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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 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.*

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2012 was approximately HK$2,248,000, representing an increase of approximately 12% as compared with that in 2011.

- Loss attributable to owners of the Company was approximately HK$290,861,000 for the year ended 31 December 2012, representing a decrease of approximately 53% as compared with that in 2011.

- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012 (2011: 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 2012 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Revenue	4	**2,248**	2,014
Cost of sales		**(3,574)**	(1,870)
Gross (loss)/profit		**(1,326)**	144
Other income and gains	5	**16,958**	11,363
Administrative expenses		**(36,323)**	(39,942)
Impairment loss of goodwill	11	**(32,940)**	(12,400)
Impairment loss of other intangible assets	12	**(137,355)**	–
Loss on early redemption of promissory note		**(32,130)**	(70,497)
Finance costs	6	**(108,295)**	(103,798)
Other operating expenses		**(17,073)**	(22,237)
Share of losses of associates		**(364)**	(298)
Loss before tax		**(348,848)**	(237,665)
Income tax (expense)/credit	7	**(34,849)**	3,146
Loss for the year from continuing operations	8	**(383,697)**	(234,519)
Discontinued operations			
Loss for the year from discontinued operations	9	**(2,910)**	(404,995)
Loss for the year		**(386,607)**	(639,514)
Other comprehensive income			
Exchange differences on translating foreign operations		**4,150**	42,735
Reclassification adjustment relating to foreign operations disposed of during the year		**(1,190)**	110
Share of other comprehensive (expense)/income of associates		**(38)**	9
Other comprehensive income for the year		**2,922**	42,854
Total comprehensive expense for the year		**(383,685)**	(596,660)

	Notes	2012 *HK$'000*	2011 *HK$'000* (Restated)
Loss attributable to:			
Owners of the Company		**(290,861)**	(618,778)
Non-controlling interests		**(95,746)**	(20,736)
		(386,607)	(639,514)
Total comprehensive expense attributable to:			
Owners of the Company		**(289,890)**	(589,359)
Non-controlling interests		**(93,795)**	(7,301)
		(383,685)	(596,660)
Loss per share	*10*		
From continuing and discontinued operations			
– Basic and diluted (HK cents per share)		**(15.7)**	(34.0)
From continuing operations			
– Basic and diluted (HK cents per share)		**(15.5)**	(12.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**3,985**	2,297
Goodwill	*11*	**–**	34,409
Other intangible assets	*12*	**578,369**	728,462
Interests in associates		**7,191**	54
Available-for-sale investment		**–**	118
		589,545	765,340
Current assets			
Inventories	*13*	**110**	488
Trade and other receivables	*14*	**13,914**	13,777
Amount due from a non-controlling interest of a subsidiary		**234**	496
Pledged bank deposit		**212**	210
Cash and bank balances		**36,072**	161,455
		50,542	176,426
Current liabilities			
Trade and other payables	*15*	**10,822**	14,886
Amount due to a non-controlling interest of a subsidiary		**221**	220
Amount due to an associate		**66**	–
Current tax liabilities		**1**	1
		11,110	15,107
Net current assets		**39,432**	161,319
Total assets less current liabilities		**628,977**	926,659
Non-current liabilities			
Convertible bonds	*16*	**91,118**	79,883
Promissory note	*17*	**–**	577,685
Deferred tax liabilities		**153,377**	118,528
		244,495	776,096
Net assets		**384,482**	150,563
Capital and reserves			
Share capital – ordinary shares	*18*	**9,271**	9,271
Share capital – non-redeemable convertible preferred shares	*19*	**7,817**	–
Reserves		**152,731**	(163,648)
Equity attributable to owners of the Company		**169,819**	(154,377)
Non-controlling interests		**214,663**	304,940
Total equity		**384,482**	150,563

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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 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 interest arising on acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(30)	(30)
Capital contribution by a non-controlling interest 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

	Attributable to owners of the Company												
	Share capital – ordinary shares *HK$'000*	Share capital – non-redeemable convertible preferred shares *HK$'000*	Share premium account *HK$'000*	Warrants reserve *HK$'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 2012	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 year	-	-	-	-	-	-	-	-	-	(290,861)	(290,861)	(95,746)	(386,607)
Other comprehensive income for the year	-	-	-	-	-	-	-	971	-	-	971	1,951	2,922
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	-	971	-	(290,861)	(289,890)	(93,795)	(383,685)
Capital contribution by non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	604	604
Issue of unlisted warrants	-	-	-	1,810	-	-	-	-	-	-	1,810	-	1,810
Transaction costs attributable to issue of unlisted warrants	-	-	-	(70)	-	-	-	-	-	-	(70)	-	(70)
Issue of non-redeemable convertible preferred shares	-	7,817	604,529	-	-	-	-	-	-	-	612,346	-	612,346
Released upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,914	2,914
Release of reserve upon share options forfeited	-	-	-	-	-	-	(1,230)	-	-	1,230	-	-	-
Balance at 31 December 2012	**9,271**	**7,817**	**3,213,139**	**1,740**	**1**	**66,267**	**13,341**	**112,406**	**(49)**	**(3,254,114)**	**169,819**	**214,663**	**384,482**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 Ordnance.

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.

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)**"), Hong Kong Financial Reporting Standards ("**HKFRS(s)**"), amendments and interpretations ("**HK(IFRIC) – Int**") (hereinafter collectively referred to as the "**new and revised HKFRSs**") issued by the HKICPA:

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

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 and/or the disclosures set out in these consolidated financial statements.

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	*Government Loans*[2]
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[3]
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]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009 – 2011 Cycle*[2]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]

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.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 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 the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

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. HK (SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied 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 ***Fair Value Measurement***

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 the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 ***Offsetting Financial Assets and Financial Liabilities and the related disclosures***

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities 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 amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should 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.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 *Presentation of Financial Statements;*
- amendments to HKAS 16 *Property, Plant and Equipment; and*
- amendments to HKAS 32 *Financial Instruments: Presentation.*

Amendments to HKAS 1

HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

Amendments to HKAS 16

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The Directors anticipate that the amendments to HKAS 32 will have no material effect on the Group's consolidated financial statements.

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 and operating 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**"); and

(b) 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		**Lottery business**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)
Segment revenue:						
Sales to external customers	**540**	1,590	**1,708**	424	**2,248**	2,014
Segment loss	**(493)**	(259)	**(321,933)**	(220,623)	**(322,426)**	(220,882)
Interest and other income					**2,218**	11,396
Interest on bank overdraft					**–**	(1)
Central administration costs					**(28,640)**	(28,178)
Loss before tax (continuing operations)					**(348,848)**	(237,665)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: 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 operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Trading of computer hardware and software		Lottery business		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)
Segment assets	**1,490**	2,252	**593,042**	776,788	**594,532**	779,040
Corporate and unallocated assets					**45,499**	162,530
Total segment assets					**640,031**	941,570
Assets relating to staff secondment and exploration of mines operations (now discontinued)					**56**	196
Consolidated assets					**640,087**	941,766
Segment liabilities	**85**	313	**252,708**	780,507	**252,793**	780,820
Corporate and unallocated liabilities					**2,812**	10,314
Total segment liabilities					**255,605**	791,134
Liabilities relating to staff secondment and exploration of mines operations (now discontinued)					**–**	69
Consolidated liabilities					**255,605**	791,203

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

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

- all liabilities are allocated to operating segments other than other unallocated head office and corporate liabilities.

Other segment information

Continuing operations

	Trading of computer hardware and software		Lottery business		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)
Depreciation	**34**	28	**1,523**	418	**1,557**	446
Unallocated depreciation					**139**	176
Total depreciation					**1,696**	622
Loss on disposal of property, plant and equipment	**–**	–	**258**	7	**258**	7
Unallocated gain on disposal of property, plant and equipment					**(47)**	–
Total loss on disposal of property, plant and equipment – net					**211**	7
Share of losses of associates	**–**	–	**364**	298	**364**	298
Loss on early redemption of promissory note	**–**	–	**32,130**	70,497	**32,130**	70,497
Effective interest on convertible bonds	**–**	–	**11,235**	14,884	**11,235**	14,884
Effective interest on promissory note	**–**	–	**97,060**	88,913	**97,060**	88,913
Amortisation of other intangible assets	**–**	–	**16,657**	21,916	**16,657**	21,916
Impairment loss of goodwill	**–**	–	**32,940**	12,400	**32,940**	12,400
Impairment loss of other intangible assets	**–**	–	**137,355**	–	**137,355**	–
Additions to non-current assets	**4**	189	**4,585**	9,835	**4,589**	10,024
Unallocated					**51**	17
Total additions to non-current assets					**4,640**	10,041

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*	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
PRC	**2,248**	2,014	**589,487**	764,969
Hong Kong	**–**	–	**58**	369
	2,248	2,014	**589,545**	765,338

* *Non-current assets excluding those relating to staff secondment and exploration of mines operations.*

4. REVENUE

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

	2012	2011
	HK$'000	*HK$'000*
Sale of lottery equipment	**17**	–
Sale of computer hardware and software	**540**	1,590
Provision of management, marketing, and operating services for lottery system and lottery halls	**1,691**	424
	2,248	2,014

5. OTHER INCOME AND GAINS

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Bank interest income	**1,602**	2,437
Net foreign exchange gain	**279**	213
Gain on disposal of subsidiaries	**7,519**	8,120
Gain arising on change in fair value of financial assets classified as held for trading	**–**	478
Gain on disposal of other assets	**7,501**	–
Sundry income	**57**	115
	16,958	11,363

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank overdraft	**–**	1
Effective interest on convertible bonds	**11,235**	14,884
Effective interest on promissory note	**97,060**	88,913
	108,295	103,798

7. INCOME TAX EXPENSE/(CREDIT) (RELATING TO CONTINUING OPERATIONS)

Income tax recognised in profit or loss

	2012	2011
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**–**	–
Deferred tax	**34,849**	(3,146)
Total income tax expense/(credit) recognised in profit or loss	**34,849**	(3,146)

Hong Kong Profits Tax is calculated at 16.5% (2011: 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.

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

In 2009, 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**"), an indirect 51% owned subsidiary of the Group, was recognised as a new high-tech enterprise and was entitled to a preferential tax rate of 15% from 31 December 2009 to 31 December 2012. From 1 January 2013 onwards, provision for PRC Enterprise Income Tax for Huancai Puda is calculated as 25% of its estimated assessable profits.

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2012	2011
	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)	**495**	1,445
Auditors' remuneration	**900**	900
Employee benefits expense (excluding Directors' emoluments) *(Note (i))*		
– Salaries and other benefits	**14,288**	11,338
– Contributions to retirement benefits schemes	**317**	250
Directors' emoluments	**8,139**	13,535
Total staff costs	**22,744**	25,123
Minimum lease payments paid under operating leases in respect of land and buildings	**2,398**	2,099
Depreciation of property, plant and equipment	**1,696**	622
Amortisation of other intangible assets *(Note (ii))*	**16,657**	21,916
Loss on disposal of property, plant and equipment *(Note (ii))*	**211**	7

Notes:

(i) Employee benefits expense (excluding Directors' emoluments) included equity-settled share-based payments of approximately Nil (2011: HK$1,230,000) 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 OPERATIONS

In November 2011, the Group 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 asset structure.

In July 2012, the Group disposed of its 80% equity interest in 雲南西部礦業有限公司 (Yunnan Xibu Mining Company Limited, being its unofficial English name) ("**Yunnan Xibu**"), which carried out the exploration of mine operations, to an independent third party at a consideration of RMB130,000 (equivalent to approximately HK$160,000), as the Group plans to focus its resources on its core business of lottery business operations and to optimise its asset structure.

Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the loss for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Loss for the year from discontinued operations		
Revenue	**–**	–
Cost of sales	**–**	–
Other income and loss – net	**–**	(19)
Administrative expenses	**(678)**	(1,208)
Impairment loss of goodwill	**–**	(379,581)
Impairment loss of other intangible assets	**–**	(24,187)
Loss on disposal of property, plant and equipment included in operating expenses	**(2)**	–
Loss before tax	**(680)**	(404,995)
Attributable income tax	**–**	–
Loss on disposal of discontinued operation (including approximately HK$857,000 reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operation)	**(2,230)**	–
Loss for the year from discontinued operations	**(2,910)**	(404,995)
Loss for the year from discontinued operations attributable to:		
Owners of the Company	**(2,774)**	(399,913)
Non-controlling interest	**(136)**	(5,082)
	(2,910)	(404,995)

Loss for the year from discontinued operations include the following:

Employee benefits expense (excluding Directors' emoluments):		
– Salaries and other benefits	**302**	523
– Contributions to retirement benefits scheme	**52**	98
Directors' emoluments	**110**	217
Total staff costs	**464**	838
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	**54**	87
– Office equipment	**11**	15
Net foreign exchange loss	**–**	20
Depreciation of property, plant and equipment	**–**	1
Loss on disposal of property, plant and equipment	**2**	–

Cash flows from discontinued operations

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Net cash (outflows)/inflows from operating activities	**(102)**	53
Net cash inflows from investing activities	**–**	1
Net cash (outflows)/inflows	**(102)**	54

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:

	2012	2011
	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	**(290,861)**	(618,778)

Number of shares

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,854,235**	1,820,581

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, non-redeemable convertible preferred shares, convertible bonds and outstanding warrants 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:

	2012 *HK$'000*	2011 *HK$'000* (Restated)
Loss for the year attributable to owners of the Company	**(290,861)**	(618,778)
Add:		
Loss for the year from discontinued operations attributable to owners of the Company *(Note 9)*	**2,774**	399,913
Loss for the purpose of basic and diluted loss per share from continuing operations	**(288,087)**	(218,865)

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

For discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.15 cent per share (2011: HK21.97 cents per share), based on the loss for the year from the discontinued operations of approximately HK$2,774,000 (2011: HK$399,913,000) and the denominators detailed above for both basic and diluted loss per share.

11. GOODWILL

	2012	2011
	HK$'000	*HK$'000*
Cost		
Balance at beginning of year	**1,670,757**	1,616,525
Additional amounts recognised from business combination occurring during the year	**–**	9,288
Derecognised on disposal of subsidiaries	**(1,232,146)**	–
Effect of foreign currency exchange differences	**9,509**	44,944
Balance at end of year	**448,120**	1,670,757
Accumulated impairment losses		
Balance at beginning of year	**(1,636,348)**	(1,214,509)
Impairment loss recognised in the year	**(32,940)**	(391,981)
Derecognised on disposal of subsidiaries	**1,230,558**	–
Effect of foreign currency exchange differences	**(9,390)**	(29,858)
Balance at end of year	**(448,120)**	(1,636,348)
Carrying amounts		
Balance at 31 December	**–**	34,409

12. OTHER INTANGIBLE ASSETS

	Exploration and evaluation assets *HK$'000*	Concession rights *HK$'000*	Total *HK$'000*
Cost			
Balance at 1 January 2011	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
Additions	–	–	–
Disposal of a subsidiary	(24,650)	–	(24,650)
Effect of foreign currency exchange differences	141	13,251	13,392
Balance at 31 December 2012	–	2,478,863	2,478,863
Accumulated amortisation and impairment			
Balance at 1 January 2011	–	(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)
Amortisation expense	–	(16,657)	(16,657)
Impairment loss recognised in profit or loss	–	(137,355)	(137,355)
Eliminated on disposal of a subsidiary	24,650	–	24,650
Effect of foreign currency exchange differences	(141)	(9,332)	(9,473)
Balance at 31 December 2012	–	(1,900,494)	(1,900,494)
Carrying amounts			
Balance at 31 December 2012	**–**	**578,369**	**578,369**
Balance at 31 December 2011	–	728,462	728,462

13. INVENTORIES

	2012 *HK$'000*	2011 *HK$'000*
Computer software	**–**	488
Lottery equipment	**110**	–
	110	488

14. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**–**	27
Prepayments, deposits and other receivables	**13,914**	13,750
	13,914	13,777

The Group allows an average credit period of 30 days to its trade customers. The following is an ageing analysis of net trade receivables based on payment due date at the end of the reporting period:

	2012	2011
	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:

	2012	2011
	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 over 90 days	**–**	21
	–	27

Included in the balance of prepayments, deposits and other receivables of the Group at 31 December 2012 was a refundable deposit of approximately RMB7,350,000, equivalent to approximately HK$9,020,000 (2011: RMB7,350,000, equivalent to approximately HK$8,702,000) in relation to the acquisition of the additional 49% equity interest in Huancai Puda which had lapsed (details of which were set out in the announcement of the Company dated 6 February 2013).

15. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**13**	11
Other payables and accruals	**10,809**	14,875
	10,822	14,886

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

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**1**	5
61 – 90 days	**1**	1
Over 90 days	**11**	5
	13	11

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 2011	90,944
Effective interest expense charged	14,884
Arising from exercise of convertible bonds	(25,945)
At 31 December 2011 and 1 January 2012	79,883
Effective interest expense charged	11,235
At 31 December 2012	**91,118**

17. PROMISSORY NOTE

As part of the consideration for the acquisition of the entire equity interests in Pearl Sharp Limited during the year ended 31 December 2010, the Company issued a promissory note ("**Promissory Note**") with a principal amount of HK$1,200,000,000 to Mr. Leung Ngai Man ("**Mr. Leung**"), a substantial shareholder, the chairman and an executive Director. Under the terms of the Promissory Note, the Promissory Note with the 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 fair valued at initial recognition with an effective interest rate of 17.35% per annum.

During the year ended 31 December 2012, the Company early redeemed part of the Promissory Note with a total principal amount of approximately HK$93,000,000 (2011: HK$140,000,000) and incurred an early redemption loss of approximately HK$32,130,000 (2011: HK$70,497,000).

The remaining outstanding Promissory Note with a total principal amount of approximately HK$938,000,000 owed by the Company to Mr. Leung was capitalised by issuing 1,563,333,333 preferred shares of HK$0.005 each on 17 December 2012. Please refer to note 19 for details.

18. SHARE CAPITAL – ORDINARY SHARES

	Number of shares *'000*	**Share capital** *HK$'000*
Authorised:		
At 1 January 2011 and 31 December 2011, ordinary shares of HK$0.001 each	100,000,000	100,000
Share consolidation *(Note (iii))*	(80,000,000)	–
At 31 December 2012, ordinary shares of HK$0.005 each	**20,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2011, ordinary shares of HK$0.001 each	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, ordinary shares of HK$0.001 each	9,271,175	9,271
Share consolidation *(Note (iii))*	(7,416,940)	–
At 31 December 2012, ordinary shares of HK$0.005 each	**1,854,235**	**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 ordinary shares of HK$0.001 each by payment of subscription monies of approximately HK$2,591,000, of which approximately HK$17,000 was credited to share capital and the balance of approximately HK$2,574,000 was credited to the share premium account.

(ii) Exercise of convertible bonds

During the year ended 31 December 2011, 195,000,000 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) Share consolidation and change in board lot size

Pursuant to an ordinary resolution passed on 24 February 2012, share consolidation was approved with effect from 27 February 2012 in which every 5 of the existing issued and unissued ordinary shares of HK$0.001 each in the share capital of the Company would be consolidated into 1 consolidated share of HK$0.005 each. Immediate after the 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 are in issue and the board lot size was changed from 15,000 shares to 5,000 consolidated shares.

19. SHARE CAPITAL – NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
Preferred shares of HK$0.005 each		
At 1 January 2012	–	–
Increased during the year	2,000,000	10,000
At 31 December 2012	**2,000,000**	**10,000**
Issued and fully paid:		
Preferred shares of HK$0.005 each		
At 1 January 2012	–	–
Issued during the year	1,563,333	7,817
At 31 December 2012	**1,563,333**	**7,817**

On 29 August 2012, Mr. Leung entered into a loan capitalisation agreement with the Company in respect of the loan capitalisation ("**Loan Capitalisation Agreement**"), pursuant to which Mr. Leung agreed to subscribe for, and the Company has agreed to allot and issue of 1,563,333,333 subscriber preferred shares ("**Subscriber Preferred Shares**") at an issue price of HK$0.60 per Subscriber Preferred Share to capitalise the outstanding amount of HK$938,000,000 due by the Company to Mr. Leung pursuant to the Promissory Note as set out in Note 17 ("**Loan Capitalisation**"). The Loan Capitalisation constituted a connected transaction for the Company under the GEM Listing Rules and a resolution relating thereto were passed by the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting held on 22 November 2012. The Loan Capitalisation was completed on 17 December 2012 and 1,563,333,333 Subscriber Preferred Shares of HK$0.005 each were allotted and issued to Mr. Leung pursuant to the terms of the Loan Capitalisation Agreement.

All the preferred shares are non-redeemable, carry no voting right and each of the preferred shares is convertible into one ordinary share any time after issue at the conversion price.

The preferred shares are entitled to dividend to the same extent as holders of the ordinary shares and the preferred shares shall rank pari passu with the ordinary shares in dividend as declared by the Company from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year, the Group's audited revenue from continuing operations and the loss attributable to owners of the Company were approximately HK$2,248,000 and HK$290,861,000 respectively, representing an increase of approximately HK$234,000 and a decrease of approximately HK$327,917,000 respectively as compared with the audited revenue from continuing operations of approximately HK$2,014,000 and the loss attributable to owners of the Company of approximately HK$618,778,000 for the year ended 31 December 2011.

On 29 August 2012, the Company and Mr. Leung entered into the Loan Capitalisation Agreement whereby Mr. Leung agreed to subscribe for, and the Company agreed to allot and issue, the Subscriber Preferred Shares at the issue price of HK$0.60 each for capitalising the loan owed by the Company to Mr. Leung. As at the date of the Loan Capitalisation Agreement, the Company was indebted to Mr. Leung in an aggregate sum of HK$938,000,000 which sum represents the outstanding amount to be settled pursuant to the Promissory Note. The Directors consider the Loan Capitalisation will strengthen the financial position and lower the gearing ratio of the Group.

As at 31 December 2012, the Group recorded total assets of approximately HK$640,087,000 (2011: HK$941,766,000), and recorded total liabilities of approximately HK$255,605,000 (2011: HK$791,203,000).

As at 31 December 2012, the gearing ratio of the Group was 24% (2011: 437%), based on the total borrowings of approximately HK$91,118,000 (2011 : HK$657,568,000) and the total equity of approximately HK$384,482,000 (2011 : HK$150,563,000).

As at 31 December 2012, the Group has cash and bank balances (excluding pledged bank deposit) of approximately HK$36,072,000 (2011: HK161,455,000). The majority bank balances are denominated in Renminbi and Hong Kong dollars and put in short term deposit.

Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012 (2011: Nil).

Business review

Agreements with Liaoning Welfare Lottery

On 7 February 2012, 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**") entered into (i) a cooperation agreement, pursuant to which Huancai Puda agreed to set up and manage the sales halls 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 cooperation agreement and the service agreement were set out in the announcement of the Company dated 13 February 2012. Such sales halls are located in Shenyang and Dalian, Liaoning Province, the PRC and commenced operation in May 2012.

The terminal supply agreement with Scientific Games

On 25 July 2012, Huancai Puda and 美彩科技（中國）有限公司 (Scientific Game (China) Company Limited, being its unofficial English name) ("**SG**") have jointly entered into a lottery terminal supply agreement ("**Lottery Terminal Supply Agreement**"), pursuant to which Huancai Puda will exclusively supply hardware of a type of floor-standing terminals to SG related market. Huancai Puda shall be entitled to receive a percentage of the sales revenues generated by such type of terminals. The Lottery Terminal Supply Agreement shall be valid for a minimum of five years and will extend for another three years provided that Lottery Terminal Supply no written objection is received by either party to the Lottery Terminal Supply Agreement. Details of the Lottery Terminal Supply Agreement were set out in the announcement of the Company dated 7 August 2012.

Sales agency agreement with Chongqing Welfare Lottery

On 28 September 2012, Huancai Puda and 重慶市福利彩票發行中心 (Chongqing Welfare Lottery Issuing Centre, being its unofficial English name) entered into a sales agency agreement ("**Sales Agency Agreement**"), pursuant to which Huancai Puda agreed to set up and manage China Welfare Lottery "Lucky Farms" thematic sales points in Chongqing, the PRC and to act as the sales agent for the sales of welfare lottery in such sales points. "Lucky Farms" is a quick-result lottery game with a payout rate of 59%. It draws at an interval of every ten minutes with a total of 97 draws every day. The business hour of "Lucky Farms" runs from 10 a.m. to 2 a.m. the next day. The Sales Agency Agreement shall be valid for five years and will automatically renew for another three years upon expiry if there is no objection from each party. Details of the Sales Agency Agreement were set out in the announcement of the Company dated 10 October 2012.

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 allotted and issued. 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 for general working capital of the Group and for future investment opportunities as and when they arise. Details of the placing were set out in the announcements of the Company dated 19 June 2012 and 13 July 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 to engage in the development and application of computer software, hardware and application system; development, application and operation of multi-media and information technology; sales of self-developed technology and related technology; and information consulting services. 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 set out in the announcements of the Company dated 22 July 2011, 26 July 2011 and 14 May 2012.

Money lending business

On 13 November 2012, Golden Rich Million Limited, a wholly-owned subsidiary of the Company, has been granted a Money Lenders Licence to carry on money lending business in Hong Kong. Related business is still at preparation stage.

Termination of Agreement with Jinse Pingdao

On 18 January 2012, 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, pursuant to which the Company agreed to set up a joint venture company in the PRC by Huancai Puda and Jinse Pingdao to co-develop TV interactive lottery services in the PRC. Nonetheless, the agreement has been terminated due to the change of market situation.

Disposal of subsidiaries

i. *Yunnan Xibu Mining Company Limited*

In July 2012, the Group disposed of 80% equity interest in Yunnan Xibu, which carried out the exploration of mine operations, to an independent third party at a consideration of RMB130,000 (equivalent to approximately HK$160,000), as the Group plans to focus its resources on its core business of lottery business operations and to optimise its asset structure.

ii. Beijing Caiyingle

The Company sold to Mr. Leung all interest in Media Hong Kong Investment Limited, a wholly-owned subsidiary of the Company, plus shareholder's loan of HK$11.84 million, at an aggregate consideration of HK$9,300,000. The principal asset of Media Hong Kong Investment Limited is the 65% equity interests in Beijing Caiyingle.

The Board considers that the disposal would enable the Group to divest its loss-making operation and commit the available resources to businesses that provide a better return to the Shareholders. The proceeds from the disposal is for general working capital of the Group. Details of the disposal were set out in the announcements of the Company dated 22 August 2012 and 28 August 2012.

Connected Transaction – the loan capitalisation

On 29 August 2012, the Company and Mr. Leung entered into the Loan Capitalisation Agreement whereby Mr. Leung agreed to subscribe for, and the Company agreed to allot and issue, the Subscriber Preferred Shares at the issue price of HK$0.60 each for capitalising the loan owed by the Company to Mr. Leung. As at the date of the Loan Capitalisation Agreement, the Company was indebted to Mr. Leung in an aggregate sum of HK$938,000,000 which sum represents the outstanding amount to be settled pursuant to the Promissory Note. The Loan Capitalisation completed on 17 December 2012, and 1,563,333,333 Subscriber Preferred Shares were allotted and issued to Mr. Leung pursuant to the terms of the Loan Capitalisation Agreement.

Events after the reporting period

Lapse of the acquisition agreement and return of deposit

As announced by the Company on 6 February 2013, an acquisition agreement dated 2 March 2011 (the "**Acquisition Agreement**") and supplemented by a supplemental agreement dated 23 August 2011 (the "**Supplemental Agreement**") entered into between Greatest Profit Investment Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, Century Profit Holdings Limited (the "**Vendor**"), the entire interest of which is beneficially owned by the Warrantors (as defined below), and Mr. Lin Zhiwei and the other two beneficial shareholders of the Vendor (the "**Warrantors**"), who are independent third parties, in respect of the acquisition of the entire issued share capital of Carnix Investment Limited, a wholly-owned subsidiary of the Vendor, and the entire issued share capital of Mutual International Limited, a wholly-owned subsidiary of the Vendor, at a consideration of RMB73,500,000 (the "**Consideration**"), had lapsed (the "**Lapse of the Acquisition Agreement**") as certain conditions for completion of the Acquisition Agreement had not been satisfied or waived on or before the agreed date and the parties to the Acquisition Agreement agreed that the deposit of RMB7.35 million, being the partial Consideration, paid by the Purchaser to the Vendor shall be returned to the Purchaser (the "**Return of the Deposit**") in the manner as set out in the announcement of the Company dated 6 February 2013. Details of the Acquisition Agreement, the Supplemental Agreement, the Lapse of the Acquisition Agreement and the Return of the Deposit were set out in the announcements of the Company dated 2 March 2011, 9 March 2011, 31 May 2011, 23 August 2011, 6 March 2012 and 6 February 2013 and the circular of the Company dated 28 October 2011.

Prospect

Year 2012 continued to be a strong year for the China lottery industry, with annual sales well over RMB261.5 billion, representing another year of increase of approximately 18%.

The Company has been successfully operated the lottery sales halls for "Happy 12" in Liaoning Province in the PRC and will continue to increase the number as well as the efficiency of the sales halls in the coming years. In the meantime, the Group also committed to develop and set up the thematic sales points for "Lucky Farms" in Chongqing at the earliest possible date.

The Lottery Terminal supply agreement with 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, striving to become the leading operator of high frequency lottery sales hall in the PRC. At the same time, the Group will continue to adopt an active and prudent strategy, and keep looking for projects in the PRC lottery industry as well as developing money lending business or other opportunities in line with China's 12th Five-Year Plan.

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 composition of the Audit Committee has been changed as a result of the appointment of Mr. Qi Ji as independent non-executive Director in February 2012 and the resignation of Dr. Leung Wai Cheung and the appointment of Mr. Niu Zhihui as independent non-executive Director in November 2012. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Niu Zhihui (chairman of the Audit Committee), Mr. Cai Wei Lun and Mr. Qi Ji.

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 2012 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

The Code on Corporate Governance Practices ("**Former Code**") was revised and renamed as the Corporate Governance Code ("**Revised Code**") on 1 April 2012, contained in Appendix 15 to the GEM Listing Rules. During the financial year under review, the Company has complied with all the code provisions of the Former Code for the period from 1 January 2012 to 31 March 2012 and of the Revised Code for the period from 1 April 2012 to 31 December 2012, except for the following:

(a) 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. 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 Revised Code.

(b) Code provision A.3 of the Former Code 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 28 October 2010 until 28 February 2012, being the date prior to the appointment of Mr. Qi Ji, 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. On 29 February 2012, Mr. Qi Ji was appointed as independent non-executive Director to fill the vacancy in order to comply with the Former Code and the GEM Listing Rules.

The 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, 19 March 2013

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; the non-executive Director is Mr. Gao Shikui; and the independent non-executive Directors are Mr. Cai Wei Lun, Mr. Qi Ji and Mr. Niu Zhihui.

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.