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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)**

## **PRICE SENSITIVE INFORMATION AND RESUMPTION OF TRADING**

The Board wishes to inform the Shareholders and the potential investors that, based on the preliminary assessment by the Board with reference to the management accounts, it is estimated by the Board that the amount of Impairment Loss attributable to the Group might amount to approximately HK\$1,925 million, which, (a) as to approximately HK\$620 million due to the decrease in the valuation of the Gold Mine located at Luoxi City, Yunnan Province, the PRC; and (b) as to approximately HK\$1,305 million due to the decrease in valuation of the lottery business acquired by the Group in 2010. The estimate amount of Impairment Loss is solely based on the assessment by the Board and the figures have not been audited by the Company's auditors and that the actual results of the Group may differ from the information disclosed in this announcement. The annual results of the Group for the year ended 31 December 2010 have not been finalised as at the date of this announcement. Such results announcement is expected to be released on 14 February 2011. Shareholders and potential investors are advised to read such results announcement carefully.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading in its shares on the Stock Exchange was suspended from 9:45 a.m. on 8 February 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on 11 February 2011.

## **INTRODUCTION**

Reference is made to the announcement (the “**Announcement**”) of the Company dated 31 January 2011 in relation to, among other matters, an impairment loss to be recorded in the annual results of the Group for the year ended 31 December 2010 (the “**Impairment Loss**”). Terms used in this announcement shall have the same meanings as those defined in the Announcement unless defined otherwise herein.

The Board wishes to inform the Shareholders and the potential investors that, based on the preliminary assessment by the Board with reference to the management accounts, it is estimated that the amount of Impairment Loss attributable to the Group might amount to approximately HK\$1,925 million, which, (a) as to approximately HK\$620 million due to the decrease in the valuation of a gold mining site (the “**Gold Mine**”) located at Luoxi City, Yunnan Province, the People’s Republic of China (the “**PRC**”); and (b) as to approximately HK\$1,305 million due to the decrease in valuation of the lottery business acquired by the Group in 2010 pursuant to a sale and purchase agreement entered into by a subsidiary of the Company in May 2010, further details of such acquisition were set out in the circular of the Company dated 30 July 2010 and the announcement of the Company dated 27 August 2010 (the “**Acquisition**”).

## **DECREASE IN VALUATION OF THE GOLD MINE**

The holder of the exploration permit on the Gold Mine is 雲南西部礦業有限公司 (Yunnan Xibu Mining Company Limited, being its unofficial English name), an indirect 80%-owned subsidiary of the Company.

According to the technical report as set out in the circular of the Company dated 13 May 2008, the preliminary estimates of potential resources of gold in the Gold Mine is approximately 60 tonnes to 100 tonnes. The carrying amounts of goodwill of the Gold Mine were approximately HK\$1,134 million as at 31 December 2008 and approximately HK\$1,002 million as at 31 December 2009.

In a geological exploration survey (地質物化探普查設計) (the “**Geological Exploration Survey**”) commissioned by the Group, the surveyor conducted a survey based on a scale of exploration of 10 tonnes of gold resources in the Gold Mine. Based on the results of the Geological Exploration Survey, the preliminary estimation of the value of the Gold Mine as at 4 January 2011 by an independent valuer was approximately RMB403 million. The actual investigation result is expected to be available in late 2011 or early 2012. The Directors considered it prudent to include an impairment loss based on the results as shown in the Geological Exploration Survey and the preliminary estimation of the value of the Gold Mine by the independent valuer as the preliminary estimation of the value of the Gold Mine as at 4 January 2011 was approximately RMB403 million only, as compared to the carrying amount of goodwill of the Gold Mine of approximately HK\$1,002 million as at 31 December 2009. The amount of impairment loss of approximately HK\$620 million was arrived at by the Board based on the above preliminary valuation results and the attributable interest of the Company of 80% interest in such Gold Mine.

## **DECREASE IN VALUATION OF THE SHENZHEN SUBSIDIARY**

On 25 October 2010, 中國福利彩票發行管理中心 (China Welfare Lottery Issuing Management Centre, being its unofficial English name) issued a circular enclosing two regulations, namely 《電話銷售彩票管理暫行辦法》 (the “**Mobile Regulation**”) and 《互聯網銷售彩票管理暫行辦法》 (the “**Internet Regulation**”), both issued by the Ministry of Finance of the PRC. According to the Mobile Regulation and the Internet Regulation, lottery sales through mobile phone and internet are forbidden unless approved by the Ministry of Finance of the PRC. Lottery issuing centre can only cooperate with entities which have, among others, the relevant value-added tele-communication operation permit (增

值電信業務經營許可證) or internet information services operation permit (互聯網信息服務經營許可證) (together, the “**Permits**”), as appropriate. The two regulations were effective since 26 September 2010 and the Company sought legal advice from its PRC legal advisors on the implications of the two regulations on its business and obtained a preliminary legal opinion (the “**PRC Legal Opinion**”) from its PRC legal advisors in January 2011 that prior to the Shenzhen Subsidiary (as defined below) obtaining the Permits, the Shenzhen Subsidiary cannot perform its obligations under the Three Agreements (as defined below).

The business regulated by the Mobile Regulation and the Internet Regulation are the business covered in three of the seven cooperation agreements (the “**Three Agreements**”) that 深圳環彩普達科技有限公司 (Shenzhen Huancai Puda Technology Company Limited, being its unofficial English name), an indirect 51%-owned subsidiary of the Company, or its subsidiary (together, the “**Shenzhen Subsidiary**”), entered into with several lottery issuing centres. The Three Agreements were (i) the supplemental agreement entered into with 重慶市福利彩票發行中心 (Chongqing Welfare Lottery Issuing Centre, being its unofficial English name) on 8 July 2009 (the “**Chongqing Agreement**”); (ii) the agreement entered into with 天津市福利彩票發行中心 (Tianjin Welfare Lottery Issuing Centre, being its unofficial English name) on 7 May 2010 (the “**Tianjin Agreement**”); and (iii) the agreement entered into with 河南省福利彩票發行中心 (Henan Welfare Lottery Issuing Centre, being its unofficial English name) on 28 November 2007 (the “**Henan Agreement**”).

Pursuant to the Chongqing Agreement, the Shenzhen Subsidiary will provide software system and technical service for Chongqing welfare lottery sales through mobile phone project. Pursuant to the Tianjin Agreement, the Shenzhen Subsidiary will provide software system and technical service for Tianjin welfare lottery sales through mobile phone project. Pursuant to the Henan Agreement, the Shenzhen Subsidiary will provide software system and technical service for Henan welfare lottery sales through mobile phone and internet project.

As at the date of this announcement, the lottery sales system under the Three Agreements is at a trial stage and commercial operations under the Three Agreements has not yet commenced.

According to the PRC Legal Opinion, the requirement of obtaining the Permits under the Mobile Regulation and the Internet Regulation are force majeure events under the Three Agreements and no compensation is required to be paid by the Shenzhen Subsidiary. It is provided in the Chongqing Agreement that, under such circumstances, parties thereto can enter into supplementary agreement(s); in the Tianjin Agreement that parties thereto can amend or terminate the agreement; and in the Henan Agreement that parties thereto can terminate the agreement. The Three Agreements have not been voided or terminated as at the date of this announcement, but it may be terminated or amended pursuant to the provisions of the respective terms under the Three Agreements if the Permits could not be obtained.

As far as the Directors are aware, prior to 26 September 2010, being the effective date of the Mobile Regulation and the Internet Regulation, there are no specific requirements for conducting the lottery sales business through mobile phone or internet, accordingly the Shenzhen Subsidiary does not possess the Permits.

In view of the Shenzhen Subsidiary's inability, in the interim period prior to its obtaining of the Permits, to perform its obligations under the Three Agreements, the Company's valuer did not include the business valuation attributable to the Three Agreements in the valuation of the Shenzhen Subsidiary, and accordingly the Shenzhen Subsidiary was preliminarily valued at approximately RMB961 million as at 31 December 2010, as compared to RMB3,520 million as at 27 August 2010, being the completion date of the Acquisition. The preliminary carrying value of goodwill and intangible assets of the Shenzhen Subsidiary as at the date of completion of the Acquisition was approximately RMB3,520 million in aggregate. The impairment loss of approximately HK\$1,305 million was arrived at by the Board based on the preliminary valuation results mentioned above and the attributable interest of 51% of the Company in the Shenzhen Subsidiary.

Save as disclosed in this announcement, the Board considers that the Mobile Regulation, the Internet Regulation and the absence of the Permits would not have any material and adverse impact to the Group's financial position and operation, as the commercial operations under the Three Agreements governed by the Mobile Regulation and the Internet Regulation had not commenced yet. Given that the other cooperation agreements that the Shenzhen Subsidiary entered into are not affected by the Mobile Regulation and the Internet Regulation, the Board considers that the operation of the Shenzhen Subsidiary is not materially affected by the Mobile Regulation, the Internet Regulation and the absence of the Permits.

The Directors believe that when the Shenzhen Subsidiary obtains the requisite Permits or the Group acquires or cooperates with an entity which owns the Permits, valuation of the Shenzhen Subsidiary may increase and such increase will bring positive impact to the financial position of the Group.

The Group is exploring the possibility of (i) applying for the Permits; and (ii) acquiring or cooperating with an entity which owns the Permits. As at the date of this announcement, the Shenzhen Subsidiary has not submitted an application for the Permits and has not identified suitable target which owns the Permits for acquisition or cooperation. The Company is seeking legal advice as to the procedures and requirements for the application of the Permits, and as far as the Directors are aware, there are no legal impediments in obtaining such Permits.

The Board will also explore business opportunities in related lottery business which does not require the possession of the Permits.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in its shares on the Stock Exchange was suspended from 9:45 a.m. on 8 February 2011 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on 11 February 2011.

## GENERAL

The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the management accounts and it has not been audited by the Company's auditors and that the actual results of the Group therefore may differ from the information disclosed in this announcement. The annual results of the Group for the year ended 31 December 2010 have not been finalised as at the date of this announcement. Such results announcement is expected to be released on 14 February 2011. Shareholders and potential investors are advised to read such results announcement carefully.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 10 February 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).*