



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)



2015  
INTERIM REPORT

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://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](http://www.chinanetcomtech.com).*

## HIGHLIGHTS

- The unaudited revenue of the Group for the six months ended 30 June 2015 was approximately HK\$489,000 with a decrease of approximately HK\$2,442,000 as compared with that for the corresponding period in 2014.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$23,406,000 for the six months ended 30 June 2015, with an increase of approximately HK\$89,000 as compared with that for the corresponding period in 2014.
- The unaudited loss per share of the Company was approximately HK0.99 cent for the six months ended 30 June 2015.

## RESULTS

The board (the “**Board**”) of Directors hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 as follows:

# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>245</b>	2,649	<b>489</b>	2,931
Cost of sales		<b>(283)</b>	(1,855)	<b>(593)</b>	(2,372)
<b>Gross (loss)/profit</b>		<b>(38)</b>	794	<b>(104)</b>	559
Other income and gains		<b>610</b>	684	<b>960</b>	1,067
Administrative expenses		<b>(11,739)</b>	(5,074)	<b>(16,694)</b>	(18,835)
Finance costs	5	<b>(5,784)</b>	(2,792)	<b>(8,074)</b>	(5,556)
Other operating expenses		<b>(2,128)</b>	(3,170)	<b>(4,222)</b>	(6,735)
<b>Loss before tax</b>		<b>(19,079)</b>	(9,558)	<b>(28,134)</b>	(29,500)
Income tax credit	6	<b>1,479</b>	1,217	<b>2,306</b>	3,518
<b>Loss for the period</b>	7	<b>(17,600)</b>	(8,341)	<b>(25,828)</b>	(25,982)
<b>Other comprehensive income/ (expense)</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		<b>29</b>	141	<b>332</b>	(3,706)
Other comprehensive income/ (expense) for the period		<b>29</b>	141	<b>332</b>	(3,706)
<b>Total comprehensive expense for the period</b>		<b>(17,571)</b>	(8,200)	<b>(25,496)</b>	(29,688)

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss attributable to:</b>				
Owners of the Company	(16,396)	(7,117)	(23,406)	(23,317)
Non-controlling interests	(1,204)	(1,224)	(2,422)	(2,665)
	<u>(17,600)</u>	<u>(8,341)</u>	<u>(25,828)</u>	<u>(25,982)</u>
<b>Total comprehensive expense attributable to:</b>				
Owners of the Company	(16,381)	(7,045)	(23,230)	(25,215)
Non-controlling interests	(1,190)	(1,155)	(2,266)	(4,473)
	<u>(17,571)</u>	<u>(8,200)</u>	<u>(25,496)</u>	<u>(29,688)</u>
<b>Loss per share</b>				
– Basic and diluted				
(HK cents per share)	(0.66)	(0.32)	(0.99)	(1.09)

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	3,940	1,897
Club debenture		115	115
Concession rights		95,428	99,324
		<u>99,483</u>	<u>101,336</u>
<b>Current assets</b>			
Inventories		5	–
Prepayments, deposits and other receivables	10	4,271	4,244
Amount due from a non-controlling interest of a subsidiary		240	240
Pledged bank deposit		214	214
Cash and bank balances		112,872	61,790
		<u>117,602</u>	<u>66,488</u>
<b>Current liabilities</b>			
Trade and other payables	11	7,823	9,661
Amount due to a non-controlling interest of a subsidiary		228	227
Convertible bonds	12	101,894	93,820
Current tax liabilities		1	1
		<u>109,946</u>	<u>103,709</u>
<b>Net current assets/(liabilities)</b>		<u>7,656</u>	<u>(37,221)</u>
<b>Total assets less current liabilities</b>		<u>107,139</u>	<u>64,115</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		25,412	27,718
<b>Net assets</b>		<u>81,727</u>	<u>36,397</u>
<b>Capital and reserves</b>			
Share capital – ordinary shares	13	15,600	11,085
Share capital – non-redeemable convertible preferred shares	14	5,017	7,317
Reserves		28,082	(17,299)
Equity attributable to owners of the Company		<u>48,699</u>	<u>1,103</u>
Non-controlling interests		33,028	35,294
<b>Total equity</b>		<u>81,727</u>	<u>36,397</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at													
1 January 2014	9,271	7,817	3,213,139	1,740	1	66,267	14,347	122,407	(49)	(3,329,439)	105,501	180,775	286,276
Loss for the period	-	-	-	-	-	-	-	-	-	(23,317)	(23,317)	(2,665)	(25,982)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(1,898)	-	-	(1,898)	(1,808)	(3,706)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(1,898)	-	(23,317)	(25,215)	(4,473)	(29,688)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	7,500	-	-	-	7,500	-	7,500
Exercise of non redeemable convertible preferred shares	500	(500)	-	-	-	-	-	-	-	-	-	-	-
Issue of new ordinary shares	1,164	-	73,332	-	-	-	-	-	-	-	74,496	-	74,496
Transaction costs attributable to issue of new ordinary shares	-	-	(1,943)	-	-	-	-	-	-	-	(1,943)	-	(1,943)
Issue of ordinary shares under share option scheme	150	-	2,328	-	-	-	(588)	-	-	-	1,890	-	1,890
Release of reserve upon share options lapsed	-	-	-	-	-	-	(994)	-	-	994	-	-	-
Balance at 30 June 2014	11,085	7,317	3,286,856	1,740	1	66,267	20,265	120,509	(49)	(3,351,762)	162,229	176,302	338,531

Attributable to owners of the Company

	Share capital – non- redeemable	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	
	Share capital – ordinary 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	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Balance at													
1 January 2015	11,085	7,317	3,286,855	1,740	1	54,771	21,718	120,883	(49)	(3,503,218)	1,103	35,294	36,397
Loss for the period	-	-	-	-	-	-	-	-	-	(23,406)	(23,406)	(2,422)	(25,828)
Other comprehensive income for the period	-	-	-	-	-	-	176	-	-	176	156	332	
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	176	-	-	(23,406)	(23,230)	(2,266)	(25,496)
Recognition of equity- settled share-based payments	-	-	-	-	-	7,463	-	-	-	7,463	-	7,463	
Exercise of non-redeemable convertible preferred shares	2,300	(2,300)	-	-	-	-	-	-	-	-	-	-	
Issue of new ordinary shares	2,215	-	63,349	-	-	-	-	-	-	65,564	-	65,564	
Transaction costs attributable to issue of new ordinary shares	-	-	(2,201)	-	-	-	-	-	-	(2,201)	-	(2,201)	
Release of reserve upon lapse of warrants	-	-	-	(1,740)	-	-	-	-	1,740	-	-	-	
Balance at 30 June 2015	15,600	5,017	3,348,003	-	1	54,771	29,181	121,059	(49)	(3,524,884)	48,699	33,028	81,727



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(10,711)	(18,282)
Net cash used in investing activities	(1,576)	(265)
Net cash generated by financing activities	<u>63,363</u>	<u>74,440</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>51,076</b>	55,893
Cash and cash equivalents at the beginning of period	<b>61,790</b>	33,985
Effect of foreign exchange rate changes, net	<u>6</u>	<u>(11)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b><u>112,872</u></b>	<b><u>89,867</u></b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b><u>112,872</u></b>	<b><u>89,867</u></b>

Notes:

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting”, other relevant HKAS and Interpretations (“**Ints**”) and Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, it also includes the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and by the Hong Kong Companies Ordinance. It has been prepared under historical cost convention.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and Ints) as disclosed in note 2 below.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied the following amendments issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2015:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010 – 2012 Cycle</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011 – 2013 Cycle</i>

The Directors anticipate that the application of the amendments has had no material impact on the Group’s financial performance and positions for the current and prior periods.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

### 3. REVENUE

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

	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Sale of lottery equipment	–	2,393	–	2,393
Provision of management, marketing and operating services for lottery system and lottery halls	<b>245</b>	<b>256</b>	<b>489</b>	<b>538</b>
	<b>245</b>	<b>2,649</b>	<b>489</b>	<b>2,931</b>

### 4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under **HKFRS 8** are as follows:

- (a) Trading of computer hardware and software business – Trading of computer hardware and software in the People's Republic of China (“**PRC**”); and
- (b) Lottery business – Development of computer software, hardware and application system, sale of self-developed technology or results, provision of relevant technical consultancy services in the **PRC** and development and provision of operation software system sector of the **PRC** lottery market.

Information regarding the Group's reportable segments including reportable segment revenue, the reconciliation of the reportable segment loss to loss before tax, total assets and total liabilities, are as follows:

	Trading of computer hardware and software <i>HK\$'000</i>	Lottery business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Six months ended 30 June 2015 (Unaudited)</i>			
Segment revenue	–	489	489
Segment loss	(250)	(14,002)	(14,252)
Other income and gains			960
Central administration costs			(14,842)
Loss before tax			(28,134)
<i>Six months ended 30 June 2014 (Unaudited)</i>			
Segment revenue	–	2,931	2,931
Segment loss	(279)	(13,599)	(13,878)
Interest and other income			1,067
Central administration costs			(16,689)
Loss before tax			(29,500)
<i>As at 30 June 2015 (Unaudited)</i>			
Segment assets	1,010	103,874	104,884
Corporate and unallocated assets			112,201
Consolidated assets			217,085
Segment liabilities	31	134,360	134,391
Corporate and unallocated liabilities			967
Consolidated liabilities			135,358
<i>As at 31 December 2014 (Audited)</i>			
Segment assets	405	106,378	106,783
Corporate and unallocated assets			61,041
Consolidated assets			167,824
Segment liabilities	60	128,776	128,836
Corporate and unallocated liabilities			2,591
Consolidated liabilities			131,427

## 5. FINANCE COSTS

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Effective interest on convertible bonds	<b>5,784</b>	<b>2,792</b>	<b>8,074</b>	<b>5,556</b>

## 6. INCOME TAX CREDIT

### Income tax recognised in profit or loss

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Deferred tax	<b>(1,479)</b>	<b>(1,217)</b>	<b>(2,306)</b>	<b>(3,518)</b>

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 PRC, the Enterprise Income Tax rate of the PRC subsidiaries is 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group did not have significant unprovided deferred tax liabilities at 30 June 2015 and 31 December 2014.

## 7. LOSS FOR THE PERIOD

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period has been arrived at after (crediting)/charging:				
Crediting:				
Bank interest income	(362)	(600)	(712)	(1,014)
Net foreign exchange gain	(499)	(31)	(184)	–
Gain on disposal of a subsidiary	–	(10)	–	(10)
Gain on disposal of property, plant and equipment	–	(43)	–	(43)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Charging:				
Cost of inventories recognised as an expense (included in cost of sales)	–	1,355	–	1,355
Auditors' remuneration	225	245	450	470
Employee benefits expense (excluding directors' emoluments):				
– Salaries and other benefits	881	1,295	1,732	2,399
– Contributions to retirement benefits schemes	40	153	111	242
Directors' emoluments	1,726	1,807	3,452	3,679
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total staff costs	2,647	3,255	5,295	6,320
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Minimum lease payments paid under operating leases in respect of land and buildings	347	394	735	778
Net foreign exchange loss	–	–	–	1,611
Depreciation of property, plant and equipment	173	254	246	388
Expense in relation to share options granted to consultants (included in administrative expenses)	7,463	–	7,463	7,500
Amortisation of concession rights (included in other operating expenses)	2,128	3,170	4,222	6,735
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 8. LOSS PER SHARE

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

	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b><u>Loss</u></b>				
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b><u>(16,396)</u></b>	<b><u>(7,117)</u></b>	<b><u>(23,406)</u></b>	<b><u>(23,317)</u></b>
<b><u>Number of shares</u></b>				
	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b><i>'000</i></b>	<b><i>'000</i></b>	<b><i>'000</i></b>	<b><i>'000</i></b>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b><u>2,494,508</u></b>	<b><u>2,206,881</u></b>	<b><u>2,356,538</u></b>	<b><u>2,140,095</u></b>

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.

## 9. PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Net book value, beginning of the period/year	1,897	2,517
Additions	2,288	408
Disposals	–	(179)
Depreciation	(246)	(834)
Effect of foreign currency exchange differences	1	(15)
	<u>3,940</u>	<u>1,897</u>
Net book value, end of the period/year	<u>3,940</u>	<u>1,897</u>
Cost	7,667	5,378
Accumulated depreciation	(3,727)	(3,481)
	<u>3,940</u>	<u>1,897</u>

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Prepayments	38	149
Deposits and other receivables	4,233	4,095
	<u>4,271</u>	<u>4,244</u>

## 11. TRADE AND OTHER PAYABLES

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Trade payables	4	4
Other payables and accruals	7,023	8,172
Accrued salaries and other benefits	796	1,485
	<u>7,823</u>	<u>9,661</u>



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

	<b>At 30 June 2015 (Unaudited) HK\$'000</b>	At 31 December 2014 (Audited) HK\$'000
Over 90 days	<b>4</b>	<b>4</b>

## 12. CONVERTIBLE BONDS

Imputed interest expenses of approximately HK\$5,784,000 (three months ended 30 June 2014: HK\$2,792,000) and HK\$8,074,000 (six months ended 30 June 2014: HK\$5,556,000) respectively have 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 and six months ended 30 June 2015.

At 30 June 2015, the carrying amount of the liability component of the convertible bonds at amortised cost was approximately HK\$101,894,000 (31 December 2014: HK\$93,820,000).

## 13. SHARE CAPITAL – ORDINARY SHARES

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
<b>Authorised:</b>		
At 31 December 2014 (Audited) and 30 June 2015 (Unaudited), ordinary shares of HK\$0.005 each	20,000,000	100,000
<b>Issued and fully paid:</b>		
At 31 December 2014 (Audited), ordinary shares of HK\$0.005 each	2,217,035	11,085
Issue of new ordinary shares ( <i>Note (i)</i> )	443,000	2,215
Conversion of non-redeemable convertible preferred shares ( <i>Note (ii)</i> )	460,000	2,300
At 30 June 2015 (Unaudited), ordinary shares of HK\$0.005 each	3,120,035	15,600

*Notes:*

- (i) On 19 May 2015, (i) Mr. Leung Ngai Man (“**Mr. Leung**”), a substantial shareholder, the chairman (the “**Chairman**”) and an executive director of the Company, and (ii) a placing agent entered into the placing and subscription agreement pursuant to which (i) the placing agent has agreed to act as agent for Mr. Leung to place, on a best effort basis, and Mr. Leung has agreed to sell, a total of up to 443,000,000 placing shares to not less than six places who and whose ultimate beneficial owners will be third parties independent of and not acting in concert with Mr. Leung, the Company and their respective associates and connected persons, at the placing price of HK\$0.148 per placing share; and (ii) Mr. Leung has conditionally agreed to subscribe for up to 443,000,000 new subscription shares at the subscription price of HK\$0.148 per subscription share.

Completion of the placing took place on 21 May 2015 in accordance with the placing and subscription agreement and an aggregate of 443,000,000 placing shares were placed to not less than six places who are independent third parties, at the placing price of HK\$0.148 per placing share.

On 1 June 2015, an aggregate of 443,000,000 ordinary shares of HK\$0.005 each in the capital of the Company were allotted and issued to Mr. Leung at HK\$0.148 per subscription share. The exercise gave rise to a net proceed of approximately HK\$63,363,000.

- (ii) On 5 June 2015, 460,000,000 ordinary shares of HK\$0.005 each in the capital of the Company were issued to Mr. Leung upon conversion of non-redeemable convertible preferred shares issued by the Company to Mr. Leung on 17 December 2012.

#### 14. SHARE CAPITAL – NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares '000	Share capital HK\$'000
<b>Authorised:</b>		
At 31 December 2014 (Audited) and 30 June 2015 (Unaudited), preferred shares of HK\$0.005 each	2,000,000	10,000
<b>Issued and fully paid:</b>		
At 31 December 2014 (Audited), preferred shares of HK\$0.005 each	1,463,333	7,317
Conversion of non-redeemable convertible preferred shares	(460,000)	(2,300)
At 30 June 2015 (Unaudited), preferred shares of HK\$0.005 each	1,003,333	5,017

#### 15. FAIR VALUE MEASUREMENT

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values:

	At 30 June 2015	
	Carrying amount (Unaudited) HK\$'000	Fair value (Unaudited) HK\$'000
<b>Financial liabilities</b>		
Convertible bonds	101,894	117,110

## 16. RELATED PARTY TRANSACTIONS

Save as disclosed in this report, the Group had the following significant transactions with related parties during the period:

### Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Short-term benefits	<b>1,717</b>	1,786	<b>3,434</b>	3,647
Post-employment benefits	<b>9</b>	21	<b>18</b>	32
	<b><u>1,726</u></b>	<u>1,807</u>	<b><u>3,452</u></b>	<u>3,679</u>

## 17. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 six months ended 30 June 2015, the Group operated and managed the sales hall of a quick-result lottery game of China Welfare Lottery “Happy 12” in Liaoning Province, the PRC, and co-operated the DTV lottery sales system with Chongqing Welfare Lottery Issuing Centre and Chongqing Broadcasting Bureau (重慶廣播電視局) in Chongqing. Besides, the Group is also the terminal equipment provider for the Hainan sports entertainment electronic video lottery terminals (“VLT”) instant lottery project in the PRC.

#### *Supply contract of sports entertainment electronic video lottery terminals*

In 2014, the Group won the open bid (quotation required) for the procurement of sports entertainment electronic VLT by Hainan Provincial Government of the PRC (the “**Hainan VLT Project**”). An indirect non wholly-owned subsidiary of the Company, 深圳環彩普達科技有限公司 (transliterated as Shenzhen Huancai Puda Technology Company Limited) (“**Huancai Puda**”) has entered into a supply contract with Hainan Provincial Sports Lottery Administration Centre.

The Company is aware that, the procurement of Hainan VLT Project is the first open bid (quotation required) for government VLT procurement in the sports lottery market in the PRC. In 2014, sales of sports lotteries in the PRC reached Renminbi (“**RMB**”)176.41 billion. In comparison, sales of welfare lotteries in the PRC amounted to RMB205.97 billion in 2014, while the video lottery “China Welfare Lottery Online” recorded sales of approximately RMB22.423 billion, approximately RMB28.939 billion and approximately RMB37.746 billion respectively for 2012, 2013 and 2014. The sales of electronic video lottery recorded a year-on-year growth of approximately 30.4%. The Group is the sports entertainment electronic VLT provider in the first open bid (quotation required) for government procurement in the PRC’s sports lottery market. Capitalising on our technical strengths, the Group will extend its VLT business presence in other provincial sports lottery markets. The Hainan VLT Project is also the “only” VLT video electronic instant lottery in the sports lottery market of the PRC, which includes games such as horse racing and certain other games. The project has obtained approval for sales online from the Ministry of Finance of the PRC. Details of the Hainan VLT Project were set out in the Company’s announcements dated 5 June 2014, 9 June 2014 and 2 January 2015 respectively.

### *Framework agreement in relation to a possible acquisition*

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

### *Termination of a cooperation agreement*

Huancai Puda and its subsidiary entered into several cooperation agreements with several lottery issuing centres with its concession rights recognised as non-current assets in the consolidated statement of financial position of the Group. A cooperation agreement was terminated in the first quarter of 2015 as agreed after negotiations between one of the aforesaid lottery issuing centres and Huancai Puda in the wake of the industry integration in the PRC during the second half of 2014. The impairment loss of the concession rights of approximately HK\$374,217,000 was recognised in 2014.

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

On 21 May 2015, an aggregate of 443,000,000 ordinary shares of the Company of HK\$0.005 each (the “**Shares**”, each, a “**Share**”) were successfully placed by Mr. Leung to not less than six placees (the “**Placing**”) who are independent third parties at the placing price of HK\$0.148 per placing share. Completion of the subscription (the “**Subscription**”) took place on 1 June 2015 whereby 443,000,000 subscription shares were allotted and issued to Mr. Leung at the subscription price of HK\$0.148 per subscription share. The net proceeds from the Subscription were approximately HK\$63.3 million. The net price for the Subscription was approximately HK\$0.143 per Share. The Company intends to utilise the net proceeds from the Subscription for the Group’s general working capital and future business development. Such proceeds have not been utilised and have remained at the Company’s bank as at the date of this report. Details of the Placing and the Subscription were set out in the Company’s announcements dated 20 May 2015 and 1 June 2015 respectively.

### *Letter of intent in relation to possible cooperation with Shoutz, Inc. in certain PRC lottery markets*

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

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

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

### *The strategic cooperation agreement*

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

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

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

## **Financial Review**

For the six months ended 30 June 2015, the Group recorded an unaudited revenue of approximately HK\$489,000 with a decrease of approximately HK\$2,442,000 as compared with that for the corresponding period in 2014. During the six months ended 30 June 2015, the revenue of the Group was mainly derived from provision of management, marketing and operating services for lottery system and lottery halls. For the six months ended 30 June 2015, the unaudited loss attributable to owners of the Company increased by approximately HK\$89,000 as compared with that for the corresponding period in 2014.

## **Liquidity and financial resources**

As at 30 June 2015, the Group had unaudited cash and bank balances (excluding pledged bank deposit) of approximately HK\$112,872,000 (31 December 2014 (audited): approximately HK\$61,790,000). The majority bank balances are denominated in Hong Kong dollars and RMB and were placed in short term deposit.

As at 30 June 2015, the Group recorded unaudited total assets of approximately HK\$217,085,000 (31 December 2014 (audited): approximately HK\$167,824,000), and recorded unaudited total liabilities of approximately HK\$135,358,000 (31 December 2014 (audited): approximately HK\$131,427,000).

## **Capital structure**

As at 30 June 2015, the Company had 3,120,035,049 Shares (31 December 2014: 2,217,035,049 Shares) in issue.

## **Significant investment**

The Group had no significant investment for the six months ended 30 June 2015.

## **Material acquisition or disposal of subsidiary**

The Group had no material acquisition or disposal of subsidiary for the six months ended 30 June 2015.

## **Segmental 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 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.

### **Employee information**

As at 30 June 2015, the Group employed a total of 38 (31 December 2014: 38) employees. The staff costs, including Directors' remuneration, were approximately HK\$5,295,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK\$6,320,000).

The Company has adopted a share option scheme on 29 June 2007 (the “**Share Option Scheme**”) to motivate and give incentive to the eligible participants as defined in the Share Option Scheme for their contributions to the Group. Details of the Share Option Scheme were set out in the annual report for the year ended 31 December 2014.

### **Charges on Group assets**

As at 30 June 2015, a fixed deposit of approximately HK\$214,000 was pledged for obtaining the corporate card services (31 December 2014: approximately HK\$214,000).

### **Future plans for material investments or capital assets**

Save as disclosed in this report, as at 30 June 2015, there was no specific plan for material investments and acquisition of material capital assets. However, the Group will continue to seek for new business development opportunities especially to developing lottery sales halls in the PRC.

### **Gearing ratio**

As at 30 June 2015, the gearing ratio of the Group was approximately 125% (31 December 2014: approximately 258%), based on the total borrowings of approximately HK\$101,894,000 (31 December 2014: approximately HK\$93,820,000) and the total equity of the approximately HK\$81,727,000 (31 December 2014: approximately HK\$36,397,000).



## **Exposure to fluctuation in exchange rates**

As at 30 June 2015, the Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently, the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Contingent liabilities**

As at 30 June 2015, the Group had no significant contingent liabilities (31 December 2014: Nil).

## **Prospect**

The Group successfully won the open bid (quotation for procurement), the PRC Government's first open bid for the PRC sports lotteries, for the procurement of Hainan VLT Project in 2014, and for the provision of VLT for the PRC sports lotteries. Under the Hainan VLT Project, certain lottery games were already approved by the Ministry of Finance of the PRC in October 2014 for betting on terminals. This project is also the only VLT video electronic lottery of the PRC sports lotteries. Its horse racing video game is an innovative Chinese lottery. Among the existing lottery games in the PRC, this lottery game has the highest rate of return and the longest betting period (daily from 10 a.m. to 2 a.m. the next day), which hit a record in Chinese lottery. Lotteries related to the project have already been available for betting from 1 January 2015 on VLT provided by the Group. The Group has delivered 300 VLTs so far. The Group is expected to provide not less than 1,000 additional VLTs for the above project by the end of 2015. The Group will receive certain percentage of the sales amount of the aforesaid project as the Group's income.

The Group entered into the LOI with Shoutz on 22 May 2015 for the possible cooperation in relation to the proposed use of Shoutz's software in the PRC lottery markets. Both parties have established a joint venture recently and will continue to push forward their cooperation. The Directors believe that cooperating with Shoutz will bring new elements and opportunities for the Group to develop its lottery business in the PRC.

On 8 June 2015, Shenzhen Gaorong entered into the Strategic Cooperation Agreement with Beijing Skyrocket and Beijing Leiwangxin. In connection with the Strategic Cooperation Agreement, on 8 June 2015, Shenzhen Gaorong engaged Beijing Leiwangxin to develop the front-end software for the KTV lottery sales system. Pursuant to such engagement, Shenzhen Gaorong has paid the development fees to Beijing Leiwangxin for the development of the front-end software for the KTV lottery sales system, and the software being developed by Beijing Leiwangxin is nearly completed. The Directors are of the view that the Cooperation is consistent with the Group's strategy to develop its lottery business and will benefit the Company and the Shareholders as a whole.

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

## **Other Information**

### *Resignation of Director*

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

### *Issue of Shares under the conversion of the Convertible Preferred Shares*

On 5 June 2015, the Company allotted and issued 460,000,000 Shares to Mr. Leung due to the conversion of 460,000,000 Convertible Preferred Shares (as defined below) issued by the Company on 17 December 2012.

### *Grant of share options*

On 27 May 2015, the Company granted share options to certain eligible participants to subscribe for a total of 66,000,000 new Shares pursuant to the Share Option Scheme at an exercise price of HK\$0.290 per Share. Details of which were set out in the announcement of the Company dated 27 May 2015.

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

## 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 30 June 2015, the interests and short positions of the Directors and the 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 in securities 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 Shares and underlying Shares

Name of Director	Number of Shares			Total	Approximate percentage of issued share capital (Note 8)
	Personal interest	Corporate interest	Equity derivatives		
Mr. Leung	906,335,000 (Note 1)	294,880 (Notes 1 & 2)	1,102,583,333 (Notes 3, 4 & 5)	2,009,213,213	64.40%
Ms. Wu Wei Hua (“Ms. Wu”)	–	–	22,000,000 (Note 6 & 7)	22,000,000	0.71%

#### Notes:

- As a result of the 2012 Share Consolidation (as defined below), these Shares were adjusted.
- 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.
- These equity derivatives comprise 99,250,000 Shares to be issued upon exercise of conversion rights attaching to the Convertible Bonds (as defined below) which were issued by the Company on 27 August 2010 and 1,003,333,333 Convertible Preferred Shares (as defined below) were allotted and issued by the Company on 17 December 2012.
- The convertible bonds in an aggregate principal amount of HK\$797,500,000 at a conversion price of HK\$0.240 per share were 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 30 June 2015, the Convertible Bonds in the amount of HK\$119,100,000 remains outstanding. As a result of the consolidation of every five shares of HK\$0.001 each in both 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\$0.240 to HK\$1.200 per Share and the number of Shares falling to be issued under the outstanding Convertible Bonds was adjusted from 496,250,000 shares of HK\$0.001 each in the share capital of the Company to 99,250,000 consolidated shares. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO.

5. 1,563,333,333 convertible preferred shares at an issue price of HK\$0.600 per convertible preferred share were allotted and issued to Mr. Leung on 17 December 2012 (the “**Convertible Preferred Shares**”) 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 derivatives for the purpose of the SFO. As at 30 June 2015, 1,003,333,333 allotted and issued Convertible Preferred Shares have not been converted yet.
6. On 10 July 2008, Ms. Wu was granted share options pursuant to the share option scheme adopted on 29 June 2007 (the “**Share Option Scheme**”) to subscribe for a total of 20,000,000 shares of HK\$0.0005 each in the share capital of the Company at an exercise price of HK\$0.1328 per share. Such share 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 both 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 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 derivatives for the purpose of the SFO.
7. On 10 July 2014, Ms. Wu was further 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\$0.280 per share. Such share options would be exercisable during the period from 10 July 2014 to 29 June 2017. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO.
8. The percentage is calculated on the basis of 3,120,035,049 Shares in issue as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and 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.

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any person or company, other than the Directors or the chief executive of the Company, whose interest are set out in the section headed “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” in this report, who had interest or short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

## 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 required to be disclosed under section 336 of the SFO.

## SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 29 June 2007 to replace its previous share option scheme adopted on 19 February 2001 and refreshed its 10% general limit on the grant of share options on 9 April 2009, 20 April 2010 and 5 May 2014 respectively. 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 contributions to the Group.

For the six months ended 30 June 2015, detailed movements relating to options granted under the Share Option Scheme were as follows:

Name or category of participants	Date of grant	Exercise price	Exercise period	Movements of share options during the period				As at 30 June 2015
				As at 1 January 2015	Granted	Exercised	Lapsed/Cancelled/Forfeited	
Other Participants	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*
	10 October 2013	0.087	10 October 2013 – 29 June 2017	16,000,000	–	–	–	16,000,000
	25 March 2014	0.364	25 March 2014 – 29 June 2017	32,000,000	–	–	–	32,000,000
	26 March 2014	0.365	26 March 2014 – 29 June 2017	2,700,000	–	–	–	2,700,000
	27 May 2015	0.290	27 May 2015 – 29 June 2017	–	66,000,000	–	–	66,000,000
	4 June 2015	0.270	4 June 2015 – 29 June 2017	–	10,000,000	–	–	10,000,000
Director								
– Ms. Wu	10 July 2008	1.328*	10 July 2008 – 29 June 2017	2,000,000*	–	–	–	2,000,000*
	10 July 2014	0.280	10 July 2014 – 29 June 2017	20,000,000	–	–	–	20,000,000

\* The number of share options granted and the exercise price had been adjusted as a result of the 2012 Share Consolidation.

During the six months ended 30 June 2015, 66,000,000 share options at an exercise price of HK\$0.290 per Share and 10,000,000 share options at an exercise price of HK\$0.270 per Share were granted by the Company. No share options granted under the Share Option Scheme was exercised during the six months ended 30 June 2015.

## **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 “SHARE OPTION SCHEME” in this report, at no time during the six months ended 30 June 2015 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 corporation 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, Ms. Xuan Hong (chairman of the Audit Committee), Mr. Cai Wei Lun and Mr. Qi Ji.

The Group’s interim results for the six months ended 30 June 2015 have been reviewed by the Audit Committee which is of the opinion that such statements complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosures have been made.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT**

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

For the period under review from 1 January 2015 to 30 June 2015, the Company complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report (the “**CG Code and Report**”) as set out in Appendix 15 to the GEM Listing Rules except for the following:

### **Chairman and Chief Executive Officer**

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

Currently, the role of the Chairman 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 Ms. Wu whom have extensive experience in the business of the Group. Their respective areas of profession spearheaded the Group's overall development and business strategies.

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

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for securities transactions by Directors (the "Code") which is on terms no less exacting than the Required Standard of Dealings. The Company has made specific inquiry with all the Directors, and has not been notified of any non-compliance with the Required Standard of Dealings and the Code by the Directors during the six months ended 30 June 2015.

### **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 six months ended 30 June 2015.

By order of the Board  
**China Netcom Technology Holdings Limited**  
**Leung Ngai Man**  
*Chairman and Executive Director*

Hong Kong, 12 August 2015

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