13 APRIL 2017

BNN Technology plc
Final Results for the 12 months ended 31 December 2016

BNN Technology (AIM: BNN), a London-listed Chinese technology, content and services company, today announces its unaudited financial results for the 12 months ended 31 December 2016.

Darren Mercer, Chief Executive of BNN Technology, said:

"2016 has been a year of significant investment. We have invested heavily in building our new platform and we have pivoted to becoming a technology portal in China. We have a clear strategy, and are focused on developing our capabilities in three core areas: payments, content and value-added services.

We announced a number of commercial deals, including the Xinhua News agency deal and FC Barcelona agreement that will help grow revenue streams, notably in the mobile payments and content space, and raised £51.2 million in three placings to secure the future of the business. We also rebranded the Group, moved our FTSE sector classification to 'Internet', formally began our NASDAQ listing and added three new directors to the Board.

As a result of this transformation, we have made significant investment upfront to build out our expertise in both data and operations. We believe this investment will add significant value to the group in building, what we hope, will be one of the largest databases in China, have been critical in opening up further commercial opportunities with key partners, and also drive the Group's revenue growth, in 2017 and beyond. Reflecting this investment, our technology and people costs have increased and this has meant our loss for the year has widened from what we reported in 2015.

We are tremendously excited about 2017, and the announcements we have made to the market recently demonstrate our ambitions to develop our student services platform and our intention to enter the credit rating industry, both underpinned by further funding from leading institutional investors to support these initiatives. These new services, in addition to the payments and content businesses we are growing, will help us progress into a fully-fledged portal."

Financial Highlights

- **Revenue** for the Group was £2.1 million in 2016, down from £5.5 million in the prior year as the business pivoted into a technology company and began generating revenues from its new business model in the second half of 2016.
- **Gross Transaction Volumes** (GTV) increased £210.2 million to £289.6 million following the launch of the B2B mobile payments business in second half of 2016. This metric reflects the volume of transactions across all of our platforms.
- **Operating Loss** widened from £9.3 million in 2015 to £16.5 million in 2016, as the business invested in people and technology, sought a secondary listing in the United States and entered into the partnership with the Xinhua News Agency in 12 provinces across China.
- **Loss per share** of 10.08p versus 8.48p in 2015.
- **Cash and cash equivalents** £28.0 million at year end 2016 versus £4.0 million 2015 year end.

Operating and Corporate Highlights

- **Raised £51.2 million across three placings** in the year, providing vital funding to grow our business and adding a number of high quality institutions into the share register including Capital Research & Management and Hadron Capital LLP.
- **Began our formal application** for a secondary listing on NASDAQ at the end of October 2016.
- **Rebranded the Group** from DJI Holdings plc to BNN Technology plc to reflect our current business model and Chinese heritage.
- **Formally moved FTSE sector classification** on LSE AIM from 'Gambling' to 'Internet'.
- **Added three new directors to the Board**, two of which are Chinese, providing an appropriate balance on the Board of our operational scope. New directors were: Group CFO Scott Kennedy, China CEO Wei Qi, and new Non-Executive Dong Jinhua.
- **Actively recruiting two additional non-executive directors,** including an Audit Chair, following Robert Lerwill's retirement.

Payments business

- **Signed a significant commercial deal,** through our technology partner NewNet, with Xinhuatong and Xinhua News Agency for the exclusive rights for payment processing and key services on the Xinhua News mobile app.
- **Completed a 10% strategic investment** in Xinhuatong, further strengthening the relationship between BNN and Xinhuatong and ensuring BNN has access to opportunities to build additional revenue streams.
- **Completed signing of all 12 targeted provinces,** as part of the Xinhua deal, before year end, well ahead of schedule.
- **Launched the B2B mobile payments business** in the second half of 2016, generating £285m of digital GTV in the year.
- **Post year end, signed an agreement to develop a motorist services platform** for Xinhua News Mobile app, allowing consumers in China to top-up pre-paid petrol cards. Motor insurance, car park payments, car maintenance and traffic fines will follow.

Content business

- **Signed unique mobile content and competitions deals** with FC Barcelona in December and Arsenal in March 2017, with content accessible via the Xinhua News mobile app.
- **Signed advertising deal** that will allow us to generate advertising revenues from our mobile content.

Services business

- Announced intention to develop **student services platform**, providing recruitment, business incubator and financial services to students in China. This is a platform where we expect to generate advertising revenues and cross sell our payments business.
- Announced intention to **develop a credit rating platform** with key local Chinese partners in 2017.

Post Year End and Q1 Trading Update

- The partnerships with FC Barcelona and Arsenal FC are progressing well. We are currently building and testing the content interfaces with Xinhua and organising the coaching clinics. We expect the content and football clinic competitions to go live in Q2 2017.
- Business to consumer (B2C) mobile phone top-ups are live on the Xinhua News app, although the volumes are very low in Q1 2017, compared to B2B transactions.
- Announcement of a platform for motorists, working with strategic local partners, to bring fuel card top-ups, car insurance and motoring fines payments onto the Xinhua News app, which will provide a further revenue stream for our payments business.
- GTV grew 53% quarter on quarter from £269.5 million in Q4 2016 to £413.4 million Q1 2017 driven by B2B mobile payments.
- **Up to £25 million placing** to fund the building of the student services platform, creating a business incubator platform for student-led technology start-ups, as well as recruitment and financial services, providing working capital for the payments business and funds to develop a credit rating platform with local partners.

Outlook

- The business is expected to deliver growth in the remainder of 2017 across all three Key Performance Indicators (KPIs) used by the board to evaluate the Group's financial and operating performance. These are:
    - **Revenue growth:** we anticipate revenues to increase as we develop new payments, receive advertising revenues from our unique content, and launch our new student and credit services propositions.
    - **Gross Transaction Volumes (GTV):** This measures the volume of all gross transactions that are fulfilled by our platform. The group will notably increase GTV from the previous year, a lead indictor of revenue growth, via our payments platform, which will demonstrate the size and scope of our technology.
    - **Average monthly active users (MAU):** The increase in our average monthly active users, who visit our content and utilise our student services platform, will mean this expanded base can generate network effects, ensuring greater amounts of user data and advertising revenues.
- Mobile sports content is expected to go live in Q2 2017. Further content deals, including mobile games, are expected to be announced shortly, bringing more internationally recognised brands into our sports portfolio.
- We anticipate generating advertising revenues in the second half of 2017 following the launch of the mobile sports content.
- Motorist platform will go live in the second half of 2017 with fuel card top-up payments expected to be a key contributor to Group revenues.
- Nasdaq application continues, though we are well advanced in our application process with the United States Securities & Exchange Commission. We are optimistic we will be listed in the third quarter of 2017.

- Like many high-growth emerging technology companies in a similar phase in their life cycle as us, we will continue to see operating expenditure, reflecting the investments we will make in people and technology, especially as we look to build our platform with the addition of student and credit rating services, and new payments. Accordingly, the results for the first half of 2017 will reflect continued investment, whilst we remain hopeful that we will generate an operating profit in the second half of 2017.

CHAIRMAN'S REVIEW

2016 has been a year of transition and transformation for BNN Technology. Back in Q1 2016, before we signed the ground-breaking deal with Xinhuatong and the Xinhua News Agency, I could not have predicted the diversity and number of opportunities that the Group now has, nor the variety of business models we have developed. The business had an uncertain future following the suspension of the online lottery in China in March 2015. However, in 2016, we successfully pivoted from a lottery company into a Chinese technology company offering mobile payments, unique content and value-added services to millions of Chinese consumers and started the journey of BNN Technology becoming a Chinese technology portal. This transition was formalised in September by changing the name of the company to BNN Technology and our FTSE Industry Classification Benchmark from "Gambling" to "Internet".

In 2016, we successfully raised a total of £51.2 million to build out our technology platform, allowing us to enter into key partnerships and develop and establish our three business areas: payments, content, and value-added services. In a relatively short period of time, we have made significant strides in growing each of these areas, and we demonstrated the potential of our new business model in September 2016 with the first revenues coming from mobile top-ups. Entry into mobile payments, using our platform and the strong business relationships we developed in China, has opened up access to more opportunities in payments and services, which we are eager to explore in 2017.

To support our ambitious business development goals, we formally started our application for a secondary listing on Nasdaq. This listing will allow us access to a deeper pool of capital and attract investors with a greater understanding of our business to support us in our ambition to become a leading technology player in China.

With all the changes the Group has experienced and the developments in the pipeline, we will need a strong and diverse Board to support the business. In 2016, we strengthened the Board with the appointment of three Directors: Scott Kennedy as Group Chief Financial Officer, current China CEO and COO Wei Qi, and Xinhuatong CEO Dong Jinhua as a non-executive director. Scott's financial background brings to the Group stability and focus in the Finance area, while the introduction of Wei Qi and Dong Jinhua to the Board better reflects our market focus and provides cultural balance and valuable local expertise. In particular, the appointment of Dong Jinhua demonstrates the strength and long-term nature of the relationship and partnership between NewNet, Xinhuatong and BNN.

In December 2016, Robert Lerwill, Non-Executive Director and Chairman of the Audit Committee, announced his retirement from his position. Robert has been on the Board since before the IPO of the company and has provided enduring support during BNN's evolution. I would like to thank Robert for the major contribution he has made to BNN Technology and for his invaluable counsel to the Board on regulatory and compliance matters throughout his tenure. I wish him the very best and a happy and enjoyable retirement.

Given our transformation to a technology company, the tremendous opportunities that lie ahead and the tougher regulatory environment we will face in the US as a Nasdaq listed company, corporate governance is a constant priority. We are already well advanced in our search for a new Audit Committee Chair and additional non-executive board members to provide the right mix of regional, regulatory and industry expertise to match the company's development ambitions. With the help of our advisors, we are making a number of improvements to strengthen corporate governance and regulatory oversight to support the Group through its development in 2017 and beyond.

Looking back at the significant progress we have made in 2016 to transform our business, I am proud of what the Group has achieved thus far and I would like to thank all of the BNN team in the UK and China for their dedication and hard work. The Nasdaq listing and reinforced Board will bolster our confidence and ability to capitalise on the rapid growth of China's mobile payment and ancillary services. I am very excited about the new content and services we have planned for 2017, as well as the opportunities ahead.

Lord Mancroft

Chairman

13 April 2017

CHIEF EXECUTIVE'S REVIEW

Overview

Over the past year, we have made great strides in the transformation of BNN into a Chinese technology, content and value-added services company and started our journey to becoming a Chinese technology portal. We have come a long way since our days as a specialist provider to the Chinese lottery industry, and as China has evolved, so has the company. We made many changes throughout 2016, from the ground-breaking Xinhua deal, our strategic rebrand to BNN, to becoming a regional sponsor of FC Barcelona, and proving our B2B strategy in mobile payments. Yet we have stayed true to our core strengths: we continue to leverage our highly scalable and robust technology platform, and are working with our partners to develop value-added services and engaging content.

Strategy

Our vision is to become a leading Chinese technology portal with three key business areas: payments, value-added services, and content. We will continue to build out our technology infrastructure, diversify our revenue mix, offer more services, build out our database, as well as delivering engaging content to our partners.

<u>Payments</u>

On payments, we secured B2B contracts with businesses across 31 provinces in China to facilitate mobile top up payments. As of now, the vast majority of our payments revenue is currently from B2B transactions, which are extremely high volume, though low margin, but this allows us to demonstrate the strength of our technology and provides us with valuable customer data. We are looking to develop more B2B partnerships, as we expand the portfolio of payments and diversify our revenue mix. As we announced in December 2016, we had over RMB 1 billion of mobile top-up transactions being facilitated though our platform in the month of November 2016.

Whilst the B2B model is an important entry point for us to prove our concept and refine our offering for the B2C model, the B2C model is where we want to grow the business strategically in the mid-term, as it is higher margin and provides richer customer data than the B2B model. We announced in December 2016 that our technology partner NewNet had signed all 12 of the targeted provinces under the Xinhua News Agency-Xinhuatong partnership. We have been working hard to build the infrastructure to support B2C payments on the Xinhua News app and our mobile top-up business went live in 10 provinces in the first quarter of 2017. Whilst volumes are low at this time, we will be using the launch of the FC Barcelona content on the Xinhua app to begin an aggressive marketing campaign to advertise the payments functionality and convert readers of Xinhua's news into active users of the payments platform. Xinhua confirmed that 140 million users had downloaded their news app by October 2016.

Strategically we aim to grow the GTVs our platform fulfils, demonstrating the size and scope of our technology. In 2016 we fulfilled £289.6 million in digital transactions on our platform. Growing the GTVs, which is a leading indicator of revenue growth and growth in our data platform, is a key operating metric that the Board and management will be focusing on in 2017.

Content

We continue to use our strong relationships with international football clubs to develop unique engaging digital content for our mobile partners. Football in China is seeing explosive growth spurred by President Xi Jinping's mission for the country to qualify for, host and win a World Cup. BNN is supporting China in achieving this ambitious goal by bringing world famous football clubs together with grassroots Chinese footballers to foster social participation. The partnership with FC Barcelona ("FCB"), to deliver FCB content on the sports channel of the Xinhua News app, and to run a series of football camps to train hundreds of young football players, is the latest example of our commitment to China.

Since we announced the FCB deal, we have been actively building the content platform and are expected to launch the FCB content on the Xinhua News app in the coming weeks. FCB has 5.5 million registered fans in China and we are hopeful both these fans and new ones will sign up, on our platform, for access to unique FCB content and for the chance to be trained by FCB coaches, or travel to train at FCB's facilities in Barcelona. These are opportunities that are not available anywhere else in China, so we are confident that we will attract high volumes of consumers to access the content. We have also been working with various partners to organise the first amateur training camps and expect to deliver those before the end of June 2017. With the development and delivery of this mobile content, we expect to further diversify our revenue streams, as this allows us to generate advertising revenues for the Group.

Post year end we have announced an extension of the deal we did with Arsenal football club. This deal is similar in nature to the FCB deal, providing content, competitions, and coaching opportunities that will offer unique content and opportunities for Chinese consumers. We are also launching a fantasy football game, tied in with the Chinese Super League, one of the first games of its type in China. The content will go live in the second quarter of 2017 and we are confident we will see growth in active users over the year, as we promote the content across a number of media outlets throughout China and increase the volume of unique content and competitions.

Strategically we aim to grow the number of active users on our platform, and measuring and reporting the number of consumers that regularly access content on the sports content we have introduced on the Xinhua News app, will be a key operating metric for the Board and management team in 2017. The more we grow the user base, the greater amount of consumer data we collect and the more we can grow our advertising revenues. Some of the largest technology companies in the world, such as Facebook, Snapchat and Tencent, all have active users as a key operating metric, and as an emerging technology portal, we also see active user growth as key to measuring our performance and a leading indicator of future revenue growth.

Value-added Services

In 2017 we will be announcing some new and exciting services that we will be developing alongside new and existing commercial partners, subject to agreeing final terms and financing where necessary.

The first is our student services platform that was announced post year end, providing a one stop-shop for students to find jobs, develop their business ideas, and attract funding for those ideas and financial services.

One of the key initiatives in China's 13th Five-Year plan (2016-2020) is to promote education. The plan encourages the cultivation of students' entrepreneurship and innovation capabilities and practical skills. It also emphasizes the need for recruitment reforms. One of the key government initiatives is to ensure that students who complete higher education are either successful in getting an appropriate job upon graduation, or successfully launching a new business. To help the government achieve this goal, we expect to sign key new partnerships to launch our student services platform initially in one province later this year, though we have aspirations to roll it out nationally. Our platform will have three core services;

1. A recruitment portal that will connect university students with potential employers, providing robust verification of both student and employers credentials.

2. A business incubator platform where students can seek information on how to develop their business ideas and source funding from angel investors or crowdfunding

3. A platform that allows students to access financing to support them through their studies by purchasing expensive equipment such as mobile phones and laptops.

We are delighted to be working on such an important initiative and are confident this will drive further growth of active users on our technology platform.

The second services platform is a credit rating platform that we also announced post year end. This is a tremendously exciting opportunity for the company to participate in a market that has been described as "probably the largest untapped consumer finance market globally," by the founder and chief executive of China Rapid Finance, Zane Wang, who spent years as the head of analytics at the credit arm of Sears, the American retailer. In the western world, the large established credit rating companies, such as Equifax and Experian, compile borrowing and repayment records to create credit ratings or scores. Lending institutions, including banks, rely heavily on those scores to make lending decisions for both companies and individuals. China lacks a direct equivalent of this and there are no established credit rating companies operating in the country. The central bank's main database includes personal credit history data on less than a third of the country's population.

Aligning ourselves to another critical government initiative, where the government has announced the intention to establish a centralised "social credit system" for all citizens and companies by 2020, we have announced that following the recent placing, we now have sufficient funding to be able to begin building out a credit rating platform and hire the relevant technical expertise in this field. In addition to the initial build-out phase where we will invest heavily in people and technology over the next few months, we will be reaching out to, and working with a number of companies, as a technology partner, to provide them access to our platform and expertise and begin to develop the commercial side of the business. This is a tremendously exciting opportunity for the company and is one which will notably support growth of our data platform. It is also an opportunity which we feel will add considerable value to the Group over the coming months and years.

We look forward to keeping the market abreast of how these new services evolve over the coming months.

Fundraising & Strategic Partnerships

During 2016, we completed a total of £51.2 million in fundraising to support our growth into payments, data, and advertising, as well as welcomed a number of high quality institutional investors onto our shareholder register. With this additional capital, we have recruited a highly-experienced specialist data team with analytic and data mining experience to enrich product development and generate advertising revenue potential with our partners. We are now classified as an internet company on the London Stock Exchange, placing us within the appropriate peer group for our business model.

In 2016, we completed a strategic investment and agreed to transfer NewNet's legacy lottery related assets into Xinhuacai, our joint venture with Xinhuatong. This is in exchange for a 10% stake in Xinhuatong, which holds the exclusive rights for payment facilitation services on the Xinhua News app. This strategic investment strengthens our relationship with Xinhuatong, offering us the opportunity to work with them on a number of future commercial initiatives, as well as allow us to benefit from the return of the Chinese online lottery market if, and when, the suspension is lifted. As of today, the Chinese online lottery market is still under temporary suspension by Chinese authorities.

Nasdaq

I am pleased to report that we submitted our formal application for a secondary listing on the Nasdaq in the fourth quarter of 2016, and that process is progressing well towards a Q3 2017 listing. We continue to work with the Nasdaq exchange, our legal and financial advisers and the US Securities and Exchange Commission on the application and we will appraise the market when we have further updates.

Financial Review

For the year ended 31 December 2016, the company reported revenues of £2.1 million and an operating loss of £16.5 million versus £5.5 million and £9.3 million in 2015. The gross transaction volumes for the group grew from £79.4 million in 2015 to £289.6 million in 2016. Whilst revenue declined year on year, this reflects the fact the business has transformed from a lottery provider in 2015 to a technology company in 2016, with the majority of transactions relating to its new mobile payments business in the latter half of 2016.

In December, GTVs grew approximately 3% versus November but in January we saw the volume of transactions jump 20%. Overall, we have seen Q1 2017 GTVs grow to £413.4 million versus £269.5 million in Q4 2016 and we anticipate continued growth in 2017 as new services come on line through the year.

Administration expenses before exceptional items in 2016 were £15.9 million (2015: £9.0 million). A further £0.7 million of costs were charged to the income statement relating to the formal application for a secondary listing on Nasdaq in 2016 (2015: £0.7 million relating to the issue of warrants, settlement agreements and placing costs). These have been treated as exceptional. In 2015, we downsized corporate overheads, restricting expenses where we could given the change in regulation and suspension of the online lottery. In 2016 expenses have increased reflecting business investment in a number of key commercial developments.

We have grown headcount across the organisation from a low of 226 in 2015 to 285 employees in 2016. This increase reflected the ongoing investment being made in our technology and data teams, and finance and marketing functions, as we prepare for the Nasdaq and operationalising our Xinhua contracts respectively. The increase in headcount is reflected in the increase in wages and salaries that increased £0.8 million (18.3%) to £5.0 million in 2016. The signing of the Xinhua News Agency deal in April 2016, and the speed by which we signed up our twelve targeted provinces, plus the signing of advertising rights on the Xinhua app, resulted in expenses increasing by £3.5 million versus the prior year. Under the terms of the Xinhua deal, we pay a profit share to each Xinhua province, subject to an agreed guaranteed minimum, which varies across the provinces, and thus these will be ongoing costs we expect to incur in future years. These investments made in 2016 have provided a foundation for growth and also opened up new commercial opportunities with key partners for 2017 and beyond.

In August 2015 Beijing New Net Science and Technology Development Limited ("NewNet"), a company within the Group, entered into an agreement with a Chinese national to develop and promote online sports lottery products in the Chinese province of Shandong. As part of the agreement a new company was formed, Qingdao BaiFa Technology Co,Limited ("BaiFa"), of which the Group owned 50%. However, in October 2016, due to the uncertainty surrounding the resumption of the online lottery and the repositioning of the group as a technology company, the group decided to dispose of its interests in BaiFa. The associate had a loss on disposal of £0.2 million.

At year end, BNN had £28.0 million in cash and cash equivalents (£4.0 million in 2015). The £24.0 million increase in cash can be accounted for as a net inflow of cash from fundraising after expenses of £48.3 million less approximately £24 million of cash outflow. The utilisation of cash can be explained by the £16.5 million operating loss recognised in 2016, together with capital required to invest strategically in Xinhuatong and Longti totalling £3.3 million. In common with many foreign companies operating in China, the debt funding model we have adopted to move capital from the UK into China, via an established Asian bank, means we were required to provide a cash security deposit, which at 31 December 2016 was £2.8 million higher than the loans received. This cash is fully refundable, held on deposit by the Asian bank and will become unrestricted on repayment of the borrowings. We purchased property, plant, equipment and intangibles to an amount of £1.3 million, as part of the group's ongoing investment in our technology platform.

Post Year End

In the first quarter of 2017, we announced the launch of a motorist services platform, which will offer a range of consumer services to Chinese motorists from pre-paid petrol card top-ups to motor insurance, car park payments and car maintenance in the future. The motorist platform is another example of our efforts to diversify our revenue mix, as well as capture valuable consumer data to support further product development and additional revenue streams.

The market for motoring related services in China is substantial and set to grow. The market for pre-paid petrol cards is already large, worth RMB 2.4 trillion (£280.2 billion) in 2016 and forecast to grow to RMB 3.7 trillion (£399.3 billion) by 2020. Similarly, car insurance in China is forecast to grow from RMB 619.9 billion (£72.1 billion) in 2016 to RMB 1 trillion (£116.3 billion) by 2020 and almost one-third of car insurance in China is purchased online. Car ownership rates are expected to increase from 75 vehicles per 1,000 people to 600 per 1,000 by 2030, driven by rising incomes in China.

We announced a further content deal with Arsenal football club, further expanding our sports content portfolio, and are confident this and new content deals we are seeking to sign in the first half of 2017, will deliver active user growth and advertising revenues for the Group.

On 13th April 2017, we announced the intention to launch our student services platform and a funding of up to £25 million. We believe the Students "one-stop-shop" for their recruitment, financial services and business start-up needs will bring considerable user growth onto our platform, and will drive revenue growth for the business in the latter part of 2017. There are approximately 35 million students in higher education with around 8 million graduating each year. This is a group of people that are extremely comfortable with mobile technology, having grown up with it from a very young age, and frequent users of mobile content and platforms. Added to the fact that the 13th Five-Year growth plan for China, and specifically the Government, wanting to improve student's chances of gaining employment, is providing a clear incentive for BNN to enter this space. We are confident this business area will add tremendous value to the Group.

We also announced the launch of our credit ratings business, where we will enter the market through the development of a credit rating platform and establishing a number of partnerships where, as a technology partner, we will begin to establish the commercial side of the business.

Outlook

China continues to invest heavily into upgrading its mobile internet infrastructure in rural areas, and it is expected that over 1 billion people will have smartphones by the end of 2017. In 2016, China's mobile payment market was USD 5.5 trillion – almost 50 times greater than the US – and is expected to reach USD 13 trillion by 2019. Digital payment platforms are an important source of transaction and financial data that is increasingly being leveraged by payment companies for new fintech platforms, targeted advertising, product development and social credit scoring. It is these trends and other macro trends across China that we hope to take advantage of over the coming year.

During 2017, we will be broadening our B2B payments business, and building out our B2C service offering through our partnership with Xinhuatong and Xinhua News to take advantage of these digital payment trends. We also expect to utilise capital to take advantage of exciting new opportunities in our three key business areas: payments, value-added services, and content.

In 2017, we have already made a number of announcements marking further progress in our key areas of Payments, Content and Value-added Services, and expect to continue to do so. As we develop more services and content to drive user rates, we gather more data, assisting us with further product and content development to diversify our revenue base and attract new users to our partners' platforms, increasing user stickiness. We anticipate that this virtuous cycle will drive the growth of our business.

2017 will be our first full year, as a fully-fledged technology company and we aim to grow into our ambition of being a Chinese technology portal. With the roll-out of content and advertising, extension of our payments platform and services, we anticipate to see growth in all three key performance indicators: revenue growth, gross transaction volumes and average active users. Like many high-growth emerging technology companies in a similar phase in their life cycle as to where we are, we will continue to see operating expenditure in the business grow, reflecting the necessary investments we will make in people and technology, especially as we look to build out. Accordingly, the results for the first half of 2017 will reflect continued investment, whilst we remain hopeful that we will generate an operating profit in the second half of 2017.

With the Nasdaq listing process underway, the establishment of our payments business in the second half of 2016, and the opportunities we have in the pipeline, I am extremely proud of the progress we have made in the last year and look forward to the exciting developments in 2017.

Darren Mercer

Chief Executive

13 April 2017

Unaudited Consolidated Income Statement

For the year ended 31 December 2016

(all figures reported in £’000 sterling)

	Note	2016	2015
Continuing operations			
Revenue	2	2,064	5,519
Cost of sales		(1,138)	(4,297)
Gross profit		926	1,222
Administrative expenses before exceptional items		(15,908)	(9,035)
Exceptional items	5	(677)	(652)
Administrative expenses after exceptional items		(16,585)	(9,687)
Share of results of associates		(812)	(848)
Operating loss		(16,471)	(9,313)
Finance costs		(1,739)	(1,395)
Loss before tax		(18,210)	(10,708)
Tax	6	—	(157)
Loss for the year from continuing operations	3	(18,210)	(10,865)
Discontinued operations			
Loss for the year from discontinued operations		—	(583)
Loss for the year		(18,210)	(11,448)
Attributable to:			
Owners of the Company		(18,062)	(11,366)
Non-controlling interests		(148)	(82)
		(18,210)	(11,448)

Earnings per share			
From continuing and discontinued operations:			
Basic loss per share	4	10.08 pence	8.48 pence
Diluted loss per share	4	10.08 pence	8.48 pence
From continuing operations:			
Basic loss per share	4	10.08 pence	8.05 pence
Diluted loss per share	4	10.08 pence	8.05 pence

Unaudited Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

(all figures reported in £'000 sterling)

	2016	**2015**
Loss for the year	(18,210)	(11,448)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(1,406)	156
Income tax relating to items that may be reclassified subsequently to profit or loss	—	—
Total comprehensive loss for the year	(19,616)	(11,292)
Attributable to:		
Owners of the Company	(19,490)	(11,206)
Non-controlling interests	(126)	(86)
	(19,616)	(11,292)

Unaudited Consolidated Balance Sheet

As at 31 December 2016

(all figures reported in £'000 sterling)

	Note	**2016**	**2015**
Non-current assets			
Goodwill		4,383	3,919
Other intangible assets		949	192
Property, plant and equipment		663	383
Investments in associates		6,322	5,218
Other investments		2,342	—
Other receivables		7,600	—
		22,259	9,712
Current assets			
Inventories		5	19
Trade and other receivables		14,767	4,449
Cash and cash equivalents		28,028	4,028
		42,800	8,496
Total assets		65,059	18,208
Current liabilities			
Trade and other payables		5,262	5,626
Borrowings	7	6,110	—
		11,372	5,626
Net current assets		31,428	2,870
Non-current liabilities			
Borrowings	7	13,564	5,978
		13,564	5,978
Total liabilities		24,936	11,604
Net assets		40,123	6,604
Equity			
Share capital		20,527	14,431
Share premium		65,394	22,432
EBT Reserve		(575)	(575)
Accumulated deficit		(45,353)	(29,940)
Equity attributable to owner of the Company		39,993	6,348
Non-controlling interests		130	256
Total equity		40,123	6,604

Unaudited Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(all figures reported in £'000 sterling)

	Share capital	Share premium account	EBT reserve	Accumulated deficit	Equity Attributable to the owners of the Company	Non-controlling interest	Total equity
Balance at 1 January 2015	13,052	19,433	(575)	(17,473)	14,437	686	15,123
Loss for the year	—	—	—	(11,366)	(11,366)	(82)	(11,448)
Exchange differences	—	—	—	160	160	(4)	156
Total comprehensive loss for the year	—	—	—	(11,206)	(11,206)	(86)	(11,292)
Issue of share capital	1,379	2,999	—	178	4,556	—	4,556
Credit to equity for equity-settled share based payments	—	—	—	455	455	—	455
Disposal of subsidiary	—	—	—	(2,382)	(2,382)	(344)	(2,726)
Proceeds for shares not yet issued	—	—	—	488	488	—	488
Balance at 31 December 2015	14,431	22,432	(575)	(29,940)	6,348	256	6,604
Loss for the year	—	—	—	(18,062)	(18,062)	(148)	(18,210)
Exchange differences	—	—	—	(1,428)	(1,428)	22	(1,406)
Total comprehensive loss for the year	—	—	—	(19,490)	(19,490)	(126)	(19,616)
Issue of share capital	6,328	42,962	—	(488)	48,802	—	48,802
Credit to equity for equity-settled share based payments	—	—	—	129	129	—	129
Cancellation of shares	(232)		—	232	—	—	—
Equity component of convertible debt	—	—	—	4,204	4,204	—	4,204
Balance at 31 December 2016	20,527	65,394	(575)	(45,353)	39,993	130	41,123

Unaudited Consolidated Cash Flow Statement

For the year ended 31 December 2016

(all figures reported in £'000 sterling)

	Note	2016	2015
Net cash used in operating activities	8	(16,975)	(8,831)
Investing activities:			
Purchases of property, plant and equipment		(481)	(252)
Proceeds on disposal of property, plant and equipment		—	19
Investment in associate		(1,136)	(1,342)
Other investments		(2,212)	
Purchase of other intangible assets		(865)	—
Disposal of subsidiary net of cash disposed		—	(178)
Restricted cash deposits		(14,211)	—
Net cash used in investing activities		(18,905)	(1,753)
Financing activities:			
Proceeds on issue of shares		48,341	4,401
Proceeds on shares not yet issued		—	488
Payment of contingent consideration		—	(1,167)
Proceeds from borrowings		11,387	—
Net cash generated by financing activities		59,728	3,722
Net increase/(decrease) in cash and cash equivalents		23,843	(6,862)
Cash and cash equivalents at the beginning of year	8	4,028	10,834
Effect of foreign exchange rate changes		152	56
Cash and cash equivalents at the end of the year	8	28,028	4,028

Notes to the Unaudited Financial Statements

For the year ended 31 December 2016

(all figures reported in £'000 sterling)

1. Accounting policies and basis of preparation

Directors' responsibilities

The Directors of BNN Technology plc are responsible for preparing and issuing this unaudited preliminary announcement, which was approved on the 12 April 2017

Basis of preparation

While the financial information included in this unaudited preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs nor does it constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006 for the years ended 31 December 2016 or 2015. The financial information for the year ended 31 December 2015 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies and are included on the Company website. The report of the auditor on those accounts was unqualified, however it drew attention to the disclosures made by the directors with respect to the going concern. The audit of the statutory accounts for the year ended 31 December 2016 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies and included on the Company website following the Company's annual general meeting.

The unaudited financial information is prepared on the basis of the accounting policies set out in the 2015 Annual Report of BNN Technology plc, except in relation to the standards which have been adopted in the year with no impact on the results for the current of prior year.

2. Revenue

IFRS 8 'Operating Segments' requires the segmental information presented in the financial statements to be that used by the chief operating decision maker to evaluate the performance of the business and decide how to allocate resources. The Group has identified the Group's Chief Executive Officer as its chief operating decision maker. The Group's Chief Executive Officer considers the results of the business as a whole when assessing the performance of the business and making decisions about the allocation of resources. Accordingly the Group has one operating segment and therefore the results of the segment are the same as the results for the Group.

The Group's revenues principally relate to commissions receivable by the Group from the sale of mobile top ups, lottery tickets and related products.

The Group's revenue is analysed between the Land and Digital as this information is provided to the Group's chief operating decision maker. Land revenues relate to terminal lottery ticket machine sales and scratch cards whilst Digital revenues includes both the historic online lottery revenues in addition to the new mobile payments businesses. An analysis of the Group's revenue by channel, all of which arose from the Group's operations in China, is as follows:

	2016	**2015**
Continuing operations:		
Land	266	258
Digital	1,798	5,261
	2,064	5,519
Discontinued operations:		
Digital	—	932
Total	2,064	6,451

Included in revenues arising from the Digital businesses are revenues of approximately £614 thousand (2015: £880 thousand) which arose from sales to the Group's largest customer in the year. No other single customer contributed 10% or more to the Group's revenue in either 2016 or 2015.

Gross transaction volumes (GTV) represents the total transaction value of all payments or services that our technology fulfils, net of VAT and other sales related taxes. This should not be construed as an alternative or superior to revenue as determined in accordance with IFRS, similarly our use of gross transaction volumes may not be consistent with similarly described measures used by other companies.

Gross transaction volumes		
Continuing operations:	**2016**	**2015**
Land	4,599	5,379
Digital	285,020	74,039
	289,619	79,418
Discontinued operations:		
Digital	—	25,228
Total	289,619	104,646

Geographical information

The Group's revenue from external customers is generated entirely in China. Information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

Non-current assets	**2016**	**2015**
China	11,616	9,600
United Kingdom	701	112
	12,317	9,712

3. Loss for the year

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

	2016	**2015**
Net foreign exchange (gain)/loss	(2,955)	73
Depreciation of property, plant and equipment	252	201
Amortisation of other intangible assets	132	77
Loss on disposal or property, plant and equipment	1	1
Staff costs	4,994	4,221

4. Loss per share

The calculation of basic and diluted loss per share is based on the following information:

From continuing and discontinued operations

	2016	**2015**
Losses for the purposes of basic and diluted loss per share being net losses attributable to the owners of the Company	(18,062)	(11,366)

	2016 No.	**2015** No.
Weighted average number of ordinary shares for the purposes of basic loss per share	179,260,542	134,022,373
Effect of dilutive potential ordinary shares		
- Share warrants	—	—
- Convertible loan notes	—	—
Weighted average ordinary shares for the purposes of diluted loss per share	179,260,542	134,022,373

The Company incurred losses in the current and prior years and therefore all potentially issuable shares are anti-dilutive.

	2016	2015
	pence	pence
Basic loss per share	10.08	8.48
Diluted loss per share	10.08	8.48

From continuing operations

Losses for the purposes of basic and diluted loss per share:

	2016	**2015**
Net losses attributable to the owners of the Company	(18,062)	(11,366)
Adjustments to exclude loss for the year from discontinued	—	583
Loss for the purpose of basic and diluted earnings per share from continuing operations	(18,062)	(10,783)
	Pence	pence
Basic loss per share	10.08	8.05
Diluted loss per share	10.08	8.05

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations	**2016**	**2015**
	pence	pence
Basic loss per share	—	0.44
Diluted loss per share	—	0.44

5. Exceptional items

Exceptional items are those items which management consider to be of such significance they require separate disclosure in the financial statements to enable readers of the financial statements to better assess the Company's performance. Exceptional items included within administration expenses in 2016 principally related to costs associated with the planned NASDAQ listing. Costs in 2015 principally relate to historic claims made by former advisers of the Company (which have been settled through the issuance of 255,000 shares in the Company), the fair value of share warrants granted to Company Director D Mercer and external consultant White & Company and costs associated with the Company's planned NASDAQ listing. Exceptional items incurred were:

	2016	**2015**
Settlement agreement	—	(156)
Share warrant	—	(455)
Listing fees	(677)	(40)
Other fees	—	(1)
	(677)	(652)

Included in the balance at 31 December 2016 were accruals and other creditors of £302 thousand. There was no tax charge related to the above transactions.

6. Tax

	2016	**2015**
Corporation tax:		
Current year	—	157
	—	157
Deferred tax	—	—
Total tax expense	—	157

Corporation tax is calculated at 20% (2015: 20.25%) of the estimated taxable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the loss in the income statement as follows:

	2016	**2015**
Loss before tax on continuing operations	(18,210)	(10,708)
Tax at the UK corporation tax rate of 20% (2015: 20.25%)	(3,642)	(2,169)
Effect of foreign tax rates	—	55
Tax effect of non-deductible expenses	439	309
Change in unrecognised deferred tax assets	43	470
Carry-forward of unrecognised tax losses	3,160	1,492
Tax expense for the year	—	157

7. Borrowings

	2016	2015
Secured borrowing at amortised cost:		
Bank loans	11,555	—
Unsecured borrowing at amortised cost:		
Convertible loan notes	7,709	5,978
Loans from related parties	410	—
	19,674	5,978
Total borrowings		
Amount due for settlement within 12 months	6,110	—
Amount due for settlement after 12 months	13,564	5,978
	19,674	5,978

Analysis of borrowings by currency:	**Sterling**	**Renminbi**	**Total**
December 31, 2016			
Bank loans	—	11,555	11,555
Loans from related parties	—	410	410
Convertible loan notes	7,709	—	7,709
	7,709	11,965	19,674
December 31, 2015			
Convertible loan notes	5,978	—	5,978

Bank loans

On June 1, 2016 BNN Technology plc established a financing relationship with China Everbright Bank in order to efficiently provide working capital funding to its trading subsidiary Beijing NewNet Science & Technology Development Co., Ltd. Under the arrangements, the China Everbright Bank Hong Kong Branch provided Beijing NewNet Science & Technology Development Co., Ltd. with a Chinese Renminbi denominated loan which carries an interest rate in the range of 4.6 to 4.7 percent. This was secured by a sterling cash deposit of the Company with the China Everbright Bank Hong Kong Branch. These cash security deposits are shown as restricted cash within the consolidated balance sheet.

At December 31, 2016 the Company had drawn-down RMB 99,200 thousand (c. £11,555 thousand) which was repayable as follows:

	2016	2015
May 31, 2017	3,358	—
July 25, 2017	2,342	—
October 10, 2018	5,855	—
	11,555	—

The weighted average interest rates paid during the year were as follows:

	2016	2015
	%	%
Bank loans	4.6	—

Convertible loan notes

On April 20, 2016 the Company agreed with the noteholder, Stadium Parkgate Limited, to cancel the previously existing Convertible Loan Notes and to issue New Notes for the same principal amount of £6,000 thousand, but carrying an interest rate of 6 per cent. The previously existing Convertible Loan Notes were cancelled on 17 May 2016 and the New Notes issued on the same date. This has been accounted for as an extinguishment of the previously existing notes, which were derecognised on cancellation and an issuance of the new convertible loan notes. At the date of extinguishment, the Convertible Loan Notes had a carrying value of £8,403 thousand and a loss of £2,449 thousand arose on cancellation related to the difference between the amortised cost of the previously existing Convertible Loan Notes and the fair value of the New Notes.

The New Notes (£6,000 thousand as mentioned above), together with accrued interest, are capable of conversion at the option of the noteholder to Ordinary Shares at any time after December 31, 2016 and prior to July 17, 2018, other than in circumstances of certain changes of control where the new notes will be capable of conversion to Ordinary Shares prior to December 31, 2016. The conversion price of the new notes will be the lower of 115p and the closing mid-market price of an Ordinary Share on December 31, 2016 provided that the conversion price cannot be less than 60p, other than in circumstances of certain changes of control where the conversion price of the new notes will be 115p.

In addition, further New Interest Notes were issued for the sum of £2,403 thousand, this being the accrued interest to the date of cancellation of the previous Convertible Loan Notes. The New Interest Notes are capable of conversion at the option of the Company to Ordinary Shares at any time after December 31, 2016 and prior to January 31, 2017 at the lower of 115p and the closing mid-market price of an Ordinary Share on December 31, 2016 provided that the conversion price cannot be less than 60p. The New Interest Notes carry an interest rate of 20 per cent from February 17, 2017. Furthermore, the noteholder has the option of conversion to Ordinary Shares at any time after January 31, 2017 and prior to July 17, 2018 at the lower of 115p and the closing mid-market price of an Ordinary Share on December 31, 2016.

Separately, at any time after January 31, 2017 or prior to December 31, 2016 in the event of certain changes of control, the New Interest Notes are capable of conversion at the option of the noteholder to Ordinary Shares at the lower of 115p and the closing mid-market price of an Ordinary Share on December 31, 2016 provided that the conversion price cannot be less than 60p, other than in circumstances of certain changes of control where the conversion price of the new notes will be 115p.

The New Notes and New Interest Notes were initially recognised as a liability at their estimated fair value of £7,868 thousand and £2,984 thousand respectively. Since the conversion option is in respect of a variable number of shares it did not meet the definition of equity at inception but represents an embedded derivative liability which is accounted for at fair value with changes in fair value (gains or losses) recognised as financing income / (costs).

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and a derivative financial instrument, representing the fair value of the embedded option to convert the financial liability into equity of the Company, as follows:

	New Interest	**New Notes**
Fair value of convertible loan notes	2,984	7,868
Debt issue costs	—	(44)
Derivative liability	(652)	(2,746)
Liability component at date of issue	2,332	5,078
Interest charged	62	462
Interest paid	—	(225)
Liability component at 31 December 2016	2,394	5,315

The liability component is measured at amortised cost using the effective interest rate method. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the balance sheet at 31 December 2016 represents the effective interest rate less interest paid to that date.

8. Notes to the cash flow statement

	2016	2015
Loss for the year after discontinued operations	(18,210)	(11,448)
Adjustments for:		
Share of results of associate	631	848
Loss of disposal of associates	181	—
Income tax expense	—	157
Finance costs	1,739	1,395
Loss on disposal of discontinued operations	—	1,661
Loss on disposal of property, plant and equipment	1	1
Depreciation of property plant and equipment	252	201
Amortisation of intangible assets	132	77
Share based payments	129	610
Operating cash flows before movements in working capital	(15,145)	(6,498)
Decrease in inventories	16	134
Increase in receivables	(3,029)	(2,206)
Increase in payables	1,678	116
Net cash used by operations	(16,480)	(8,454)
Income taxes paid	103	(375)
Interest paid	(598)	(2)
Net cash used by operating activities	(16,975)	(8,831)

Significant non-cash transactions include the extinguishment and issue of loan notes, fair value movement of the embedded derivative on the convertible loan notes, employee share based payments and interest accruals.

	2016	2015
Cash and cash equivalents	28,028	4,028

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

9. Subsequent events

1. Conversion of convertible loan notes

The Company announced on 26 January 2017 that it had exercised its conversion rights a notice of conversion in respect of the full outstanding balance of £2,403,288 New Interest Notes convertible loan notes issued on 21 April 2016 to Stadium Parkgate (Holdings) Limited.

The Convertible Notes were capable of conversion into new ordinary shares of 10 pence each in the capital of the Company at any time after 31 December 2016 and prior to 31 January 2017 at the lower of 115p and the closing mid-market price of an Ordinary Share on 31 December 2016. As such 2,089,816 new Ordinary shares were issued at a conversion price of 115p to Stadium Parkgate (Holdings) Limited.