中彩網通控股有限公司
China Netcom Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8071)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors ("**Directors**") of China Netcom Technology Holdings Limited ("**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.chinanetcomtech.com.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- The unaudited revenue of the Group for the six months ended 30 June 2012 was approximately HK$1,037,000 with a decrease of approximately HK$245,000 as compared with that for the corresponding period in 2011.

- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK$82,650,000 for the six months ended 30 June 2012, with a decrease of approximately HK$32,259,000 as compared with that for the corresponding period in 2011.

- The unaudited loss per share for loss attributable to owners of the Company was approximately HK4.46 cents for the six months ended 30 June 2012.

RESULTS

The board of Directors ("**Board**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three months and six months ended 30 June 2012 together with the comparative figures for the corresponding periods in 2011 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2012

	Note	**(Unaudited) Three months ended 30 June**		**(Unaudited) Six months ended 30 June**	
		2012	2011	**2012**	2011
		HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Continuing operations					
Revenue	*3*	**288**	611	**1,037**	1,282
Cost of sales		**(113)**	(1,094)	**(731)**	(2,256)
Gross profit/(loss)		**175**	(483)	**306**	(974)
Other income and gains		**541**	587	**1,211**	909
Administrative expenses		**(15,745)**	(8,278)	**(31,075)**	(16,827)
Loss on early redemption of promissory note		**–**	–	**(10,310)**	(51,960)
Finance costs	*5*	**(26,676)**	(25,395)	**(53,114)**	(49,924)
Share of loss of an associate		**(1)**	(3)	**(2)**	(17)
Loss before tax		**(41,706)**	(33,572)	**(92,984)**	(118,793)
Income tax credit	*6*	**1,294**	611	**2,594**	1,217
Loss for the period from continuing operations	*7*	**(40,412)**	(32,961)	**(90,390)**	(117,576)
Discontinued operation					
Loss for the period from discontinued operation	*8*	**–**	–	**(1)**	–
Loss for the period		**(40,412)**	(32,961)	**(90,391)**	(117,576)
Other comprehensive (expense)/income, net of income tax					
Exchange differences on translating foreign operations		**(105)**	17,575	**2,276**	24,762
Share of other comprehensive income of an associate		**–**	5	**–**	7
Other comprehensive (expense)/income for the period, net of income tax		**(105)**	17,580	**2,276**	24,769
Total comprehensive expense for the period		**(40,517)**	(15,381)	**(88,115)**	(92,807)

	Note	(Unaudited) Three months ended 30 June 2012 HK$'000	(Unaudited) Three months ended 30 June 2011 HK$'000 (Restated)	(Unaudited) Six months ended 30 June 2012 HK$'000	(Unaudited) Six months ended 30 June 2011 HK$'000 (Restated)
Loss attributable to:					
Owners of the Company		**(36,424)**	(31,559)	**(82,650)**	(114,909)
Non-controlling interests		**(3,988)**	(1,402)	**(7,741)**	(2,667)
		(40,412)	(32,961)	**(90,391)**	(117,576)
Total comprehensive (expense)/income attributable to:					
Owners of the Company		**(36,481)**	(18,957)	**(81,419)**	(97,597)
Non-controlling interests		**(4,036)**	3,576	**(6,696)**	4,790
		(40,517)	(15,381)	**(88,115)**	(92,807)
Loss per share	*9*				
From continuing and discontinued operations					
– Basic and diluted (HK cents per share)		**(1.96)**	(1.74)	**(4.46)**	(6.33)
From continuing operations					
– Basic and diluted (HK cents per share)		**(1.96)**	(1.74)	**(4.46)**	(6.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Non-current assets			
Property, plant and equipment	*10*	**5,085**	2,297
Goodwill		**34,542**	34,409
Other intangible assets		**721,403**	728,462
Interest in an associate		**52**	54
Available-for-sale investment		**118**	118
		761,200	765,340
Current assets			
Inventories		**–**	488
Trade and other receivables	*11*	**15,177**	13,777
Amount due from a non-controlling interest of a subsidiary		**499**	496
Pledged bank deposit		**210**	210
Cash and bank balances		**111,083**	161,455
		126,969	176,426
Current liabilities			
Trade and other payables	*12*	**11,515**	14,886
Amount due to a non-controlling interest of a subsidiary		**221**	220
Amount due to an associate		**67**	–
Current tax liabilities		**–**	1
		11,803	15,107
Net current assets		**115,166**	161,319
Total assets less current liabilities		**876,366**	926,659
Non-current liabilities			
Convertible bonds	*13*	**85,486**	79,883
Promissory note		**610,507**	577,685
Deferred tax liabilities		**117,925**	118,528
		813,918	776,096
Net assets		**62,448**	150,563
Capital and reserves			
Share capital	*14*	**9,271**	9,271
Reserves		**(245,067)**	(163,648)
Equity attributable to owners of the Company		**(235,796)**	(154,377)
Non-controlling interests		**298,244**	304,940
Total equity		**62,448**	150,563

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company										
	Share capital	Share premium account	Capital redemption reserve	Convertible bonds equity reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2011 (Audited)	9,059	2,553,718	1	87,788	14,136	82,016	(49)	(2,345,705)	400,964	310,973	711,937
Loss for the period (Unaudited)	–	–	–	–	–	–	–	(114,909)	(114,909)	(2,667)	(117,576)
Other comprehensive income for the period (Unaudited)	–	–	–	–	–	17,312	–	–	17,312	7,457	24,769
Total comprehensive income/(expense) for the period (Unaudited)	–	–	–	–	–	17,312	–	(114,909)	(97,597)	4,790	(92,807)
Non-controlling interests arising on acquisition of a subsidiary (Unaudited)	–	–	–	–	–	–	–	–	–	(181)	(181)
Recognition of equity-settled share-based payments (Unaudited)	–	–	–	–	1,230	–	–	–	1,230	–	1,230
Issue of ordinary shares under share option scheme (Unaudited)	17	3,369	–	–	(795)	–	–	–	2,591	–	2,591
Balance at 30 June 2011 (Unaudited)	9,076	2,557,087	1	87,788	14,571	99,328	(49)	(2,460,614)	307,188	315,582	622,770

	Attributable to owners of the Company										
	Share capital	Share premium account	Capital redemption reserve	Convertible bonds equity reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2012 (Audited)	9,271	2,608,610	1	66,267	14,571	111,435	(49)	(2,964,483)	(154,377)	304,940	150,563
Loss for the period (Unaudited)	–	–	–	–	–	–	–	(82,650)	(82,650)	(7,741)	(90,391)
Other comprehensive income for the period (Unaudited)	–	–	–	–	–	1,231	–	–	1,231	1,045	2,276
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	1,231	–	(82,650)	(81,419)	(6,696)	(88,115)
Release of reserve upon share options forfeited (Unaudited)	–	–	–	–	(1,230)	–	–	1,230	–	–	–
Balance at 30 June 2012 (Unaudited)	9,271	2,608,610	1	66,267	13,341	112,666	(49)	(3,045,903)	(235,796)	298,244	62,448

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Net cash used in operating activities	**(22,209)**	(25,297)
Net cash generated by/(used in) investing activities	**121,741**	(115,865)
Net cash used in financing activities	**(25,000)**	(97,409)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**74,532**	(238,571)
Cash and cash equivalents at the beginning of period	**36,507**	336,116
Effect of foreign exchange rate changes, net	**44**	726
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**111,083**	98,271
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**111,083**	208,271
Short-term time deposits	**–**	(110,000)
	111,083	98,271

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards ("**HKAS**") 34 "Interim Financial Reporting", other relevant HKAS 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 requirements of Chapter 18 of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2011, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints) as disclosed in note 2 below.

The unaudited condensed 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 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2012:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The adoption of these amendments to standards has no significant impact on the results and financial position of the Group.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRS 2009-2011 cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

Notes:

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities.* HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 Jointly *Controlled Entities – Non-Monetary Contributions by Venturers.* HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the Group's results of operations and financial position.

3. REVENUE

An analysis of the Group's revenue for the period from continuing operations is as follows:

	(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sale of computer hardware and software	**–**	528	**540**	1,049
Provision of management, marketing, and operating services for lottery system and lottery halls	**288**	83	**497**	233
	288	611	**1,037**	1,282

4. SEGMENT INFORMATION

Information reported to the Board, 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.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

(a) Trading of computer hardware and software business – Trading of computer hardware and software in the People's Republic of China ("**PRC**");

(b) Exploration of mines business – Exploration of gold mines in the PRC; and

(c) Lottery business – Development of computer software, hardware and application system, sale of self-developed technology or results, provision of relevant technical consultancy services in the PRC and development and provision of operation software system sector of the PRC lottery market.

Information regarding the Group's reportable segments including reportable segment revenue, the reconciliation of the reportable segment loss to loss before tax from continuing operations and total assets, are as follows:

	Trading of computer hardware and software *HK$'000*	**Exploration of mines** *HK$'000*	**Lottery business** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30 June 2012 (Unaudited)				
Segment revenue	**540**	**–**	**497***	**1,037**
Segment loss	**(93)**	**(664)**	**(80,453)**	**(81,210)**
Interest and other income				**1,211**
Central administration costs				**(12,985)**
Loss before tax (continuing operations)				**(92,984)**
Six months ended 30 June 2011 (Unaudited)				
Segment revenue	1,049	–	233	1,282
Segment loss	(96)	(643)	(107,306)	(108,045)
Interest and other income				909
Central administration costs				(11,657)
Loss before tax (continuing operations)				(118,793)

	Trading of computer hardware and software *HK$'000*	Exploration of mines *HK$'000*	Lottery business *HK$'000*	Consolidated *HK$'000*
As at 30 June 2012 (Unaudited)				
Segment assets	**2,562**	**78**	**766,567**	**769,207**
Corporate and unallocated assets				**118,906**
Assets relating to staff secondment operation (now discontinued)				**56**
Total consolidated assets				**888,169**
As at 31 December 2011 (Audited)				
Segment assets	2,252	139	776,788	779,179
Corporate and unallocated assets				162,530
Assets relating to staff secondment operation (now discontinued)				57
Total consolidated assets				941,766

* Segment revenue from lottery business of the Group as disclosed above included service income attributable to the lottery sales halls operated in Shenyang, Liaoning Province, the PRC ("**Shenyang Lottery Sales Halls**") and Dalian, Liaoning Province, the PRC ("**Dalian Lottery Sales Halls**") of approximately HK$135,000 and HK$74,000 respectively. For the period under review, lottery of approximately HK$1,696,000 and HK$921,000 were sold in the Shenyang Lottery Sales Halls and the Dalian Lottery Sales Halls respectively. Further information relating to the Shenyang Lottery Sales Halls and the Dalian Lottery Sales Halls was set out in the announcement of the Company dated 11 May 2012.

5. FINANCE COSTS

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank interest expense	**–**	1	**–**	1
Effective interest on convertible bonds	**2,801**	3,711	**5,602**	7,381
Effective interest on promissory note	**23,875**	21,683	**47,512**	42,542
	26,676	25,395	**53,114**	49,924

6. INCOME TAX CREDIT (RELATING TO CONTINUING OPERATIONS)

Income tax recognised in profit or loss

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred tax:				
Current year	**(1,294)**	(611)	**(2,594)**	(1,217)

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

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the PRC subsidiaries other than that stated below, is 25% for both periods.

Pursuant to the relevant approval by the tax authority, 深圳環彩普達科技有限公司 (Shenzhen Huancai Puda Technology Company Limited, being its unofficial English translation) ("**Huancai Puda**"), an indirect 51% owned subsidiary of the Group, is recognised as a new high-tech enterprise from year 2009, entitled a preferential tax rate of 15% for the three months and six months ended 30 June 2012 (three months and six months ended 30 June 2011: 15%). The Company has since been enjoying the preferential tax rate of 15% for three years effective from 31 December 2009.

The Group did not have significant unprovided deferred tax liabilities at 30 June 2012 and 31 December 2011.

7. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period from continuing operations has been arrived at after (crediting)/charging:				
Crediting:				
Bank interest income	**(473)**	(547)	**(1,039)**	(868)
Gain on disposal of property, plant and equipment	**–**	–	**(47)**	–
Charging:				
Cost of inventories recognised as an expense (included in cost of sales)	**–**	1,094	**492**	2,256
Auditors' remuneration	**225**	200	**450**	400
Employee benefits expense (excluding directors' emoluments):				
– Salaries and other benefits	**2,771**	3,023	**6,021**	4,646
– Contributions to retirement benefits scheme	**136**	77	**226**	140
– Equity-settled share-based payments	**–**	–	**–**	1,230
Directors' emoluments	**1,938**	1,838	**3,841**	3,667
Minimum lease payments paid under operating leases in respect of:				
– Land and buildings	**817**	634	**1,478**	1,036
– Office equipment	**3**	3	**11**	6
Net foreign exchange loss	**2**	189	**2**	336
Depreciation	**284**	178	**478**	304

8. DISCONTINUED OPERATION

In November 2011, the Group had decided to cease its staff secondment business as the Group plans to focus its resources on its core business of lottery business operations and to optimise its assets structure.

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period from discontinued operation				
Revenue	**–**	–	**–**	–
Cost of sales	**–**	–	**–**	–
Administrative expenses	**–**	–	**(1)**	–
Loss before tax	**–**	–	**(1)**	–
Attributable income tax	**–**	–	**–**	–
Loss for the period from discontinued operation (attributable to the owners of the Company)	**–**	–	**(1)**	–

9. LOSS PER SHARE

From continuing and discontinued operations

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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss				
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(36,424)**	(31,559)	**(82,650)**	(114,909)

Number of shares

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2012	2011	**2012**	2011
	'000	*'000*	***'000***	*'000*
		(Restated)		(Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,854,235**	1,815,235	**1,854,235**	1,814,596

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the three months and six months ended 30 June 2011 have been retrospectively adjusted for the effect of the consolidation of shares in February 2012.

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme and convertible bonds since their exercise and conversion would have an anti-dilutive effect.

For continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to owners of the Company	**(36,424)**	(31,559)	**(82,650)**	(114,909)
Less:				
Loss for the period from discontinued operation	**–**	–	**1**	–
Loss for the purposes of basic and diluted loss per share from continuing operations	**(36,424)**	(31,559)	**(82,649)**	(114,909)

The denominators used are the same as those detailed above for basic and diluted loss per share.

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HK$0.00005 cent per share for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil), based on the loss for the six months ended 30 June 2012 from the discontinued operation of approximately HK$1,000 (six months ended 30 June 2011: Nil) and the denominators detailed above for both basic and diluted loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Net book value, beginning of the period/year	**2,297**	2,113
Additions	**3,477**	747
Disposals	**(223)**	(7)
Acquisition through business combination	**–**	6
Derecognised on disposal of subsidiaries	**–**	(1)
Depreciation	**(478)**	(623)
Effect of foreign currency exchange differences	**12**	62
Net book value, end of the period/year	**5,085**	2,297
Cost	**6,921**	3,837
Accumulated depreciation	**(1,836)**	(1,540)
Net book value, end of the period/year	**5,085**	2,297

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Trade receivables	**33**	27
Prepayments, deposits and other receivables	**15,144**	13,750
	15,177	13,777

A defined credit policy is maintained within the Group. The Group allows a credit period of 30 days (2011: 30 days) to its trade customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the senior management of the Group.

The following is an ageing analysis of net trade receivables at the end of the reporting period:

	At 30 June 2012 (Unaudited) ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
0 – 30 days	**–**	3
31 – 60 days	**–**	2
61 – 90 days	**–**	–
91 – 120 days	**2**	1
Over 120 days	**31**	21
	33	27

Included in the balance of prepayments, deposits and other receivables of the Group at 30 June 2012 was a deposit of approximately HK$8,702,000 (31 December 2011: HK$8,702,000) in relation to the acquisition of additional 49% equity interest in Huancai Puda. Further details were set out in the announcements of the Company dated 2 March 2011, 9 March 2011, 31 May 2011, 23 August 2011 and 6 March 2012 and the circular of the Company dated 28 October 2011.

12. TRADE AND OTHER PAYABLES

	At 30 June 2012 (Unaudited) ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Trade payables	**26**	11
Other payables and accruals	**11,489**	14,875
	11,515	14,886

The following is an ageing analysis of trade payables at the end of the reporting period:

	At 30 June 2012 (Unaudited) ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
0 – 60 days	**12**	5
61 – 90 days	**6**	1
Over 90 days	**8**	5
	26	11

13. CONVERTIBLE BONDS

Imputed interest expenses of approximately HK$2,801,000 (three months ended 30 June 2011: HK$3,711,000) and HK$5,602,000 (six months ended 30 June 2011: HK$7,381,000) respectively have been recognised in the unaudited consolidated statement of comprehensive income in respect of the convertible bonds for the three months and six months ended 30 June 2012.

At 30 June 2012, the carrying amount of the liability component of the convertible bonds at amortised cost was approximately HK$85,486,000 (31 December 2011: HK$79,883,000).

14. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
At 31 December 2011, ordinary shares of HK$0.001 each (Audited)	100,000,000	100,000
Share consolidation *(Note)*	(80,000,000)	–
At 30 June 2012, ordinary shares of HK$0.005 each (Unaudited)	20,000,000	100,000
Issued and fully paid:		
At 31 December 2011, ordinary shares of HK$0.001 each (Audited)	9,271,175	9,271
Share consolidation *(Note)*	(7,416,940)	–
At 30 June 2012, ordinary shares of HK$0.005 each (Unaudited)	1,854,235	9,271

Note: Pursuant to an ordinary resolution passed on 24 February 2012, share consolidation was approved with effect from 27 February 2012 in which every five of the then issued and unissued ordinary shares of HK$0.001 each in the share capital of the Company were consolidated into one consolidated share having a par value of HK$0.005 per share ("**2012 Share Consolidation**"). Immediately after the 2012 Share Consolidation, the authorised share capital of the Company comprised 20,000,000,000 consolidated shares of HK$0.005 each of which 1,854,235,049 consolidated shares of HK$0.005 each were in issue and the board lot size has been changed from 15,000 shares of HK$0.001 each to 5,000 consolidated shares of HK$0.005 each.

15. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six monhs ended 30 June 2011: Nil).

16. COMPARATIVE FIGURES

The results of the staff secondment segment have been presented as discontinued operation and accordingly, the comparative figures for the three months and six months ended 30 June 2011 of the unaudited consolidated statement of comprehensive income had been reclassified in accordance with HKFRSs. For comparative purposes, certain comparative figures have also been reclassified to conform with current period presentation to align with the unaudited consolidated statement of comprehensive income of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

Lottery Sales Halls in Liaoning Province

Since the opening of the lottery sales halls of "Happy 12" in Shenyang and Dalian of Liaoning Province in the PRC, the Company is committed to focus on operating and increasing the number of sales halls for those high payout with quick-result lottery game as the Company is encouraged by the sales figure of the lottery sales halls amounting to approximately HK$2,617,000 and recognised a revenue of approximately HK$209,000 (approximately 8% of the sales figures) for just starting the business in one and a half months. Details of the opening of the lottery sales halls were disclosed in the announcement of the Company dated 11 May 2012.

Termination of Discloseable Transaction

On 21 July 2011, Multi Joy Corporation Limited ("**Multi Joy**"), a wholly-owned subsidiary of the Company, and 中國數字圖書館有限責任公司 (China Digital Library Limited Company, being its unofficial English translation) ("**China Digital Library**") entered into an agreement ("**JV Agreement**") for the formation of 中數三網科技(北京)有限公司 (Zhongshu Sanwang Technology (Beijing) Limited, being its unofficial English translation), a joint venture company to be owned as to 49% and 51% by Multi Joy and China Digital Library respectively, in the PRC. The JV Agreement is conditional upon a number of conditions being fulfilled. As one of the conditions precedent to the JV Agreement has not been fulfilled, both parties have mutually agreed to terminate the JV Agreement by entering into a termination agreement on 11 May 2012 with respect to the termination of the JV Agreement. Details of which were disclosed in the announcements of the Company dated 22 July 2011, 26 July 2011 and 14 May 2012.

Prospect

As the Company has been successfully operated the lottery sales halls in Liaoning Province in the PRC, the Group is committed to develop this line of business in other provinces in the PRC, striving to become the leading operator of high frequency lottery sales halls and lottery equipment provider in the PRC. The co-operation with 美彩科技(中國)有限公司 (Scientific Games (China) Company Limited, being its unofficial English translation) ("**SG**") is another integral part of the Company's strategy, as the Company taps on their know-how to introduce various lottery terminals in other provinces in the PRC.

Looking forward, the Company will continue to expand its strong business relationship and management expertise to continue developing lottery sales halls in the PRC. Furthermore, having regard to the resources on hand, the Group is looking into developing financial related business.

Financial review

For the three months and six months ended 30 June 2012, the Group recorded an unaudited revenue of approximately HK$288,000 and HK$1,037,000 with a decrease of approximately 53% and a decrease of 19% as compared with those figures in the corresponding periods in 2011 respectively. The revenue of the Group was primarily derived from lottery business and trading of computer hardware and software.

For the six months ended 30 June 2012, the unaudited loss attributable to owners of the Company decreased by approximately HK$32,259,000 as compared with that for the corresponding period in 2011. The difference was due to the decrease in loss on early redemption of promissory note for the six months ended 30 June 2012.

Liquidity and financial resources

As at 30 June 2012, the Group has unaudited cash and bank balances (excluding pledged bank deposit) of approximately HK$111,083,000 (31 December 2011: HK$161,455,000). The majority bank balances are denominated in Hong Kong dollars and Renminbi and were placed in short term deposit.

As at 30 June 2012, the Group recorded unaudited total assets of approximately HK$888,169,000 (31 December 2011: HK$941,766,000), and recorded unaudited total liabilities of approximately HK$825,721,000 (31 December 2011: HK$791,203,000).

Capital structure

As at 30 June 2012, the Company had 1,854,235,049 ordinary shares of HK$0.005 each (each a "**Share**") (30 June 2011: 1,815,235,049 Shares as restated) in issue.

Employee information

As at 30 June 2012, the Group employed a total of 57 (31 December 2011: 62) employees. The staff costs, including directors' remuneration and share-based payment, were approximately HK$10,088,000 for the six months ended 30 June 2012 (six months ended 30 June 2011 : HK$9,683,000).

Charge on Group assets

As at 30 June 2012, a fixed deposit of approximately HK$210,000 was pledged for obtaining the corporate card services (2011: HK$210,000).

Future plans for material investments or capital assets

As at 30 June 2012, there was no specific plan for material investments and acquisition of material capital assets. However, the Group will continue to seek new business development opportunities especially to developing lottery sales halls in the PRC.

Exposure to fluctuation in exchange rates

The Group has no significant foreign exchange risk due to limited foreign currency translations.

Contingent liabilities

As at 30 June 2012, the Group had no significant contingent liabilities (2011: Nil).

Material acquisitions or disposals of subsidiaries

Connected and major transaction – Acquisition of Carnix Investment Limited and Wise Mark Investments Ltd.

Reference is made to the announcements of the Company dated 2 March 2011, 9 March 2011, 31 May 2011, 23 August 2011 and 6 March 2012 and the circular of the Company dated 28 October 2011 ("**Circular**") in relation to, among other matters, the acquisition ("**Acquisition**") of the entire issued share capital of Carnix Investment Limited and Wise Mark Investments Ltd. Details of the Acquisition were set out in the Circular. Up to the date of this announcement, the Acquisition has not yet completed.

EVENTS AFTER THE REPORTING PERIOD

Completion of placing of unlisted warrants

On 13 July 2012, an aggregate of 362,000,000 unlisted warrants were successfully placed by the Company to not less than six placees, who are third parties independent of and not connected to the Company and its connected persons, at the placing price of HK$0.005 per warrant and the subscription price of HK$0.30 per warrant share. The subscription period for the warrants is 30 months from the date of issue of the warrants.

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 362,000,000 Shares will be issued and allotted. The maximum net proceeds from the placing (without taking into account of the exercise of the subscription rights attaching to the warrants) of unlisted warrants is approximately HK$1.6 million. It is intended that the funds so raised be used as general working capital of the Group and for future investment opportunities as and when they arise. Details of the placing were disclosed in the announcements of the Company dated 19 June 2012 and 13 July 2012.

Lottery terminal supply agreement with SG

On 25 July 2012, Huancai Puda and SG have jointly entered into a lottery terminal supply agreement, pursuant to which Huancai Puda will exclusively supply hardware of a type of floor-standing terminals to SG related market, and Huancai Puda shall be entitled to receive a percentage of the sales revenues generated by such type of terminals. Details of the lottery terminal supply agreement were disclosed in the announcement of the Company dated 7 August 2012.

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Mr. Leung Ngai Man ("**Mr. Leung**")	Beneficial owner	536,335,000	120,083,333 *(Note 1)*	656,418,333	35.40%
	Through a controlled corporation	294,880 *(Note 2)*	–	294,880	0.02%
Mr. Ng Kwok Chu, Winfield ("**Mr. Ng**")	Beneficial owner	94,500	2,000,000 *(Note 3)*	2,094,500	0.11%
Ms. Wu Wei Hua ("**Ms. Wu**")	Beneficial owner	–	2,000,000 *(Note 4)*	2,000,000	0.11%

Notes:

1. Mr. Leung was issued with convertible bonds in an aggregate principal amount of HK$797,500,000 on 27 August 2010 at a conversion price of HK$0.24 per share. Upon full conversion of the convertible bonds, a maximum of 3,322,916,666 shares will be issued to Mr. Leung. As at 30 June 2012, convertible bonds in the amount of HK$144,100,000 remains outstanding. As a result of the 2012 Share Consolidation, the relevant conversion price was adjusted from HK$0.24 to HK$1.20 per Share and the number of Shares falling to be issued under the outstanding convertible bonds was adjusted from 600,416,666 shares to 120,083,333 Shares. Such interests constitute a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

2. These Shares were held by Speedy Well Investments Limited ("**Speedy Well**") which is wholly and beneficially owned by Mr. Leung. By virtue of the SFO, Mr. Leung is deemed to be interested in the Shares held by Speedy Well. As a result of the 2012 Share Consolidation, these Shares were adjusted.

3. On 10 July 2008, Mr. Ng was granted share options, pursuant to the share option scheme adopted by the Company on 29 June 2007 ("**Share Option Scheme**"), to subscribe for a total of 20,000,000 shares at an exercise price of HK$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the consolidation of every two shares of HK$0.0005 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.001 each which became effective on 21 October 2008 ("**2008 Share Consolidation**"), the relevant subscription price was adjusted from HK$0.1328 to HK$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. As a result of the 2012 Share Consolidation, the relevant subscription price was adjusted from HK$0.2656 to HK$1.3280 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 10,000,000 shares to 2,000,000 Shares. The interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

4. On 10 July 2008, Ms. Wu was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the 2008 Share Consolidation, the relevant subscription price was adjusted from HK$0.1328 to HK$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. As a result of the 2012 Share Consolidation, the relevant subscription price was adjusted from HK$0.2656 to HK$1.3280 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 10,000,000 shares to 2,000,000 Shares. The interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken that was required to be recorded pursuant to section 352 of the SFO) or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Save as disclosed above, as at 30 June 2012, no person or company (other than the Directors or chief executive of the Company whose interests are set out in the section “INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION” above) had an interest or short positions in the Shares, underlying Shares and debentures of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme and refreshed its 10% general limit on the grant of options on 9 April 2009 and 20 April 2010. The principal purpose of the Share Option Scheme is to motivate and give incentive to the eligible participants as defined in the Share Option Scheme for their contribution to the Group.

For the six months ended 30 June 2012, detailed movements relating to options granted under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercise price	Exercise period	As at 1 January 2012	Movement of share options (adjusted) during the period			As at 30 June 2012
					Granted	Exercised	Lapsed/ forfeited	
Consultants	9 July 2007	1.425*	9 July 2007 – 29 June 2017	48,000,000	–	–	–	9,600,000*
	22 August 2007	2.030*	22 August 2007 – 29 June 2017	41,000,000	–	–	–	8,200,000*
	10 July 2008	1.328*	10 July 2008 – 29 June 2017	36,000,000	–	–	–	7,200,000*
Employee	15 February 2011	1.665*	15 February 2011 – 29 June 2017	15,000,000	–	–	(3,000,000)*	–
Directors								
– Mr. Ng	10 July 2008	1.328*	10 July 2008 – 29 June 2017	10,000,000	–	–	–	2,000,000*
– Ms. Wu	10 July 2008	1.328*	10 July 2008 – 29 June 2017	10,000,000	–	–	–	2,000,000*

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

No option granted under the Share Option Scheme was exercised during the six months ended 30 June 2012.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. As at the date of this announcement, the audit committee of the Company comprises three independent non-executive Directors, namely, Dr. Leung Wai Cheung (chairman of the audit committee), Mr. Cai Wei Lun and Mr. Qi Ji.

The Group's interim results for the six months ended 30 June 2012 have been reviewed by the audit committee which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the period under review, the Company has complied with the code provisions and certain recommended best practices in the Corporate Governance Code and Corporate Governance Report ("**CG Code and Report**") as set out in Appendix 15 to the GEM Listing Rules except the following:

Chairman and Chief Executive Officer

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

Currently, the role of the chairman of the Board is performed by Mr. Leung who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the chairman in Mr. Leung provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company was performed by Mr. Leung and all the executive Directors whom have extensive experience in the business of the Group. Their respective areas of profession spearheaded the Group's overall development and business strategies.

The Company is still looking for a suitable candidate to fill the vacancy in order to comply with the CG Code and Report.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions by Directors ("**Code**") which is no less exacting than the required terms for dealings of Shares by Directors as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific inquiry with all the Directors, and has been notified by Mr. Leung who inadvertently dealt in the Shares in January 2012 during the blackout period for the publication of the annual results of the Group for the year ended 31 December 2011 and therefore he had not complied with the required standard for dealings of securities by Directors, under the GEM Listing Rules and the Code during the six months ended 30 June 2012. In response to such non-compliance, the Directors have been reminded of the appropriate procedures for dealings in the Shares under the Code. Disclosure of the change of interest of Mr. Leung in the Company pursuant to such dealing was made in accordance with the SFO.

Save as disclosed above, the Company has not been notified of any non-compliance with the standard for dealings of securities by Directors and the Code during the six months ended 30 June 2012.

COMPETING INTERESTS

During the period under review, none of the Directors, substantial Shareholders or any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

By order of the Board
China Netcom Technology Holdings Limited
Ng Kwok Chu, Winfield
Executive Director

Hong Kong, 9 August 2012

As at the date of this announcement, the executive Directors are Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua; and the independent non-executive Directors are Dr. Leung Wai Cheung, Mr. Cai Wei Lun and Mr. Qi Ji.