



2023

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 : 8 0 7 1)



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HIGHLIGHTS

- The unaudited consolidated revenue of the Group from continuing operations for the six months ended 30 June 2023 was approximately HK\$9,850,000 (six months ended 30 June 2022: approximately HK\$11,287,000), representing a decrease of approximately 13% as compared with that for the corresponding period in 2022.
- The Group recorded an unaudited consolidated loss from continuing and discontinued operations attributable to owners of the Company of approximately HK\$4,396,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$5,309,000).
- The unaudited basic and diluted loss per share from continuing and discontinued operations of the Company was approximately HK0.09 cents for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK0.11 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 three months and six months ended 30 June 2023 together with the comparative figures for the corresponding periods in 2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2023 (Unaudited)

	Note	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Revenue	2	5,443	7,637	9,850	11,287
Cost of sales and services		(4,072)	(5,327)	(8,050)	(8,783)
Gross profit		1,371	2,310	1,800	2,504
Other income and gains/(losses), net		182	1,886	(593)	649
Administrative expenses		(3,180)	(5,563)	(7,001)	(9,702)
Finance costs	4	(14)	-	(22)	(99)
Loss before tax		(1,641)	(1,367)	(5,816)	(6,648)
Income tax charge	5	-	-	-	-
Loss for the period from continuing operations	6	(1,641)	(1,367)	(5,816)	(6,648)
Profit/(loss) for the period from discontinued operations	7	-	22	-	(343)
Loss for the period		(1,641)	(1,345)	(5,816)	(6,991)
Other comprehensive (expense)/income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
- Exchange differences on translating continuing foreign operations		(146)	(1,359)	150	(1,016)
- Exchange differences on translating discontinued foreign operations, net of nil tax		-	(154)	-	-
- Fair value gain on financial asset at fair value through other comprehensive income		-	-	-	30
Other comprehensive (expense)/income for the period		(146)	(1,513)	150	(986)
Total comprehensive expense for the period		(1,787)	(2,858)	(5,666)	(7,977)

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023	2022	2023	2022
<i>Note</i>	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
(Loss)/profit attributable to:				
Owners of the Company				
– Continuing operations	(1,360)	(1,457)	(4,396)	(4,991)
– Discontinued operations	–	10	–	(318)
	<u>(1,360)</u>	<u>(1,447)</u>	<u>(4,396)</u>	<u>(5,309)</u>
Non-controlling interests				
– Continuing operations	(281)	90	(1,420)	(1,657)
– Discontinued operations	–	12	–	(25)
	<u>(281)</u>	<u>102</u>	<u>(1,420)</u>	<u>(1,682)</u>
	<u>(1,641)</u>	<u>(1,345)</u>	<u>(5,816)</u>	<u>(6,991)</u>
Total comprehensive (expense)/ income attributable to:				
Owners of the Company				
– Continuing operations	(1,585)	(2,788)	(4,380)	(5,955)
– Discontinued operations	–	(144)	–	(318)
	<u>(1,585)</u>	<u>(2,932)</u>	<u>(4,380)</u>	<u>(6,273)</u>
Non-controlling interests				
– Continuing operations	(202)	62	(1,286)	(1,679)
– Discontinued operations	–	12	–	(25)
	<u>(202)</u>	<u>74</u>	<u>(1,286)</u>	<u>(1,704)</u>
	<u>(1,787)</u>	<u>(2,858)</u>	<u>(5,666)</u>	<u>(7,977)</u>
Loss per share from continuing operations				
– Basic and diluted (HK cents per share)	(0.03)	(0.03)	(0.09)	(0.11)
	<u>(0.03)</u>	<u>(0.03)</u>	<u>(0.09)</u>	<u>(0.11)</u>
Loss per share from continuing and discontinued operations				
– Basic and diluted (HK cents per share)	(0.03)	(0.03)	(0.09)	(0.11)
	<u>(0.03)</u>	<u>(0.03)</u>	<u>(0.09)</u>	<u>(0.11)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (Unaudited)

		(Unaudited) 30 June 2023 HK\$'000	(Audited) 31 December 2022 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	9	15	25
Right-of-use assets		<u>1,093</u>	<u>385</u>
		<u>1,108</u>	<u>410</u>
Current assets			
Inventories		37	38
Trade and other receivables	10	11,141	12,144
Amount due from a fellow subsidiary		1	1
Cryptocurrency		280	568
Cash and bank balances		<u>20,516</u>	<u>28,203</u>
		<u>31,975</u>	<u>40,954</u>
Current liabilities			
Trade and other payables	11	9,652	11,881
Contract liabilities		169	850
Lease liabilities		721	288
Amount due to an intermediate holding company		<u>179</u>	<u>618</u>
		<u>10,721</u>	<u>13,637</u>
Net current assets		<u>21,254</u>	<u>27,317</u>
Total assets less current liabilities		<u>22,362</u>	<u>27,727</u>

	(Unaudited) 30 June 2023 HK\$'000	(Audited) 31 December 2022 HK\$'000
<i>Note</i>		
Non-current liability		
Lease liabilities	301	–
Net assets	22,061	27,727
Capital and reserves		
Share capital	23,430	23,430
Reserves	(414)	3,966
Equity attributable to owners of the Company	23,016	27,396
Non-controlling interests	(955)	331
Total equity	22,061	27,727

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 2023 (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	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/ (expense) 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

	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	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 2023	23,430	3,466,638	9,777	1	-	116,559	(49)	(3,588,960)	27,396	331	27,727
Loss for the period	-	-	-	-	-	-	-	(4,396)	(4,396)	(1,420)	(5,816)
Other comprehensive income for the period	-	-	-	-	-	16	-	-	16	134	150
Total comprehensive income/ (expense) for the period	-	-	-	-	-	16	-	(4,396)	(4,380)	(1,286)	(5,666)
Balance at 30 June 2023	23,430	3,466,638	9,777	1	-	116,575	(49)	(3,593,356)	23,016	(955)	22,061

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023 (Unaudited)

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net cash used in operating activities	(7,646)	(13,703)
Net cash generated from investing activities	192	232
Net cash used in financing activities	(485)	(1,236)
Net decrease in cash and cash equivalents	(7,939)	(14,707)
Cash and cash equivalents at the beginning of period	28,203	48,961
Effect of foreign exchange rate changes, net	252	(699)
Cash and cash equivalents at the end of period	20,516	33,555
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	20,516	33,555

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 2023 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 2023 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2022, 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 2023. 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 2022.

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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Revenue from contracts with customers within scope of HKFRS 15				
Continuing operations				
Provision of smart retail services	5,443	7,637	9,850	11,287
Discontinued operations				
Provision of sports training services	-	-	-	66

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.

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

During the year ended 31 December 2022, the Group ceased its financial technology services 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.; and
- (b) lottery business – development of computer system and provision of technical consultancy services market.

Discontinued operations

- (a) sports training business – provision of sports training services; and
- (b) financial technology services business – provision of credit referral and services such as credit facilitation services and post-origination services.

The following tables present the revenue and results for the six months ended 30 June 2023 and 2022, and the total assets and total liabilities as at 30 June 2023 and 31 December 2022 for each of the Group's business segments:

	Continuing operations			Discontinued operations		Total HK\$'000
	Smart retail business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Sports training business HK\$'000	Financial technology services business HK\$'000	
Six months ended 30 June 2023 (Unaudited)						
Segment revenue	9,850	-	9,850	-	-	9,850
Segment loss	(2,498)	(196)	(2,694)	-	-	(2,694)
Interest on bank deposits, other income and losses, net			(377)	-	-	(377)
Central administration costs			(2,745)	-	-	(2,745)
Loss before tax			(5,816)	-	-	(5,816)

	Continuing operations			Discontinued operations		
	Smart retail business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Sports training business HK\$'000	Financial technology services business HK\$'000	Total HK\$'000
Six months ended 30 June 2022						
(Unaudited)						
Segment revenue	11,287	-	11,287	66	-	11,353
Segment loss	(3,511)	(195)	(3,706)	(112)	(514)	(4,332)
Interest on bank deposits, other income and losses, net			54	189	94	337
Central administration costs			(2,996)	-	-	(2,996)
(Loss)/profit before tax			(6,648)	77	(420)	(6,991)

	Continuing operations			Discontinued operations		
	Smart retail business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Sports training business HK\$'000	Financial technology services business HK\$'000	Total HK\$'000
As at 30 June 2023 (Unaudited)						
Segment assets	12,554	605	13,159	-	-	13,159
Corporate and unallocated assets			19,924	-	-	19,924
Consolidated assets			33,083	-	-	33,083
Segment liabilities	9,562	293	9,855	-	-	9,855
Corporate and unallocated liabilities			1,167	-	-	1,167
Consolidated liabilities			11,022	-	-	11,022

	Continuing operations			Discontinued operations		
	Smart retail business HK\$'000	Lottery business HK\$'000	Subtotal HK\$'000	Sports training business HK\$'000	Financial technology services business HK\$'000	Total HK\$'000
As at 31 December 2022 (Audited)						
Segment assets	15,978	1,158	17,136	-	-	17,136
Corporate and unallocated assets			24,228	-	-	24,228
Consolidated assets			<u>41,364</u>	<u>-</u>	<u>-</u>	<u>41,364</u>
Segment liabilities	9,764	650	10,414	-	-	10,414
Corporate and unallocated liabilities			3,223	-	-	3,223
Consolidated liabilities			<u>13,637</u>	<u>-</u>	<u>-</u>	<u>13,637</u>

4 FINANCE COSTS

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000 (Restated)	2023 HK\$'000	2022 HK\$'000 (Restated)
Interest on loan from an intermediate holding company	-	(1)	-	52
Interest on lease liabilities	<u>14</u>	<u>1</u>	<u>22</u>	<u>47</u>
	<u>14</u>	<u>-</u>	<u>22</u>	<u>99</u>

5 INCOME TAX CHARGE

Income tax recognised in profit or loss

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 the six months ended 30 June 2023 and 2022.

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 the six months ended 30 June 2023 and 2022. 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 2023 and 31 December 2022.

6 LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000 (Restated)	2023 HK\$'000	2022 HK\$'000 (Restated)
Loss for the period from continuing operations has been arrived at after (crediting)/charging:				
Bank interest income	(84)	(156)	(192)	(229)
Net foreign exchange (gains)/losses	(156)	13	568	153
Auditor's remuneration	260	260	520	520
Employee benefits expenses (excluding directors' emoluments)				
– Salaries, bonus and other benefits in kind	2,277	2,582	5,217	5,937
– Contributions to retirement benefits schemes	245	403	569	855
Directors' emoluments	370	286	736	654
Short-term leases expenses	28	37	55	56
Depreciation of property, plant and equipment	5	6	10	13
Depreciation of right-of-use assets	231	260	488	630

7 DISCONTINUED OPERATIONS

In April 2022, the Group ceased the sports training business in Hong Kong. During the year ended 31 December 2022, the Group ceased its financial technology services business in the PRC. The results of the discontinued operations for the periods ended 30 June 2023 and 2022 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 sports training business and the financial technology services business as discontinued operations.

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Revenue	-	-	-	66
Cost of sales and services	-	(52)	-	(230)
Gross loss	-	(52)	-	(164)
Other income and losses, net	-	283	-	434
Administrative expenses	-	(208)	-	(608)
Finance costs	-	(1)	-	(5)
Profit/(loss) before tax	-	22	-	(343)
Income tax charge	-	-	-	-
Total comprehensive income/ (expense) arises from discontinued operations for the period	-	22	-	(343)
Profit/(loss) for the period from discontinued operations has been arrived at after charging/(crediting):				
Bank interest income	-	(19)	-	(19)
Employee benefits expense (excluding directors' emoluments)				
- Salaries and other benefits in kind	-	139	-	404
Depreciation of property, plant and equipment	-	-	-	2
Depreciation of right-of-use assets	-	52	-	209
Gain on disposal of a subsidiary	-	(140)	-	(140)

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	
	2023 HK\$'000	2022 HK\$'000 (Restated)	2023 HK\$'000	2022 HK\$'000 (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	(1,360)	(1,457)	(4,396)	(4,991)
– From discontinued operations	–	10	–	(318)
	<u>(1,360)</u>	<u>(1,447)</u>	<u>(4,396)</u>	<u>(5,309)</u>

Number of shares

	(Unaudited) Three months ended June		(Unaudited) Six months ended 30 June	
	2023 '000	2022 '000	2023 '000	2022 '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 2023 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 2022 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 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
Net book value, beginning of the period/year	25	56
Additions	–	16
Disposal of a subsidiary	–	(18)
Depreciation	(10)	(25)
Effect of foreign currency exchange differences	–	(4)
	<u>15</u>	<u>25</u>
Net book value, end of the period/year	<u>15</u>	<u>25</u>
Cost	2,344	2,356
Accumulated depreciation and impairment	(2,329)	(2,331)
	<u>15</u>	<u>25</u>
Net book value, end of the period/year	<u>15</u>	<u>25</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 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
0 – 30 days	5,326	2,709
31 – 60 days	518	848
61 – 90 days	210	786
Over 90 days	–	196
	<u>6,054</u>	<u>4,539</u>
Trade receivables, net of loss allowance	6,054	4,539
Deposits, other receivables and prepayments	5,087	7,605
	<u>11,141</u>	<u>12,144</u>
Total trade and other receivables	<u>11,141</u>	<u>12,144</u>

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 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
0 – 30 days	7,327	6,917
31 – 60 days	43	159
61 – 90 days	1	6
Over 90 days	335	332
Total trade payables	7,706	7,414
Other payables and accruals	1,290	2,783
Accrued salaries and other benefits in kind	656	1,684
Total trade and other payables	9,652	11,881

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 2023 HK\$'000		(Unaudited) Six months ended 30 June 2023 HK\$'000	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Short-term benefits	360	281	721	697
Post-employment benefits	10	5	15	11
	370	286	736	708

13 INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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:

	<i>HK\$'000</i>
Assets	
Property, plant and equipment	18
Right-of-use asset	157
Other receivables	124
Bank balances, deposits and cash	82
	<hr/>
	381
Liabilities	
Other payables	(311)
Lease liabilities	(175)
Contract liabilities	(128)
	<hr/>
	(614)
Net liabilities	(233)
The non-controlling interests	93
	<hr/>
Net liabilities held by the Group	(140)
Consideration	–
	<hr/>
Gain on disposal	<u>(140)</u>

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. The demand for domestic cloud services and cross-border overseas business has been growing rapidly, the market extends from Mainland China to overseas, and the cloud services business has become the focal point of development of the Group.

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 2023, the Group's smart retail business generated revenue of approximately HK\$9,850,000 (six months ended 30 June 2022: approximately HK\$11,287,000). The decrease in revenue generated for the six months ended 30 June 2023 was mainly due to the decreased data usage compared to the corresponding period in 2022. Such decrease in data usage is primarily attributable to the end of remote work arrangements as businesses returned to normalcy after the COVID-19 Pandemic which reduced demand for cloud services.

Financial Technology Services Business

The Group has ceased the financial technology services business in order to focus the Group's resources on the smart retail business after considering that the financial technology services business had been continuously loss-making and could not cope with the direction of the Group's future development. As such the financial technology services business has been classified as a discontinued operation of the Group. The Group's financial technology services business did not generate any revenue for the six months ended 30 June 2023 (six months ended 30 Jun 2022: Nil).

Sports Training Business

In April 2022, the Group exited from the sports training business and classified such business segment as a discontinued operation. A gain on disposal of the subsidiary of nil was recognised by the Group in the first half of the year ended 31 December 2023 (first half of the year ended 2022: approximately HK\$140,000). For the six months ended 30 June 2023, the sports training business did not generate any revenue (six months ended 30 June 2022: approximately HK\$66,000).

Lottery Business

For the six months ended 30 June 2023, the Group's lottery business did not generate any revenue (six months ended 30 June 2022: Nil). The Group is closely monitoring the performance of the lottery business and may consider closing this business, as it keeps recording an operating loss.

Financial Review and Treasury Policies

For the six months ended 30 June 2023, the Group recorded an unaudited consolidated revenue from continuing operations of approximately HK\$9,850,000 (six months ended 30 June 2022: approximately HK\$11,287,000), representing a decrease of approximately 13% as compared with that of the corresponding period in 2022. The revenue of the Group for the six months ended 30 June 2023 was mainly derived from its smart retail business.

The Group's discontinued operations, being its financial technology services business and sports training business, had not incurred any loss attributable to owners of the Company for the six months ended 30 June 2023 (for the six months ended 30 June 2022, the Group's discontinued operations, being its financial technology services business and sports training business, had incurred a net loss attributable to owners of the Company of approximately HK\$318,000).

For the six months ended 30 June 2023, the unaudited consolidated loss attributable to owners of the Company was approximately HK\$4,396,000 (six months ended 30 June 2022: approximately HK\$5,309,000), representing a decrease of approximately 17% as compared with that of the corresponding period of 2022. The decrease was mainly attributable to the absence of revenue generated by the discontinued sports training business of the Group and decreased data usage primarily attributable to the end of remote work arrangements as businesses returned to normalcy after the COVID-19 Pandemic, which reduced demand for the Group's cloud services for the six months ended 30 June 2023.

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

Liquidity and gearing ratio

As at 30 June 2023, the Group recorded total assets of approximately HK\$33,083,000 (31 December 2022: approximately HK\$41,364,000), total liabilities of approximately HK\$11,022,000 (31 December 2022: approximately HK\$13,637,000) and cash and bank balances of approximately HK\$20,516,000 (31 December 2022: approximately HK\$28,203,000).

As at 30 June 2023, the Group had no bank borrowings or facilities (2022: Nil) and so the gearing ratio of the Group (calculated as total borrowings divided by total assets) was nil (31 December 2022: Nil).

Capital structure

As at 30 June 2023, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$23,016,000 (31 December 2022: approximately HK\$27,396,000), comprising issued share capital and reserves. As at 30 June 2023, the Company's total number of issued shares (the "Shares") of HK\$0.005 each was 4,686,048,381 (31 December 2022: 4,686,048,381 Shares).

Charge on the Group's assets

As at 30 June 2023, the Group did not have any charge on its assets (31 December 2022: Nil).

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

There were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, the Group did not make any payment (six months ended 30 June 2022: approximately HK\$16,000) for the purchase of property, plant and equipment and had no specific plan for material investments or acquisition of capital assets as at 30 June 2023.

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 2023 (six months ended 30 June 2022: Nil).

Contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

Employees and remuneration policies

As at 30 June 2023, the Group had a total of 43 employees (31 December 2022: 55). During the six months ended 30 June 2023, the Group incurred total staff costs of approximately HK\$5.2 million (six months ended 30 June 2022: approximately HK\$5.9 million).

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's business growth will continue to be propelled by its smart retail business and the business of the Group will be focusing mainly on the development of cloud services. With the rise of artificial intelligent in this year, it is expected to drive the demand for cloud services again in the future. At the same time, the Group will closely monitor and may downsize or cease its loss-making lottery business in order to focus its resources on business(es) 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 2023, 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 2023.
- (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 97,297,298 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 Xinqu 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 2023, 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 2023, 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) (3)}	Beneficial owner	1,834,963,213 (L)	39.16%

Names	Capacity and nature of interests	Number of Shares directly or indirectly held and category ⁽⁴⁾	Approximate percentage of issued Shares ⁽¹⁾
Other persons			
Mr. Wang Yonghua ("Mr. Wang") ⁽³⁾	Interest in controlled corporation	365,000,000 (L)	7.79%
Tian Tu Capital Co., Ltd.* ("Tian Tu Capital") ⁽³⁾	Interest in controlled corporation	365,000,000 (L)	7.79%
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 2023.
- (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) Pursuant to the deed of release dated 9 January 2023 entered into between Tiantu Investments Limited and 51RENPIN.COM INC., 1,834,963,213 shares secured in favour of Tiantu Investments Limited have been discharged. With this regard, Mr. Wang is deemed to be interested in 365,000,000 Shares held by Tiantu Investments International Limited, a company wholly owned by Tian Tu Capital which is owned as to approximately 40.35% by Mr. Wang.
- (4) (L) – Long Position.

Save as disclosed above, so far as was known to the Directors, as at 30 June 2023, 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.

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 2023, the Company had applied and complied with all the code provisions in the corporate governance code (the “**CG Code**”) as set out in Part 2 of 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 being the chairman of the Board, also serves as the function of chief executive officer of the Company (the “**CEO**”) which is deviated from the 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, 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. The Company is still looking for a suitable candidate to fill the vacancy of the CEO 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 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 six months ended 30 June 2023.

AUDIT COMMITTEE

The Group's unaudited consolidated results for the six months ended 30 June 2023 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 2023.

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

4 August 2023

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, Ms. Liu Jia 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.*