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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 2013

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 2013 was approximately HK$1,731,000, representing a decrease of approximately 23% as compared with that in 2012.

- Loss attributable to owners of the Company was approximately HK$75,325,000 for the year ended 31 December 2013, representing a decrease of approximately 74% as compared with that in 2012.

- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: 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 2013 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	4	**1,731**	2,248
Cost of sales		**(3,293)**	(3,574)
Gross loss		**(1,562)**	(1,326)
Other income and gains	5	**5,872**	16,958
Administrative expenses		**(27,130)**	(36,323)
Impairment loss of goodwill		**–**	(32,940)
Impairment loss of other intangible assets	11	**(93,200)**	(137,355)
Loss on early redemption of promissory note		**–**	(32,130)
Finance costs	6	**(11,205)**	(108,295)
Other operating expenses		**(15,031)**	(17,073)
Share of losses of associates		**(484)**	(364)
Loss before tax		**(142,740)**	(348,848)
Income tax credit/(expense)	7	**23,924**	(34,849)
Loss for the year from continuing operations	8	**(118,816)**	(383,697)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(2,910)
Loss for the year		**(118,816)**	(386,607)

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**19,513**	4,150
Reclassification adjustment relating to foreign operations disposed of during the year		**(74)**	(1,190)
Share of other comprehensive income/(expense) of associates		**165**	(38)
Other comprehensive income for the year		**19,604**	2,922
Total comprehensive expense for the year		**(99,212)**	(383,685)
Loss attributable to:			
Owners of the Company		**(75,325)**	(290,861)
Non-controlling interests		**(43,491)**	(95,746)
		(118,816)	(386,607)
Total comprehensive expense attributable to:			
Owners of the Company		**(65,324)**	(289,890)
Non-controlling interests		**(33,888)**	(93,795)
		(99,212)	(383,685)
Loss per share	*10*		
From continuing and discontinued operations – Basic and diluted (HK cents per share)		**(4.1)**	(15.7)
From continuing operations – Basic and diluted (HK cents per share)		**(4.1)**	(15.5)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**2,517**	3,985
Other intangible assets	*11*	**490,067**	578,369
Interests in associates		**–**	7,191
		492,584	589,545
Current assets			
Inventories		**1,612**	110
Prepayments, deposits and other receivables	*12*	**4,873**	13,914
Amount due from a non-controlling interest of a subsidiary		**241**	234
Pledged bank deposit		**213**	212
Cash and bank balances		**33,985**	36,072
		40,924	50,542
Current liabilities			
Trade and other payables	*13*	**15,227**	10,822
Amount due to a non-controlling interest of a subsidiary		**228**	221
Amount due to an associate		**–**	66
Current tax liabilities		**1**	1
		15,456	11,110
Net current assets		**25,468**	39,432
Total assets less current liabilities		**518,052**	628,977
Non-current liabilities			
Convertible bonds	*14*	**102,323**	91,118
Deferred tax liabilities		**129,453**	153,377
		231,776	244,495
Net assets		**286,276**	384,482
Capital and reserves			
Share capital – ordinary shares	*15*	**9,271**	9,271
Share capital – non-redeemable convertible preferred shares	*16*	**7,817**	7,817
Reserves		**88,413**	152,731
Equity attributable to owners of the Company		**105,501**	169,819
Non-controlling interests		**180,775**	214,663
Total equity		**286,276**	384,482

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 2012	9,271	–	2,608,610	–	1	66,267	14,571	111,435	(49)	(2,964,483)	(154,377)	304,940	150,563
Loss for the year	–	–	–	–	–	–	–	–	–	(290,861)	(290,861)	(95,746)	(386,607)
Other comprehensive income for the year	–	–	–	–	–	–	–	971	–	–	971	1,951	2,922
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	–	971	–	(290,861)	(289,890)	(93,795)	(383,685)
Capital contribution by non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	604	604
Issue of unlisted warrants	–	–	–	1,810	–	–	–	–	–	–	1,810	–	1,810
Transaction costs attributable to issue of unlisted warrants	–	–	–	(70)	–	–	–	–	–	–	(70)	–	(70)
Issue of non-redeemable convertible preferred shares	–	7,817	604,529	–	–	–	–	–	–	–	612,346	–	612,346
Released upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,914	2,914
Release of reserve upon share options forfeited	–	–	–	–	–	–	(1,230)	–	–	1,230	–	–	–
Balance at 31 December 2012	9,271	7,817	3,213,139	1,740	1	66,267	13,341	112,406	(49)	(3,254,114)	169,819	214,663	384,482

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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.

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 1	*Government Loans*
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
HKFRS 13	*Fair Value Measurement*
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*
HKAS 19 (as revised in 2011)	*Employee Benefits*
HKAS 27 (as revised in 2011)	*Separate Financial Statements*
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009 – 2011 Cycle*
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine*

Amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int–12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Directors consider that other than the additional disclosures, the application of the new and revised HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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*[3]
HKFRS 14	*Regulatory Deferral Accounts*[6]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Hedge Accounting and amendments to HKFRS 9, HFKRS 7 and HKAS 39*[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[2]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010 – 2012 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011 – 2013 Cycle*[2]
HK(IFRIC) – Int 21	*Levies*[1]

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

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

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 No mandatory effective date yet determined but is available for adoption.

6 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described below:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. 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.

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

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

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 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 professional 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.

The Directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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

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

The Directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

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

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 regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

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

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The Directors do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 ***Levies***

HK (IFRIC) – Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. 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.

The Directors anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

Annual Improvements to HKFRSs 2010 – 2012 Cycle and HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2010 – 2012 Cycle and the Annual Improvements to HKFRSs 2011 – 2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. The Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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 from continuing operations by reportable segment:

	Trading of computer hardware and software		**Lottery business**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**451**	540	**1,280**	1,708	**1,731**	2,248
Segment loss	**(642)**	(493)	**(122,211)**	(321,933)	**(122,853)**	(322,426)
Interest and other income					**2,091**	2,218
Central administration costs					**(21,978)**	(28,640)
Loss before tax (continuing operations)					**(142,740)**	(348,848)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2012: 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**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**705**	1,490	**500,980**	593,042	**501,685**	594,532
Corporate and unallocated assets					**31,823**	45,499
Total segment assets					**533,508**	640,031
Assets relating to staff secondment (now discontinued)					**–**	56
Consolidated assets					**533,508**	640,087
Segment liabilities	**60**	85	**239,029**	252,708	**239,089**	252,793
Corporate and unallocated liabilities					**8,143**	2,812
Total segment liabilities and consolidated liabilities					**247,232**	255,605

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

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

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

Other segment information

Continuing operations

	Trading of computer hardware and software		Lottery business		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**34**	34	**1,010**	1,523	**1,044**	1,557
Unallocated depreciation					**28**	139
Total depreciation					**1,072**	1,696
Loss on disposal of property, plant and equipment	**–**	–	**720**	258	**720**	258
Unallocated gain on disposal of property, plant and equipment					**–**	(47)
Total loss on disposal of property, plant and equipment – net					**720**	211
Share of losses of associates	**–**	–	**484**	364	**484**	364
Loss on early redemption of promissory note	**–**	–	**–**	32,130	**–**	32,130
Effective interest on convertible bonds	**–**	–	**11,205**	11,235	**11,205**	11,235
Effective interest on promissory note	**–**	–	**–**	97,060	**–**	97,060
Amortisation of other intangible assets	**–**	–	**14,311**	16,657	**14,311**	16,657
Impairment loss of goodwill	**–**	–	**–**	32,940	**–**	32,940
Impairment of other intangible assets	**–**	–	**93,200**	137,355	**93,200**	137,355
Additions to non-current assets	**–**	4	**211**	4,585	**211**	4,589
Unallocated					**19**	51
Total additions to non-current assets					**230**	4,640

Geographical information

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

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

	Revenue from external customers		Non-current assets*	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**1,731**	2,248	**492,535**	589,487
Hong Kong	**–**	–	**49**	58
	1,731	2,248	**492,584**	589,545

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

4. REVENUE

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

	2013	2012
	HK$'000	*HK$'000*
Sale of lottery equipment	**10**	17
Sale of computer hardware and software	**451**	540
Provision of management, marketing, and operating services for lottery system and lottery halls	**1,270**	1,691
	1,731	2,248

5. OTHER INCOME AND GAINS

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**753**	1,602
Net foreign exchange gain	**1,179**	279
Gain on disposal/deregistration of associates	**3,781**	–
Gain on disposal of subsidiaries	**–**	7,519
Gain on disposal of other assets	**–**	7,501
Sundry income	**159**	57
	5,872	16,958

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Effective interest on convertible bonds	**11,205**	11,235
Effective interest on promissory note	**–**	97,060
	11,205	108,295

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

Income tax recognised in profit or loss

	2013	2012
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**–**	–
Deferred tax	**(23,924)**	34,849
Total income tax (credit)/expense recognised in profit or loss	**(23,924)**	34,849

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits arising in or derived from Hong Kong for both years.

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

In year 2009, 深圳環彩普達科技有限公司 (transliterated as Shenzhen Huancai Puda Technology Company Limited) ("**Huancai Puda**"), an indirect 51% owned subsidiary of the Company, was recognised as a new high-tech enterprise and was entitled to a preferential tax rate of 15% from 31 December 2009 to 31 December 2012. From 1 January 2013 onwards, provision for PRC Enterprise Income Tax for Huancai Puda is calculated as 25% of its estimated assessable profits.

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2013	2012
	HK$'000	*HK$'000*
Loss for the year from continuing operations has been arrived at after charging:		
Cost of inventories recognised as an expense (included in cost of sales)	**420**	495
Auditors' remuneration	**900**	900
Employee benefits expense (excluding directors' emoluments) *(Note (i)):*		
– Salaries and other benefits	**5,292**	14,288
– Contributions to retirement benefits schemes	**186**	317
Directors' emoluments	**13,396**	8,139
Total staff costs	**18,874**	22,744
Minimum lease payments paid under operating leases in respect of land and buildings	**1,554**	2,398
Depreciation of property, plant and equipment	**1,072**	1,696
Expense in relation to share options granted to consultants	**418**	–
Amortisation of other intangible assets *(Note (ii))*	**14,311**	16,657
Loss on disposal of property, plant and equipment *(Note (ii))*	**720**	211

Notes:

(i) Employee benefits expense (excluding directors' emoluments) included equity-settled share-based payments of approximately HK$529,000 (2012: Nil) disclosed above.

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

9. DISCONTINUED OPERATIONS

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

In July 2012, the Group disposed of its 80% equity interest in 雲南西部礦業有限公司 (transliterated as Yunnan Xibu Mining Company Limited) ("**Yunnan Western**"), which carried out the exploration of mines operations, to an independent third party at a consideration of Renminbi ("**RMB**") 130,000 (equivalent to approximately HK$160,000), as the Group planned to focus its resources on its core business of lottery business operations and to optimise its asset structure.

Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the loss for the year are set out below.

	2013	2012
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Revenue	**–**	–
Administrative expenses	**–**	(678)
Loss on disposal of property, plant and equipment included in other operating expenses	**–**	(2)
Loss before tax	**–**	(680)
Attributable income tax	**–**	–
Loss on disposal of discontinued operation (including approximately Nil (2012: HK$857,000) reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operation)	**–**	(2,230)
Loss for the year from discontinued operations	**–**	(2,910)
Loss for the year from discontinued operations attributable to:		
Owners of the Company	**–**	(2,774)
Non-controlling interest	**–**	(136)
	–	(2,910)
Loss for the year from discontinued operations include the following:		
Employee benefits expense (excluding directors' emoluments):		
– Salaries and other benefits	**–**	302
– Contribution to retirement benefits schemes	**–**	52
Directors' emoluments	**–**	110
Total staff costs	**–**	464
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	**–**	54
– Office equipment	**–**	11
Loss on disposal of property, plant and equipment	**–**	2

Cash flows from discontinued operations

	2013	2012
	HK$'000	*HK$'000*
Net cash outflows from operating activities	**–**	(102)
Net cash outflows	**–**	(102)

10. LOSS PER SHARE

From continuing and discontinued operations

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

	2013	2012
	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	**(75,325)**	(290,861)

Number of shares	**2013**	2012
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,854,235**	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 adopted by the Company on 29 June 2007 (the "**Share Option Scheme**"), non-redeemable convertible preferred shares, convertible bonds and outstanding warrants since their exercise and conversion would have an anti-dilutive effect.

For continuing operations

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

Loss figures are calculated as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(75,325)**	(290,861)
Add:		
Loss for the year from discontinued operations attributable to owners of the Company	**–**	2,774
Loss for the purposes of basic and diluted loss per share from continuing operations	**(75,325)**	(288,087)

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

For discontinued operations

Basic and diluted loss per share for the discontinued operations is Nil (2012: HK0.15 cent per share), based on the loss for the year from the discontinued operations of Nil (2012: approximately HK$2,774,000) and the denominators detailed above for both basic and diluted loss per share.

11. OTHER INTANGIBLE ASSETS

	Exploration and evaluation assets *HK$'000*	**Concession rights** *HK$'000*	**Total** *HK$'000*
Cost			
Balance at 1 January 2012	24,509	2,465,612	2,490,121
Disposal of a subsidiary	(24,650)	–	(24,650)
Effect of foreign currency exchange differences	141	13,251	13,392
Balance at 31 December 2012	–	2,478,863	2,478,863
Effect of foreign currency exchange differences	–	83,103	83,103
Balance at 31 December 2013	–	2,561,966	2,561,966
Accumulated amortisation and impairment			
Balance at 1 January 2012	(24,509)	(1,737,150)	(1,761,659)
Amortisation expense	–	(16,657)	(16,657)
Impairment loss recognised in profit or loss	–	(137,355)	(137,355)
Eliminated on disposal of a subsidiary	24,650	–	24,650
Effect of foreign currency exchange differences	(141)	(9,332)	(9,473)
Balance at 31 December 2012	–	(1,900,494)	(1,900,494)
Amortisation expense	–	(14,311)	(14,311)
Impairment loss recognised in profit or loss	–	(93,200)	(93,200)
Effect of foreign currency exchange differences	–	(63,894)	(63,894)
Balance at 31 December 2013	–	(2,071,899)	(2,071,899)
Carrying amounts			
Balance at 31 December 2013	**–**	**490,067**	**490,067**
Balance at 31 December 2012	–	578,369	578,369

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Prepayments	**1,045**	1,041
Deposits and other receivables	**3,828**	12,873
	4,873	13,914

Included in the balance of deposits and other receivables of the Group at 31 December 2012 was a refundable deposit of approximately RMB7,350,000, equivalent to approximately HK$9,020,000 in relation to the acquisition of the additional 49% equity interest in Huancai Puda. Such deposit has been refunded during the year ended 31 December 2013.

13. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**4**	13
Other payables and accruals	**8,225**	8,952
Accrued salaries and other benefits	**6,998**	1,857
	15,227	10,822

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

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**–**	1
61 – 90 days	**–**	1
Over 90 days	**4**	11
	4	13

14. CONVERTIBLE BONDS

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

	HK$'000
At 1 January 2012	79,883
Effective interest expense charged	11,235
At 31 December 2012 and 1 January 2013	91,118
Effective interest expense charged	11,205
At 31 December 2013	**102,323**

15. SHARE CAPITAL – ORDINARY SHARES

	Number of shares *'000*	**Share capital** *HK$'000*
Authorised:		
At 1 January 2012, ordinary shares of HK$0.001 each	100,000,000	100,000
Share consolidation *(Note)*	(80,000,000)	–
At 31 December 2012 and 2013, ordinary shares of HK$0.005 each	**20,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2012, ordinary shares of HK$0.001 each	9,271,175	9,271
Share consolidation *(Note)*	(7,416,940)	–
At 31 December 2012 and 2013, ordinary shares of HK$0.005 each	**1,854,235**	**9,271**

Note:

Pursuant to an ordinary resolution passed on 24 February 2012, a share consolidation was approved with effect from 27 February 2012 in which every five of the existing issued and unissued ordinary shares of HK$0.001 each in the share capital of the Company would be consolidated into one consolidated share of HK$0.005 each. Immediately after the share consolidation, the authorised share capital of the Company comprised 20,000,000,000 consolidated shares of HK$0.005 each of which 1,854,235,049 consolidated shares of HK$0.005 each (the "**Shares**", each, a "**Share**") are in issue and the board lot size is changed from 15,000 shares to 5,000 consolidated shares.

16. SHARE CAPITAL – NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
Preferred shares of HK$0.005 each		
At 1 January 2012	–	–
Increased during the year	2,000,000	10,000
At 31 December 2012 and 2013	**2,000,000**	**10,000**
Issued and fully paid:		
Preferred shares of HK$0.005 each		
At 1 January 2012	–	–
Issued during the year	1,563,333	7,817
At 31 December 2012 and 2013	**1,563,333**	**7,817**

On 29 August 2012, Mr. Leung Ngai Man ("**Mr. Leung**"), the Chairman of the Board and an executive Director, entered into a loan capitalisation agreement with the Company in respect of the loan capitalisation ("**Loan Capitalisation Agreement**"), pursuant to which Mr. Leung agreed to subscribe for, and the Company has agreed to allot and issue of 1,563,333,333 convertible preferred shares at an issue price of HK$0.60 per convertible preferred share (the "**Convertible Preferred Shares**") to capitalise the outstanding amount of HK$938,000,000 due by the Company to Mr. Leung pursuant to a promissory note executed by the Company in favour of Mr. Leung ("**Loan Capitalisation**"). The Loan Capitalisation constituted a connected transaction of the Company under the GEM Listing Rules and the resolutions relating thereto were passed by the shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting held on 22 November 2012. The Loan Capitalisation was completed on 17 December 2012 and 1,563,333,333 Convertible Preferred Shares of HK$0.005 each were issued to Mr. Leung pursuant to the terms of the Loan Capitalisation Agreement.

All the Convertible Preferred Shares are non-interest bearing and non-redeemable, carry no voting right and each of the Convertible Preferred Share is convertible into one ordinary share any time after issue at the conversion price.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year, the Group's audited revenue from continuing operations and the loss attributable to owners of the Company were approximately HK$1,731,000 and HK$75,325,000 respectively, representing a decrease of approximately HK$517,000 and a decrease of approximately HK$215,536,000 respectively as compared with the audited revenue from continuing operations of approximately HK$2,248,000 and the loss attributable to owners of the Company of approximately HK$290,861,000 for the year ended 31 December 2012.

As at 31 December 2013, the Group recorded total assets of approximately HK$533,508,000 (2012: HK$640,087,000), and recorded total liabilities of approximately HK$247,232,000 (2012: HK$255,605,000).

As at 31 December 2013, the gearing ratio of the Group was approximately 36% (2012: 24%), based on the total borrowings of approximately HK$102,323,000 (2012: HK$91,118,000) and the total equity of approximately HK$286,276,000 (2012: HK$384,482,000).

As at 31 December 2013, the Group has cash and bank balances (excluding pledged bank deposit) of approximately HK$33,985,000 (2012: HK$36,072,000). The majority cash and bank balances are denominated in 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 2013 (2012: 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.

During the year ended 31 December 2013, the Company focused on operating sales halls for lottery games with high payouts and quick results since the opening of lottery sales halls of "Happy 12" in Shenyang and Dalian of Liaoning Province in the PRC in May 2012.

Major and connected transaction – lapse of the acquisition agreement and return of deposit

As announced by the Company on 6 February 2013, a conditional agreement dated 2 March 2011 supplemented by a supplemental agreement dated 23 August 2011 (collectively, the "**Acquisition Agreement**") entered into between Greatest Profit Investment Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, Century Profit Holdings Limited ("**CPHL**" or the "**Vendor**"), the entire interest of which is beneficially owned by Mr. Lin Zhiwei and the other two beneficial shareholders of CPHL (the "**Warrantors**"), and the Warrantors in respect of the acquisition of the entire issued share capital of both of Carnix Investment Limited and Mutual International Limited, both of which are wholly-owned subsidiaries of CPHL, at the consideration of RMB73,500,000 had lapsed as certain conditions for completion of the Acquisition Agreement had not been satisfied or waived on or before the agreed date (the "**Lapse of the Acquisition Agreement**"). The Purchaser, the Vendor and the Warrantors agreed that the full amount of the deposit of RMB7,350,000 (the "**Deposit**") paid by the Purchaser should be returned to the Purchaser before 31 December 2013 in the manner set out in the announcement of the Company dated 6 February 2013 (the "**Return of Deposit**"). On 30 December 2013, the full amount of Deposit had been received by the Purchaser. Details of the Acquisition Agreement were set out in the announcements of the Company dated 2 March 2011, 9 March 2011, 31 May 2011, 23 August 2011, 6 March 2012 and 6 February 2013 and the circular of the Company dated 28 October 2011. Details of the Lapse of the Acquisition Agreement and the Return of Deposit were set out in the announcement of the Company dated 6 February 2013.

Discloseable transaction – disposal of 30% interest in Shenzhen Jingcai Mingtian Technology Company Limited

On 2 April 2013, Huancai Puda, as vendor, entered into an agreement with (i) the purchaser, a company established in the PRC and principally engaged in software development and holding of 60% equity interest in 深圳市精彩明天科技有限公司 (transliterated as Shenzhen Jingcai Mingtian Technology Company Limited) (the "**Target**"); and (ii) a third party who is a natural person of Chinese nationality holding 10% equity interest in the Target and an employee of Huancai Puda, in relation to the disposal of 30% equity interest in the Target held by Huancai Puda at the consideration of RMB8,571,429 (the "**Disposal**"). The Disposal constituted a disclosable transaction for the Company under the GEM Listing Rules. Details of the Disposal were set out in the announcement of the Company dated 2 April 2013.

Events after the reporting period

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

On 7 January 2014, an aggregate of 232,800,000 Shares were successfully placed by Mr. Leung (the "**Subscriber**") to not less than six placees who are independent third parties at the placing price of HK$0.320 per placing share (the "**Placing Share**"). The completion of 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 shares.

Issue of Shares under the Share Option Scheme

On 22 January 2014, the Company allotted and issued 18,000,000 Shares to a staff of the Group due to the exercise of share options at an exercise price of HK$0.063 per share which were granted on 21 May 2013.

On 23 January 2014, the Company allotted and issued 9,000,000 Shares to a staff of the Group due to the exercise of share options at an exercise price of HK$0.063 per share which were granted on 21 May 2013.

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 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.

Prospect

Year 2013 continued to be a strong year for the China lottery industry, with annual sales well over RMB 309.3 billion, representing another year of increase of approximately 18%. The Company has been successfully operated the lottery sales halls for "Happy 12" in Liaoning Province in the PRC and will continue to increase the number as well as the efficiency of the sales halls in the coming years. In the meantime, the Group also committed to develop and set up the thematic sales points for "Lucky Farms" in Chongqing at the earliest possible date. The lottery terminal supply agreement with 美彩科技(中國)有限公司 (transliterated as Scientific Games (China) Company Limited) is another integral part of the Company's strategy, as the Company taps on their know-how to introduce various lottery sales terminals in other provinces in the PRC.

Looking forward, the Company will continue to expand its strong business relationship and management expertise to continue developing lottery sales halls and outlets in the PRC, striving to become the leading operator of high frequency lottery sales hall and outlets in the PRC. At the same time, the Group will continue to adopt an active and prudent strategy, and keep looking for projects of the PRC's lottery industry (such as possible share acquisition/subscription of a mobile games development corporation and an internet lottery website professional corporation in the Mainland China) as well as other opportunities in line with China's development of 12th Five-Year Plan.

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 composition of the Audit Committee was changed as a result of the appointment of Ms. Xuan Hong and the resignation of Mr. Niu Zhihui as independent non-executive Director in December 2013. As at the date of this announcement, 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 2013 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 the interests of the Shareholders.

During the financial year under review, the Company has 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:

Chairman and chief executive officer

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 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.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

Hong Kong, 20 March 2014

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