



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

FIRST QUARTERLY REPORT

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of China Netcom Technology Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.chinanetcomtech.com.

HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2015 was approximately HK\$244,000 with a decrease of approximately HK\$38,000 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\$7,010,000 for the three months ended 31 March 2015, with a decrease of approximately HK\$9,190,000 as compared with that for the corresponding period in 2014.
- The unaudited loss per share of the Company was approximately HK0.32 cent for the three months ended 31 March 2015.

RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 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 ended 31 March 2015

		(Unaudited)	
		Three months ended	
		31 March	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	244	282
Cost of sales		(310)	(517)
Gross loss		(66)	(235)
Other income and gains		350	414
Administrative expenses		(4,955)	(13,792)
Finance costs	4	(2,290)	(2,764)
Other operating expenses		(2,094)	(3,565)
Loss before tax		(9,055)	(19,942)
Income tax credit	5	827	2,301
Loss for the period	6	(8,228)	(17,641)
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		303	(3,847)
Other comprehensive income/(expense) for the period		303	(3,847)
Total comprehensive expense for the period		(7,925)	(21,488)

		(Unaudited)	
		Three months ended	
		31 March	
		2015	2014
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:			
Owners of the Company		(7,010)	(16,200)
Non-controlling interests		(1,218)	(1,441)
		<u>(8,228)</u>	<u>(17,641)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(6,849)	(18,170)
Non-controlling interests		(1,076)	(3,318)
		<u>(7,925)</u>	<u>(21,488)</u>
Loss per share			
Basic and diluted (HK cents per share)	7	<u>(0.32)</u>	<u>(0.78)</u>

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the three months ended 31 March 2015 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, it also includes the applicable disclosure requirements of Chapter 18 by the GEM Listing Rules and by the Hong Kong Companies Ordinance (Cap. 622). It has been prepared under historical cost convention.

The unaudited consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2015 has 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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 results and the financial position of the Group.

3. REVENUE

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

	(Unaudited)	
	Three months ended	
	31 March	
	2015	2014
	HK\$’000	HK\$’000
Provision of management, marketing, and operating services for lottery system and lottery halls	244	282

4. FINANCE COSTS

	(Unaudited)	
	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Effective interest on convertible bonds	2,290	2,764

5. INCOME TAX CREDIT

Income tax recognised in profit or loss

	(Unaudited)	
	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax	–	–
Deferred tax	(827)	(2,301)
Total income tax credit recognised in profit or loss	(827)	(2,301)

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

Under the prevailing tax law in the People's Republic of China ("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 as at 31 March 2014 and 2015.

6. LOSS FOR THE PERIOD

	(Unaudited)	
	Three months ended	
	31 March	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging/(crediting):		
Crediting:		
Bank interest income	(350)	(414)
Charging:		
Auditors' remuneration	225	225
Employee benefits expense (excluding directors' and chief executive's emoluments)		
– Salaries and other benefits	851	1,104
– Contributions to retirement benefits schemes	71	89
Directors' emoluments	1,726	1,872
Minimum lease payments paid under operating leases in respect of land and buildings	388	384
Net foreign exchange loss (included in administrative expenses)	315	1,642
Depreciation of property, plant and equipment	73	134
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)	2,094	3,565

7. 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:

	(Unaudited)	
	Three months ended	
	31 March	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(7,010)	(16,200)

For the three months ended 31 March 2014

	Attributable to owners of the Company										Attributable to non-controlling interests	Total
	Share premium account	Warrants reserve	Capital redemption reserve	Convertible bonds equity reserve	Share options reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Subtotal			
(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
Balance at 1 January 2014	3,213,139	1,740	1	66,267	14,347	122,407	(49)	(3,329,439)	88,413	180,775	269,188	
Loss for the period	-	-	-	-	-	-	-	(16,200)	(16,200)	(1,441)	(17,641)	
Other comprehensive expense for the period	-	-	-	-	-	(1,970)	-	-	(1,970)	(1,877)	(3,847)	
Total comprehensive expense for the period	-	-	-	-	-	(1,970)	-	(16,200)	(18,170)	(3,318)	(21,488)	
Recognition of equity-settled share-based payments	-	-	-	-	7,500	-	-	-	7,500	-	7,500	
Issue of new ordinary shares	73,332	-	-	-	-	-	-	-	73,332	-	73,332	
Transaction costs attributable to issue of new ordinary shares	(1,943)	-	-	-	-	-	-	-	(1,943)	-	(1,943)	
Issue of ordinary shares under share option scheme	2,095	-	-	-	(529)	-	-	-	1,566	-	1,566	
Balance at 31 March 2014	3,286,623	1,740	1	66,267	21,318	120,437	(49)	(3,345,639)	150,698	177,457	328,155	

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2015 (three months ended 31 March 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 three months ended 31 March 2015, the Company focused on operating sales halls for lottery games with high payouts and quick results of lottery sales halls of “Happy 12” in Shenyang and Dalian of Liaoning province 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 video lottery terminals (“VLT”) by Hainan Provincial Government of the PRC (the “**Hainan VLT Project**”). The Company’s controlling interest subsidiary, 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 RMB176.41 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.

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.

Financial Review

For the three months ended 31 March 2015, the Group recorded an unaudited revenue of approximately HK\$244,000 with a decrease of approximately HK\$38,000 as compared with that for the corresponding period in 2014. During the three months ended 31 March 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 three months ended 31 March 2015, the unaudited loss attributable to owners of the Company decreased by approximately HK\$9,190,000 as compared with that for the corresponding period in 2014. The difference was mainly derived from decrease of administrative expenses.

Capital structure

As at 31 March 2015, the Company had 2,217,035,049 ordinary shares of HK\$0.005 each (the “**Shares**”, each, a “**Share**”) (31 March 2014: 2,114,035,049 Shares) in issue.

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.

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 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.

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 total impairment of its concession rights of approximately HK\$374,217,000 was fully recognised in 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 31 March 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		Equity derivatives	Total	Approximate percentage of issued share capital (Note 8)
	Personal interest	Corporate interest			
Mr. Leung Ngai Man (“Mr. Leung”)	446,335,000 (Note 1)	294,880 (Notes 1 & 2)	1,562,583,333 (Notes 3, 4 & 5)	2,009,213,213	90.63%
Ms. Wu Wei Hua (“Ms. Wu”)	–	–	22,000,000 (Note 6 & 7)	22,000,000	0.99%

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 1,463,333,333 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\$0.240 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 31 March 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 31 March 2015, 1,463,333,333 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 2,217,035,049 Shares in issue as at 31 March 2015.

Save as disclosed above, as at 31 March 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 31 March 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 of the Company 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 of the Company as recorded in the register required to be kept 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 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 three months ended 31 March 2015, 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	Movements of share options during the period				As at 31 March 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
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 three months ended 31 March 2015, no share options were granted by the Company. No share options granted under the Share Option Scheme were exercised.

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 three months ended 31 March 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.

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 of the Company (the “Shareholders”).

For the period under review from 1 January 2015 to 31 March 2015, the Company has 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 of the Board is performed by Mr. Leung who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the chairman in Mr. Leung provides the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

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

The Company is still looking for a suitable candidate to fill the vacancy of the chief executive officer in order to comply with the CG Code 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 three months ended 31 March 2015.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. 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 first quarterly results for the three months ended 31 March 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.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2015.

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

Hong Kong, 12 May 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.