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 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 (the "**Directors**") of China Netcom Technology Holdings Limited (the "**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 (the "**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 2014 was approximately HK$3,533,000, representing an increase of approximately 104% as compared with that in 2013.

- Loss attributable to owners of the Company was approximately HK$186,051,000 for the year ended 31 December 2014, representing an increase of approximately 147% as compared with that in 2013.

- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	*4*	**3,533**	1,731
Cost of sales		**(3,896)**	(3,293)
Gross loss		**(363)**	(1,562)
Other income and gains	*5*	**2,462**	5,872
Administrative expenses		**(29,731)**	(27,130)
Impairment loss of concession rights	*10*	**(374,217)**	(93,200)
Loss on early redemption of convertible bonds		**(3,235)**	–
Finance costs	*6*	**(10,772)**	(11,205)
Other operating expenses		**(13,688)**	(15,031)
Share of losses of associates		**–**	(484)
Loss before tax		**(429,544)**	(142,740)
Income tax credit	*7*	**99,463**	23,924
Loss for the year	*8*	**(330,081)**	(118,816)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(2,975)**	19,513
Reclassification adjustment relating to foreign operations disposed of during the year		**–**	(74)
Share of other comprehensive income of associates		**–**	165
Other comprehensive (expense)/income for the year		**(2,975)**	19,604
Total comprehensive expense for the year		**(333,056)**	(99,212)

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Loss attributable to:			
Owners of the Company		**(186,051)**	(75,325)
Non-controlling interests		**(144,030)**	(43,491)
		(330,081)	(118,816)
Total comprehensive expense attributable to:			
Owners of the Company		**(187,575)**	(65,324)
Non-controlling interests		**(145,481)**	(33,888)
		(333,056)	(99,212)
Loss per share	*9*		
Basic and diluted (HK cents per share)		**(8.5)**	(4.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**1,897**	2,517
Club debenture		**115**	–
Concession rights	*10*	**99,324**	490,067
		101,336	492,584
Current assets			
Inventories		**–**	1,612
Prepayments, deposits and other receivables	*11*	**4,244**	4,873
Amount due from a non-controlling interest of a subsidiary		**240**	241
Pledged bank deposit		**214**	213
Cash and bank balances		**61,790**	33,985
		66,488	40,924
Current liabilities			
Trade and other payables	*12*	**9,661**	15,227
Amount due to a non-controlling interest of a subsidiary		**227**	228
Convertible bonds	*13*	**93,820**	–
Current tax liabilities		**1**	1
		103,709	15,456
Net current (liabilities)/assets		**(37,221)**	25,468
Total assets less current liabilities		**64,115**	518,052
Non-current liabilities			
Convertible bonds	*13*	**–**	102,323
Deferred tax liabilities		**27,718**	129,453
		27,718	231,776
Net assets		**36,397**	286,276

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Capital and reserves			
Share capital – ordinary shares	*14*	**11,085**	9,271
Share capital – non-redeemable convertible preferred shares	*15*	**7,317**	7,817
Reserves		**(17,299)**	88,413
Equity attributable to owners of the Company		**1,103**	105,501
Non-controlling interests		**35,294**	180,775
Total equity		**36,397**	286,276

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 2013	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
Loss for the year	–	–	–	–	–	–	–	–	–	(75,325)	(75,325)	(43,491)	(118,816)
Other comprehensive income for the year	–	–	–	–	–	–	–	10,001	–	–	10,001	9,603	19,604
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	–	10,001	–	(75,325)	(65,324)	(33,888)	(99,212)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,006	–	–	–	1,006	–	1,006
Balance at 31 December 2013	9,271	7,817	3,213,139	1,740	1	66,267	14,347	122,407	(49)	(3,329,439)	105,501	180,775	286,276

	Attributable to owners of the Company												
	Share capital – ordinary shares	Share capital – non-redeemable convertible preferred shares	Share premium account	Warrants reserve	Capital redemption reserve	Convertible bonds equity reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2014	9,271	7,817	3,213,139	1,740	1	66,267	14,347	122,407	(49)	(3,329,439)	105,501	180,775	286,276
Loss for the year	–	–	–	–	–	–	–	–	–	(186,051)	(186,051)	(144,030)	(330,081)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(1,524)	–	–	(1,524)	(1,451)	(2,975)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(1,524)	–	(186,051)	(187,575)	(145,481)	(333,056)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	8,952	–	–	–	8,952	–	8,952
Exercise of non-redeemable convertible preferred shares	500	(500)	–	–	–	–	–	–	–	–	–	–	–
Issue of new ordinary shares	1,164	–	73,332	–	–	–	–	–	–	–	74,496	–	74,496
Transaction costs attributable to issue of new ordinary shares	–	–	(1,943)	–	–	–	–	–	–	–	(1,943)	–	(1,943)
Issue of ordinary shares under share option scheme	150	–	2,327	–	–	–	(587)	–	–	–	1,890	–	1,890
Release of reserve upon share options lapsed	–	–	–	–	–	–	(994)	–	–	994	–	–	–
Redemption of convertible bonds	–	–	–	–	–	(13,768)	–	–	–	11,278	(2,490)	–	(2,490)
Deferred tax relating to convertible bonds	–	–	–	–	–	2,272	–	–	–	–	2,272	–	2,272
Balance at 31 December 2014	11,085	7,317	3,286,855	1,740	1	54,771	21,718	120,883	(49)	(3,503,218)	1,103	35,294	36,397

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 Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of that Ordinance.

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 ("HKFRSs")

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 HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC) – Int 21	*Levies*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("**CGU**") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 *Levies*

The Group has applied HK(IFRIC) – Int 21 *Levies* for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[5]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[5]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[5]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[4]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010 – 2012 Cycle*[6]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011 – 2013 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 ***Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debt instruments.

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* are 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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. 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets and financial liabilities, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 ***Agriculture: Bearer Plants***

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 ***Defined Benefit Plans: Employee Contributions***

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 27 ***Equity Method in Separate Financial Statements***

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

- The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – *Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in accumulated losses at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a 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 (the "**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 system sector of the PRC lottery market.

Segment revenue and results

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

	Trading of computer hardware and software		**Lottery business**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**–**	451	**3,533**	1,280	**3,533**	1,731
Segment loss	**(548)**	(642)	**(405,692)**	(122,211)	**(406,240)**	(122,853)
Interest and other income					**2,462**	2,091
Central administration costs					**(25,766)**	(21,978)
Loss before tax					**(429,544)**	(142,740)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

Segment loss represents the loss incurred by each segment without allocation of central administration costs and interest and other income. 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**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**405**	705	**106,378**	500,980	**106,783**	501,685
Corporate and unallocated assets					**61,041**	31,823
Consolidated assets					**167,824**	533,508
Segment liabilities	**60**	60	**128,776**	239,029	**128,836**	239,089
Corporate and unallocated liabilities					**2,591**	8,143
Consolidated liabilities					**131,427**	247,232

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. Concession rights 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

	Trading of computer hardware and software		Lottery business		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**23**	34	**786**	1,010	**809**	1,044
Unallocated depreciation					**25**	28
Total depreciation					**834**	1,072
Loss on disposal of property, plant and equipment	**–**	–	**160**	720	**160**	720
Unallocated gain on disposal of property, plant and equipment					**(50)**	–
Total loss on disposal of property, plant and equipment – net					**110**	720
Share of losses of associates	**–**	–	**–**	484	**–**	484
Loss on early redemption of convertible bonds	**–**	–	**3,235**	–	**3,235**	–
Effective interest on convertible bonds	**–**	–	**10,772**	11,205	**10,772**	11,205
Amortisation of concession rights	**–**	–	**13,578**	14,311	**13,578**	14,311
Impairment loss of concession rights	**–**	–	**374,217**	93,200	**374,217**	93,200
Additions to non-current assets	**–**	–	**408**	211	**408**	211
Unallocated					**115**	19
Total additions to non-current assets					**523**	230

Geographical information

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

The Group's revenue 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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**3,533**	1,731	**101,197**	492,535
Hong Kong	**–**	–	**139**	49
	3,533	1,731	**101,336**	492,584

4. REVENUE

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

	2014	2013
	HK$'000	*HK$'000*
Sale of lottery equipment	**2,392**	10
Sale of computer hardware and software	**–**	451
Provision of management, marketing, and operating services for lottery system and lottery halls	**1,141**	1,270
	3,533	1,731

5. OTHER INCOME AND GAINS

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**2,259**	753
Net foreign exchange gain	**–**	1,179
Gain on disposal/deregistration of associates	**–**	3,781
Gain on disposal of a subsidiary	**10**	–
Sundry income	**193**	159
	2,462	5,872

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Effective interest on convertible bonds	**10,772**	11,205

7. INCOME TAX CREDIT

Income tax recognised in profit or loss

	2014	2013
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**–**	–
Deferred tax	**(99,463)**	(23,924)
Total income tax credit recognised in profit or loss	**(99,463)**	(23,924)

Hong Kong Profits Tax is calculated at 16.5% (2013: 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 is 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. LOSS FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Cost of inventories recognised as an expense (included in cost of sales)	**1,602**	420
Auditors' remuneration	**900**	900
Employee benefits expense (excluding directors' emoluments) *(Note (i))*		
– Salaries and other benefits	**4,356**	5,292
– Contributions to retirement benefits schemes	**309**	186
Directors' emoluments	**9,172**	13,396
Total staff costs	**13,837**	18,874
Minimum lease payments paid under operating leases in respect of land and buildings	**1,530**	1,554
Net foreign exchange loss	**1,621**	–
Depreciation of property, plant and equipment	**834**	1,072
Expense in relation to share options granted to consultants	**7,500**	418
Loss on early redemption of convertible bonds	**3,235**	–
Amortisation of concession rights *(Note (ii))*	**13,578**	14,311
Loss on disposal of property, plant and equipment-net *(Note (ii))*	**110**	720

Notes:

(i) Employee benefits expense (excluding directors' emoluments) included equity-settled share-based payments of Nil (2013: approximately HK$529,000) disclosed above.

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

9. LOSS PER SHARE

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

	2014	2013
	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	**(186,051)**	(75,325)

Number of shares

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,178,881**	1,854,235

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.

10. CONCESSION RIGHTS

	HK$'000
Cost	
Balance at 1 January 2013	2,478,863
Effect of foreign currency exchange differences	83,103
Balance at 31 December 2013	2,561,966
Effect of foreign currency exchange differences	(15,433)
Balance at 31 December 2014	2,546,533
Accumulated amortisation and impairment	
Balance at 1 January 2013	(1,900,494)
Amortisation expense	(14,311)
Impairment loss recognised in profit or loss	(93,200)
Effect of foreign currency exchange differences	(63,894)
Balance at 31 December 2013	(2,071,899)
Amortisation expense	(13,578)
Impairment loss recognised in profit or loss	(374,217)
Effect of foreign currency exchange differences	12,485
Balance at 31 December 2014	(2,447,209)
Carrying amounts	
Balance at 31 December 2014	**99,324**
Balance at 31 December 2013	490,067

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Prepayments	**149**	1,045
Deposits and other receivables	**4,095**	3,828
	4,244	4,873

12. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**4**	4
Other payables and accruals	**8,172**	8,225
Accrued salaries and other benefits	**1,485**	6,998
	9,661	15,227

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Over 90 days	**4**	4

13. CONVERTIBLE BONDS

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

	HK$'000
At 1 January 2013	91,118
Effective interest expense charged	11,205
At 31 December 2013 and 1 January 2014	102,323
Effective interest expense charged	10,772
Redemption	(19,275)
At 31 December 2014	**93,820**

Subsequent to the end of the reporting period, Mr. Leung Ngai Man ("**Mr. Leung**"), an executive Director, the chairman of the Board ("**Chairman**") and a substantial shareholder of the Company has entered into a deed of undertaking to undertake that he will not, without the prior written consent of the Company, redeem the convertible bonds issued to him before the maturity date (i.e. 26 August 2015) and request the Company to repay the outstanding amount of the convertible bonds within 12 months after the maturity date.

14. SHARE CAPITAL – ORDINARY SHARES

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
At 1 January 2013, 31 December 2013 and 2014, ordinary shares of HK$0.005 each	**20,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2013 and 31 December 2013, ordinary shares of HK$0.005 each	1,854,235	9,271
Issue of new ordinary shares *(Note (i))*	232,800	1,164
Exercise of share options *(Note (ii))*	30,000	150
Conversion of non-redeemable convertible preferred shares *(Note (iii))*	100,000	500
At 31 December 2014, ordinary shares of HK$0.005 each	**2,217,035**	**11,085**

Notes:

(i) On 3 January 2014, Mr. Leung, the Company and the joint placing agents entered into the placing and subscription agreement pursuant to which (i) the joint placing agents have agreed to act as agents for Mr. Leung to place, on a best effort basis, and Mr. Leung has agreed to sell, a total of up to 360,000,000 placing shares to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert with Mr. Leung, the Company and their respective associates and connected persons, at the placing price of HK$0.320 per placing share; and (ii) Mr. Leung has conditionally agreed to subscribe for up to 360,000,000 new subscription shares at the subscription price of HK$0.320 per subscription share.

Completion of the placing took place on 7 January 2014 in accordance with the placing and subscription agreement and an aggregate of 232,800,000 placing shares were placed to not less than six placees who are independent third parties, at the placing price of HK$0.320 per placing share.

On 15 January 2014, an aggregate of 232,800,000 ordinary shares of HK$0.005 each in the capital of the Company were allotted and issued to Mr. Leung at HK$0.320 per subscription share. The exercise gave rise to an aggregate net proceed of approximately HK$72,553,000.

(ii) Share options were exercised by option holders for the year ended 31 December 2014 to subscribe for a total of 30,000,000 ordinary shares of HK$0.005 each in the capital of the Company by payment of subscription monies of approximately HK$1,890,000, of which approximately HK$150,000 was credited to share capital and the balance of approximately HK$1,740,000 was credited to the share premium account.

(iii) On 8 April 2014, 100,000,000 ordinary shares of HK$0.005 each in the capital of the Company were issued to Mr. Leung upon conversion of non-redeemable convertible preferred shares issued by the Company to Mr. Leung on 17 December 2012.

15. SHARE CAPITAL – NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
At 1 January 2013, 31 December 2013 and 2014, preferred shares of HK$0.005 each	**2,000,000**	**10,000**
Issued and fully paid:		
At 1 January 2013 and 31 December 2013, preferred shares of HK$0.005 each	1,563,333	7,817
Conversion of non-redeemable convertible preferred shares	(100,000)	(500)
At 31 December 2014, preferred shares of HK$0.005 each	**1,463,333**	**7,317**

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year, the Group's audited revenue and the loss attributable to owners of the Company were approximately HK$3,533,000 and approximately HK$186,051,000 respectively, representing an increase of approximately HK$1,802,000 and an increase of approximately HK$110,726,000 respectively as compared with the audited revenue of approximately HK$1,731,000 and the loss attributable to owners of the Company of approximately HK$75,325,000 for the year ended 31 December 2013.

As at 31 December 2014, the Group recorded total assets of approximately HK$167,824,000 (2013: approximately HK$533,508,000), and recorded total liabilities of approximately HK$131,427,000 (2013: approximately HK$247,232,000).

As at 31 December 2014, the gearing ratio of the Group was approximately 258% (2013: approximately 36%), based on the total borrowings of approximately HK$93,820,000 (2013: approximately HK$102,323,000) and the total equity of approximately HK$36,397,000 (2013: approximately HK$286,276,000).

As at 31 December 2014, the Group has cash and bank balances (excluding pledged bank deposit) of approximately HK$61,790,000 (2013: approximately HK$33,985,000). The majority of cash and bank balances are denominated in Renminbi ("**RMB**") and were placed in short term deposit.

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

Business Review

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

The Company has made adjustment to the project of "Happy 12" in Liaoning Province in line with the actual operational conditions and has commenced sales of lottery games with high payout rates and high frequency of lottery drawings in 23 halls of "China Welfare Lottery Online" located in Liaoning Province since 2014.

Completion of placing of existing Shares and top-up subscription of new Shares

On 7 January 2014, an aggregate of 232,800,000 ordinary shares of the Company of HK$0.005 each (the "**Shares**", each, a "**Share**") were successfully placed by Mr. Leung (the "**Subscriber**"), the Chairman and an executive Director, to not less than six placees (the "**Placing**") who are independent third parties at the placing price of HK$0.320 per placing share (the "**Placing Share**"). Completion of the subscription (the "**Subscription**") took place on 15 January 2014 whereby 232,800,000 subscription shares (equivalent to the number of Placing Shares placed) were allotted and issued to the Subscriber at the subscription price of HK$0.320 per subscription share. The net proceeds from the Subscription are approximately HK$72.6 million. The net price for the Subscription was approximately HK$0.312 per Share. The Company utilised the net proceeds from the Subscription for general working capital of the Group. Details of the Placing and the Subscription were set out in the Company's announcements dated 6 January 2014 and 15 January 2014 respectively.

Framework agreements in relation to possible acquisitions

On 11 November 2011, a subsidiary of the Company (the "**Subsidiary**") entered into a framework agreement (the "**2011 Framework Agreement**") with, among others, an independent third party (the "**2011 Potential Vendor**") in relation to a possible acquisition by the Subsidiary of equity interests in a company principally engaged in the provision of services for an instant lottery game in the PRC from the 2011 Potential Vendor. Details of the 2011 Framework Agreement were set out in the Company's announcement dated 14 November 2011. Pursuant to the supplemental agreements to the 2011 Framework Agreement, the period during which the Subsidiary had the exclusive right to negotiate with the 2011 Potential Vendor in relation to such possible acquisition expired on 28 February 2014 and the 2011 Framework Agreement was terminated on 4 March 2014. A refundable advance deposit of HK$2 million was paid. The management of the Company is negotiating with the 2011 Potential Vendor for the refund of this advance deposit.

On 22 April 2014, Treasure Holy Investment Development Limited ("**Treasure Holy**"), a wholly-owned subsidiary of the Company, entered into a framework agreement (the "**2014 Framework Agreement**") with, among others, two independent third parties (the "**2014 Potential Vendors**") in relation to a possible acquisition by Treasure Holy of 60% of the entire equity interests in a company (the "**Target Company**") principally engaged in the provision of trading settlement and deferred spot delivery services of petrochemical and energy products and the associated electronic trading, trading data clearing and settlement custodian services. Pursuant to the 2014 Framework Agreement, Treasure Holy is required to pay a deposit of HK$1 million to a payee designated by the 2014 Potential Vendors. During the period of one year from the date of receipt of the deposit, Treasure Holy is entitled on an exclusive basis to acquire the 60% of the entire equity interest in the Target Company. The 2014 Framework Agreement was terminated on 22 August 2014 (the "**Termination**"). The advance deposit of HK$1 million was refunded. Details of the 2014 Framework Agreement and the Termination were set out in the Company's announcement dated 23 April 2014 and 22 August 2014 respectively.

Supply contract of sports entertainment electronic video lottery terminals

During the year, the Group won the open bid (quotation required) for the procurement of sports entertainment electronic video lottery terminals ("**VLT**") by Hainan Provincial Government of the PRC (the "**Hainan VLT Project**"). 深圳環彩普達科技有限公司 (transliterated as Shenzhen Huancai Puda Technology Company Limited), a subsidiary of the Company, has entered into a supply contract with Hainan Provincial Sports Lottery Administration Centre.

The Company is aware that, the procurement of Hainan VLT Project is the first open bid (quotation required) for government VLT procurement in the sports lottery market in the PRC. In 2014, sales of sports lotteries in the PRC reached RMB176.41 billion. In comparison, sales of welfare lotteries in the PRC amounted to RMB205.97 billion in 2014 within that the video lottery "China Welfare Lottery Online" recorded sales of approximately RMB22.423 billion, approximately RMB28.939 billion and approximately RMB37.746 billion respectively for 2012, 2013 and 2014. The sales of electronic video lottery recorded a year-on-year growth of approximately 30.4%. The Group is the sports entertainment electronic VLT provider in the first open bid (quotation required) for government procurement in the PRC's sports lottery market. Capitalising on our technical strengths, the Group will extend its VLT business presence in other provincial sports lottery markets.

Details of the Hainan VLT Project were set out in the Company's announcements dated 5 June 2014, 9 June 2014 and 2 January 2015 respectively.

Appointment of Mr. Zhang Huaqiao (張化橋) as corporate development advisor

On 1 December 2014, the Group announced the appointment of Mr. Zhang Huaqiao (張化橋) ("**Mr. Zhang**") as a corporate development advisor to the Company (the "**Appointment**"). Mr. Zhang will, from time to time, provide advice to the Company and the Board on the overall corporate development of the Group.

With Mr. Zhang's extensive experience in financial management and corporate development, the Board expects that the appointment with Mr. Zhang could further strengthen the Group's corporate development structure and assist the Group in strengthening of a high corporate development ability to enhance the interests of the shareholders of the Company (the "**Shareholders**") and the performance of the Group. Details of the Appointment were set out in the Company's announcement dated 1 December 2014.

Other Information

Change of Director

Mr. Ng Kwok Chu, Winfield ("**Mr. Ng**") resigned as an executive Director with effect from 26 May 2014 and Mr. Sung Kin Man ("**Mr. Sung**") had been appointed as the executive Director in place of Mr. Ng with effect from 26 May 2014 (the "**Change of Director**"). Details of the Change of Director were set out in the announcement of the Company dated 26 May 2014.

Events after the reporting period

Resignation of Director

Mr. Sung resigned as executive Director with effect from 2 March 2015 (the "**Resignation of Director**"). Details of the Resignation of Director were set out in the announcement of the Company dated 2 March 2015.

Termination of a Cooperation Agreement

The Company has controlling interest subsidiary, 深圳環彩普達科技有限公司 (transliterated as Shenzhen Huancai Puda Technology Company Limited) ("**Huancai Puda**") and its subsidiaries entered into several cooperation agreements with several lottery issuing centres with its concession rights recognised as other intangible assets. The total impairment of its concession rights was approximately HK$374,217,000 in 2014 due to the termination of a cooperation agreement in the first quarter of 2015 as agreed after negotiations between one of the aforesaid lottery issuing centres and Huancai Puda in the wake of the industry integration in the PRC during the second half of 2014.

Prospect

The year of 2014 continued to be a strong year for the PRC lottery industry, with annual sales well over RMB382.38 billion, representing an increase of approximately 23.6% over another year. The Company has been successfully operating 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.

Moreover, the Group successfully won the open bid (quotation for procurement), the PRC Government's first open bid for PRC sports lotteries, for the procurement of Hainan VLT Project in 2014, and for the provision of VLT for PRC sports lotteries. The Group has also successfully completed the design and manufacture of the equipment at the sales halls for the self-help centralised sales of sports electronic lottery games in Hainan and with this technological advantage, will vigorously expand the VLT video sports lottery business in other provinces of the PRC.

Under the Hainan VLT Project, certain lottery games were already approved by the Chinese Ministry of Finance in October 2014 for betting on terminals. This project is also the only VLT video electronic lottery of PRC sports lotteries. Its horse racing video game is an innovative Chinese lottery. Among the existing lottery games in the PRC, this lottery game has the highest rate of return and the longest betting period (daily from 10 a.m. to 2 a.m. the next day), which hit a record in Chinese lottery. Lotteries related to the project have already been available for betting from 1 January 2015 on VLT provided by the Group. The Group is expected to provide more than 1,000 VLTs for the above project in 2015.

Looking forward, the Company will continue to build a strong business relationship and recruit management personnel of high caliber. The Company will also explore and identify more lottery business opportunities in Hainan and other provinces of the PRC pursuant to the relevant national policies for the lottery entertainment sector. Meanwhile, the Group will continuously looking for new projects in the PRC's lottery industry as well as other opportunities in line with China's development under the 12th Five-Year Plan while keeping a close eye on the business development opportunities in the nearby countries in the Asia Pacific region.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. During the year, the Audit Committee comprises three independent non-executive Directors, namely Ms. Xuan Hong (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 2014 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the Shareholders.

During the financial year under review, the Company has complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code and Report**") as set out in Appendix 15 to the GEM Listing Rules except for the following:

Chairman and chief executive officer

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

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

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

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

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
Leung Ngai Man
Chairman and Executive Director

Hong Kong, 23 March 2015

As at the date of this announcement, the executive Directors are Mr. Leung Ngai Man and Ms. Wu Wei Hua; and the independent non-executive Directors are Mr. Cai Wei Lun, Mr. Qi Ji and Ms. Xuan Hong.

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.