOTICE OF EGM	18

DEFINITIONS

In this circular, unless the context otherwise requires, the expressions below have the following meanings:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	China Netcom Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the JV Agreement in accordance with the terms thereof
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Core Employees”	collectively, Mr. Ye, Mr. Wu Liansheng, Mr. Qian Yonggen, Mr. Hong Feiyang and Mr. Zhao Hui, who are also the shareholders of Yun Ma and Yun Ma Partnership
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, to approve (i) the issue of the Warrants; and (ii) the grant of the Specific Mandate
“ERP”	enterprise resource planning
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected person(s)
“Issue Price”	the issue price of HK\$0.001 per Warrant
“JV Agreement”	the joint venture agreement entered into among Zhong Tuo, Ningbo Yunni, Yun Ma Partnership and Mr. Ye, dated 22 November 2019 in relation to the formation of the JV Company

DEFINITIONS

“JV Company”	a limited liability company to be jointly established by Zhong Tuo, Ningbo Yunni and Yun Ma Partnership in the PRC pursuant to the JV Agreement with its proposed name as 杭州眾拓信息技術服務有限公司 (Hangzhou Zhongtuo Information Technology Service Limited*)
“Latest Practicable Date”	22 November 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Mr. Ye”	Mr. Ye Cunshi, as one of the parties to the JV Agreement, a Core Employee and the controlling shareholder of Yun Ma, Yun Ma Partnership and Ningbo Yunni
“Ningbo Yunni”	寧波雲霓企業管理合夥企業(有限合夥)(Ningbo Yunni Enterprise Management Partnership (Limited Partnership)*), as one of the parties to the JV Agreement, a limited partnership established in the PRC and is 95.0% owned by Mr. Ye and 5.0% by Mr. Zhao Hui, respectively
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.005 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM for the allotment and issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the 36-month period commencing from the Vesting Date
“Subscription Price”	a price of HK\$0.054 per Warrant Share (subject to adjustment) at which the holders of the Warrants may subscribe for the Warrant Shares

DEFINITIONS

“Vesting Conditions”	has the meaning ascribed to it in the subsection headed “Principal Terms of the Warrants – Vesting Conditions” in this circular
“Vesting Date”	the date of vesting of the Warrants to the holder(s) of the Warrants
“Warrant(s)”	an aggregate of 700,655,257 unlisted warrants to be issued by the Company at the Issue Price, which entitles the holder thereof to subscribe for one Warrant Share at the Subscription Price (subject to adjustment) at any time during the Subscription Period
“Warrant Shares”	an aggregate of 700,655,257 new Shares to be issued by the Company upon the full exercise of the subscription rights attaching to the Warrants; and each of which, a “Warrant Share”
“Yun Ma”	Yun Ma Limited 雲碼有限公司 (a limited company incorporated in BVI owned as to 62.4%, 16.4%, 9.2%, 8.0% and 4.0% by Mr. Ye, Mr. Wu Liansheng, Mr. Qian Yonggen, Mr. Hong Feiyang and Mr. Zhao Hui, respectively), and a subscriber to the Warrants
“Yun Ma Partnership”	寧波雲碼企業管理合夥企業(有限合夥)(Ningbo Yun Ma Enterprise Management Partnership (Limited Partnership)*), as one of the parties to the JV Agreement, a limited partnership established in the PRC, which is owned as to 50.5% by Mr. Ye, 20.5% by Mr. Wu Liansheng, 11.5% by Mr. Qian Yonggen, 5.0% by Mr. Hong Feiyang, 1.0% by Mr. Zhao Hui, 5.0% by Mr. Chen Lingjian, 3.5% by Mr. Chen Jinhong and 3.0% by Mr. Su Xin, respectively
“Zhong Tuo”	Zhong Tuo Limited 眾拓有限公司, as one of the parties to the JV Agreement, a limited company incorporated in BVI and a wholly-owned subsidiary of the Company
“%”	per cent

* In this circular, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Sun Haitao (*Chairman*)
Mr. Zhao Ke

Independent non-executive Directors:

Mr. Song Ke
Mr. Wu Bo
Mr. Michael Yu Tat Chi

Registered office:

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 1006, 10th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

27 November 2019

To the Shareholders

Dear Sirs or Madams

**PROPOSED ISSUE OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the announcement of the Company dated 22 November 2019 in relation to, *inter alia*, the proposed issue of the Warrants.

On 22 November 2019, Zhong Tuo (a wholly-owned subsidiary of the Company) entered into the JV Agreement with Ningbo Yunni (a limited partnership controlled by Mr. Ye), Yun Ma Partnership (a limited partnership controlled by the Core Employees) and Mr. Ye, pursuant to which each of the parties agreed to jointly establish a new joint venture to explore the business development, cooperation and investment opportunities in the area of smart retail business. Upon Completion, the JV Company will be owned by Zhong Tuo, Ningbo Yunni and Yun Ma Partnership as to 51.0%, 14.7% and 34.3%, respectively.

LETTER FROM THE BOARD

Pursuant to the JV Agreement, Zhong Tuo has also conditionally agreed to procure the Company to issue 700,655,257 Warrants to Yun Ma (a company wholly-owned by the Core Employees) 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 at the Subscription Price of HK\$0.054 (subject to adjustment) per Warrant Share. The Warrant Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants will be allotted and issued under the Specific Mandate.

The purpose of this circular is to provide you with, amongst other things, further information relating to (i) the proposed issue of the Warrants and the grant of the Specific Mandate and (ii) the notice of the EGM.

JV AGREEMENT

Date

22 November 2019

Parties

- (1) Zhong Tuo, a company established in BVI with limited liability, is principally engaged in investment holdings;
- (2) Ningbo Yunni, a limited partnership established in the PRC which is owned as to 95.0% by Mr. Ye and 5.0% by Mr. Zhao Hui, respectively, is principally engaged in enterprise management and consultation services;
- (3) Yun Ma Partnership, a limited partnership established in the PRC which is owned as to 50.5% by Mr. Ye, 20.5% by Mr. Wu Liansheng, 11.5% by Mr. Qian Yonggen, 5.0% by Mr. Hong Feiyang, 1.0% by Mr. Zhao Hui, 5.0% by Mr. Chen Lingjian, 3.5% by Mr. Chen Jinhong and 3.0% by Mr. Su Xin, respectively, is principally engaged in enterprise management and consultation services; and
- (4) Mr. Ye.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Ningbo Yunni and Yun Ma Partnership and its respective ultimate beneficial owners (including Mr. Ye) are Independent Third Parties.

Ownership and Capital Contribution of the JV Company

Pursuant to the terms of the JV Agreement, Zhong Tuo, Ningbo Yunni and Yun Ma Partnership agreed to form the JV Company in accordance with the PRC laws. Each of Zhong Tuo, Ningbo Yunni and Yun Ma Partnership agreed to make a capital contribution to the JV Company in the amount of RMB510,000, RMB147,000 and RMB343,000, respectively, and the JV Company will be owned by Zhong Tuo, Ningbo Yunni and Yun Ma Partnership as to 51.0%, 14.7% and 34.3%, respectively. The said capital contribution to be made by Zhong Tuo will be funded by internal resources of the Group. The JV Company will become a non-wholly owned subsidiary of the Company and therefore, the financial results of the JV Company will be consolidated into the Group's financial statements.

LETTER FROM THE BOARD

Business of the JV Company

The JV Company will be principally engaged in smart retail business, which will provide services including omni-channel payment business processing system, member-precise marketing system as well as the development of ERP system to online and offline chain enterprises and micro and small merchants. Omni-channel payment business aims to provide retail brand merchants with one-stop technology and operational maintenance of omni-channel payment system and the output of income-sharing capability. Member-precise marketing provides big data services to chain enterprises and micro and small merchants to enable more precise retail. The ERP system will build a comprehensive integration of operational and financial data for retail brand customers to improve management efficiency. The domestic smart retail market is a “Blue Ocean” business emerged with the gradual improvement of mobile internet and mobile payment and traditional retail brand merchants will benefit from the comprehensive service system which the Group provides in terms of the enhancement of the back-end operational efficiency and front-end customer brand loyalty.

Governance and Operations of the JV Company

Pursuant to the JV Agreement, the board of the JV Company shall consist of three directors, of which Zhong Tuo will be entitled to designate two directors, and Yun Ma Partnership and Mr. Ye will be entitled to designate one director. Yun Ma Partnership and Mr. Ye will be entitled to designate the chairman, legal representative, managers and supervisors of the JV Company.

The responsibility of the management, direction and control of the JV Company will be vested in the board of the JV Company. The parties have agreed that the business operations of the JV Company shall be undertaken by the Core Employees (including Mr. Ye), while Zhong Tuo shall designate specific personnel to undertake in the financial management of the JV Company.

Pursuant to the JV Agreement, it is agreed that within three (3) working days upon the formation of the JV Company, the Core Employees shall enter into individual employment contracts with the JV Company for a term of not more than three (3) years with non-compete and confidentiality undertakings which will last for a term of two (2) years from the date of termination of their employment with the JV Company.

Compensation Arrangement

Pursuant to the JV Agreement, as a performance guarantee on the part of Yun Ma Partnership and Mr. Ye of their responsibilities to the business operations of the JV Company, so long as the JV Company exists, Yun Ma Partnership and Mr. Ye shall jointly and severally be liable to pay the monetary compensation to the JV Company of an amount equivalent to the net operating losses on a dollar-to-dollar basis (i.e. the audited net losses as recorded in the annual financial statements of the JV Company) on or before the 30th business day from the date of availability of such audited accounts which shall be ready on or before 31 March in each financial year.

LETTER FROM THE BOARD

ISSUE OF WARRANTS

Pursuant to the JV Agreement, Zhong Tuo has conditionally agreed to procure the Company to issue 700,655,257 Warrants to Yun Ma (a company owned as to 62.4% by Mr. Ye and as to 37.6% by other Core Employees) 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 at the Subscription Price of HK\$0.054 (subject to adjustment) per Warrant Share. The Warrant Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants will be allotted and issued under the Specific Mandate. For details of the principal terms of the Warrants, please refer to the section headed “*Principal Terms of the Warrants*” set out below in this circular.

The Company considers the Core Employees to be strategic investors of the Company. Up to the Latest Practicable Date, no request on significant role or directorship within the Group had been proposed or indicated by the Core Employees, so such kind of appointment or nomination is not on the agenda during the negotiation with them. The Company is unable to ascertain if Yun Ma will request the same when it becomes a substantial Shareholder upon the full exercise of the Warrants which will anyway be at least 1.2 years (the earliest) after the issue of the Warrants (when the Vesting Conditions can be fully met). The Company will further consider the same subject to the then prevailing circumstances of the Company at the time when such request is raised.

Up to the Latest Practicable Date, save for the transactions contemplated under the JV Agreement (including the proposed issue of the Warrants), the Company had not entered, or contemplated to enter, into any other arrangements, agreements or understanding (whether formal or informal and whether express or implied) with Yun Ma and/or the Core Employees and did not have any plan to issue its securities (other than the Warrants) to Yun Ma, the Core Employees and/or their close associates.

Up to the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of Yun Ma Partnership and Ningbo Yunni and its respective ultimate beneficial owners (including the Core Employees) had not entered, or contemplated to enter, into any other arrangements, agreements or understandings (whether formal or informal and whether express or implied) with any substantial shareholders of the Company and/or their close associates.

Conditions Precedent

The obligation for the Company to issue the Warrants is conditional upon the fulfillment of the following conditions:

- (a) the passing of the resolution(s) by the Shareholders (to the extent they are entitled to vote and not required to abstain from voting on such resolution(s)) in accordance with the GEM Listing Rules and all applicable laws and regulations at the EGM approving, inter alia, the issue of the Warrants and the grant of the Specific Mandate to allot and issue of the Warrant Shares by the Company to the holders of the Warrants pursuant to the terms provided therein; and
- (b) the Listing Committee granting the listing of, and permission to deal in, the Warrant Shares.

LETTER FROM THE BOARD

In the event that any of the conditions referred to above is not fulfilled on or before the date falling on the 12th month from the date of the JV Agreement, the JV Company will also not be formed as the proposed issue of the Warrants and the formation of the JV Company are inter-conditional upon each other. The JV Agreement shall then lapse and become null and void, and the parties shall be released from all obligations thereunder, save for any antecedent breaches thereof.

PRINCIPAL TERMS OF THE WARRANTS

Number of Warrants	700,655,257 Warrants. The Warrants will rank <i>pari passu</i> in all respects among themselves.
Issue Price	HK\$0.001 per Warrant. The net issue price, after deduction of the relevant expenses, is approximately HK\$0.0008. The Issue Price was determined with reference to market precedents that most of the companies who issued unlisted warrants will set it at a nominal value.
Subscription Price	Subject to adjustment, the initial Subscription Price is HK\$0.054 per Warrant Share, which represents: <ul style="list-style-type: none">(i) a premium of approximately 58.8% over the closing price of HK\$0.034 per Share as quoted on the Stock Exchange on the date of the JV Agreement and the Latest Practicable Date;(ii) a premium of approximately 54.3% over the average of the closing prices per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days preceding the date of the JV Agreement of approximately HK\$0.035; and(iii) a premium of approximately 38.5% over the average of the closing prices per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days preceding the date of the JV Agreement of approximately HK\$0.039.

LETTER FROM THE BOARD

The aggregate of the Issue Price and the Subscription Price represents:

- (i) a premium of approximately 61.8% over the closing price of HK\$0.034 per Share as quoted on the Stock Exchange on the date of the JV Agreement and the Latest Practicable Date;
- (ii) a premium of approximately 57.1% over the average of the closing prices per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days preceding the date of the JV Agreement of approximately HK\$0.035; and
- (iii) a premium of approximately 41.0% over the average of the closing prices per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days preceding the date of the JV Agreement of approximately HK\$0.039.

The Subscription Price was determined after arm's length negotiation between the parties, taking into account the liquidity of the Shares in the market, the past performance and recent trading prices of the Shares (i.e. the highest of the average of the closing price per Share for each of the last 30 (approximately HK\$0.051), 60 (approximately HK\$0.052) and 90 (approximately HK\$0.054) trading days from 30 September 2019) as well as the factors set out in the "*Reasons for and Benefits of the Formation of JV Company and the Proposed Issue of Warrants*" below in this circular. The Directors are of the opinion that the Issue Price together with the Subscription Price are fair and reasonable.

LETTER FROM THE BOARD

Number of Warrant
Shares issuable

Subject to the fulfillment of the Vesting Conditions, the holders of the Warrants will have the rights to subscribe for up to 700,655,257 Warrant Shares at the Subscription Price per Warrant Share, representing:

- (i) approximately 15.0% of the total number of Shares in issue as at the Latest Practicable Date; and
- (ii) approximately 13.04% of the total number of Shares in issue as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants (assuming there being no other changes in the total number of issued Shares).

Adjustments to
the Subscription Price

The Subscription Price will be subject to adjustments as a result of the following events, including:

- (i) an alteration to the nominal amount of the Shares by reason of any consolidation or subdivision, in which case the Subscription Price in force immediately prior to such alteration of the nominal amount of the Shares shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount;
- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), in which case the Subscription Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation; and

LETTER FROM THE BOARD

(iii) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 60% of the market price (calculated as provided in the Warrant instrument) being made by the Company to the Shareholders, in which case the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Every adjustment to the Subscription Price shall be certified by auditor or financial adviser appointed by the Company. The Company will issue announcement upon occurrence of any adjustment to the Subscription Price.

Vesting Conditions

If the JV Company can achieve the following audited net profit after tax for the year ended 31 December 2020, the corresponding number of Warrants can be vested is as follows:

Audited net profit after tax for the year ended 31 December 2020	Number of Warrants to be vested
RMB25,000,000 – RMB30,000,000	350,327,628 (50%)
RMB30,000,001 – RMB35,000,000	420,393,154 (60%)
RMB35,000,001 – RMB40,000,000	490,458,680 (70%)
RMB40,000,001 – RMB45,000,000	560,524,205 (80%)
RMB45,000,001 – RMB50,000,000	630,589,731 (90%)
RMB50,000,001 or above	700,655,257 (100%)

Any unvested Warrants shall lapse if the Vesting Conditions could not be achieved.

LETTER FROM THE BOARD

Subscription Period and lot size	<p>The subscription rights attaching to the Warrants can be exercised at any time during the period of 36 months commencing from the Vesting Date in integral multiples of 10,000,000 Warrants to the extent that immediately after such exercise:</p> <ul style="list-style-type: none">(i) there will be a sufficient public float of the Shares as required under the GEM Listing Rules; and(ii) holder(s) of the Warrant, whether alone or together with parties acting in concert with it would not be obliged to make a general offer under the Hong Kong Codes on Takeovers and Mergers and Share Buy-Backs in force from time to time.
Ranking of the Warrant Shares	<p>The Warrant Shares that fall to be issued upon the exercise of the Warrants will rank <i>pari passu</i> in all respects with the Shares in issue as at the date of allotment and issue of the relevant Warrant Shares.</p>
Transferability	<p>The Warrants are not transferable unless with the prior written consent of the Company and shall only be transferred in integral multiples of 10,000,000 Warrants. The Warrants shall not be assigned or transferred to a connected person of the Company unless with the prior written consent of the Company, so that the Company can assess and ensure the requirements under Chapters 20 and 21 of the GEM Listing Rules can be complied with.</p>
Form	<p>The Warrants will be issued in registered form.</p>
Voting rights for the holder(s) of the Warrants	<p>Holder(s) of the Warrants will not have any right to attend or vote at any meetings of the Company by virtue of them being holder(s) of the Warrants, nor have any right to participate in any distributions and/or offers of further securities made by the Company.</p>

LETTER FROM THE BOARD

Rights of holder(s) of Warrants during the Subscription Period on winding-up

If an effective resolution is passed during the Subscription Period for the winding-up of the Company and such winding-up is not for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement, the holder(s) of the vested Warrants shall be entitled at any time within six (6) weeks after the passing of such resolution to exercise the Warrants. Subject to the foregoing, if the Company is wound up, all Warrants which have not been exercised at the commencement of the winding-up shall lapse.

Listing

The Warrants will not be listed on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and the permission to deal in the Warrant Shares.

Specific Mandate to Issue the Warrant Shares

The Warrant Shares will be issued under the Specific Mandate to be sought at the EGM.

REASONS FOR AND BENEFITS OF THE FORMATION OF JV COMPANY AND THE PROPOSED ISSUE OF WARRANTS

The Group is principally engaged in financial technology services business, apartment leasing business, lottery business and sports training business.

The Group aims to launch smart retail comprehensive services business through the JV Company. The Company expects that the launch of this new business will contribute more operating income and profits to the Group, which is conducive to the continuous improvement of the Group's profitability. The formation of the JV Company will enable the Group to explore the business development, cooperation and investment opportunities in the area of smart retail business.

LETTER FROM THE BOARD

The Company is of the view that the formation of the JV Company (with the introduction of the smart retail business) and the proposed issue of Warrants (which upon full exercise of the subscription rights attaching to the Warrants, Yun Ma will become a 13.4% Shareholder and the second largest Shareholder) do not have any material impact on the existing business of the Company. As disclosed in the third quarterly results announcement of the Company dated 7 November 2019, prior to the completion of the said proposed transactions, in September 2019, the Board resolved to cease the smart wearable device business in order to focus the Group's resources on the financial technology services business after considering that the smart wearable device business had been continuously loss-making, faced fierce competition and could not cope with the direction of the Group's future development. The smart wearable device business had been classified as a discontinued operation of the Group in the third quarterly results of the Company. The Company will closely monitor the results of the lottery business and may consider the discontinuance or downsizing of this business in the future. Save as disclosed, up to the Latest Practicable Date, the Company did not have any plan to dispose of or downsize its existing businesses. No matter whether the JV Company will be formed or not, the Company will continue to assess its businesses based on its strategies, certain loss-making businesses may be downsized or suspended, with a view to focusing the Group's resources on its profit-making businesses and thereby improving the financial performance of the Group.

The Directors consider that the issue of the Warrants will serve as a performance incentive for the Core Employees, who will largely control the business operations of the JV Company, as well as an appropriate mode of fund-raising as (i) although only a minimal amount may be raised from the initial subscription of the Warrants, the Company had no immediate funding need at this stage that required fund raising, and it may receive a much larger sum of money in the future if the subscription rights attaching to the Warrants are exercised in full; (ii) issuing of the Warrants can broaden the Shareholders and capital base of the Company and strengthen the Company's financial position to better equip the Group with financial flexibility and enable the Group to further develop its business; and (iii) the issuing of the Warrants do not have any immediate dilution effect on the shareholdings of the existing Shareholders.

The Company has considered alternative methods to serve as performance incentive for the Core Employees, but considered that the issue of the Warrants served the best interests of the Company because (i) the Company does not have any share option scheme which can allow granting of options to the Core Employees, and there will be limit on the number of options to be granted; (ii) cash compensation has only short term effect which does not further align the interests of the Core Employees with the interests of the Company and the Shareholders, as it is important that the Company to provide the Core Employees with further incentives by offering them an opportunity to obtain share interest in the Company; and (iii) share compensation will have immediate dilution effect on the shareholdings of the existing Shareholders prior to the performance targets being achieved. Pursuant to the terms of the Warrants, Yun Ma could only exercise the Warrants if and only if the respective performance targets for the relevant period can be achieved. As such, the Company is of the view that the Core Employees will help to promote the turnover and profitability of the JV Company in order to obtain the benefit of the Warrants.

LETTER FROM THE BOARD

The Company has also considered the possibility of listing of the Warrants. However, the application for listing of the Warrants would incur additional costs which will further reduce the net proceeds from the issue of the Warrants. In addition, the application for listing of the Warrants could delay the whole transaction process. Further, the Warrants are issued to a single holder at the time of issue, and such issue cannot meet the requirement on adequate spread of holders of such warrants pursuant to Rule 11.23(3)(b) of the GEM Listing Rules. Therefore, the Company is of the view that the issue of unlisted Warrants would be a more appropriate option.

Up to the Latest Practicable Date, the Directors were not aware of any contemplated acquisitions, disposals or other matters during the Subscription Period that may have a material impact on the Company which is necessary for the Shareholders and the public to appraise the position of the Company.

The Directors (including the independent non-executive Directors) are of the view that the issue of the Warrants (including the Issue Price and Subscription Price) has been entered into on normal commercial terms, and the terms of the Warrants are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that the gross and net proceeds of approximately HK\$38,536,000 and HK\$38,177,000 will be raised, respectively. The net proceeds will be used for the general working capital of the Group, i.e. the net proceeds from (i) issue of the Warrants of approximately HK\$560,000 will be applied for remuneration of Directors and employees of the Group; and (ii) the full exercise of the subscription rights attaching to the Warrants of approximately HK\$37,617,000 will be applied as to 50% for remuneration of Directors and employees of the Group, 20% for rental expenses, 20% for legal and professional fees and 10% for other administrative and operating expenses.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the total number of Shares in issue prior to such exercise) are as follows:

	As at the		Immediately after	
	Latest Practicable Date		the full exercise of	
	the subscription rights		attaching to the Warrants	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
51RENPIN.COM INC	1,834,963,213	39.28%	1,834,963,213	34.16%
Tiantu Investments International Limited	365,000,000	7.81%	365,000,000	6.79%
Yun Ma	–	–	700,655,257	13.04%
Other Public Shareholders	<u>2,471,071,835</u>	<u>52.90%</u>	<u>2,471,071,835</u>	<u>46.00%</u>
Total	<u>4,671,035,048</u>	<u>100%</u>	<u>5,371,690,305</u>	<u>100%</u>

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activity in the past twelve months immediately prior to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

Pursuant to Rule 21.02(1) of the GEM Listing Rules, the Warrant Shares to be issued upon exercise of the Warrants must not, when aggregated with all other equity securities which to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the total number of Shares in issue at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 23 of the GEM Listing Rules, convertible bonds and convertible preference shares are excluded for the purpose of such limit.

As at the Latest Practicable Date, save for the outstanding convertible bonds with principal amount of HK\$18,016,000, the Company did not have any other securities with subscription rights outstanding which may be convertible into Shares. The issue of the Warrants is in compliance with Rule 21.02(1) of the GEM Listing Rules.

EGM

The notice of the EGM is set out on pages 18 to 20 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

LETTER FROM THE BOARD

At the EGM, ordinary resolution will be proposed to approve, among other things, the issue of the Warrants and the grant of the Specific Mandate for the allotment and issue of the Warrant Shares by way of poll. An announcement on the poll results will be published by the Company after the EGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder was required to abstain from voting on the resolution to be proposed at the EGM.

For the purpose of determining Shareholders who are qualified for attending and voting at the EGM, the register of members of the Company will be closed from Thursday, 12 December 2019 to Friday, 13 December 2019, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all Share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 11 December 2019.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board, including the independent non-executive Directors, is of the opinion that the issue of the Warrants and the grant of the Specific Mandate are in the interests of the Company and the Shareholders as a whole, and recommends the Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM.

Shareholders and potential investors of the Company should note that the issue of Warrants is subject to the fulfillment of the conditions under the JV Agreement. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of China Netcom Technology Holdings Limited (the “**Company**”) will be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 13 December 2019 at 11:00 a.m. to consider and, if thought fit, pass the following resolution as ordinary resolution (with or without modification):

ORDINARY RESOLUTION

1. “**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Warrants (as defined below) and any new shares of the Company (the “**Shares**”) which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants, the directors of the Company (the “**Directors**”) be and are hereby authorised:
 - (a) to create and issue 700,655,257 warrants (the “**Warrants**”) at the issue price of HK\$0.001 per Warrant, which shall be in registered form, carrying rights to subscribe for 700,655,257 new Shares at the initial subscription price of HK\$0.054 (subject to adjustment) per Share and shall be exercisable at any time from the date of the vesting of the Warrants and end on the date falling 36 months from the date of the vesting of the Warrants (both dates inclusive) on the terms and conditions set out in the warrant instrument (the “**Warrant Instrument**”) (a copy of a draft of which marked “A” is produced to this meeting and signed for the purpose of identification by the Chairman of this meeting) to Yun Ma Limited;
 - (b) as a specific mandate to the Directors, to allot and issue new Shares upon exercise of the subscription rights attaching to the Warrants or any of them, such new Shares shall rank *pari passu* in all respects with the then existing issued Shares, which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants;
 - (c) any one or more Directors be and is hereby authorised to sign and to execute the said Warrant Instrument, certificates for the Warrants and all other documents, deeds and instruments (the “**Relevant Documents**”) under hand or, where necessary, any two Directors be and are hereby authorised to sign and to execute the Relevant Documents under seal of the Company in accordance with the articles of association of the Company, as the Directors consider necessary or expedient to give effect to the Warrant Instrument and other transactions contemplated in this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) any one or more Directors be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such acts and things as he or they may consider necessary, appropriate, desirable or expedient to implement or give effect to the transactions contemplated under this resolution or the Warrant Instrument or all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith.”

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

27 November 2019

As of the date hereof, the Board comprised the following Directors:

Executive Directors:

Mr. Sun Haitao (*Chairman*)
Mr. Zhao Ke

*Head office and principal place of
business in Hong Kong:*

Unit 1006, 10th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Independent non-executive Directors:

Mr. Song Ke
Mr. Wu Bo
Mr. Michael Yu Tat Chi

Notes:

- (a) Any shareholder (the “**Shareholder**”) of the Company entitled to attend and vote at the above meeting is entitled to appoint one or, if he/she is the holder of two or more Shares, more than one proxy to attend and vote on his/her behalf in accordance with the articles of association of the Company. A proxy need not be a Shareholder.
- (b) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the above meeting or any adjournment thereof.
- (c) Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (d) In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto; if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (e) For the purpose of determining Shareholders who are qualified for attending and voting at the meeting, the register of members of the Company will be closed from Thursday, 12 December 2019 to Friday, 13 December 2019, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the meeting, all Share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 11 December 2019.
- (f) If a typhoon signal number 8 or above is hoisted or a "black" rainstorm warning signal is in force at or at any time after 8 a.m. on the date of the above meeting, the above meeting will be adjourned. An announcement will be posted on the websites of the Company and the Stock Exchange to notify the Shareholders of the date, time and place of the adjourned meeting. The above meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the above meeting under bad weather conditions bearing in mind their own situations.
- (g) If Shareholders have any particular access request or special need for participating in the above meeting, please contact the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited (telephone: +852 2980 1333) on or before Wednesday, 11 December 2019.