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)

First Quarterly Report 2013

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HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2013 was approximately HK$318,000 with a decrease of approximately HK$431,000 as compared with that for the corresponding period in 2012.

- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK$9,185,000 for the three months ended 31 March 2013, which was decreased by approximately HK$37,041,000 as compared with that for the corresponding period in 2012.

- The unaudited loss per share was approximately HK0.50 cent for the three months ended 31 March 2013.

RESULTS

The board of Directors (the "**Board**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three months ended 31 March 2013 together with the comparative figures for the corresponding period in 2012 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months ended 31 March 2013

	Notes	(Unaudited) Three months ended 31 March 2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Revenue	3	**318**	749
Cost of sales		**(894)**	(618)
Gross (loss)/profit		**(576)**	131
Other income and gains		**384**	670
Administrative expenses		**(4,877)**	(9,455)
Loss on early redemption of promissory note		**–**	(10,310)
Finance costs	4	**(2,770)**	(26,438)
Other operating expenses		**(4,296)**	(5,576)
Share of losses of associates		**(317)**	(1)
Loss before tax		**(12,452)**	(50,979)
Income tax credit	5	**463**	1,300
Loss for the period from continuing operations	6	**(11,989)**	(49,679)
Discontinued operations			
Loss for the period from discontinued operations	7	**–**	(300)
Loss for the period		**(11,989)**	(49,979)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**4,098**	2,381
Reclassification adjustment relating to share of exchange differences of an associate		**(16)**	–
Share of other comprehensive income of associates		**57**	–
Other comprehensive income for the period		**4,139**	2,381
Total comprehensive expense for the period		**(7,850)**	(47,598)

	Notes	(Unaudited) Three months ended 31 March 2013 HK$'000	2012 HK$'000 (Restated)
Loss attributable to:			
Owners of the Company		**(9,185)**	(46,226)
Non-controlling interests		**(2,804)**	(3,753)
		(11,989)	(49,979)
Total comprehensive expense attributable to:			
Owners of the Company		**(7,074)**	(44,938)
Non-controlling interests		**(776)**	(2,660)
		(7,850)	(47,598)
Loss per share	*8*		
From continuing and discontinued operations			
– Basic and diluted (HK cents per share)		**(0.50)**	(2.49)
From continuing operations			
– Basic and diluted (HK cents per share)		**(0.50)**	(2.48)

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the three months ended 31 March 2013 has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Ints**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. It has been prepared under historical cost convention.

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2013 has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints) as disclosed in note 2 below.

2. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2013:

Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
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)	Investment 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 HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The Group has renamed "statement of comprehensive income" as "statement of profit or loss and other comprehensive income" and the presentation of items of other comprehensive income has been modified accordingly upon the adoption of the amendments.

Except for the above, the adoption of these amendments to standards has no significant impact on the results and financial position of the Group.

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described below:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

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

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

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

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

The Directors anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

	(Unaudited) Three months ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Sale of lottery equipment	**26**	–
Sale of computer hardware and software	**–**	540
Provision of management, marketing, and operating services for lottery system and lottery halls	**292**	209
	318	749

4. FINANCE COSTS

	(Unaudited) Three months ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Effective interest on convertible bonds	**2,770**	2,801
Effective interest on promissory note	**–**	23,637
	2,770	26,438

5. INCOME TAX CREDIT (RELATING TO CONTINUING OPERATIONS)

Income tax recognised in profit or loss

	(Unaudited) Three months ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**–**	–
Deferred tax	**(463)**	(1,300)
Total income tax credit recognised in profit or loss	**(463)**	(1,300)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. 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 periods.

Under the prevailing tax law in the People's Republic of China (the "**PRC**"), the Enterprise Income Tax rate of the PRC subsidiaries and associates, other than that stated below, is 25% for both periods.

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

The Group did not have significant unprovided deferred tax liabilities as at 31 March 2012 and 2013.

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	(Unaudited) Three months ended 31 March **2013** *HK$'000*	2012 *HK$'000* (Restated)
Loss for the period from continuing operations has been arrived at after charging/(crediting):		
Crediting:		
Bank interest income	**(110)**	(566)
Net foreign exchange gain	**(267)**	–
Charging:		
Cost of inventories recognised as an expense (included in cost of sales)	**9**	492
Auditors' remuneration	**225**	225
Employee benefits expense (excluding directors' and chief executive's emoluments)		
– Salaries and other benefits	**772**	3,136
– Contributions to retirement benefits schemes	**32**	64
Directors' emoluments	**1,830**	1,828
Minimum lease payments paid under operating leases in respect of land and buildings	**410**	635
Depreciation of property, plant and equipment	**94**	194
Amortisation of other intangible assets included in other operating expenses	**4,119**	5,576

7. DISCONTINUED OPERATIONS

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

In July 2012, the Group disposed of its 80% equity interest in 雲南西部礦業有限公司 (transliterated as Yunnan Xibu Mining Company Limited) ("**Yunnan Xibu**"), 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 plans to focus its resources on its core business of lottery business operations and to optimise its asset structure.

Analysis of loss for the period from discontinued operations

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

	(Unaudited) Three months ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Loss for the period from discontinued operations		
Revenue	–	–
Cost of sales	–	–
Administrative expenses	–	(300)
Loss before tax	–	(300)
Attributable income tax	–	–
Loss for the period from discontinued operations	–	(300)
Loss for the period from discontinued operations attributable to:		
Owners of the Company	–	(240)
Non-controlling interest	–	(60)
	–	(300)
Loss for the period from discontinued operations include the following:		
Employee benefits expense (excluding directors' emoluments):		
– Salaries and other benefits	–	114
– Contributions to retirement benefits scheme	–	26
Directors' emoluments	–	75
Total staff costs	–	215
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	–	26
– Office equipment	–	8

8. 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:

	(Unaudited) Three months ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(9,185)**	(46,226)

Number of shares

	(Unaudited) Three months ended 31 March	
	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, 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:

	(Unaudited) Three months ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Loss for the period attributable to owners of the Company	**(9,185)**	(46,226)
Add:		
Loss for the period from discontinued operations attributable to owners of the Company	–	240
Loss for the purpose of basic and diluted loss per share from continuing operations	**(9,185)**	(45,986)

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 (three months ended 31 March 2012: HK$0.013 cent per share), based on the loss for the current period from the discontinued operations of Nil (three months ended 31 March 2012: approximately HK$240,000) and the denominators detailed above for both basic and diluted loss per share.

9. CONVERTIBLE BONDS

Imputed interest expenses of approximately HK$2,770,000 (three months ended 31 March 2012: HK$2,801,000) has been recognised in the unaudited consolidated statement of profit or loss and other comprehensive income in respect of the convertible bonds for the three months ended 31 March 2013.

10. RESERVES

For the three months ended 31 March 2013

	Attributable to owners of the Company										
	Share premium account (Unaudited) *HK$'000*	Warrants reserve (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Convertible bonds equity reserve (Unaudited) *HK$'000*	Share options reserve (Unaudited) *HK$'000*	Foreign currency translation reserve (Unaudited) *HK$'000*	Other reserve (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Subtotal (Unaudited) *HK$'000*	Attributable to non-controlling interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Balance at 1 January 2013	**3,213,139**	**1,740**	**1**	**66,267**	**13,341**	**112,406**	**(49)**	**(3,254,114)**	**152,731**	**214,663**	**367,394**
Loss for the period	–	–	–	–	–	–	–	**(9,185)**	**(9,185)**	**(2,804)**	**(11,989)**
Other comprehensive income for the period	–	–	–	–	–	**2,111**	–	–	**2,111**	**2,028**	**4,139**
Total comprehensive income/(expense) for the period	–	–	–	–	–	**2,111**	–	**(9,185)**	**(7,074)**	**(776)**	**(7,850)**
Reserve released upon deregistration of an associate	–	–	–	–	–	–	–	–	–	**144**	**144**
Balance at 31 March 2013	**3,213,139**	**1,740**	**1**	**66,267**	**13,341**	**114,517**	**(49)**	**(3,263,299)**	**145,657**	**214,031**	**359,688**

For the three months ended 31 March 2012

	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
Balance at 1 January 2012	2,608,610	–	1	66,267	14,571	111,435	(49)	(2,964,483)	(163,648)	304,940	141,292
Loss for the period	–	–	–	–	–	–	–	(46,226)	(46,226)	(3,753)	(49,979)
Other comprehensive income for the period	–	–	–	–	–	1,288	–	–	1,288	1,093	2,381
Total comprehensive income/(expense) for the period	–	–	–	–	–	1,288	–	(46,226)	(44,938)	(2,660)	(47,598)
Balance at 31 March 2012	2,608,610	–	1	66,267	14,571	112,723	(49)	(3,010,709)	(208,586)	302,280	93,694

11. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2013 (three months ended 31 March 2012: Nil).

12. COMPARATIVE FIGURES

The results of the staff secondment segment and exploration of mines segment have been presented as discontinued operations and accordingly, the comparative figures for the three months ended 31 March 2012 of the unaudited consolidated statement of profit or loss and other comprehensive income had been reclassified in accordance with HKFRSs. For comparative purposes, certain comparative figures have also been reclassified to conform with current period presentation to align with the unaudited consolidated statement of profit or loss and other comprehensive income of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the three months ended 31 March 2013, the Group recorded an unaudited revenue of approximately HK$318,000 with a decrease of approximately HK$431,000 as compared with that for the corresponding period in 2012. During the three months ended 31 March 2013, the revenue of the Group was mainly derived from sale of lottery equipment and provision of management, marketing, and operating services for lottery system and lottery halls. For the three months ended 31 March 2013, the unaudited loss attributable to owners of the Company decreased by approximately HK$37,041,000 as compared with that for the corresponding period in 2012. The difference was mainly because of the decrease in finance cost and the loss on early redemption of promissory note for the three months ended 31 March 2013.

Major and Connected Transaction – lapse of the acquisition agreement and return of deposit

As announced by the Company on 6 February 2013, the conditional agreement dated 2 March 2011 supplemented by the 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 Purchaser, the Vendor and the Warrantors agreed that the full amount of the deposit of RMB7,350,000 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.

Prospect

Looking forward, the Company will continue to expand its strong business relationship and management expertise to continue developing lottery sales halls in the PRC, striving to become the leading operator of high frequency lottery sales hall in the PRC. At the same time, the Group will continue to adopt an active and prudent strategy, and keep looking for projects in the PRC lottery industry as well as developing money lending business or other opportunities in line with China's 12th Five-Year Plan.

EVENT AFTER THE REPORTING PERIOD

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

On 2 April 2013, Huancai Puda, as vendor, entered into the agreement dated 2 April 2013 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.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules (the "**Required Standard of Dealings**"), were as follows:

Long position in the ordinary shares of HK$0.005 each (the "Shares") and underlying Shares

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital *(Note 8)*
Mr. Leung Ngai Man ("**Mr. Leung**")	Beneficial owner	536,335,000 *(Note 1)*	1,683,416,666 *(Notes 2, 3 & 4)*	2,219,751,666	119.71%
	Through a controlled corporation	294,880 *(Note 5)*	–	294,800	0.02%
Mr. Ng Kwok Chu, Winfield ("**Mr. Ng**")	Beneficial owner	94,500 *(Note 1)*	2,000,000 *(Note 6)*	2,094,500	0.11%
Ms. Wu Wei Hua ("**Ms. Wu**")	Beneficial owner	–	2,000,000 *(Note 7)*	2,000,000	0.11%

Notes:

1. As a result of the 2012 Share Consolidation (as defined below), these Shares were adjusted.

2. These underlying Shares comprises of 120,083,333 Shares to be issued upon exercise of conversion rights attaching to the Convertible Bonds (as defined below) which was issued by the Company on 27 August 2010 and 1,563,333,333 Subscriber Preferred Shares (as defined below) were allotted and issued by the Company on 17 December 2012.

3. The convertible bonds in an aggregate principal amount of HK$797,500,000 at a conversion price of HK$0.24 per share was issued to Mr. Leung on 27 August 2010 (the "**Convertible Bonds**"). Upon full conversion of the Convertible Bonds, a maximum of 3,322,916,666 shares of HK$0.001 each in the share capital of the Company will be issued to Mr. Leung. As at 31 March 2013, the Convertible Bonds in the amount of HK$144,100,000 remains outstanding. As a result of the consolidation of every five shares of HK$0.001 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.005 each which became effective on 27 February 2012 (the "**2012 Share Consolidation**"), the relevant conversion price was adjusted from HK$0.24 to HK$1.20 per Share and the number of Shares falling to be issued under the outstanding Convertible Bonds was adjusted from 600,416,666 shares of HK$0.001 each in the share capital of the Company to 120,083,333 Shares. Such interests constituted a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

4. 1,563,333,333 subscriber preferred shares at an issue price of HK$0.60 per subscriber preferred share (the "**Subscriber Preferred Shares**") were issued to Mr. Leung on 17 December 2012 to capitalise the outstanding amount of approximately HK$938,000,000 due by the Company to Mr. Leung pursuant to the promissory note issued by the Company to Mr. Leung on 27 August 2010 as part of the consideration for the acquisition of the entire equity interest in Pearl Sharp Limited. Such interests constituted a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

5. These Shares were held by Speedy Well Investments Limited ("**Speedy Well**") which was wholly and beneficially owned by Mr. Leung. By virtue of the SFO, Mr. Leung was deemed to be interested in the Shares held by Speedy Well. As a result of the 2012 Share Consolidation, the price and number of these Shares were adjusted.

6. On 10 July 2008, Mr. Ng was granted share options pursuant to the share option scheme adopted by the Company on 29 June 2007 (the "**Share Option Scheme**") to subscribe for a total of 20,000,000 shares at an exercise price of HK$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the consolidation of every two shares in the issued and unissued share capital of the Company into one consolidated share of HK$0.001 each which became effective on 21 October 2008 (the "**2008 Share Consolidation**"), the relevant subscription price was adjusted from HK$0.1328 to HK$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. As a result of the 2012 Share Consolidation, the relevant subscription price was further adjusted from HK$0.2656 to HK$1.3280 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 10,000,000 consolidated shares to 2,000,000 Shares. Such interests constituted a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

7. On 10 July 2008, Ms. Wu was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the 2008 Share Consolidation, the relevant subscription price was adjusted from HK$0.1328 to HK$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. As a result of the 2012 Share Consolidation, the relevant subscription price was further adjusted from HK$0.2656 to HK$1.3280 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 10,000,000 consolidated shares to 2,000,000 Shares. Such interests constituted a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

8. The percentage is calculated on the basis of 1,854,235,049 shares of the Company in issue as at 31 March 2013.

Save as disclosed above, as at 31 March 2013, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

Save as disclosed above, at no time during the year, the Directors and chief executive of the Company (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares or its associated corporations required to be disclosed pursuant to the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDER OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

Save as disclosed above, as at 31 March 2013, the Company had not been notified by any person or company, other than a Director or chief executive of the Company, who had interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is directly or indirectly interested in 5% or more of the nominal release of any class of share capital carrying rights to vote on all circumstances at general meetings of any members of the Group or, as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 29 June 2007 to replace the old share option scheme adopted on 19 February 2001 and refreshed its 10% general limit on the grant of options on 9 April 2009 and 20 April 2010. The principal purpose of the Share Option Scheme is to motivate and give incentive to the eligible participants as defined in the Share Option Scheme for their contribution to the Group.

For the three months ended 31 March 2013, detailed movements relating to options granted under the Share Option Scheme were as follows:

					Movement of share options (adjusted) during the period			
Name or category of participant	Date of grant	Exercise price	Exercise period	As at 1 January 2013	Granted	Exercised	Lapsed/ Cancelled/ Forfeited	As at 31 March 2013
Consultants	9 July 2007	1.425*	9 July 2007 – 29 June 2017	9,600,000*	–	–	–	9,600,000*
	22 August 2007	2.030*	22 August 2007 – 29 June 2017	8,200,000*	–	–	–	8,200,000*
	10 July 2008	1.328*	10 July 2008 – 29 June 2017	7,200,000*	–	–	–	7,200,000*
Directors								
– Mr. Ng	10 July 2008	1.328*	10 July 2008 – 29 June 2017	2,000,000*	–	–	–	2,000,000*
– Ms. Wu	10 July 2008	1.328*	10 July 2008 – 29 June 2017	2,000,000*	–	–	–	2,000,000*

* As a result of the 2012 Share Consolidation, the number of share options granted and the exercise price had been adjusted.

No option granted under the Share Option Scheme was exercised during the three months ended 31 March 2013.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections "INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" and the "SHARE OPTION SCHEME" above, at no time during the three months ended 31 March 2013 and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Niu Zhihui (chairman of the Audit Committee), Mr. Cai Wei Lun and Mr. Qi Ji.

The Group's first quarterly results for the three months ended 31 March 2013 have been reviewed by the Audit Committee which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosures have been made.

COMPETING INTERESTS

During the period under review, none of the Directors, substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2013.

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

Hong Kong, 13 May 2013

As at the date of this report, the executive Directors are Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua; the non-executive Director is Mr. Gao Shikui; and the independent non-executive Directors are Mr. Cai Wei Lun, Mr. Qi Ji and Mr. Niu Zhihui.