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**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)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

## 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.*

## HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2011 was approximately HK$2,014,000, which was approximately 78% of the amount of that in 2010.

- Loss attributable to owners of the Company was approximately HK$618,778,000 for the year ended 31 December 2011, representing a decrease of approximately 67% as compared with that in 2010

- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: Nil).

## RESULTS

The board of Directors ("**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2011 together with the comparative figures are as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2011*

| | *Notes* | **2011**<br>***HK$'000*** | 2010<br>*HK$'000*<br>(Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *4* | **2,014** | 2,582 |
| Cost of sales | | **(1,870)** | (2,091) |
| Gross profit | | **144** | 491 |
| Other income and gains | *5* | **11,344** | 334 |
| Administrative expenses | | **(41,147)** | (30,677) |
| Impairment loss of goodwill | | **(391,981)** | (1,082,300) |
| Impairment loss of other intangible assets | | **(24,187)** | (1,629,552) |
| Loss on early redemption of promissory note | | **(70,497)** | (11,520) |
| Finance costs | *6* | **(103,798)** | (43,849) |
| Other operating expenses | | **(22,237)** | (23,873) |
| Share of loss of an associate | | **(298)** | (50) |
| Loss before tax | | **(642,657)** | (2,820,996) |
| Income tax credit | *7* | **3,146** | 237,433 |
| Loss for the year from continuing operations | *8* | **(639,511)** | (2,583,563) |

| | Notes | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|---|
| **Discontinued operation** | | | |
| Loss for the year from discontinued operation | *9* | **(3)** | (75) |
| **Loss for the year** | | **(639,514)** | (2,583,638) |
| **Other comprehensive income, net of income tax** | | | |
| Exchange differences on translating foreign operations | | **42,735** | 121,739 |
| Reclassification adjustment relating to foreign operation disposed of during the year | | **110** | – |
| Share of other comprehensive income of an associate | | **9** | 11 |
| Other comprehensive income for the year, net of income tax | | **42,854** | 121,750 |
| **Total comprehensive expense for the year** | | **(596,660)** | (2,461,888) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(618,778)** | (1,887,273) |
| Non-controlling interests | | **(20,736)** | (696,365) |
| | | **(639,514)** | (2,583,638) |
| **Total comprehensive expense attributable to:** | | | |
| Owners of the Company | | **(589,359)** | (1,800,525) |
| Non-controlling interests | | **(7,301)** | (661,363) |
| | | **(596,660)** | (2,461,888) |
| **Loss per share** | *10* | | |
| From continuing and discontinued operations – Basic and diluted (HK cents per share) | | **(34.0)** | (188.2) |
| From continuing operations – Basic and diluted (HK cents per share) | | **(34.0)** | (188.2) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,297** | 2,113 |
| Goodwill | *11* | **34,409** | 402,016 |
| Other intangible assets | *12* | **728,462** | 746,897 |
| Interest in an associate | | **54** | 343 |
| Available-for-sale investment | | **118** | 118 |
| | | **765,340** | 1,151,487 |
| **Current assets** | | | |
| Inventories | *13* | **488** | – |
| Trade and other receivables | *14* | **13,777** | 1,672 |
| Amount due from a non-controlling interest of a subsidiary | | **496** | 457 |
| Pledged bank deposit | | **210** | 210 |
| Cash and bank balances | | **161,455** | 348,172 |
| | | **176,426** | 350,511 |
| **Current liabilities** | | | |
| Trade and other payables | *15* | **14,886** | 13,028 |
| Amount due to a non-controlling interest of a subsidiary | | **220** | 212 |
| Current tax liabilities | | **1** | 3 |
| | | **15,107** | 13,243 |
| **Net current assets** | | **161,319** | 337,268 |
| **Total assets less current liabilities** | | **926,659** | 1,488,755 |
| **Non-current liabilities** | | | |
| Convertible bonds | *16* | **79,883** | 90,944 |
| Promissory note | *17* | **577,685** | 559,948 |
| Deferred tax liabilities | | **118,528** | 125,926 |
| | | **776,096** | 776,818 |
| **Net assets** | | **150,563** | 711,937 |
| **Capital and reserves** | | | |
| Share capital | *18* | **9,271** | 9,059 |
| Reserves | | **(163,648)** | 391,905 |
| Equity attributable to owners of the Company | | **(154,377)** | 400,964 |
| Non-controlling interests | | **304,940** | 310,973 |
| **Total equity** | | **150,563** | 711,937 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2011*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium account HK$'000 | Capital redemption reserve HK$'000 | Convertible bonds equity reserve HK$'000 | Share options reserve HK$'000 | Foreign currency translation reserve HK$'000 | Other reserve HK$'000 | Accumulated losses HK$'000 | Subtotal HK$'000 | Attributable to non-controlling interests HK$'000 | Total HK$'000 |
| Balance at 1 January 2010 | 3,626 | 1,475,357 | 1 | – | 18,486 | (4,732) | (49) | (459,550) | 1,033,139 | 1,843 | 1,034,982 |
| Loss for the year | – | – | – | – | – | – | – | (1,887,273) | (1,887,273) | (696,365) | (2,583,638) |
| Other comprehensive income for the year | – | – | – | – | – | 86,748 | – | – | 86,748 | 35,002 | 121,750 |
| Total comprehensive income/(expense) for the year | – | – | – | – | – | 86,748 | – | (1,887,273) | (1,800,525) | (661,363) | (2,461,888) |
| Non-controlling interests arising on acquisition of subsidiaries | – | – | – | – | – | – | – | – | – | 970,493 | 970,493 |
| Recognition of equity-settled share-based payments | – | – | – | – | 720 | – | – | – | 720 | – | 720 |
| Issue of new ordinary shares | 2,564 | 423,515 | – | – | – | – | – | – | 426,079 | – | 426,079 |
| Transaction costs attributable to issue of new ordinary shares | – | (10,128) | – | – | – | – | – | – | (10,128) | – | (10,128) |
| Issuance of consideration shares | 200 | 33,400 | – | – | – | – | – | – | 33,600 | – | 33,600 |
| Issue of ordinary shares under share option scheme | 142 | 21,379 | – | – | (3,952) | – | – | – | 17,569 | – | 17,569 |
| Lapse of share options | – | – | – | – | (1,118) | – | – | 1,118 | – | – | – |
| Recognition of the equity component of convertible bonds | – | – | – | 439,210 | – | – | – | – | 439,210 | – | 439,210 |
| Deferred tax relating to convertible bonds | – | – | – | (17,347) | – | – | – | – | (17,347) | – | (17,347) |
| Exercise of convertible bonds | 2,527 | 610,195 | – | (334,075) | – | – | – | – | 278,647 | – | 278,647 |
| Balance at 31 December 2010 and 1 January 2011 | 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 year | – | – | – | – | – | – | – | (618,778) | (618,778) | (20,736) | (639,514) |
| Other comprehensive income for the year | – | – | – | – | – | 29,419 | – | – | 29,419 | 13,435 | 42,854 |
| Total comprehensive income/(expense) for the year | – | – | – | – | – | 29,419 | – | (618,778) | (589,359) | (7,301) | (596,660) |
| Non-controlling interests arising on acquisition of subsidiaries | – | – | – | – | – | – | – | – | – | (30) | (30) |
| Capital contribution by non-controlling interests of a subsidiary | – | – | – | – | – | – | – | – | – | 1,283 | 1,283 |
| Recognition of equity-settled share-based payments | – | – | – | – | 1,230 | – | – | – | 1,230 | – | 1,230 |
| Issue of ordinary shares under share option scheme | 17 | 3,369 | – | – | (795) | – | – | – | 2,591 | – | 2,591 |
| Released upon disposal of subsidiaries | – | – | – | – | – | – | – | – | – | 15 | 15 |
| Deferred tax relating to convertible bonds | – | – | – | 4,252 | – | – | – | – | 4,252 | – | 4,252 |
| Exercise of convertible bonds | 195 | 51,523 | – | (25,773) | – | – | – | – | 25,945 | – | 25,945 |
| **Balance at 31 December 2011** | **9,271** | **2,608,610** | **1** | **66,267** | **14,571** | **111,435** | **(49)** | **(2,964,483)** | **(154,377)** | **304,940** | **150,563** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2011*

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("**HKAS(s)**"), HKFRS(s), amendments and interpretations ("**HK(IFRIC) – Int**") (hereinafter collectively referred to as the "**new and revised HKFRSs**") issued by the HKICPA:

| | |
|---|---|
| Amendments to HKFRSs | Improvements to HKFRSs issued in 2010 |
| Amendments to HKFRS 1 | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters |
| HKAS 24 (as revised in 2009) | Related Party Disclosures |
| Amendments to HKAS 32 | Classification of Right Issues |
| Amendments to HK(IFRIC) – Int 14 | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the new and revised HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior years.

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

| | |
|---|---|
| Amendments to HKFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1] |
| Amendments to HKFRS 7 | Disclosures – Transfers of Financial Assets[1] |
| | Disclosures – Offsetting Financial Assets and Financial Liabilities[4] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6] |
| HKFRS 9 | Financial Instruments[6] |
| HKFRS 10 | Consolidated Financial Satements[4] |
| HKFRS 11 | Joint Arrangements[4] |
| HKFRS 12 | Disclosure of Interests in Other Entities[4] |
| HKFRS 13 | Fair Value Measurement[4] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[3] |
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Assets[2] |
| HKAS 19 (as revised in 2011) | Employee Benefits[4] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[4] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[4] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[5] |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[4] |

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] 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 the new standard may have an 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.

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 results and the financial position of the Group.

## 3. 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.

### Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

| | Trading of computer hardware and software | | Exploration of mines | | Lottery business | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | **1,590** | 1,901 | **–** | – | **424** | 681 | **2,014** | 2,582 |
| Segment loss | **(259)** | (115) | **(404,993)** | (674,997) | **(220,623)** | (2,121,699) | **(625,875)** | (2,796,811) |
| Interest and other income | | | | | | | **11,111** | 167 |
| Interest on bank overdraft | | | | | | | **(1)** | – |
| Central administration costs | | | | | | | **(27,892)** | (24,352) |
| Loss before tax (continuing operations) | | | | | | | **(642,657)** | (2,820,996) |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: Nil).

Segment loss represents the loss incurred by each segment without allocation of central administration costs, interest and other income and interest on bank overdraft. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and assessment of segment performance.

**Segment assets and liabilities**

| | Trading of computer hardware and software | | Exploration of mines | | Lottery business | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment assets** | **2,252** | 1,622 | **139** | 389,151 | **776,788** | 779,931 | **779,179** | 1,170,704 |
| Corporate and unallocated assets | | | | | | | **162,530** | 331,237 |
| Total segment assets | | | | | | | **941,709** | 1,501,941 |
| Assets relating to staff secondment operation (now discontinued) | | | | | | | **57** | 57 |
| Consolidated assets | | | | | | | **941,766** | 1,501,998 |
| **Segment liabilities** | **313** | 307 | **69** | 79 | **780,507** | 780,721 | **780,889** | 781,107 |
| Corporate and unallocated liabilities | | | | | | | **10,314** | 8,874 |
| Total segment liabilities | | | | | | | **791,203** | 789,981 |
| Liabilities relating to staff secondment operation (now discontinued) | | | | | | | **–** | 80 |
| Consolidated liabilities | | | | | | | **791,203** | 790,061 |

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than pledged bank deposit and other unallocated head office and corporate assets. Goodwill and other intangible assets are allocated to reportable segments; and

– all liabilities are allocated to reportable segments other than other unallocated head office and corporate liabilities.

### Other segment information

| | Trading of computer hardware and software | | Exploration of mines | | Lottery business | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Depreciation | **28** | 5 | **1** | 2 | **418** | 126 | **447** | 133 |
| Unallocated depreciation | | | | | | | **176** | 198 |
| Total depreciation | | | | | | | **623** | 331 |
| Share of loss of an associate | **–** | – | **–** | – | **298** | 50 | **298** | 50 |
| Loss on disposal of property, plant and equipment | **–** | – | **–** | – | **7** | 10 | **7** | 10 |
| Loss on early redemption of promissory note | **–** | – | **–** | – | **70,497** | 11,520 | **70,497** | 11,520 |
| Effective interest on convertible bonds | **–** | – | **–** | – | **14,884** | 11,301 | **14,884** | 11,301 |
| Effective interest on promissory note | **–** | – | **–** | – | **88,913** | 32,548 | **88,913** | 32,548 |
| Amortisation of other intangible assets | **–** | – | **–** | – | **21,916** | 23,863 | **21,916** | 23,863 |
| Impairment loss of goodwill | **–** | – | **379,581** | 674,000 | **12,400** | 408,300 | **391,981** | 1,082,300 |
| Impairment loss of other intangible assets | **–** | – | **24,187** | – | **–** | 1,629,552 | **24,187** | 1,629,552 |
| Additions to non-current assets | **189** | 3 | **612** | 41 | **9,835** | 2,741,420 | **10,636** | 2,741,464 |
| Unallocated | | | | | | | **17** | 465 |
| Total additions to non-current assets | | | | | | | **10,653** | 2,741,929 |

### Geographical information

The Group operates in two principal geographical areas – the PRC and Hong Kong.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

| | Revenue from external customers | | Non-current assets* | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK'000*** | *HK'000* | ***HK'000*** | *HK'000* |
| | | (Restated) | | |
| PRC | **2,014** | 2,582 | **764,971** | 1,150,961 |
| Hong Kong | **–** | – | **369** | 526 |
| | **2,014** | 2,582 | **765,340** | 1,151,487 |

* Non-current assets excluding those relating to staff secondment operation.

## 4. REVENUE

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Sale of lottery equipment | **–** | 444 |
| Sale of computer hardware and software | **1,590** | 2,138 |
| Provision of lottery system management services, and marketing and technical consultancy services | **424** | – |
| | **2,014** | 2,582 |

## 5. OTHER INCOME AND GAINS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **2,438** | 216 |
| Net foreign exchange gain | **193** | – |
| Gain on disposal of subsidiaries | **8,120** | – |
| Gain arising on change in fair value of financial assets classified as held for trading | **478** | – |
| Sundry income | **115** | 118 |
| | **11,344** | 334 |

## 6. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank overdraft | **1** | – |
| Effective interest on convertible bonds | **14,884** | 11,301 |
| Effective interest on promissory note | **88,913** | 32,548 |
| | **103,798** | 43,849 |

## 7. INCOME TAX CREDIT (RELATING TO CONTINUING OPERATIONS)

**Income tax recognised in profit or loss**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| PRC Enterprise Income Tax | **–** | 8 |
| Deferred tax: | | |
| Current year | **(3,146)** | (237,441) |
| Total income tax recognised in profit or loss | **(3,146)** | (237,433) |

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for both years. 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 years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 15% and 25% (2010: 15% and 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Loss for the year from continuing operations has been arrived at after charging: | | |
| Cost of inventories recognised as an expense (included in cost of sales) | **1,445** | 2,091 |
| Auditors' remuneration | **900** | 720 |
| Employee benefits expense (excluding directors' emoluments) *(Note (i))* | **12,209** | 6,260 |
| Directors' emoluments | **13,752** | 11,043 |
| | **25,961** | 17,303 |
| Minimum lease payments paid under operating leases in respect of: | | |
| – Land and buildings | **2,186** | 1,091 |
| – Office equipment | **15** | 14 |
| Net foreign exchange loss | **–** | 531 |
| Depreciation of property, plant and equipment | **623** | 331 |
| Amortisation of other intangible assets *(Note (ii))* | **21,916** | 23,863 |
| Loss on disposal of property, plant and equipment (*Note (ii)*) | **7** | 10 |

*Notes:*

(i) Employee benefits expense (excluding directors' emoluments) included equity-settled share-based payments of HK$1,230,000 (2010: Nil) disclosed above.

(ii) Amortisation of other intangible assets and loss on disposal of property, plant and equipment are included in other operating expenses.

## 9. DISCONTINUED OPERATION

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss for the year from discontinued operation** | | |
| Revenue | **–** | 93 |
| Cost of sales | **–** | (83) |
| Administrative expenses | **(3)** | (85) |
| Loss before tax | **(3)** | (75) |
| Attributable income tax | **–** | – |
| Loss for the year from discontinued operation (attributable to the owners of the Company) | **(3)** | (75) |
| Loss for the year from discontinued operation include the following: | | |
| Auditors' remuneration | **–** | 80 |

Note: For the year ended 31 December 2010, cost of sales included HK$83,000 relating to employee benefits expense.

## 10. 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:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| ***Loss*** | | |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | **(618,778)** | (1,887,273) |

***Number of shares***

| | **2011** | 2010 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **1,820,581** | 1,002,778 |

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the years ended 31 December 2010 and 2011 has been retrospectively adjusted for the effect of the consolidation of shares subsequent to the end of the reporting period.

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:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company | **(618,778)** | (1,887,273) |
| Less: | | |
| Loss for the year from discontinued operation | **3** | 75 |
| Loss for the purpose of basic and diluted loss per share from continuing operations | **(618,775)** | (1,887,198) |

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

**For discontinued operation**

Basic and diluted loss per share for the discontinued operation is HK0.0002 cent per share (2010: HK0.0075 cent per share), based on the loss for the year from the discontinued operation of approximately HK$3,000 (2010: HK$75,000) and the denominators detailed above for both basic and diluted loss per share.

## 11. GOODWILL

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Cost** | | |
| Balance at beginning of year | **1,616,525** | 1,129,598 |
| Additional amounts recognised from business combination occurring during the year | **9,288** | 432,378 |
| Effect of foreign currency exchange differences | **44,944** | 54,549 |
| Balance at end of year | **1,670,757** | 1,616,525 |
| **Accumulated impairment losses** | | |
| Balance at beginning of year | **(1,214,509)** | (127,400) |
| Impairment loss recognised in the year | **(391,981)** | (1,082,300) |
| Effect of foreign currency exchange differences | **(29,858)** | (4,809) |
| Balance at end of year | **(1,636,348)** | (1,214,509) |
| **Carrying amounts** | | |
| Balance at 31 December | **34,409** | 402,016 |

## 12. OTHER INTANGIBLE ASSETS

| | Exploration and evaluation assets *HK$'000* | Concession rights *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2010 | 22,158 | – | 22,158 |
| Additions | 41 | – | 41 |
| Acquisition through business combination | – | 2,306,800 | 2,306,800 |
| Effect of foreign currency exchange differences | 837 | 70,760 | 71,597 |
| Balance at 31 December 2010 | 23,036 | 2,377,560 | 2,400,596 |
| Additions | 612 | – | 612 |
| Effect of foreign currency exchange differences | 861 | 88,052 | 88,913 |
| Balance at 31 December 2011 | 24,509 | 2,465,612 | 2,490,121 |
| **Accumulated amortisation and impairment** | | | |
| Balance at 1 January 2010 | – | – | – |
| Amortisation expense | – | (23,863) | (23,863) |
| Impairment loss recognised in profit or loss | – | (1,629,552) | (1,629,552) |
| Effect of foreign currency exchange differences | – | (284) | (284) |
| Balance at 31 December 2010 | – | (1,653,699) | (1,653,699) |
| Amortisation expense | – | (21,916) | (21,916) |
| Impairment loss recognised in profit or loss | (24,187) | – | (24,187) |
| Effect of foreign currency exchange differences | (322) | (61,535) | (61,857) |
| Balance at 31 December 2011 | (24,509) | (1,737,150) | (1,761,659) |
| **Carrying amounts** | | | |
| **Balance at 31 December 2011** | **–** | **728,462** | **728,462** |
| Balance at 31 December 2010 | 23,036 | 723,861 | 746,897 |

## 13. INVENTORIES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Computer software | **488** | – |

## 14. TRADE AND OTHER RECEIVABLES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **27** | – |
| Prepayments, deposits and other receivables | **13,750** | 1,672 |
| | **13,777** | 1,672 |

The Group allows a credit period of 30 days (2010: 45 days) to its trade customers. The following is an ageing analysis of net trade receivables at the end of the reporting period:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **3** | – |
| 31 – 60 days | **2** | – |
| 61 – 90 days | **–** | – |
| 91 – 120 days | **1** | – |
| Over 120 days | **21** | – |
| | **27** | – |

The ageing analysis of trade receivables that are not impaired is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **3** | – |
| Past due but not impaired | | |
| – overdue by 1 – 30 days | **2** | – |
| – overdue by 31 – 60 days | **–** | – |
| – overdue by 61 – 90 days | **1** | – |
| – overdue by over 90 days | **21** | – |
| | **27** | – |

## 15. TRADE AND OTHER PAYABLES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **11** | 5 |
| Other payables and accruals | **14,875** | 13,023 |
| | **14,886** | 13,028 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 60 days | **5** | 2 |
| 61 – 90 days | **1** | 1 |
| Over 90 days | **5** | 2 |
| | **11** | 5 |

## 16. CONVERTIBLE BONDS

The movement of the liability component of the convertible bonds for the year is set out below:

| | ***HK$'000*** |
|---|---|
| At 1 January 2010 | – |
| Issued during the year | 358,290 |
| Interest charged calculated at an effective interest rate of 17.35% | 11,301 |
| Arising from exercise of convertible bonds | (278,647) |
| At 31 December 2010 and 1 January 2011 | 90,944 |
| Interest charged calculated at an effective interest rate of 17.35% | 14,884 |
| Arising from exercise of convertible bonds | (25,945) |
| **At 31 December 2011** | **79,883** |

## 17. PROMISSORY NOTE

Under the terms of the promissory note, the promissory note with principal amount of HK$1,200,000,000 is unsecured, interest bearing at 0.15% per annum and has a maturity period 5 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company at its principal amount and accrued interest up to the redemption date. The promissory note was issued as part of the consideration in connection with the acquisition of Pearl Sharp Limited in 2010, and was fair valued at initial recognition with an effective interest rate of 17.35% per annum.

During the year ended 31 December 2011, the Company early redeemed part of the promissory note with total principal amounts of approximately HK$140,000,000 (2010: HK$29,000,000) and incurred an early redemption loss of approximately HK$70,497,000 (2010: HK$11,520,000).

## 18. SHARE CAPITAL

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

| | **Number of shares** *'000* | **Share capital** *HK$'000* |
|---|---|---|
| **Ordinary shares of HK$0.001 each:** | | |
| **Authorised:** | | |
| Ordinary shares of HK$0.001 each | | |
| At 31 December 2010 and 2011 | 100,000,000 | 100,000 |
| **Issued and fully paid:** | | |
| At 1 January 2010 | 3,625,855 | 3,626 |
| Exercise of share options *(Note (i))* | 142,110 | 142 |
| Exercise of convertible bonds *(Note (ii))* | 2,527,500 | 2,527 |
| Issue of new ordinary shares *(Note (iii))* | 2,563,710 | 2,564 |
| Issuance of consideration shares *(Note (iv))* | 200,000 | 200 |
| At 31 December 2010 and 1 January 2011 | 9,059,175 | 9,059 |
| Exercise of share options *(Note (i))* | 17,000 | 17 |
| Exercise of convertible bonds *(Note (ii))* | 195,000 | 195 |
| **At 31 December 2011** | **9,271,175** | **9,271** |

*Notes:*

*(i) Exercise of share options*

Share options were exercised by option holders during the year ended 31 December 2011 to subscribe for a total of 17,000,000 (2010: 142,110,000) shares of HK$0.001 each by payment of subscription monies of approximately HK$2,591,000 (2010: HK$17,569,000), of which approximately HK$17,000 (2010: HK$142,000) was credited to share capital and the balance of approximately HK$2,574,000 (2010: HK$17,427,000) was credited to the share premium account.

*(ii) Exercise of convertible bonds*

During the year ended 31 December 2011, 195,000,000 (2010: 2,527,500,000) ordinary shares of HK$0.001 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.24 per share.

*(iii) Issue of new ordinary shares*

On 15 March 2010, the Company entered into a placing agreement with Cinda International Capital Limited in relation to the placing of 559,200,000 new ordinary shares of the Company to placees at HK$0.105 per placing share. Completion of such placing took place on 25 March 2010, pursuant to which the Company allotted and issued 559,200,000 new shares to not less than six placees at the placing price of HK$0.105 per placing share. The net proceeds from the placing were approximately HK$58 million.

On 25 August 2010, Mr. Leung Ngai Man ("**Mr. Leung**"), the chairman and an executive Director entered into a placing agreement with Samsung Securities (Asia) Limited and the Company. Pursuant to such placing agreement, Mr. Leung agreed to place, through the placing agent, 588,405,000 existing shares of the Company at the placing price of HK$0.143 per placing share to not less than six placees which are independent investors. Pursuant to the subscription agreement entered into between the Company and Mr. Leung on the even date, Mr. Leung conditionally agreed to subscribe for 588,405,000 subscription shares at the subscription price of HK$0.143 per subscription share. Completion of the placing and the subscription took place on 30 August 2010 and 3 September 2010 respectively in accordance with the terms and conditions of the placing agreement and the subscription agreement. The net proceeds from the subscription were approximately HK$82 million.

On 7 December 2010, a placing and subscription agreement was entered into among Mr. Leung, the Company and Daiwa Capital Markets Hong Kong Limited, pursuant to which the placing agent had agreed to place up to 1,416,114,049 placing shares held by Mr. Leung to independent third parties who are not connected persons of the Company or Mr. Leung at HK$0.20 per placing share. Pursuant to such placing and subscription agreement, the Company has conditionally agreed to allot and issue the subscription shares (the number of which should be equivalent to the placing shares actually sold by Mr. Leung under the placing) at HK$0.20 per subscription share. Completion of the placing and the subscription took place on 9 December 2010 and 14 December 2010 respectively, pursuant to which the Company allotted and issued 1,416,105,000 existing shares to not less than six placees at the placing price of HK$0.20 per placing share. The net proceeds from the subscription were approximately HK$276 million.

*(iv) Issuance of consideration shares*

On 27 August 2010, 200,000,000 shares of HK$0.001 each ("**Consideration Shares**") were issued to Mr. Leung, as part of the consideration for the acquisition of Pearl Sharp Limited in 2010. The 200,000,000 Consideration Shares were recorded at HK$0.168 each, being the published share price available at the date of completion of the acquisition. The 200,000,000 Consideration Shares of HK$0.001 each rank pari passu in all respects with the existing issued shares of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the year, the Group's audited revenue from continuing operation and the loss attributable to owners of the Company were approximately HK$2,014,000 and HK$618,778,000 respectively, representing a decrease of approximately HK$568,000 and a decrease of approximately HK$1,268,495,000 respectively as compared with the audited revenue of approximately HK$2,582,000 and the loss attributable to owners of the Company of approximately HK$1,887,273,000 for the year ended 31 December 2010. The impairment loss of goodwill relating to the gold mine for the year ended 31 December 2011 was approximately HK$379,581,000 (2010: HK$674,000,000) which was due to the unsatisfactory exploration study result of the gold mine located at Luoxi City, Yunnan Province, the PRC. The Group's revenue for the year was mainly generated from lottery business and trading of computer hardware and software.

As at 31 December 2011, the Group has cash and bank balances (excluding pledged bank deposit) of approximately HK$161,455,000 (2010: HK$348,172,000). The majority bank balances are denominated in Hong Kong dollars and Renminbi and put in short term deposit.

As at 31 December 2011, the Group recorded total assets of approximately HK$941,766,000 (2010: HK$1,501,998,000), and recorded total liabilities of approximately HK$791,203,000 (2010: HK$790,061,000).

### Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: Nil).

### Business review

In January 2011, the name of the Company has been changed to China Netcom Technology Holdings Limited which is a benchmark of the Group striving to become one of the leading operator of high-frequency lottery sales hall in the PRC, as well as the pioneer in manufacturing and developing self service lottery terminals.

During the year, 深圳環彩普達科技有限公司 (Shenzhen Huancai Puda Technology Company Limited, being its unofficial English name) ("**Huancai Puda**"), a subsidiary in which the Company has controlling interest, has engaged in various kinds of agreement with different parties to expand its lottery sales business. Some of the agreements were listed as follows:

*Agreement with Guangzhou Zhujiang Online*

On 16 May 2011, an agreement was entered into with 廣州珠江在線多媒體信息有限公司 (Guangzhou Zhujiang Online Multimedia Company Limited, being its unofficial English name) regarding the development of interactive TV lottery service.

*Agreement with Guangzhou Luyin*

On 28 July 2011, a framework agreement was entered into with 廣州魯銀投資有限公司 (Guangzhou Luyin Investment Co., Limited, being its unofficial English name) in relation to the co-operation in the development of digital TV lottery sales projects in order to enlarge the market share and increase the profitability of the digital TV lottery sales projects operated by the parties.

*Contract with Scientific Games*

On 12 December 2011, a contract was entered into with Scientific Games Worldwide Limited ("**Scientific Games**") in relation to i) the joint development of tabletop and mobile terminals in the PRC; ii) the implementation of the construction of the self-service terminal sales network; and iii) the joint promotion of the construction and operation of the China Sports Lottery self-service terminals sales system. Scientific Games is one of the world's leading producer of instant lottery tickets and the exclusive service provider of the instant lottery tickets of the China Sports Lottery.

**Joint Venture Agreement with China Digital Library**

A joint venture agreement was entered into between Multi Joy Corporation Limited, 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 name) in relation to the formation of 中數三網科技(北京)有限公司 (Zhongshu Sanwang Technology (Beijing) Limited), being its unofficial English name) to be principally engaged in IPTV services related advertisement and value-added services in the PRC on 21 July 2011.

*Events after the reporting period*

**Supplemental Agreement with Century Profit Holdings Limited and Mutual International Limited**

A supplemental agreement dated 6 March 2012 entered into between Greatest Profit Investment Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, Century Profit Holdings Limited ("**CPHL**") and Mutual international Limited, as the vendors, and Mr. Lin Zhiwei and the two beneficial shareholders of CPHL as warrantors, pursuant to which the parties agreed to extend the long stop date as more time is required for the fulfillment of the conditions, including but not limited to the obtaining of a production for sales terminal network entry permit, in the form and substance satisfactory to the purchaser, to be issued in the name of Huancai Puda by the relevant PRC lottery regulatory authority. Details of the supplemental agreement were disclosed in the Company's announcement dated 6 March 2012.

**Share consolidation and change in board lot size**

An ordinary resolution in relation to the share consolidation of every 5 issued and unissued ordinary shares of HK$0.001 each into 1 consolidated share of HK$0.005 each ("**Consolidated Share**") was passed on 24 February 2012 and become effective on 27 February 2012. The authorised share capital of the Company remains at HK$100,000,000 but comprise 20,000,000,000 Consolidated Shares of which 1,854,235,049 Consolidated Shares are in issue. Upon the share consolidation become effective, the board lot size is changed from 15,000 shares to 5,000 Consolidated Shares. Details of the share consolidation were disclosed in the Company's announcements dated 19 January 2012 and 24 February 2012 and the Company's circular dated 8 February 2012.

**Agreement with Jinse Pingdao**

Max Choice Holdings Limited, a wholly-owned subsidiary of the Company, and 上海金色平道文化傳媒有限公司(Shanghai Jinse Pingdao Cultural Media Limited, being its unofficial English name) ("**Jinse Pingdao**"), the operator of Xingfu lottery channel, entered into an agreement on 18 January 2012, pursuant to which the Company agreed to set up a joint venture company with Jinse Pingdao through Huancai Puda to co-develop TV interactive lottery services in the PRC. Details of the agreement were disclosed in the announcement of the Company dated 27 January 2012.

**Agreement with Liaoning Welfare Lottery**

Huancai Puda and 遼寧省福利彩票發行中心(Liaoning Province Welfare Lottery Issuing Centre, being its unofficial English name) ("**Liaoning Welfare Lottery**"), being a service provider of lottery in Liaoning Province (遼寧省), entered into (i) a cooperation agreement, pursuant to which Huancai Puda agreed to set up and manage the sales point of a high payout and quick-result lottery game namely China Welfare Lottery "Happy 12" in Liaoning Province and act as the sales agent; and (ii) a service agreement, pursuant to which Liaoning Welfare Lottery appointed Huancai Puda to undertake the development and maintenance of the sales management system of "Happy 12". Details of the agreement were set out in the announcement of the Company dated 13 February 2012.

### *Prospect*

In 2012, a first-class China lottery operation team was established by the Company. The lottery business is growing through innovative channels by ways of distribution channels, lottery games and equipment for sales of lottery tickets. The Company intends to position as the investment operator and equipment provider of high frequency lottery sales hall in the PRC. The Company will focus on (i) setting up lottery sales hall for high frequency and electronic instant lottery games. More than 30 self-service lottery terminals will be installed in a new lottery sales hall with an area of over 300 square meters. Paperless lottery sales service for high frequency games, instant lottery tickets, electronic instant lottery games and TV lottery games will be offered; and (ii) developing and manufacturing new self-service lottery terminals and systems including electronic instant lottery terminals and paperless sales equipment for high-frequency games.

The Company is currently developing the lottery businesses in Liaoning, Chongqing, Guangxi, Hainan, etc. In the coming years, the Company intends to invest in and operate 300-500 lottery sales halls with high frequencies games and targets to reach annual sales of over RMB10 billion. The Company also expects to sell 50,000 units of new self-service lottery terminals and aims to be a leading operator of high-frequency lottery sales hall in the PRC, as well as the pioneer in manufacturing and developing self service lottery terminals.

## AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. During the year, the Audit Committee comprises two independent non-executive Directors, namely Dr. Leung Wai Cheung (chairman of the Audit Committee) and Mr. Cai Wei Lun.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. During the year, the Audit Committee held four meetings. The annual results of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and the legal requirements, and that adequate disclosures have been made.

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules except the following:

1. Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated 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 of the Company.

   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 who 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 of the chief executive officer in order to comply with the CG Code.

2. Code provision A.3 stipulates that under rule 5.05 of the GEM Listing Rules, the Board must include at least three independent non-executive Directors.

   Following the resignation of Mr. Wang Jun Sui on 27 October 2010, the number of independent non-executive Directors and Audit Committee members fell below the minimum number required under rules 5.05(1) and 5.28 of the GEM Listing Rules respectively during the year.

   Subsequent to the reporting period, Mr. Qi Ji was appointed on 29 February 2012 to fill the vacancy in order to comply with the CG Code and the GEM Listing Rules.

A corporate governance report will be included in the annual report to be published by the Company in due course.

## 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 year.

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

Hong Kong, 23 March 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.*

*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.*