



# 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)



**Interim Report**  
**2014**

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

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## HIGHLIGHTS

- The unaudited revenue of the Group for the six months ended 30 June 2014 was approximately HK\$2,931,000 with an increase of approximately HK\$2,249,000 as compared with that for the corresponding period in 2013.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$23,317,000 for the six months ended 30 June 2014, with an increase of approximately HK\$6,087,000 as compared with that for the corresponding period in 2013.
- The unaudited loss per share was approximately HK1.09 cents for the six months ended 30 June 2014.

## 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 and six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013 as follows:

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

For the three months and six months ended 30 June 2014

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Revenue</b>	3	<b>2,649</b>	364	<b>2,931</b>	682
Cost of sales		<b>(1,855)</b>	(856)	<b>(2,372)</b>	(1,750)
<b>Gross profit/(loss)</b>		<b>794</b>	(492)	<b>559</b>	(1,068)
Other income and gains – net		<b>684</b>	2,536	<b>1,067</b>	2,743
Administrative expenses		<b>(5,074)</b>	(6,478)	<b>(18,835)</b>	(11,355)
Finance costs	5	<b>(2,792)</b>	(2,802)	<b>(5,556)</b>	(5,572)
Other operating expenses		<b>(3,170)</b>	(4,901)	<b>(6,735)</b>	(9,020)
Share of losses of associates		–	(167)	–	(484)
<b>Loss before tax</b>		<b>(9,558)</b>	(12,304)	<b>(29,500)</b>	(24,756)
Income tax credit/(expense)	6	<b>1,217</b>	(7)	<b>3,518</b>	456
<b>Loss for the period</b>	7	<b>(8,341)</b>	(12,311)	<b>(25,982)</b>	(24,300)
<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>141</b>	6,285	<b>(3,706)</b>	10,383
Reclassification adjustments relating to share of exchange differences of associates		–	(59)	–	(75)
Share of other comprehensive income of associates		–	108	–	165
Other comprehensive income/ (expense) for the period		<b>141</b>	6,334	<b>(3,706)</b>	10,473
<b>Total comprehensive expense for the period</b>		<b>(8,200)</b>	(5,977)	<b>(29,688)</b>	(13,827)

	<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>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<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	<b>(7,117)</b>	(8,045)	<b>(23,317)</b>	(17,230)
Non-controlling interests	<b>(1,224)</b>	(4,266)	<b>(2,665)</b>	(7,070)
	<b>(8,341)</b>	(12,311)	<b>(25,982)</b>	(24,300)
<b>Total comprehensive expense</b>				
<b>attributable to:</b>				
Owners of the Company	<b>(7,045)</b>	(4,825)	<b>(25,215)</b>	(11,899)
Non-controlling interests	<b>(1,155)</b>	(1,152)	<b>(4,473)</b>	(1,928)
	<b>(8,200)</b>	(5,977)	<b>(29,688)</b>	(13,827)
<b>Loss per share</b>				
– Basic and diluted				
(HK cents per share)	<b>(0.32)</b>	(0.43)	<b>(1.09)</b>	(0.93)

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	2,432	2,517
Other intangible assets		479,660	490,067
		<u>482,092</u>	<u>492,584</u>
<b>Current assets</b>			
Inventories		247	1,612
Trade and other receivables	10	8,031	4,873
Amount due from a non-controlling interest of a subsidiary		239	241
Pledged bank deposit		213	213
Cash and bank balances		89,867	33,985
		<u>98,597</u>	<u>40,924</u>
<b>Current liabilities</b>			
Trade and other payables	11	8,116	15,227
Amount due to a non-controlling interest of a subsidiary		227	228
Current tax liabilities		1	1
		<u>8,344</u>	<u>15,456</u>
<b>Net current assets</b>		<u>90,253</u>	<u>25,468</u>
<b>Total assets less current liabilities</b>		<u>572,345</u>	<u>518,052</u>
<b>Non-current liabilities</b>			
Convertible bonds	12	107,879	102,323
Deferred tax liabilities		125,935	129,453
		<u>233,814</u>	<u>231,776</u>
<b>Net assets</b>		<u>338,531</u>	<u>286,276</u>
<b>Capital and reserves</b>			
Share capital – ordinary shares	13	11,085	9,271
Share capital – non-redeemable convertible preferred shares	14	7,317	7,817
Reserves		143,827	88,413
Equity attributable to owners of the Company		<u>162,229</u>	<u>105,501</u>
Non-controlling interests		176,302	180,775
<b>Total equity</b>		<u>338,531</u>	<u>286,276</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company												Total (Unaudited) HK\$'000
	Share capital – ordinary shares (Unaudited) HK\$'000	Share capital – non- redeemable convertible preferred shares (Unaudited) HK\$'000	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	
Balance at 1 January 2013	9,271	7,817	3,213,139	1,740	1	66,267	13,341	112,406	(49)	(3,254,114)	169,819	214,663	384,482
Loss for the period	-	-	-	-	-	-	-	-	-	(17,230)	(17,230)	(7,070)	(24,300)
Other comprehensive income for the period	-	-	-	-	-	-	-	5,331	-	-	5,331	5,142	10,473
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	5,331	-	(17,230)	(11,899)	(1,928)	(13,827)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	586	-	-	-	586	-	586
Reserve released upon disposal/ derecognition of associates	-	-	-	-	-	-	-	-	-	-	-	2,126	2,126
Balance at 30 June 2013	9,271	7,817	3,213,139	1,740	1	66,267	13,927	117,737	(49)	(3,271,344)	158,506	214,861	373,367

Attributable to owners of the Company

	Share capital – non- redeemable	Share capital – 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) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Balance at 1 January 2014	9,271	7,817	3,213,139	1,740	1	66,267	14,347	122,407	(49)	(3,329,439)	105,501	180,775	286,276
Loss for the period	-	-	-	-	-	-	-	-	-	(23,317)	(23,317)	(2,665)	(25,982)
Other comprehensive expenses 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
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 upon conversion of non-redeemable convertible preferred shares	500	(500)	-	-	-	-	-	-	-	-	-	-	-
Release of reserve upon share options lapsed	-	-	-	-	-	-	(994)	-	-	994	-	-	-
Issue of ordinary shares under share option scheme	150	-	2,328	-	-	-	(588)	-	-	-	1,890	-	1,890
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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<b>(18,282)</b>	(11,501)
Net cash (used in)/generated by investing activities	<b>(265)</b>	17,706
Net cash generated by financing activities	<b>74,440</b>	–
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>55,893</b>	6,205
Cash and cash equivalents at the beginning of period	<b>33,985</b>	36,072
Effect of foreign exchange rate changes, net	<b>(11)</b>	137
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>89,867</b>	42,414
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>89,867</b>	42,414

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**”) and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. It has been prepared under historical cost convention.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting polices adopted in the annual financial statements for the year ended 31 December 2013, 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 2013.

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

In the current period, the Group has applied the following amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) – Int 21	<i>Levies</i>

The Directors consider that the application of the amendments or interpretations 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>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
Sale of lottery equipment	<b>2,393</b>	–	<b>2,393</b>	26
Provision of management, marketing, and operating services for lottery system and lottery halls	<b>256</b>	364	<b>538</b>	656
	<b>2,649</b>	364	<b>2,931</b>	682

### 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 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:

	<b>Trading of computer hardware and software HK\$'000</b>	<b>Lottery business HK\$'000</b>	<b>Consolidated HK\$'000</b>
<i>Six months ended 30 June 2014 (Unaudited)</i>			
Segment revenue	–	2,931	2,931
Segment loss	(279)	(13,599)	(13,878)
Other income and gains			1,067
Central administration costs			(16,689)
Loss before tax			(29,500)
<i>Six months ended 30 June 2013 (Unaudited)</i>			
Segment revenue	–	682	682
Segment loss	(354)	(21,196)	(21,550)
Interest and other income			1,082
Central administration costs			(4,288)
Loss before tax			(24,756)
<i>As at 30 June 2014 (Unaudited)</i>			
Segment assets	392	489,337	489,729
Corporate and unallocated assets			90,960
Consolidated assets			580,689
Segment liabilities	30	241,159	241,189
Corporate and unallocated liabilities			969
Consolidated liabilities			242,158

	<b>Trading of computer hardware and software HK\$'000</b>	<b>Lottery business HK\$'000</b>	<b>Consolidated HK\$'000</b>
<i>As at 31 December 2013 (Audited)</i>			
Segment assets	705	500,980	501,685
Corporate and unallocated assets			31,823
Consolidated assets			533,508
Segment liabilities	60	239,029	239,089
Corporate and unallocated liabilities			8,143
Consolidated liabilities			247,232

#### 5. FINANCE COSTS

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Effective interest on convertible bonds	2,792	2,802	5,556	5,572

#### 6. INCOME TAX (CREDIT)/EXPENSE

##### Income tax recognised in profit or loss

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Deferred tax	(1,217)	7	(3,518)	(456)

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 other than that stated below, is 25% for both periods.

In year 2009, 深圳環彩普達科技有限公司, transliterated as Shenzhen Huancai Puda Technology Company Limited (“**Huancai Puda**”), an indirect 51% owned subsidiary of the 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 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 at 30 June 2014 and 31 December 2013.

## 7. LOSS FOR THE PERIOD

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after (crediting)/charging:				
Crediting:				
Bank interest income	(600)	(185)	(1,014)	(295)
Net foreign exchange gain	(31)	(512)	–	(779)
Gain on disposal/derecognition of associates	–	(1,838)	–	(1,660)
Gain on disposal of 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	9
Auditors' remuneration	245	225	470	450
Employee benefits expense (excluding directors' emoluments):				
– Salaries and other benefits	1,295	1,064	2,399	2,065
– Contributions to retirement benefits schemes	153	131	242	236
– Equity-settled share-based payments	–	527	–	527
Directors' emoluments	1,807	2,002	3,679	3,832
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total staff costs	3,255	3,724	6,320	6,660
Minimum lease payments paid under operating leases in respect of land and buildings	394	568	778	1,277
Net foreign exchange loss	–	–	1,611	–
Depreciation of property, plant and equipment	254	301	388	646
Expense in relation to share options granted to consultants (included in administrative expenses)	–	–	7,500	–
Amortisation of other intangible assets (included in other operating expenses)	3,170	4,203	6,735	8,322
Loss on disposal of property, plant and equipment (included in other operating expenses)	–	698	–	698
	<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>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</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>Loss</b>				
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b><u>(7,117)</u></b>	<b><u>(8,045)</u></b>	<b><u>(23,317)</u></b>	<b><u>(17,230)</u></b>

### Number of shares

	<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>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</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>2,206,881</u></b>	<b><u>1,854,235</u></b>	<b><u>2,140,095</u></b>	<b><u>1,854,235</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

	Six months ended 30 June 2014 (Unaudited) HK\$'000	Year ended 31 December 2013 (Audited) HK\$'000
Net book value, beginning of the period/year	2,517	3,985
Additions	331	230
Disposals	(9)	(738)
Depreciation	(388)	(1,072)
Effect of foreign currency exchange differences	(19)	112
Net book value, end of the period/year	<u>2,432</u>	<u>2,517</u>
Cost	5,854	5,857
Accumulated depreciation	<u>(3,422)</u>	<u>(3,340)</u>
Net book value, end of the period/year	<u>2,432</u>	<u>2,517</u>

## 10. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Trade receivables	2,794	–
Prepayments	154	1,045
Deposit and other receivables	<u>5,083</u>	<u>3,828</u>
	<u>8,031</u>	<u>4,873</u>

The Group provides an average credit period of 30 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management of the Group.

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

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
0 – 30 days	<u>2,794</u>	<u>–</u>



Included in the deposit and other receivables of the Group at 30 June 2014 was a refundable deposit of HK\$1,000,000 in relation to a framework agreement for a possible acquisition of 60% of the equity interests in a company in the PRC. Further details were set out in the announcement of the Company dated 24 April 2014.

## 11. TRADE AND OTHER PAYABLES

	<b>At 30 June 2014 (Unaudited) HK\$'000</b>	At 31 December 2013 (Audited) HK\$'000
Trade payables	4	4
Other payables and accruals	7,910	8,225
Accrued salaries and other benefits	202	6,998
	<u>8,116</u>	<u>15,227</u>

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

	<b>At 30 June 2014 (Unaudited) HK\$'000</b>	At 31 December 2013 (Audited) HK\$'000
Over 90 days	4	4

## 12. CONVERTIBLE BONDS

Imputed interest expenses of approximately HK\$2,792,000 (three months ended 30 June 2013: HK\$2,802,000) and HK\$5,556,000 (six months ended 30 June 2013: HK\$5,572,000) 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 2014.

At 30 June 2014, the carrying amount of the liability component of the convertible bonds at amortised cost was approximately HK\$107,879,000 (31 December 2013: HK\$102,323,000).

### 13. SHARE CAPITAL – ORDINARY SHARES

	Number of shares '000	Share capital HK\$'000
<b>Authorised:</b>		
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited), ordinary shares of HK\$0.005 each	20,000,000	100,000
<b>Issued and fully paid:</b>		
At 31 December 2013 (Audited), ordinary shares of HK\$0.005 each	1,854,235	9,271
Issue of new ordinary shares ( <i>Note (i)</i> )	232,800	1,164
Exercise of share options ( <i>Note (ii)</i> )	30,000	150
Conversion of non-redeemable convertible preferred shares ( <i>Note (iii)</i> )	100,000	500
At 30 June 2014 (Unaudited), ordinary shares of HK\$0.005 each	2,217,035	11,085

*Notes:*

- (i) On 3 January 2014, Mr. Leung Ngai Man, an executive Director, the chairman of the Board (“**Chairman**”) and substantial shareholder of the Company (“**Mr. Leung**”), the Company and the joint placing agents entered into the placing and subscription agreement pursuant to which (i) the joint placing agents have agreed to act as agents for Mr. Leung to place, on a best effort basis, and Mr. Leung has agreed to sell, a total of up to 360,000,000 placing shares to not less than six placees 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\$0.320 per placing share; and (ii) Mr. Leung has conditionally agreed to subscribe for up to 360,000,000 new subscription shares at the subscription price of HK\$0.320 per subscription share.

Completion of the placing took place on 7 January 2014 in accordance with the placing and subscription agreement and an aggregate of 232,800,000 placing shares were placed to not less than six placees who are independent third parties, at the placing price of HK\$0.320 per placing share.

On 15 January 2014, an aggregate of 232,800,000 ordinary shares of HK\$0.005 each in the capital of the Company were allotted and issued to Mr. Leung at HK\$0.320 per subscription share. The exercise gave rise to an aggregate net proceed of approximately HK\$72.6 million.

- (ii) Share options were exercised by option holders during the current interim period to subscribe for a total of 30,000,000 ordinary shares of HK\$0.005 each in the capital of the Company by payment of subscription monies of approximately HK\$1,890,000, of which approximately HK\$150,000 was credited to share capital and the balance of approximately HK\$1,740,000 was credited to the share premium account.

- (iii) During the current interim period, 100,000,000 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. (Note 14)

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

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
<b>Authorised:</b>		
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited), preferred shares of HK\$0.005 each	2,000,000	10,000
<b>Issued and fully paid:</b>		
At 31 December 2013 (Audited), preferred shares of HK\$0.005 each	1,563,333	7,817
Conversion of non-redeemable convertible preferred shares	(100,000)	(500)
At 30 June 2014 (Unaudited), preferred shares of HK\$0.005 each	1,463,333	7,317

#### 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 2014	
	Carrying amount (Unaudited) <i>HK\$'000</i>	Fair value (Unaudited) <i>HK\$'000</i>
<b>Financial liabilities</b>		
Convertible bonds	107,879	125,860

## 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>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
Short-term benefits	<b>1,786</b>	1,932	<b>3,647</b>	3,750
Post-employment benefits	<b>21</b>	11	<b>32</b>	23
Equity-settled share-based payments	–	59	–	59
	<b>1,807</b>	2,002	<b>3,679</b>	3,832

## 17. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014, the Company focused on operating the sales halls for lottery games with high payout and quick results of lottery game sales halls of “Happy 12” in Shenyang and Dalian of Liaoning Province in the PRC.

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

On 7 January 2014, an aggregate of 232,800,000 ordinary shares of the Company of HK\$0.005 each (the “**Shares**”, each, a “**Share**”) were successfully placed by Mr. Leung Ngai Man (“**Mr. Leung**” or the “**Subscriber**”), the Chairman and an executive Director, to not less than six placees (the “**Placing**”) who are independent third parties at the placing price of HK\$0.320 per placing share (the “**Placing Share**”). Completion of the subscription (the “**Subscription**”) took place on 15 January 2014 whereby 232,800,000 subscription shares (equivalent to the number of Placing Shares placed) were allotted and issued to the Subscriber at the subscription price of HK\$0.320 per subscription share. The net proceeds from the Subscription are approximately HK\$72.6 million. The net price for the Subscription was approximately HK\$0.312 per Share. The Company intends to utilise the net proceeds from the Subscription for general working capital of the Group and such proceeds have not been utilised as at the date of this report. Details of the Placing and the Subscription were set out in the Company’s announcements dated 6 January 2014 and 15 January 2014 respectively.

### *Framework agreements in relation to possible acquisitions*

On 11 November 2011, a subsidiary of the Company (the “**Subsidiary**”) entered into a framework agreement (the “**2011 Framework Agreement**”) with, among others, an independent third party (the “**2011 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 2011 Potential Vendor. Details of the 2011 Framework Agreement were set out in the Company’s announcement dated 14 November 2011. Pursuant to the supplemental agreements to the 2011 Framework Agreement, the period during which the Subsidiary had the exclusive right to negotiate with the 2011 Potential Vendor in relation to such possible acquisition expired on 28 February 2014 and the 2011 Framework Agreement was terminated on 4 March 2014. An advance deposit of HK\$2 million shall be refunded.

On 22 April 2014, Treasure Holy Investment Development Limited (“**Treasure Holy**”), a wholly-owned subsidiary of the Company, entered into a framework agreement (the “**2014 Framework Agreement**”) with, among others, two independent third parties (the “**2014 Potential Vendors**”) in relation to a possible acquisition by Treasure Holy of 60% of the entire equity interests in a company (the “**Target Company**”) principally engaged in the provision of trading settlement and deferred spot delivery services of petrochemical and energy products and the associated electronic trading, trading data clearing and settlement custodian services. Pursuant to the 2014 Framework Agreement, Treasure Holy is required to pay a deposit of HK\$1 million to a payee designated by the 2014 Potential Vendors. During the period of one year from the date of receipt of the deposit, Treasure Holy is entitled on an exclusive basis to acquire the 60% of the entire equity interest in the Target Company. Details of the 2014 Framework Agreement were set out in the Company’s announcement dated 23 April 2014.

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

On 5 June 2014, the Group announced the winning of the open bid (quotation required) for the procurement of sports entertainment electronic video lottery terminals (“**VLT**”) by Hainan Provincial Government. 深圳環彩普達科技有限公司 (transliterated as Shenzhen Huancai Puda Technology Company Limited) (“**Huancai Puda**”), a subsidiary of the Company, has entered into a supply contract with Hainan Provincial Sports Lottery Administration Centre (“**HPSLAC**”).

The Company is aware that, the procurement of sports entertainment electronic VLT in Hainan is the first open bid (quotation required) for government VLT procurement in the sports lottery market in the PRC. In 2013, sales of sports lotteries in the PRC reached Renminbi (“**RMB**”)132.8 billion. In comparison, sales of welfare lotteries in the PRC amounted to RMB176.53 billion in 2013 within that the video lottery “China Welfare Lottery Online” recorded sales of approximately RMB17.014 billion, approximately RMB22.423 billion and approximately RMB28.939 billion respectively for 2011, 2012 and 2013. The sales of electronic video lottery recorded a year-on-year growth of 29.1%.

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.

### **Financial Review**

For the six months ended 30 June 2014, the Group recorded an unaudited revenue of approximately HK\$2,931,000 with an increase of approximately HK\$2,249,000 and as compared with that for the corresponding period in 2013. The revenue of the Group was mainly derived from the sale of lottery equipment and the provision of management, marketing and operating services for lottery system and lottery halls. For the six months ended 30 June 2014, the unaudited loss attributable to owners of the Company increased by approximately HK\$6,087,000 as compared with that for the corresponding period in 2013. The difference was mainly derived from the increase in administrative expenses.

## **Liquidity and financial resources**

As at 30 June 2014, the Group had unaudited cash and bank balances (excluding pledged bank deposit) of approximately HK\$89,867,000 (31 December 2013 (audited): HK\$33,985,000). The majority bank balances are denominated in RMB and were placed in short term deposit.

As at 30 June 2014, the Group recorded unaudited total assets of approximately HK\$580,689,000 (31 December 2013 (audited): HK\$533,508,000), and recorded unaudited total liabilities of approximately HK\$242,158,000 (31 December 2013 (audited): HK\$247,232,000).

## **Capital structure**

As at 30 June 2014, the Company had 2,217,035,049 Shares (31 December 2013: 1,854,235,049 Shares) in issue.

## **Significant investment**

The Group had no significant investment for the six months ended 30 June 2014.

## **Acquisition or disposal of subsidiary**

As the Group does not intend to develop money lending business anymore, it has dispose of its entire interest in its subsidiary, Golden Rich Million Limited, which hold a money lenders license at a consideration of HK\$10,000 on 26 June 2014.

Save as disclosed above, the Group had no other acquisition or disposal of subsidiary for the six months ended 30 June 2014.

## **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 2014, the Group employed a total of 44 (31 December 2013: 49) employees. The staff costs, including Directors' remuneration and share-based payment, were approximately HK\$6,320,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$6,660,000).

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 2013.

## **Charges on Group assets**

As at 30 June 2014, a fixed deposit of approximately HK\$213,000 was pledged for obtaining the corporate card services (31 December 2013: HK\$213,000).

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

Save as disclosed in this report, as at 30 June 2014, 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 2014, the gearing ratio of the Group was approximately 32% (31 December 2013: 36%), based on the total borrowings of approximately HK\$107,879,000 (31 December 2013: HK\$102,323,000) and the total equity of the approximately HK\$338,531,000 (31 December 2013: HK\$286,276,000).

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

As at 30 June 2014, 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 2014, the Group had no significant contingent liabilities (31 December 2013: Nil).



## **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. The Group will also extend its VLT business presence in other provincial sports lottery markets. At the same time, the Group will continue to adopt an active and prudent strategy, and keep looking for projects in the PRC's lottery industry as well as other opportunities in line with China's 12th Five-Year Plan.

## **Other Information**

### ***Issue of Shares under the Share Option Scheme***

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

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

On 8 April 2014, the Company allotted and issued 3,000,000 Shares to Mr. Ng (as defined below) due to the exercise of share options at an exercise price of HK\$0.063 per Share which were granted on 21 May 2013.

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

On 9 April 2014, the Company allotted and issued 100,000,000 Shares to Mr. Leung due to the conversion of 100,000,000 Convertible Preferred Shares (as defined below) issued by the Company on 17 December 2012.

### ***Grant of share options***

On 25 March 2014, the Company granted share options to certain eligible participants to subscribe for a total of 32,000,000 new Shares pursuant to the Share Option Scheme at an exercise price of HK\$0.364 per Share. Details of which were set out in the announcement of the Company dated 25 March 2014.

On 26 March 2014, the Company granted share options to an eligible participant to subscribe for a total of 2,700,000 new Shares pursuant to the Share Option Scheme at an exercise price of HK\$0.365 per Share. Details of which were set out in the announcement of the Company dated 26 March 2014.

### *Change of Director*

Mr. Ng Kwok Chu, Winfield (“**Mr. Ng**”) resigned as an executive Director with effect from 26 May 2014 (the “**Resignation of Director**”) and Mr. Sung Kin Man had been appointed as the executive Director in place of Mr. Ng with effect from 26 May 2014 (the “**Change of Director**”). Details of the Change of Director were set out in the announcement of the Company dated 26 May 2014.

### **EVENT AFTER THE REPORTING PERIOD**

#### *Grant of share options*

On 10 July 2014, the Company granted share options to Ms. Wu Wei Hua (“**Ms. Wu**”), an executive Director, to subscribe for a total of 20,000,000 new Shares pursuant to the Share Option Scheme at an exercise price of HK\$0.280 per Share. Details of which were set out in the announcement of the Company dated 10 July 2014.

### **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 2014, 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		Equity derivatives	Total	Approximate percentage of issued share capital (Note 7)
	Personal interest	Corporate interest			
Mr. Leung	536,335,000 (Note 1)	294,880 (Note 1 & 2)	1,583,416,666 (Note 3, 4 & 5)	2,120,046,546	95.63%
Ms. Wu	–	–	2,000,000 (Note 6)	2,000,000	0.09%

*Notes:*

1. As a result of the 2012 Share Consolidation (as defined below), these Shares were adjusted.
2. 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.
3. These equity derivatives comprises 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 Convertible Preferred Shares (as defined below) were allotted and issued by the Company on 17 December 2012.
4. The convertible bonds in an aggregate principal amount of HK\$797,500,000 at a conversion price of HK\$0.24 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 2014, 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 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\$0.24 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 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\$0.60 per subscriber preferred share were 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 2014, 1,463,333,333 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 to subscribe for a total of 20,000,000 shares of HK\$0.001 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. The percentage is calculated on the basis of 2,217,035,049 Shares in issue as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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 2014, 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 “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 has adopted the Share Option Scheme on 29 June 2007 to replace its previous 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. 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 2014, detailed movements relating to options granted under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercise price	Exercise period	Movement of share options (adjusted) during the period				As at 30 June 2014
				As at 1 January 2014	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
Continuous Contract Employees	21 May 2013	0.063	21 May 2013 – 29 June 2017	27,000,000	–	(27,000,000)	–	–
Directors								
– Mr. Ng	10 July 2008	1.328*	10 July 2008 – 29 June 2017	2,000,000*	–	–	(2,000,000)	–
(Resigned on 26 May 2014)	21 May 2013	0.063	21 May 2013 – 29 June 2017	3,000,000	–	(3,000,000)	–	–
– Ms. Wu	10 July 2008	1.328*	10 July 2008 – 29 June 2017	2,000,000*	–	–	–	2,000,000*

\* 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 2014, 32,000,000 share options at an exercise price of HK\$0.364 per Share and 2,700,000 share options at an exercise price of HK\$0.365 per Share had been granted by the Company. A total of 30,000,000 share options granted under the Share Option Scheme was exercised at HK\$0.063 per Share and 2,000,000 share options at an exercise price of HK\$1.328 per Share had been lapsed due to the Resignation of Director.

## **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 2014 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 2014 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**

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 of the Company (the “**Shareholders**”).

For the period under review from 1 January 2014 to 30 June 2014, the Company has complied with all the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules except the following:

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

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

Currently, the role of the Chairman is performed by Mr. Leung who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the chairman in Mr. Leung provides the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company was performed by Mr. Leung and all the executive Directors whom have extensive experience in the business of the Group. Their respective areas of profession spearheaded the Group's overall development and business strategies.

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

## **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 2014.

## **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 2014.

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

Hong Kong, 12 August 2014

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