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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 2015

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 2015 was approximately HK$964,000, representing a decrease of approximately 73% as compared with that in 2014.

- Loss attributable to owners of the Company was approximately HK$54,679,000 for the year ended 31 December 2015, representing a decrease of approximately 71% as compared with that in 2014.

- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: Nil).

RESULTS

The board of Directors (the "**Board**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	**964**	3,533
Cost of sales		**(1,135)**	(3,896)
Gross loss		**(171)**	(363)
Other income and gains	6	**1,120**	2,462
Administrative expenses		**(35,524)**	(29,731)
Impairment loss of concession rights	11	**(4,500)**	(374,217)
Loss on early redemption of convertible bonds		**(1,655)**	(3,235)
Finance costs	7	**(16,394)**	(10,772)
Other operating expenses		**(10,357)**	(13,688)
Loss before tax		**(67,481)**	(429,544)
Income tax credit	8	**7,155**	99,463
Loss for the year	9	**(60,326)**	(330,081)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(4,961)**	(2,975)
Other comprehensive expense for the year		**(4,961)**	(2,975)
Total comprehensive expense for the year		**(65,287)**	(333,056)
Loss attributable to:			
Owners of the Company		**(54,679)**	(186,051)
Non-controlling interests		**(5,647)**	(144,030)
		(60,326)	(330,081)
Total comprehensive expense attributable to:			
Owners of the Company		**(57,306)**	(187,575)
Non-controlling interests		**(7,981)**	(145,481)
		(65,287)	(333,056)
Loss per share	10		
Basic and diluted (HK cents per share)		**(1.99)**	(8.54)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Property, plant and equipment		**1,215**	1,897
Club debenture		**115**	115
Concession rights	*11*	**81,526**	99,324
		82,856	101,336
Current assets			
Prepayments, deposits and other receivables	*12*	**9,770**	4,244
Amount due from a non-controlling interest of a subsidiary		**2,227**	240
Pledged bank deposit		**215**	214
Cash and bank balances		**78,077**	61,790
		90,289	66,488
Current liabilities			
Trade and other payables	*13*	**7,884**	9,661
Amount due to a director		**136**	–
Amount due to a non-controlling interest of a subsidiary		**215**	227
Convertible bonds		**–**	93,820
Current tax liabilities		**1**	1
		8,236	103,709
Net current assets/(liabilities)		**82,053**	(37,221)
Total assets less current liabilities		**164,909**	64,115
Non-current liabilities			
Convertible bonds		**59,633**	–
Deferred tax liabilities		**27,719**	27,718
		87,352	27,718
Net assets		**77,557**	36,397

	2015 *HK$'000*	2014 *HK$'000*
Capital and reserves		
Share capital — ordinary shares	**15,600**	11,085
Share capital — non-redeemable convertible preferred shares	**5,017**	7,317
Reserves	**27,627**	(17,299)
Equity attributable to owners of the Company	**48,244**	1,103
Non-controlling interests	**29,313**	35,294
Total equity	**77,557**	36,397

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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 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

	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 2015	**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**
Loss for the year	–	–	–	–	–	–	–	–	–	(54,679)	(54,679)	(5,647)	(60,326)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(2,627)	–	–	(2,627)	(2,334)	(4,961)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(2,627)	–	(54,679)	(57,306)	(7,981)	(65,287)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	11,004	–	–	–	11,004	–	11,004
Exercise of non-redeemable convertible preferred shares	2,300	(2,300)	–	–	–	–	–	–	–	–	–	–	–
Issue of new ordinary shares	2,215	–	63,349	–	–	–	–	–	–	–	65,564	–	65,564
Transaction costs attributable to issue of new ordinary shares	–	–	(2,201)	–	–	–	–	–	–	–	(2,201)	–	(2,201)
Redemption of convertible bonds	–	–	–	–	–	(8,261)	–	–	–	8,231	(30)	–	(30)
Extension of convertible bonds upon maturity	–	–	–	–	–	(9,619)	–	–	–	46,885	37,266	–	37,266
Deferred tax relating to convertible bonds	–	–	–	–	–	(7,156)	–	–	–	–	(7,156)	–	(7,156)
Capital contribution by a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,000	2,000
Release of reserve upon lapse of warrants	–	–	–	(1,740)	–	–	–	–	–	1,740	–	–	–
Balance at 31 December 2015	**15,600**	**5,017**	**3,348,003**	**–**	**1**	**29,735**	**32,722**	**118,256**	**(49)**	**(3,501,041)**	**48,244**	**29,313**	**77,557**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

China Netcom Technology Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands and its shares are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the same as the functional currency of the Company.

Certain comparative amounts have been reclassified to conform with current year's presentation as the Group has changed the composition of its reportable segments. There is only one operating segment being presented during the year ended 31 December 2015 as the Group was focusing on its lottery business and there were no results attributable to the segment of trading of computer hardware and software. Accordingly, segment information of trading of computer hardware and software for the year ended 31 December 2014 for comparative purposes has not been presented.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exceptions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]

[1] Effective for annual periods beginning on or after 1 January 2016, 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 2018, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on 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 the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

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 of the Company anticipate that the application of HKFRS 15 in the future may have an 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 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and 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 should be applied prospectively to acquisitions of interests in joint operations (in which activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future period should such transactions arise.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 *Presentation of Financial Statements* give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in 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 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* 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 of the Company 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 of the Company 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 HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of 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, 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 of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value 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 amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 *Investments in Associates and Joint Ventures* clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

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 a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

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.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements.

4. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the Board, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and performance assessment.

The CODM reviews the Group's internal reporting, assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of 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 People's Republic of China (the "**PRC**") and development and provision of operation system sector of the PRC lottery market. Therefore, the CODM considers there is only one operating segment under the requirements of HKFRS 8 *Operating Segments*. In this regard, no segment information is presented.

Additional disclosure in relation to segment information is not presented as the CODM assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total segment result is equivalent to total comprehensive expense for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
PRC	**964**	3,533	**82,731**	101,197
Hong Kong	**–**	–	**125**	139
	964	3,533	**82,856**	101,336

Information about major customers

For the year ended 31 December 2015, there were two customers with revenue of approximately HK$125,000 and HK$795,000 respectively which accounted for more than 10% of the total revenue of the Group.

For the year ended 31 December 2014, there were two customers with revenue of approximately HK$1,140,000 and HK$2,392,000 respectively which accounted for more than 10% of the total revenue of the Group.

5. REVENUE

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

	2015	2014
	HK$'000	*HK$'000*
Sale of lottery equipment	**44**	2,392
Provision of management, marketing, and operating services for lottery system and lottery halls	**920**	1,141
	964	3,533

6. OTHER INCOME AND GAINS

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**990**	2,259
Gain on disposal of subsidiary	**–**	10
Sundry income	**130**	193
	1,120	2,462

7. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Effective interest on convertible bonds	**16,394**	10,772

8. INCOME TAX CREDIT

Income tax recognised in profit or loss

	2015	2014
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**–**	–
Deferred tax	**(7,155)**	(99,463)
Total income tax credit recognised in profit or loss	**(7,155)**	(99,463)

Hong Kong Profits Tax is calculated at 16.5% (2014: 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.

9. LOSS FOR THE YEAR

	2015	2014
	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)	**36**	1,602
Auditors' remuneration	**930**	900
Employee benefits expense (excluding directors' emoluments)		
— Salaries and other benefits in kind	**4,002**	4,356
— Contributions to retirement benefits schemes	**218**	309
Directors' emoluments	**7,522**	9,172
Total staff costs	**11,742**	13,837
Minimum lease payments paid under operating leases in respect of land and buildings	**1,382**	1,530
Net foreign exchange loss	**2,270**	1,621
Depreciation of property, plant and equipment	**613**	834
Expense in relation to share options granted to consultants	**11,004**	7,500
Loss on early redemption of convertible bonds	**1,655**	3,235
Amortisation of concession rights *(Note)*	**8,357**	13,578
Provision for impairment loss on deposits and other receivables *(Note)*	**2,000**	–
Loss on disposal of property, plant and equipment — net *(Note)*	**–**	110

Note: Amortisation of concession rights, provision for impairment loss on deposits and other receivables and loss on disposal of property, plant and equipment are included in other operating expenses.

10. 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:

	2015	2014
	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	**(54,679)**	(186,051)

Number of shares

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,741,424**	2,178,881

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.

11. CONCESSION RIGHTS

	HK$'000
Cost	
Balance at 1 January 2014	2,561,966
Effect of foreign currency exchange differences	(15,433)
Balance at 31 December 2014	2,546,533
Effect of foreign currency exchange differences	(134,552)
Balance at 31 December 2015	2,411,981
Accumulated amortisation and impairment	
Balance at 1 January 2014	(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)
Amortisation expense	(8,357)
Impairment loss recognised in profit or loss	(4,500)
Effect of foreign currency exchange differences	129,611
Balance at 31 December 2015	(2,330,455)
Carrying amounts	
Balance at 31 December 2015	**81,526**
Balance at 31 December 2014	99,324

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 ***HK$'000***	2014 *HK$'000*
Prepayments	**1,392**	149
Deposits and other receivables	**10,378**	4,095
	11,770	4,244
Less: allowance for doubtful debts	**(2,000)**	–
Total prepayments, deposits and other receivables	**9,770**	4,244

Movement in the allowance for doubtful debts

	2015	2014
	HK$'000	*HK$'000*
1 January	**–**	–
Impairment loss recognised on deposits and other receivables	**2,000**	–
31 December	**2,000**	–

13. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**4**	4
Other payables and accruals	**7,688**	8,172
Accrued salaries and other benefits in kind	**192**	1,485
Total trade and other payables	**7,884**	9,661

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

	2015	2014
	HK$'000	*HK$'000*
Over 90 days	**4**	4

14. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

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$964,000 and approximately HK$54,679,000 respectively, representing a decrease of approximately HK$2,569,000 and a decrease of approximately HK$131,372,000 respectively as compared with the audited revenue of approximately HK$3,533,000 and the loss attributable to owners of the Company of approximately HK$186,051,000 for the year ended 31 December 2014. The decrease of the loss attributable to owners of the Company for the year under review was mainly attributable to the decrease of the impairment loss of concession rights from approximately HK$374,217,000 in 2014 to HK$4,500,000 in 2015.

Management has reviewed concession rights for impairment testing purpose by making estimations and taking reference with a valuation performed by an independent valuer. The income approach has been consistently adopted for impairment testing of concession rights. The valuation of the lottery business employing the income approach projects the five-year cash flows and discount these cash flows to its present value at a discount rate reflecting the risks associated with the cash flows. The market approach is not adopted as there are insufficient relevant comparable transaction for reference and the asset approach is not applied as it may ignore the future economic benefits of the business. Therefore, only income approach is employed for the valuation. The cash flow projection has been prepared by referring to the current operation environment and market conditions. The major inputs of the valuation include the pre-tax discount rate, revenue growth rate and terminal growth rate. The pre-tax discount rate of 31.13% reflects the minimum required return of the lottery business plus other specific risk of the underlying business. The revenue growth rate of 20% is determined by referring to the industry growth rate. Terminal growth rate of zero is used for the cash flows extrapolated beyond the five-year projection period.

As at 31 December 2015, the Group recorded total assets of approximately HK$173,145,000 (2014: approximately HK$167,824,000), and recorded total liabilities of approximately HK$95,588,000 (2014: approximately HK$131,427,000).

As at 31 December 2015, the Group has cash and bank balances (excluding pledged bank deposit) of approximately HK$78,077,000 (2014: approximately HK$61,790,000). The cash and bank balances were placed in short term deposit.

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

Business Review

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

During the year, the Group operated and managed the sales hall of a quick-result lottery game of China Welfare Lottery "Happy 12" in Liaoning Province, the PRC. Besides, the Group is also the terminal equipment provider for the Hainan sports entertainment electronic video lottery terminals ("**VLT**") instant lottery project in the PRC.

Supply contract of sports entertainment electronic video lottery terminals

In 2014, the Group won the open bid (quotation required) for the procurement of sports entertainment electronic VLT by Hainan Provincial Government of the PRC (the "**Hainan VLT Project**"). An indirect non wholly-owned subsidiary of the Company, 深圳環彩普達科技有限公司 (transliterated as Shenzhen Huancai Puda Technology Company Limited) ("**Huancai Puda**"), 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 2015, sales of sports lotteries in the PRC reached approximately Renminbi ("**RMB**") 166.37 billion. In comparison, sales of welfare lotteries in the PRC amounted to approximately RMB201.51 billion in 2015, while the video lottery "China Welfare Lottery Online" recorded sales of approximately RMB28.939 billion, approximately RMB37.746 billion, approximately RMB42.467 respectively for 2013, 2014 and 2015. The sales of electronic video lottery recorded a year-on-year growth of approximately 12.5%. 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. The Hainan VLT Project is also the "only" VLT video electronic instant lottery in the sports lottery market of the PRC, which includes games such as horse racing and certain other games. The Hainan VLT Project has obtained approval for sales online from the Ministry of Finance of the PRC. 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.

Framework agreement in relation to a possible acquisition

On 11 November 2011, a subsidiary of the Company (the "**Subsidiary**") entered into a framework agreement (the "**Framework Agreement**") with, among others, an independent third party (the "**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 Potential Vendor. Details of the Framework Agreement were set out in the Company's announcement dated 14 November 2011. Pursuant to the supplemental agreements to the Framework Agreement, the period during which the

Subsidiary had the exclusive right to negotiate with the Potential Vendor in relation to such possible acquisition expired on 28 February 2014 and the Framework Agreement was terminated on 4 March 2014. A refundable advance deposit of HK$2 million was paid. The management of the Company has been negotiating with the Potential Vendor for the refund of this advance deposit but considered the refund was in doubt. The impairment loss on deposits and other receivables of HK$2,000,000 was recognised in 2015.

Termination of a cooperation agreement

Huancai Puda and its subsidiary entered into several cooperation agreements with several lottery issuing centres with its concession rights recognised as non-current assets in the consolidated statement of financial position of the Group. A cooperation agreement was terminated 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. The impairment loss of the concession rights of approximately HK$374,217,000 was recognised in 2014.

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

On 21 May 2015, an aggregate of 443,000,000 ordinary shares of the Company of HK$0.005 each (the "**Shares**", each, a "**Share**") were successfully placed by a placing agent to not less than six placees (the "**Placing**") who are independent third parties at the placing price of HK$0.148 per placing share. Completion of the subscription (the "**Subscription**") took place on 1 June 2015 whereby 443,000,000 subscription shares were allotted and issued to Mr. Leung Ngai Man ("**Mr. Leung**"), the chairman of the Board (the "**Chairman**") and an executive Director, at the subscription price of HK$0.148 per subscription share. The net proceeds from the Subscription were approximately HK$63.4 million. The net price for the Subscription was approximately HK$0.143 per Share. The Company intends to utilise the net proceeds from the Subscription for the Group's general working capital and future business development. Such proceeds have not been utilised and have remained at the Company's bank as at the date of this announcement. Details of the Placing and the Subscription were set out in the Company's announcements dated 20 May 2015 and 1 June 2015 respectively.

Letter of intent in relation to possible cooperation with Shoutz in certain PRC lottery markets

On 22 May 2015, Far East Golden Star Limited, a wholly-owned subsidiary of the Company, and Shoutz, Inc. ("**Shoutz**"), an independent third party, entered into a letter of intent (the "**LOI**") in relation to the possible cooperation between the Group and Shoutz regarding the proposed use of Shoutz's software in the PRC lottery markets. The Group and Shoutz will continue to push forward their cooperations.

The LOI is non-legally binding save for certain arrangements prior to the execution of definitive agreements including the exchange of information, the issue of public announcements, and other miscellaneous matters.

The Directors believe that cooperating with Shoutz is in line with the development strategy of the Group, and will bring new elements and opportunities for the Group to develop its lottery business in the PRC. Details of the LOI were set out in the Company's announcement dated 26 May 2015.

The First Strategic Cooperation Agreement

On 8 June 2015, 深圳高榮財智科技有限公司 (transliterated as Shenzhen Gaorong Caizhi Technology Company Limited) ("**Shenzhen Gaorong**"), a wholly-owned subsidiary of the Company, entered into a strategic cooperation agreement (the "**First Strategic Cooperation Agreement**") with 北京雷客天地科技有限公司 (transliterated as Beijing Skyrocker Technology Company Limited) ("**Beijing Skyrocker**"), an independent third party, and 北京雷旺鑫科技有限公司 (transliterated as Beijing Leiwangxin Technology Company Limited) ("**Beijing Leiwangxin**"), an independent third party. The parties agreed to cooperate on the business development of the sales and related value-added services of national lottery (including welfare lottery and sports lottery) in the KTV premises covered by Beijing Skyrocker's products nationwide.

In connection with the First Strategic Cooperation Agreement, on 8 June 2015, Shenzhen Gaorong engaged Beijing Leiwangxin to develop the front-end software for the KTV lottery sales system. Pursuant to such engagement, Shenzhen Gaorong has paid the development fees to Beijing Leiwangxin for the development of the front-end software for the KTV lottery sales system, and the software being developed by Beijing Leiwangxin is completed.

The Directors are of the view that the cooperation is consistent with the Group's strategy to develop its lottery business and will benefit the Company and the shareholders of the Company (the "**Shareholder(s)**") as a whole. Details of the First Strategic Cooperation Agreement were set out in the Company's announcement dated 9 June 2015.

Extension of the maturity date of the Convertible Bond

On 24 August 2015, the Company entered into a supplemental deed (the "**Supplemental Deed**") with Mr. Leung (the "**Bondholder**") pursuant to which the Company and the Bondholder agreed to extend the maturity date of the convertible bond in the aggregate principal amount of HK$797.5 million issued by the Company to the Bondholder on 27 August 2010 (the "**Convertible Bond**") for 5 years from the date falling on the fifth year to the date falling on the tenth year from the date of issue of the Convertible Bond, subject to the conditions precedent contained in the Supplemental Deed being satisfied (the "**Extension**").

The amended terms of the Convertible Bond were approved by the Stock Exchange and the Extension was approved by the independent Shareholders by way of poll at the extraordinary general meeting of the Company held on 3 November 2015. Details of the Extension were set out in the Company's announcements and circular dated 24 August 2015, 4 September 2015, 11 September 2015, 29 September 2015, 13 October 2015, 3 November 2015 and 15 October 2015 respectively.

The Second Strategic Cooperation Agreement

On 25 December 2015, Shenzhen Gaorong entered into a strategic cooperation agreement (the "**Second Strategic Cooperation Agreement**") with 北京市福利彩票發行中心 (transliterated as Beijing Welfare Lottery Centre) ("**Beijing Welfare**"). The parties agreed to cooperate on the business development of the sales and related value-added services of KTV lottery in the KTV premises covered by Shenzhen Gaorong's products in Beijing, PRC. Beijing Welfare shall be responsible for providing the technological specifications of the sales of KTV lottery and shall agree that Shenzhen Gaorong to provide the lottery consignment sales services in Beijing through the KTV self-service system. Shenzhen Gaorong shall be responsible for investment, development and maintenance of the back-end operational system (including safety measures), and shall receive certain percentage of the aggregate lottery sales amount from the KTV lottery sales as lottery sales commission and management fee, respectively. The Second Strategic Cooperation Agreement has a term of five years. Upon expiry, it may be extended according to further agreement among the parties. Details of the Second Strategic Cooperation Agreement were set out in the Company's announcement dated 14 January 2016.

Other Information

Resignation of Director

Mr. Sung Kin Man resigned as an 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.

Issue of Shares under the conversion of the convertible preferred shares

On 5 June 2015, the Company allotted and issued 460,000,000 Shares to Mr. Leung due to the conversion of 460,000,000 convertible preferred shares at an issue price of HK$0.600 per convertible preferred share issued by the Company on 17 December 2012.

Grant of share options

On 27 May 2015, the Company granted share options to certain eligible participants to subscribe for a total of 66,000,000 new Shares pursuant to the share option scheme adopted on 29 June 2007 (the "**Share Option Scheme**") at an exercise price of HK$0.290 per Share. Details of which were set out in the announcement of the Company dated 27 May 2015.

On 4 June 2015, the Company granted share options to an eligible participant to subscribe for a total of 10,000,000 new Shares pursuant to the Share Option Scheme at an exercise price of HK$0.270 per Share. Details of which were set out in the announcement of the Company dated 4 June 2015.

Event after the reporting period

Early redemption of Convertible Bond

On 18 January 2016, the Company early redeemed a portion of the Convertible Bond in the aggregate principal amount of approximately HK$10,080,000 which was issued by the Company to Mr. Leung on 27 August 2010.

Prospect

As mentioned in the third quarterly report of the Group, great health, big data, cloud computing, intelligent wearable device, etc., have become an emerging industry with huge potential growth in the future market. According to the National 13th Five-Year Development Plan, the Group is aggressively developing a "medical" grade smart wearable device. A team of world-class professionals has been recruited and the world's first "medical" grade wearable device "watch" with 24 hours real-time continuous automatic remote monitoring of pulse rate, heart rate, electrocardiogram (ECG), blood pressure functions within one single interface has been developed. It has been sent to the independent third party health inspection institution appointed by the State Food and Drug Administration for examination. Medical device registration certificate and medical device manufacturer certification are being applied in progress following regular procedures.

In 2016, the Group will concentrate its resources in promoting the development of the developing "medical" grade intelligent wearable devices, and at the same time will keep looking for new business development opportunities.

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 five meetings. The annual results of the Group for the year ended 31 December 2015 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 complied with all the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules except for the following:

Code provision A.2.1

Code provision A.2.1 of the CG Code 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 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 who have extensive experience in the business of the Group. Their respective areas of profession spearheaded the Group's overall development and business strategies.

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

Code provision A.6.7

Under the code provision A.6.7, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 3 November 2015 (the "**EGM**") due to their other business engagements. This constitutes a deviation from code provision A.6.7 of the CG Code. Despite the absence of the independent non-executive Directors, the Chairman was present at the EGM.

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 2016

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.