



2022

INTERIM 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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HIGHLIGHTS

- The unaudited consolidated revenue of the Group from continuing operations for the six months ended 30 June 2022 was approximately HK\$11,287,000 (six months ended 30 June 2021: approximately HK\$13,215,000), representing a decrease of approximately 15% as compared with that for the corresponding period in 2021.
- The Group recorded an unaudited consolidated loss from continuing and discontinued operations attributable to owners of the Company of approximately HK\$5,309,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$10,821,000).
- The unaudited basic and diluted loss per share from continuing and discontinued operations of the Company was approximately HK0.11 cents for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK0.23 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022 (Unaudited)

	Note	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000 (Restated)	2022 HK\$'000	2021 HK\$'000 (Restated)
Revenue	2	7,637	6,858	11,287	13,215
Cost of sales and services		(5,327)	(4,345)	(8,783)	(9,225)
Gross profit		2,310	2,513	2,504	3,990
Other income and gains/(losses), net		1,942	(47)	743	491
Administrative expenses		(5,765)	(4,406)	(10,216)	(8,796)
Finance costs	4	-	(15)	(99)	(52)
Loss before tax		(1,513)	(1,955)	(7,068)	(4,367)
Income tax charge	5	-	-	-	(103)
Loss for the period from continuing operations	6	(1,513)	(1,955)	(7,068)	(4,470)
Profit/(loss) for the period from discontinued operations	7	168	(155)	77	(6,739)
Loss for the period		(1,345)	(2,110)	(6,991)	(11,209)
Other comprehensive (expense)/income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
- Exchange differences on translating continuing foreign operations		(1,513)	939	(1,016)	638
- Exchange differences on translating discontinued foreign operations		-	(208)	-	364
- Fair value gain on financial asset at fair value through other comprehensive income		-	-	30	-
Other comprehensive (expense)/income for the period		(1,513)	731	(986)	1,002
Total comprehensive expense for the period		(2,858)	(1,379)	(7,977)	(10,207)

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (Restated)	2022 HK\$'000	2021 HK\$'000 (Restated)
<i>Note</i>				
(Loss)/profit attributable to:				
Owners of the Company				
– Continuing operations	(1,603)	(2,105)	(5,411)	(4,142)
– Discontinued operations	156	(139)	102	(6,679)
	(1,447)	(2,244)	(5,309)	(10,821)
Non-controlling interests				
– Continuing operations	90	150	(1,657)	(328)
– Discontinued operations	12	(16)	(25)	(60)
	102	134	(1,682)	(388)
	(1,345)	(2,110)	(6,991)	(11,209)
Total comprehensive (expense)/ income attributable to:				
Owners of the Company				
– Continuing operations	(3,088)	(1,226)	(6,375)	(3,551)
– Discontinued operations	156	(347)	102	(6,315)
	(2,932)	(1,573)	(6,273)	(9,866)
Non-controlling interests				
– Continuing operations	62	210	(1,679)	(281)
– Discontinued operations	12	(16)	(25)	(60)
	74	194	(1,704)	(341)
	(2,858)	(1,379)	(7,977)	(10,207)
Loss per share from continuing operations				
– Basic and diluted <i>(HK cents per share)</i>	(0.03)	(0.04)	(0.12)	(0.09)
Loss per share from continuing and discontinued operations				
– Basic and diluted <i>(HK cents per share)</i>	(0.03)	(0.05)	(0.11)	(0.23)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (Unaudited)

	(Unaudited) 30 June 2022 HK\$'000	(Audited) 31 December 2021 HK\$'000
	<i>Note</i>	
Non-current assets		
Property, plant and equipment	9	56
Right-of-use assets		1,936
Financial asset at fair value through other comprehensive income		330
	360	330
	1,305	2,322
Current assets		
Inventories		49
Trade and other receivables	10	21,262
Amount due from an intermediate holding company		18,346
Amount due from a fellow subsidiary		1
Cash and bank balances		48,961
	33,555	48,961
	47,767	88,619
Current liabilities		
Trade and other payables	11	19,531
Contract liabilities		1,102
Lease liabilities		1,458
Amount due to ultimate holding company		18,965
Amount due to an intermediate holding company		4,290
Loan from an intermediate holding company		4,946
Current tax liabilities		-
	5	-
	16,464	50,292
Net current assets	31,303	38,327
Total assets less current liabilities	32,608	40,649

	(Unaudited) 30 June 2022 <i>HK\$'000</i>	(Audited) 31 December 2021 <i>HK\$'000</i>
<i>Note</i>		
Non-current liability		
Lease liabilities	<u>133</u>	<u>290</u>
Net assets	<u>32,475</u>	<u>40,359</u>
Capital and reserves		
Share capital	23,430	23,430
Reserves	<u>8,978</u>	<u>15,251</u>
Equity attributable to owners of the Company	32,408	38,681
Non-controlling interests	<u>67</u>	<u>1,678</u>
Total equity	<u>32,475</u>	<u>40,359</u>

The accompany notes are an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 (Unaudited)

	Attributable to owners of the Company											
	Share Capital-ordinary shares (Unaudited) HK\$'000	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 equity (Unaudited) HK\$'000
Balance at 1 January 2021	23,430	3,466,638	9,777	1	666	215	116,559	(49)	(3,560,685)	56,552	(1,738)	54,814
Loss for the period	-	-	-	-	-	-	-	-	(10,821)	(10,821)	(388)	(11,209)
Other comprehensive income for the period	-	-	-	-	-	-	955	-	-	955	47	1,002
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	955	-	(10,821)	(9,866)	(341)	(10,207)
Lapse of warrants	-	-	-	-	(666)	-	-	-	666	-	-	-
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	-	6,249	6,249
Balance at 30 June 2021	23,430	3,466,638	9,777	1	-	215	117,514	(49)	(3,570,840)	46,686	4,170	50,856

	Attributable to owners of the Company											
	Share Capital-ordinary shares (Unaudited) HK\$'000	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 equity (Unaudited) HK\$'000
Balance at 1 January 2022	23,430	3,466,638	9,777	1	-	215	117,883	(49)	(3,579,214)	38,681	1,678	40,359
Loss for the period	-	-	-	-	-	-	-	-	(5,309)	(5,309)	(1,682)	(6,991)
Other comprehensive income for the period	-	-	-	-	-	30	(994)	-	-	(964)	(22)	(986)
Total comprehensive income/(expense) for the period	-	-	-	-	-	30	(994)	-	(5,309)	(6,273)	(1,704)	(7,977)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	93	93
Balance at 30 June 2022	23,430	3,466,638	9,777	1	-	245	116,889	(49)	(3,584,523)	32,408	67	32,475

The accompany notes are an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 (Unaudited)

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Net cash used in operating activities	(13,703)	(8,680)
Net cash generated from investing activities	232	295
Net cash used in financing activities	<u>(1,236)</u>	<u>(1,541)</u>
Net decrease in cash and cash equivalents	(14,707)	(9,926)
Cash and cash equivalents at the beginning of period	48,961	57,467
Effect of foreign exchange rate changes, net	<u>(699)</u>	<u>598</u>
Cash and cash equivalents at the end of period	<u>33,555</u>	<u>48,139</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>33,555</u>	<u>48,139</u>

The accompany notes are an integral part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND IMPACT OF NEW HKFRSs AND HKASs

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with the Hong Kong Accounting Standards (“**HKASs**”) 34 “Interim Financial Reporting”, other relevant HKASs and Interpretations (“**Ints**”) and Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure required by the GEM Listing Rules. It has been prepared under historical cost basis except for certain financial instruments that are measured at fair value.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2021, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints).

In the current interim 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 2022. 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 financial statements do 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 2021.

2 REVENUE

An analysis of the Group's revenue for the below-mentioned periods is as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (Restated)	2022 HK\$'000	2021 HK\$'000 (Restated)
Revenue from contracts with customers within scope of HKFRS 15				
Continuing operations				
Provision of smart retail services	<u>7,637</u>	<u>6,858</u>	<u>11,287</u>	<u>13,215</u>
Discontinued operations				
Provision of sports training services	<u>-</u>	<u>512</u>	<u>66</u>	<u>729</u>

3 SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 December 2020, the Group ceased its apartment leasing business. In the first quarter of 2020, the Group commenced the smart retail business.

In April 2022, the Group ceased its sports training business.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

Continuing operations

- (a) smart retail business – provision of new retail digital transformation solutions and new retail integrated software service platform to chain retailers and merchants, and extended services such as cloud services, omni-channel payment services and SMS marketing services, etc.;
- (b) financial technology services business – provision of credit referral and services such as credit facilitation services and post-origination services; and
- (c) lottery business – development of computer system and provision of technical consultancy services market.

Discontinued operations

- (a) apartment leasing business – management of apartment leasing for property owners and lessees; and
- (b) sports training business – provision of sports training services.

The following tables present the revenue and results for the six months ended 30 June 2022 and 2021, and the total assets and total liabilities as at 30 June 2022 and 31 December 2021 for each of the Group's business segments:

	Continuing operations			Discontinued operations			Total HK\$'000
	Smart retail business HK\$'000	Financial technology services business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Apartment leasing business HK\$'000	Sports training business HK\$'000	
Six months ended 30 June 2022 (Unaudited)							
Segment revenue	11,287	-	-	11,287	-	66	11,353
Segment loss	(3,511)	(516)	(196)	(4,223)	-	(112)	(4,335)
Interest on bank deposits, other income and losses, net				74	-	189	263
Central administration costs				(2,919)	-	-	(2,919)
(Loss)/profit before tax				(7,068)	-	77	(6,991)

	Continuing operations			Discontinued operations			Total HK\$'000
	Smart retail business HK\$'000	Financial technology services business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Apartment leasing business HK\$'000	Sports training business HK\$'000	
Six months ended 30 June 2021 (Unaudited)							
Segment revenue	13,215	–	–	13,215	–	729	13,944
Segment loss	(727)	(768)	(247)	(1,742)	–	(167)	(1,909)
Interest on bank deposits, other income and losses, net				284	(6,587)	16	(6,287)
Central administration costs				(2,909)	(1)	–	(2,910)
Loss before tax				(4,367)	(6,588)	(151)	(11,106)

	Continuing operations			Discontinued operations			Total HK\$'000
	Smart retail business HK\$'000	Financial technology services business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Apartment leasing business HK\$'000	Sports training business HK\$'000	
As at 30 June 2022 (Unaudited)							
Segment assets	16,993	1,424	1,125	19,542	–	–	19,542
Corporate and unallocated assets				29,530	–	–	29,530
Consolidated assets				49,072	–	–	49,072
Segment liabilities	(13,080)	(92)	(608)	(13,780)	–	–	(13,780)
Corporate and unallocated liabilities				(2,817)	–	–	(2,817)
Consolidated liabilities				(16,597)	–	–	(16,597)

	Continuing operations			Discontinued operations			
	Smart retail business HK\$'000	Financial technology services business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Apartment leasing business HK\$'000	Sports training business HK\$'000	Total HK\$'000
As at 31 December 2021 (Audited)							
Segment assets	30,065	37,997	1,368	69,430	–	658	70,088
Corporate and unallocated assets				20,853	–	–	20,853
Consolidated assets				<u>90,283</u>	<u>–</u>	<u>658</u>	<u>90,941</u>
Segment liabilities	27,132	112	628	27,872	–	526	28,398
Corporate and unallocated liabilities				22,184	–	–	22,184
Consolidated liabilities				<u>50,056</u>	<u>–</u>	<u>526</u>	<u>50,582</u>

4 FINANCE COSTS

	(Unaudited) Three months ended 30 June 2022 HK\$'000		(Unaudited) Six months ended 30 June 2022 HK\$'000	
	2021 HK\$'000 (Restated)		2021 HK\$'000 (Restated)	
Interest on loan from an intermediate holding company	(1)	–	52	–
Interest on lease liabilities	1	15	47	52
	<u>–</u>	<u>15</u>	<u>99</u>	<u>52</u>

5 INCOME TAX CHARGE

Income tax recognised in profit or loss

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
PRC corporate income tax				
Current tax	-	-	-	103

No provision for Hong Kong profits tax had been made as the Group had no assessable profits arising in or derived from Hong Kong for both periods.

Under the prevailing tax law in the People's Republic of China (the "PRC"), the 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 any significant unprovided deferred tax liabilities as at 30 June 2022 and 31 December 2021.

6 LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (Restated)	2022 HK\$'000	2021 HK\$'000 (Restated)
Loss for the period from continuing operations has been arrived at after (crediting)/charging:				
Bank interest income	(156)	(91)	(248)	(328)
Net foreign exchange losses	13	217	153	25
Recognition of/(reversal of) loss allowance of contract assets	–	2	–	(25)
Auditor's remuneration	260	230	520	460
Employee benefits expenses (excluding directors' emoluments)				
– Salaries, bonus and other benefits in kind	2,721	3,094	6,315	6,954
– Contributions to retirement benefits schemes	461	490	974	1,054
Directors' emoluments	286	524	654	717
Short-term leases expenses	37	19	56	46
Depreciation of property, plant and equipment	6	12	13	35
Depreciation of right-of-use assets	260	347	630	688

7 DISCONTINUED OPERATIONS

During the year ended 31 December 2020, the Group ceased the apartment leasing business in the PRC. In April 2022, the Group ceased its sports training business in Hong Kong. The results of the discontinued operations for the periods ended 30 June 2022 and 2021 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 and the sports training business as discontinued operations.

	(Unaudited) Three months ended		(Unaudited) Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Revenue	-	512	66	729
Cost of sales and services	(52)	(355)	(230)	(593)
Gross (loss)/profit	(52)	157	(164)	136
Other income and losses, net	227	(114)	340	(6,440)
Administrative expenses	(6)	(188)	(94)	(411)
Finance costs	(1)	(10)	(5)	(24)
Profit/(loss) before tax	168	(155)	77	(6,739)
Income tax charge	-	-	-	-
Profit/(loss) for the period from discontinued operations	168	(155)	77	(6,739)
Other comprehensive (expense)/income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating discontinued foreign operation	-	(208)	-	364
Other comprehensive (expense)/income for the period	-	(208)	-	364
Total comprehensive income/ (expense) arises from discontinued operations for the period	168	(363)	77	(6,375)

(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
2022	2021	2022	2021
HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)		(Restated)

Profit/(loss) for the period from discontinued operations has been arrived at after charging/(crediting):

Employee benefits expense (excluding directors' emoluments)				
– Salaries and other benefits in kind	–	223	26	329
Depreciation of property, plant and equipment	–	1	2	1
Depreciation of right-of-use assets	52	157	209	314
Loss on deregistration of subsidiaries	–	322	–	6,248
Gain on disposal of a subsidiary	(140)	–	(140)	–
	<u>(140)</u>	<u>–</u>	<u>(140)</u>	<u>–</u>

8 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 June		(Unaudited) Six months ended 30 June	
2022	2021	2022	2021
HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)		(Restated)

Loss

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

– From continuing operations	(1,603)	(2,105)	(5,411)	(4,142)
– From discontinued operations	156	(139)	102	(6,679)
	<u>(1,447)</u>	<u>(2,244)</u>	<u>(5,309)</u>	<u>(10,821)</u>

Number of shares

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 '000	2021 '000	2022 '000	2021 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>4,686,048</u>	4,686,048	<u>4,686,048</u>	4,686,048

There was no difference between the basic and diluted loss per share during the three months and six months ended 30 June 2022 as there were no dilutive potential shares outstanding for the periods.

The computation of diluted loss per share for the three months and the six months ended 30 June 2021 did not assume the issue of the Company's potential ordinary shares granted under the Company's convertible bonds and warrants since their exercise and conversion would have an anti-dilutive effect.

9 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
Net book value, beginning of the period/year	56	75
Additions	16	38
Disposal of a subsidiary	(18)	–
Depreciation	(15)	(58)
Effect of foreign currency exchange differences	(2)	1
Net book value, end of the period/year	<u>37</u>	<u>56</u>
Cost	2,367	2,395
Accumulated depreciation and impairment	<u>(2,330)</u>	<u>(2,339)</u>
Net book value, end of the period/year	<u>37</u>	<u>56</u>

10 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables, based on the respective revenue recognition date and net of loss allowance, and other receivables are as follows:

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 <i>HK\$'000</i>
0 – 30 days	6,102	14,515
31 – 60 days	21	68
61 – 90 days	1	49
Over 90 days	–	830
Trade receivables, net of loss allowance	6,124	15,462
Deposits, other receivables and prepayments	8,041	5,800
Total trade and other receivables	14,165	21,262

Trade receivables are due within 30 days from the date of billing.

11 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, and other payables are as follows:

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 <i>HK\$'000</i>
0 – 30 days	5,838	13,681
31 – 60 days	9	2
61 – 90 days	2	3
Over 90 days	4,603	456
Total trade payables	10,452	14,142
Other payables and accruals	2,311	4,381
Accrued salaries and other benefits in kind	910	1,008
Total trade and other payables	13,673	19,531

12 RELATED PARTY TRANSACTIONS

Save as disclosed in this report, the Group had the following significant transactions with related parties during the period:

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the period was as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Short-term benefits	281	645	697	972
Post-employment benefits	5	9	11	18
	<u>286</u>	<u>654</u>	<u>708</u>	<u>990</u>

13 INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

14 DISPOSAL OF A SUBSIDIARY

The Group operated Hui So Hung Table Tennis Sports Centre Limited (“**HSH Company**”, which is an insignificant subsidiary) in Hong Kong to provide table tennis training services to students with different ages and levels. The business operation and revenue of HSH Company were unfavourably affected by the continuous outbreak of COVID-19. In order to prevent further loss, the Group transferred 60% shareholdings in HSH Company indirectly held by the Company to Ms. Hui So Hung, who is the other shareholder of HSH Company (holding 40% shareholdings), at nil consideration (taking into account the net liabilities position of HSH Company). A gain on disposal of the subsidiary of approximately HK\$140,000 was recognised by the Group in the first half of 2022.

On disposal date, the net liabilities position of the HSH Company were as follows:

HK\$'000

Assets

Property, plant and equipment	18
Right-of-use asset	157
Other receivables	124
Bank balances, deposits and cash	82

381

Liabilities

Amount due to the Group	(303)
Other payables	(8)
Lease liabilities	(175)
Contract liabilities	(128)

(614)

Net liabilities

(233)

The non-controlling interests

93

Net liabilities held by the Group

(140)

Consideration

-

Gain on disposal

(140)

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 provider. Its main business is to provide new retail digital transformation solutions and new retail integrated software service platform to chain enterprises and merchants, and extended services such as cloud services (cloud storage and cloud computing), omni-channel payment services and SMS marketing services, etc. During the business development over the past two years or so, the demand for domestic cloud services and cross-border overseas business has been growing rapidly, the market extends from Mainland China to overseas, cloud services business is expected to become the focal point of development. The Group receives fixed income from the system development and the sales of software and hardware, and also receives agency fees that are based on customer's volume of usage such as transaction payment amount, cloud service usage and SMS traffic. For the six months ended 30 June 2022, the Group's smart retail business generated revenue of approximately HK\$11,287,000 (six months ended 30 June 2021: approximately HK\$13,215,000).

Financial Technology Services Business

Under the backdrop of stringent regulatory requirements in the PRC for Internet financial technology companies, uncertainties remained in the development of the Group's financial technology services business in the first half of 2022. For the six months ended 30 June 2022, the Group's financial technology services business did not generate any revenue (six months ended 30 June 2021: Nil). The Group may consider to cease this business if the current unfavourable business environment persists.

Sports Training Business

The Group operated the HSH Company to provide table tennis training services to students with different ages and levels in Hong Kong. For the six months ended 30 June 2022, the sports training business of the Group recorded a revenue of approximately HK\$66,000 (six months ended 30 June 2021: approximately HK\$729,000). During the reporting period, the Group transferred 60% shareholdings indirectly held by the Company in HSH Company (an insignificant subsidiary) to Ms. Hui So Hung, who is the other shareholder of HSH Company (holding 40% shareholdings), at nil consideration (taking into account of net liabilities position of HSH Company), thereby exiting from the sports training business. A gain on disposal of the subsidiary of approximately HK\$140,000 was recognised by the Group in the first half of 2022.

Lottery Business

For the six months ended 30 June 2022, the Group's lottery business did not generate any revenue (six months ended 30 June 2021: Nil). The Group is closely monitoring the performance of the lottery business and is downsizing this business, as it continuously recorded an operating loss.

Financial Review and Treasury Policies

For the six months ended 30 June 2022, the Group recorded an unaudited consolidated revenue from continuing operations of approximately HK\$11,287,000 (six months ended 30 June 2021: approximately HK\$13,215,000), representing a decrease of approximately 15% as compared with that of the corresponding period in 2021. The revenue of the Group was derived from its smart retail business.

The Group's discontinued operations, being its sports training business and apartment leasing business, had incurred a net profit attributable to owners of the Company of approximately HK\$102,000 for the six months ended 30 June 2022 (For the six months ended 30 June 2021, the Group's discontinued operations, being its sports training business and apartment leasing business, had incurred a net loss attributable to owners of the Company of approximately HK\$6,679,000, which was mainly attributable to the loss recognised upon deregistration of a company engaged in the apartment leasing business).

For the six months ended 30 June 2022, the unaudited consolidated loss attributable to owners of the Company was approximately HK\$5,309,000 (six months ended 30 June 2021: approximately HK\$10,821,000), representing a decrease of approximately 51% as compared with that of the corresponding period in 2021. The decrease was mainly attributable to the absence of one-off loss recognised upon deregistration of a company engaged in the discontinued apartment leasing business during the corresponding period in 2021.

The Group adopted centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

Liquidity and gearing ratio

As at 30 June 2022, the Group recorded total assets of approximately HK\$49,072,000 (31 December 2021: approximately HK\$90,941,000), total liabilities of approximately HK\$16,597,000 (31 December 2021: approximately HK\$50,582,000) and cash and bank balances of approximately HK\$33,555,000 (31 December 2021: approximately HK\$48,961,000).

As at 30 June 2022, the gearing ratio (calculated as total borrowings divided by total assets) of the Group was approximately 4% (31 December 2021: approximately 12%).

Capital structure

As at 30 June 2022, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$32,408,000 (31 December 2021: approximately HK\$38,681,000), comprising issued share capital and reserves. As at 30 June 2022, the Company's total number of issued shares (the "Shares") of HK\$0.005 each was 4,686,048,381 (31 December 2021: 4,686,048,381 Shares).

Charge on the Group's assets

As at 30 June 2022, the Group did not have any charge on its assets (31 December 2021: Nil).

Significant investments, material acquisitions or disposal of subsidiaries, associates or joint ventures

During the reporting period, the Group disposed of its 60% shareholdings in HSH Company at nil consideration. Gain on disposal of HSH Company of HK\$140,000 was recognised in the profit for the period from discontinued operations in the unaudited consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2022.

Save for those disclosed in this report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital investment and future plans for material investment or capital asset purchase

During the six months ended 30 June 2022, the Group paid approximately HK\$16,000 (six months ended 30 June 2021: approximately HK\$33,000) for the purchase of property, plant and equipment. The Group had no specific plan for material investments or acquisition of capital assets as at 30 June 2022.

Exposure to fluctuation in exchange rates

The Group's sales and purchases were mostly denominated in Hong Kong Dollars ("HK\$") and Renminbi ("RMB").

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or devaluation of RMB against HK\$ may have an impact on the operation results of the Group.

The Group monitors its foreign currency risks and will consider hedging significant currency exposures should the need arise. No hedging transaction had been entered into by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Employees and remuneration policies

As at 30 June 2022, the Group had a total of 66 employees (31 December 2021: 70).

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Prospects

The Group will continue to take a conservative stand in its financial technology services business against the backdrop of tightening industrial regulations and the impact of COVID-19. 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 businesses with growth potential.

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

As at 30 June 2022, the interests or short positions of the Directors and chief executives 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”) (Cap. 571 of the Laws of Hong Kong)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, to be recorded in the register of the Company referred to therein, 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 shares of associated corporation

Name of Director	Name of associated corporation	Capacity and nature of interests	Number of shares	Approximate percentage of issued shares ⁽¹⁾
Mr. Sun Haitao ("Mr. Sun")	51 Credit Card Inc. ("51 Credit Card")	Founder of a discretionary trust who can influence how the trustee exercises his discretion ⁽²⁾	108,159,464	7.96%
		Others ⁽²⁾	50,355,000	3.71%
		Others ⁽²⁾	142,708,272	10.51%
			301,222,736	22.18%

Notes:

- (1) The calculations were 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 30 June 2022.
- (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 108,159,464 shares in 51 Credit Card among which 20,000,000 shares were charged in favour of Hangzhou Zhenniu Information Technology Co., Ltd.* ("**Hangzhou Zhenniu**") (an indirect wholly-owned subsidiary of 51 Credit Card), a non-qualified lender; (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 142,708,272 shares in 51 Credit Card through various voting proxies.

Save as disclosed above, as at 30 June 2022, no other Director or chief executive of the Company had or was deemed to have any interest or short position 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions 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 AND OTHER PERSON IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2022, so far as was known to the Directors, the persons or entities, other than the Directors or chief executives of the Company, who had or was 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 were as follows:

Names	Capacity and nature of interests	Number of Shares directly or indirectly held and category ⁽⁴⁾	Approximate percentage of issued Shares ⁽¹⁾
Substantial Shareholders			
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%
Hangzhou Jiahao Technology Co., Ltd.* ("Hangzhou Jiahao") ⁽²⁾	Interest in controlled corporation	1,834,963,213 (L)	39.16%
Shanghai Wuniu Network Technology Co., Ltd.* ("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%

Names	Capacity and nature of interests	Number of Shares directly or indirectly held and category⁽⁴⁾	Approximate percentage of issued Shares⁽¹⁾
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%

Other persons

Tiantu Investments International Limited ⁽³⁾	Beneficial owner	365,000,000 (L)	7.79%
Mr. Zuo Lei	Beneficial owner	333,690,000 (L)	7.12%

Notes:

- (1) The calculations were 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 30 June 2022.
- (2) 51RENPIN.COM INC. is wholly owned by Shanghai Wuniu, which is in turn wholly owned by Hangzhou Jiahao. Further, contractual arrangements have been entered into between Hangzhou Zhenniu (a company wholly owned by 51 Credit Card (China) Limited, which is in turn wholly owned by 51 Credit Card) and Hangzhou Jiahao so that Hangzhou Zhenniu can control Hangzhou Jiahao. By virtue of the SFO, the above companies are deemed to be interested in those Shares held by 51RENPIN.COM INC., respectively.
- (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 30 June 2022, there was no person (not being a Director or a chief executive of the Company) who had or was deemed to have an interest or 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.

CHANGES OF INFORMATION OF DIRECTORS UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

Below is the information relating to the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules:

- the annual Director’s fee of Mr. Song Ke has been changed to HK\$100,000 with effect from 14 April 2022;
- the annual Director’s fee of Mr. Wu Bo has been changed to HK\$100,000 with effect from 14 April 2022; and
- the annual Director’s fee of Mr. Yu Tat Chi Michael has been changed to HK\$120,000 with effect from 14 April 2022.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

For the period ended 30 June 2022, the Company had applied the principles and complied with all the applicable code provisions in the corporate governance code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules, save and except for the following:

CODE PROVISION C.2.1

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

Currently, Mr. Sun takes up the roles of both chairman of the Board and the chief executive officer of the Company (the “**CEO**”), which is deviated from code provision C.2.1 of the CG Code that the roles of chairman and the CEO

are performed by the same individual. The Board considers that Mr. Sun possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. In the opinion of the Directors, through supervision by the Board and the independent non-executive Directors, together with effective control of the Company's internal check and balance mechanism, the same individual performing the roles of chairman and the CEO can achieve the goal of improving the Company's efficiency in decision making, execution and effectively capturing business opportunities. The Board will review the effectiveness of this arrangement from time to time.

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(s) regarding transactions in securities of their issuers. The Company made specific enquiries 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 interim results for the six months ended 30 June 2022 have 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.

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 six months ended 30 June 2022.

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

5 August 2022

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

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