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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE  
FORMATION OF A JOINT VENTURE**

The Board wishes to announce that on 21 July 2011, Multi Joy, a wholly-owned subsidiary of the Company, and China Digital Library entered into the JV Agreement, pursuant to which Multi Joy and China Digital Library have agreed to form a JVC in the PRC to engage in the development and application of computer software, hardware and application system; development, application and operation of multi-media and information technology, sales of self-developed technology and related technology; and information consulting services.

The total investment amount and the registered capital of the JVC are RMB100,000,000 and RMB40,816,000 respectively. Multi Joy has agreed to inject RMB20,000,000 in cash and China Digital Library has agreed to inject RMB20,316,000 in intangible assets (investment right, brand, content and technology) and RMB500,000 in cash to the JVC. Upon its formation, the JVC will be owned as to 49% and 51% by Multi Joy and China Digital Library respectively.

Pursuant to the JV Agreement, the capital injected into the JVC by the parties will be applied as the consideration for the acquisition of 50% equity interest in Zhongshu Huanyu by the JVC. On 15 July 2011, CCTV International Network, Shenzhen Tencent and Zhongshu Huanyu entered into a joint venture agreement to set up the New JV to engage in the IPTV service, related advertisement and value-added services in the PRC. Zhongshu Huanyu is mainly responsible for providing the integrated broadcasting control system technology, including source code of the IPTV broadcasting platform, intellectual property rights and development and technology support personnel to the New JV. Upon its formation, Zhongshu Huanyu will be interested in 19.9% equity interest in the aforesaid New JV.

As the applicable percentage ratios as set out in the GEM Listing Rules are more than 5% but less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction for the Company under Rule 19.07 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 29 December 2010 in relation to the Memorandum of Understanding. The Board wishes to announce that on 21 July 2011, Multi Joy, a wholly-owned subsidiary of the Company, and China Digital Library entered into the JV Agreement, pursuant to which Multi Joy and China Digital Library have agreed to form a JVC in the PRC.

## **THE JV AGREEMENT**

**Date** : 21 July 2011

**Parties** : (1) Multi Joy; and  
(2) China Digital Library

The JVC is to be owned as to 49% and 51% by Multi Joy and China Digital Library respectively upon formation.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, China Digital Library and its ultimate beneficial owner(s) are Independent Third Parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

**Subject matter** : Multi Joy and China Digital Library entered into the JV Agreement, pursuant to which the parties have agreed to form a JVC in the PRC to engage in the development and application of computer software, hardware and application system, development, application and operation of multi-media and information technology, sales of self-developed technology and related technology; and information consulting services.

**Total investment Amount** : RMB100,000,000

**Registered capital** : RMB40,816,000

The registered capital will be paid by Multi Joy and China Digital Library in the following manner:

(i) a sum of RMB20,000,000 to be paid by Multi Joy will be injected by two instalments in cash:

A. RMB4,000,000 to be paid within five (5) business days upon the following conditions being fulfilled:

(a) the formation of the JVC has obtained the approval from the Ministry of Commerce of the PRC;

- (b) the formation of the JVC has obtained the approval certificate for Hong Kong, Macau and Taiwan investment enterprises\* (港澳臺投資企業批准證書);
  - (c) Multi Joy has carried out necessary due diligence investigation on Zhongshu Huanyu and is satisfied by the result; and
  - (d) the capital verification account for capital injection by Shareholders is opened;
- B. RMB16,000,000 to be paid within five (5) business days upon the following conditions being fulfilled:
- (a) New JV has completed its commerce registration and obtained its business licence;
  - (b) sufficient and valid authorization or qualification to engage in the IPTV business;
  - (c) the equity interest held by Zhongshu Huanyu in New JV is legal and valid;
  - (d) the first instalment of the registered capital of the JVC is paid and settled; and
  - (e) the registered capital applied as part of the consideration for the Acquisition is not challenged by the State Administration of Foreign Exchange\* (國家外匯管理局);
- (ii) a sum of RMB20,816,000 to be paid by China Digital Library as to RMB20,316,000 in intangible assets (investment right, brand, content and technology) and as to RMB500,000 in cash.

The capital injected into the JVC by the parties will be applied as the consideration for the Acquisition.

The registered capital was determined after arm's length negotiation between Multi Joy and China Digital Library based on the estimated capital requirements of the JVC. The difference between the registered capital and the total investment amount of the JVC will be raised by Multi Joy. The Board considers that the Company has sufficient cash flow to finance the capital expenditure in respect of the formation of the JVC. The capital contribution by Multi Joy to the JVC under the JV Agreement will be funded by internal resources of the Group.

- Conditions precedent** : The JV Agreement is conditional upon the following conditions being fulfilled:
- (i) New JV has signed all formation documents;
  - (ii) New JV has legally and validly obtained the qualification, authorization or approval to engage in the IPTV business;
  - (iii) Multi Joy has carried out necessary due diligence investigation on Zhongshu Huanyu and is satisfied by the result;
  - (iv) the JV Agreement being approved by the directors of Multi Joy and the Directors at the Board meeting of the Company;
  - (v) the JV Agreement being approved by the regulatory body in Hong Kong; and
  - (vi) any other terms agreed by the parties.
- Term** : 30 years from the date of issue of the business licence of the JVC, and to be extended subject to the parties' agreement.
- Board composition** : The board of the JVC will consist of three directors, two of which will be nominated by China Digital Library and one of which will be nominated by Multi Joy. The chairman of the board of the JVC will be nominated by China Digital Library.
- Profit sharing** : The parties will share the profits and bear the losses of the JVC in accordance with the articles of association of the JVC and the JV Agreement.

## **BACKGROUND OF AND REASONS FOR THE FORMATION OF THE JVC**

The Group is principally engaged in the development and provision of operation software system sector of the PRC lottery market, provision of relevant technical consultancy services, and exploration of gold mine in the PRC.

Pursuant to the JV Agreement, the capital injected into the JVC by the parties will be applied as the consideration for the Acquisition. As at the date of this announcement, Zhongshu Huanyu is owned as to 50% by China Digital Library and as to 50% by an Independent Third Party. On 15 July 2011, Zhongshu Huanyu, CCTV International Network and Shenzhen Tencent entered into a joint venture agreement to set up the New JV. Upon its formation, Zhongshu Huanyu will be interested in 19.9% equity interest in the New JV.

Zhongshu Huanyu is mainly responsible for providing the integrated broadcasting control system technology, including source code of the IPTV broadcasting platform, intellectual property rights and development and technology support personnel to the New JV. Given that CCTV International Network has obtained the exclusive authorization to manage and operate its IPTV service business in the PRC and Shenzhen Tencent is one of the largest providers of internet comprehensive services which have the largest number of internet users in the PRC, the Board believes that the JVC will benefit from the strategic alliance with CCTV International Network and Shenzhen Tencent which will in turn improve the competitiveness of the IPTV business and broaden the revenue of the Company upon completion of the Acquisition.

Given the latest Twelfth Five-Year Plan in which the information technology is one of the seven major strategic emerging industries, together with the mature concept of “Internet of People” or the “Three Networks Integration”, it is expected mobile phones and internet will soon become one of the basic necessities in the PRC. The formation of the JVC represents an opportunity for the Group to tap into the IPTV business in order to capture such market opportunities.

The Directors consider that the formation of the JVC under the JV Agreement has been made on normal commercial terms. Such terms are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

In order to support the business development of the Company, Huancai Puda, a subsidiary in which the Company has controlling interest, has entered into a memorandum of understanding with Scientific Games, the world’s leading producer of instant lottery tickets and the service provider of the top-scratching lottery tickets of the China Sports Lottery Administration Center at the beginning of this year pursuant to which the parties agreed to cooperate in the following fields:

**(i) Self-service terminal field**

- (a) Scientific Games shall help Huancai Puda to obtain the entry licence of self-service lottery sales terminals in the provincial and/or national lottery field and obtain the sales licence of electronic and paper-based instant lottery on self-service lottery terminals from lottery issuer(s) in the PRC; and
- (b) Scientific Games shall help Huancai Puda to obtain the capability to access and sell the computer-based sports lottery using its or Scientific Games’ self-service lottery terminal as the case may be.

**(ii) Electronic Bingo**

The parties shall cooperate to provide the technology and product of electronic Bingo for lottery issuer(s) in the PRC.

**(iii) Digital TV lottery field**

The parties shall attempt to establish a digital televised lottery featuring interactive games as licensed by lottery issuer(s) in the PRC to include, among others, instant tickets and sports-themed games such as those involving basketball pursuant to a licence from the NBA.

**(iv) Equipment generation**

Scientific Games shall agree to sell the developed hardware to Huancai Puda which include but not limited to electronic bingo, electronic instant products and related products.

In addition, Huancai Puda has entered into a memorandum of understanding with Jinse Pingdao in June 2011. Given that (i) Jinse Pingdao, the operator of Xingfu lottery channel under Shanghai Media Group, which has been awarded ten years of production right for channel programs and operation right for value-added services; (ii) Xingfu lottery channel has taken root in over 300 cities in the PRC and has over 15 million audience; and (iii) Huancai Puda has successfully developed its TV lottery business in Chongqing City and Guangxi Province, the parties agreed to cooperate in the development of TV lottery business by leveraging on the value-added service platform owned by Xingfu lottery channel, including:

- (i) the parties agreed to form a joint venture to co-develop TV lottery service through Xingfu lottery channel and related service platform owned by Jinse Pingdao;
- (ii) Jinse Pingdao agreed to provide the channel and information service platform for distribution of the TV lottery service to national TV network as well as to promote and advertise for the TV lottery service; and
- (iii) Huancai Puda will be responsible for the technology development, design the data base and backstage control system to realize the TV lottery service.

**LISTING RULES IMPLICATION**

As the applicable percentage ratios as set out in the GEM Listing Rules are more than 5% but less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction for the Company under Rule 19.07 of the GEM Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 50% equity interest in Zhongshu Huanyu by the JVC
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. to 12:00 noon) on which licensed banks are open for general business in Hong Kong
“CCTV International Network”	CCTV International Network Co., Ltd* (央視國際網絡有限公司), the owner and operator of the website <a href="http://www.cctv.com">www.cctv.com</a> , an Independent Third Party so far as the Directors are aware
“China Digital Library”	China Digital Library Limited Company* (中國數字圖書館有限責任公司), an Independent Third Party and a company authorized by the State Council (國務院) and established by the Ministry of Culture (文化部) and National Library of China (中國國家圖書館) which is principally engaged in the development of core technologies applied in data resources, promotion of data resources, digital rights management, digital processing, provision of specialized information, electronic government affair, electronic commerce, provision of comprehensive solutions for digital content and digital library and establishment of digital library service platform
“Company”	China Netcom Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Directors”	directors of the Company

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huancai Puda”	Shenzhen Huancai Puda Technology Company Limited* (深圳環彩普達科技有限公司), a subsidiary of which the Company has controlling interest
“Independent Third Party”	a person who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“IPTV”	internet protocol television
“Jinse Pingdao”	Shanghai Jinse Pingdao Cultural Media Limited* (上海金色平道文化傳媒有限公司), an Independent Third Party so far as the Directors are aware
“JV Agreement”	The agreement entered into between Multi Joy and China Digital Library on 21 July 2011 in respect of the formation of the JVC
“JVC”	Zhongshu Sanwang Technology (Beijing) Limited* (中數三網科技(北京)有限公司), a joint venture company to be established in the PRC, to be owned as to 49% and 51% by Multi Joy and China Digital Library respectively
“Memorandum of Understanding”	the memorandum of understanding dated 23 December 2010 entered into between Multi Joy and China Digital Library with respect to the formation of a joint venture company
“Multi Joy”	Multi Joy Corporation Limited, a wholly-owned subsidiary of the Company
“New JV”	a joint venture to be set up by Zhongshu Huanyu, CCTV International Network and Shenzhen Tencent which will be principally engaged in the IPTV service, related advertisement and value-added services in the PRC



“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Scientific Games”	Scientific Games Worldwide Limited, an Independent Third Party so far as the Directors are aware
“Shanghai Media Group”	Shanghai Media Group* (上海文廣傳媒集團) was founded in 2001 after merging Radio Shanghai, Eastern Radio Shanghai, Shanghai Television, Oriental Television Station and Shanghai Cable Television. Its core businesses are broadcasting and TV while related businesses include sports entertainment, technical service, research and development and media entertainment investment. Shanghai Media Group operates 13 analog TV channels, 11 analog radio programs, 31 paid digital TV channels, 1 broadband online TV, 4 newspapers and magazines and 3 sports clubs
“Shenzhen Tencent”	Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司), a wholly-owned subsidiary of Tencent Holdings Limited and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongshu Huanyu”	Zhongshu Huanyu Technology (Beijing) Limited* (中數寰宇科技(北京)有限公司), which is owned as to 50% by China Digital Library and as to 50% by an Independent Third Party
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.83 to HK\$1.

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

Hong Kong, 22 July 2011

*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 Dr. Leung Wai Cheung and Mr. Cai Wei Lun.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.*

*This announcement 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).*

*\* For identification purpose only.*