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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("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.

*This announcement, for which the directors ("**Directors**") of China Netcom Technology Holdings Limited ("**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 ("**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 for a minimum period of seven (7) days from the date of its publication and on the Company's website at www.chinanetcomtech.com.

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.

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2010 was approximately HK$2,675,000, which was approximately 130% of the amount of that in 2009.
- Loss attributable to owners of the Company was approximately HK$1,887,273,000 for the year ended 31 December 2010, which was approximately 5.2 times of that of last year.
- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: Nil).

RESULTS

The board of Directors ("**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2010 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**2,675**	2,057
Cost of sales		**(2,174)**	(1,867)
Gross profit		**501**	190
Other income and gains	*5*	**334**	71
Administrative expenses		**(30,762)**	(22,106)
Impairment loss of goodwill		**(1,082,300)**	(127,400)
Impairment loss of other intangible assets		**(1,629,552)**	(287,020)
Loss on early redemption of promissory note		**(11,520)**	–
Finance costs	*6*	**(43,849)**	(21,280)
Other operating expenses		**(23,873)**	(969)
Share of loss of an associate		**(50)**	–
Loss before tax		**(2,821,071)**	(458,514)
Income tax credit	*7*	**237,433**	44,244
Loss for the year	*8*	**(2,583,638)**	(414,270)

	Notes	2010 HK$'000	2009 HK$'000
Other comprehensive income/(expense), net of income tax			
Exchange differences on translating foreign operations		**121,739**	(4,722)
Share of other comprehensive income of an associate		**11**	–
Other comprehensive income/(expense) for the year, net of income tax		**121,750**	(4,722)
Total comprehensive expense for the year		**(2,461,888)**	(418,992)
Loss attributable to:			
Owners of the Company		**(1,887,273)**	(365,512)
Non-controlling interests		**(696,365)**	(48,758)
		(2,583,638)	(414,270)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,800,525)**	(370,167)
Non-controlling interests		**(661,363)**	(48,825)
		(2,461,888)	(418,992)
Loss per share	9		
– Basic and diluted		**(37.6 HK cents)**	(11.6 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**2,113**	277
Goodwill	*10*	**402,016**	1,002,198
Other intangible assets	*11*	**746,897**	22,158
Interest in an associate		**343**	–
Available-for-sale investment		**118**	–
		1,151,487	1,024,633
Current assets			
Trade and other receivables	*12*	**1,672**	580
Amount due from a non-controlling interest of a subsidiary		**457**	–
Pledged bank deposit		**210**	209
Cash and bank balances		**348,172**	11,422
		350,511	12,211
Current liabilities			
Trade and other payables	*13*	**13,028**	1,851
Amount due to a non-controlling interest of a subsidiary		**212**	–
Current tax liabilities		**3**	11
		13,243	1,862
Net current assets		**337,268**	10,349
Total assets less current liabilities		**1,488,755**	1,034,982
Non-current liabilities			
Convertible bonds	*14*	**90,944**	–
Promissory note	*15*	**559,948**	–
Deferred tax liabilities		**125,926**	–
		776,818	–
Net assets		**711,937**	1,034,982
Capital and reserves			
Share capital	*16*	**9,059**	3,626
Reserves		**391,905**	1,029,513
Equity attributable to owners of the Company		**400,964**	1,033,139
Non-controlling interests		**310,973**	1,843
Total equity		**711,937**	1,034,982

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company										
	Share capital	Share premium account	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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009	2,797	1,006,434	1	115,682	14,655	(77)	(49)	(94,294)	1,045,149	50,668	1,095,817
Loss for the year	–	–	–	–	–	–	–	(365,512)	(365,512)	(48,758)	(414,270)
Other comprehensive expense for the year	–	–	–	–	–	(4,655)	–	–	(4,655)	(67)	(4,722)
Total comprehensive expense for the year	–	–	–	–	–	(4,655)	–	(365,512)	(370,167)	(48,825)	(418,992)
Recognition of equity-settled share-based payments	–	–	–	–	9,672	–	–	–	9,672	–	9,672
Issue of ordinary shares under share option scheme	166	17,761	–	–	(5,841)	–	–	–	12,086	–	12,086
Exercise of convertible bonds	663	451,162	–	(114,603)	–	–	–	–	337,222	–	337,222
Redemption of convertible bonds	–	–	–	(1,079)	–	–	–	256	(823)	–	(823)
Balance at 31 December 2009	3,626	1,475,357*	1*	–*	18,486*	(4,732)*	(49)*	(459,550)*	1,033,139	1,843	1,034,982

For the year ended 31 December 2010

	Attributable to owners of the Company										
	Share capital	**Share premium account**	**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**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2010	3,626	1,475,357	1	–	18,486	(4,732)	(49)	(459,550)	1,033,139	1,843	1,034,982
Loss for the year	–	–	–	–	–	–	–	(1,887,273)	(1,887,273)	(696,365)	(2,583,638)
Other comprehensive income for the year	–	–	–	–	–	86,748	–	–	86,748	35,002	121,750
Total comprehensive income/(expense) for the year	–	–	–	–	–	86,748	–	(1,887,273)	(1,800,525)	(661,363)	(2,461,888)
Non-controlling interests arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	970,493	970,493
Recognition of equity-settled share-based payments	–	–	–	–	720	–	–	–	720	–	720
Issue of new ordinary shares	2,564	423,515	–	–	–	–	–	–	426,079	–	426,079
Transaction costs attributable to issue of new ordinary shares	–	(10,128)	–	–	–	–	–	–	(10,128)	–	(10,128)
Issuance of consideration shares	200	33,400	–	–	–	–	–	–	33,600	–	33,600
Issue of ordinary shares under share option scheme	142	21,379	–	–	(3,952)	–	–	–	17,569	–	17,569
Lapse of share options	–	–	–	–	(1,118)	–	–	1,118	–	–	–
Recognition of the equity component of the convertible bonds	–	–	–	439,210	–	–	–	–	439,210	–	439,210
Income tax relating to deferred tax	–	–	–	(17,347)	–	–	–	–	(17,347)	–	(17,347)
Exercise of convertible bonds	2,527	610,195	–	(334,075)	–	–	–	–	278,647	–	278,647
Balance at 31 December 2010	9,059	2,553,718*	1*	87,788 *	14,136*	82,016 *	(49)*	(2,345,705)*	400,964	310,973	711,937

* The aggregate amount of these reserve accounts is included in the consolidated reserves of HK$391,905,000 (2009: HK$1,029,513,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except as for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied all the new and revised standards, amendments and interpretations (hereinafter collectively referred to as "**new and revised HKFRSs**") issued by the HKICPA that are effective for the Group's financial year beginning 1 January 2010.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The impact of adoption of HKFRS 3 (as revised in 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as an expense in profit or loss, whereas previously they would have been accounted as part of the cost of the acquisition. The acquisition costs in the current period were insignificant.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent. The adoption of HKAS 27 (as revised in 2008) had no material impact in the current period.

New and revised Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 July 2011
[6] Effective for annual periods beginning on or after 1 January 2012
[7] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors anticipate that the application of the other new and revised standard, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. 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.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(a) Staff secondment business – Staff secondment to generate income from the staff performing system integration for the external party;

(b) Trading of computer hardware and software business – Trading of computer hardware and software in the People's Republic of China ("**PRC**");

(c) Exploration of mines business – Exploration of gold mines in the PRC; and

(d) Lottery business – Development of computer software, hardware and application system, sale of self-developed technology or results, provision of relevant technical consultancy services in the PRC and development and provision of operation software system sector of the PRC lottery market.

Information regarding the Group's reportable segments is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Staff secondment		Trading of computer hardware and software		Exploration of mines		Lottery business		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**93**	164	**1,901**	1,893	**–**	–	**681**	–	**2,675**	2,057
Segment loss	**(75)**	(76)	**(115)**	(149)	**(674,997)**	(437,694)	**(2,121,699)**	–	**(2,796,886)**	(437,919)
Interest and other income									**167**	69
Central administration costs									**(24,352)**	(20,664)
Loss before tax									**(2,821,071)**	(458,514)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009: Nil).

Segment loss represents the loss incurred by each segment without allocation of central administration costs, and interest and other income. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Staff secondment		Trading of computer hardware and software		Exploration of mines		Lottery business		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**57**	51	**1,622**	2,713	**389,151**	1,024,443	**779,931**	–	**1,170,761**	1,027,207
Corporate and unallocated assets									**331,237**	9,637
Consolidated assets									**1,501,998**	1,036,844
Segment liabilities	**80**	80	**307**	307	**79**	79	**780,721**	–	**781,187**	466
Corporate and unallocated liabilities									**8,874**	1,396
Consolidated liabilities									**790,061**	1,862

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than pledged bank deposit and other unallocated head office and corporate assets. Goodwill and other intangible assets are allocated to reportable segments; and

– all liabilities are allocated to reportable segments other than other unallocated head office and corporate liabilities.

Other segment information

	Staff secondment		Trading of computer hardware and software		Exploration of mines		Lottery business		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**–**	–	**5**	4	**2**	2	**126**	–	**133**	6
Unallocated depreciation									**198**	120
Total depreciation									**331**	126
Share of loss of an associate	**–**	–	**–**	–	**–**	–	**50**	–	**50**	–
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**10**	–	**10**	–
Loss on early redemption of promissory note	**–**	–	**–**	–	**–**	–	**11,520**	–	**11,520**	–
Loss on redemption of convertible bonds	**–**	–	**–**	–	**–**	969	**–**	–	**–**	969
Effective interest on convertible bonds	**–**	–	**–**	–	**–**	–	**11,301**	–	**11,301**	–
Effective interest on promissory note	**–**	–	**–**	–	**–**	–	**32,548**	–	**32,548**	–
Amortisation of other intangible assets	**–**	–	**–**	–	**–**	–	**23,863**	–	**23,863**	–
Impairment loss of goodwill	**–**	–	**–**	–	**674,000**	127,400	**408,300**	–	**1,082,300**	127,400
Impairment loss of other intangible assets	**–**	–	**–**	–	**–**	287,020	**1,629,552**	–	**1,629,552**	287,020
Additions to non-current assets	**–**	–	**3**	11	**41**	1,086	**2,309,041**	–	**2,309,085**	1,097
Unallocated									**465**	1,406
Total additions to non-current assets									**2,309,550**	2,503

Geographical information

The Group's operations are located in two principal geographical areas – the PRC and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**93**	164	**526**	259
PRC	**2,582**	1,893	**1,150,961**	1,024,374
	2,675	2,057	**1,151,487**	1,024,633

* Non-current assets excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts.

4. REVENUE

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

	2010	2009
	HK$'000	*HK$'000*
Staff secondment income	**93**	164
Sale of lottery equipment	**444**	–
Sale of computer hardware and software	**2,138**	1,893
	2,675	2,057

5. OTHER INCOME AND GAINS

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**216**	8
Gain on disposal of a subsidiary	**–**	45
Gain on disposal of property classified as held for sale	**–**	18
Sundry income	**118**	–
	334	71

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Effective interest on convertible bonds	**11,301**	21,280
Effective interest on promissory note	**32,548**	–
	43,849	21,280

7. INCOME TAX CREDIT

Income tax recognised in profit or loss

	2010	2009
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**8**	13
Deferred tax:		
Current year	**(237,441)**	(44,257)
Total income tax recognised in profit or loss	**(237,433)**	(44,244)

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

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 15% and 25% (2009: 25%). Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

8. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Cost of goods sold	**2,091**	1,723
Cost of services provided *(Note (i))*	**83**	144
Auditors' remuneration	**800**	350
Employee benefit expense (excluding Directors' emoluments) *(Note (ii))*	**6,343**	3,348
Directors' emoluments	**11,043**	3,940
	17,386	7,288
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	**1,091**	648
– Colour printer	**14**	17
Net foreign exchange loss	**531**	5
Depreciation of property, plant and equipment	**331**	126
Amortisation of other intangible assets *(Note (iii))*	**23,863**	–
Loss on redemption of convertible bonds *(Note (iii))*	**–**	969
Loss on disposal of property, plant and equipment *(Note (iii))*	**10**	–

Notes:

(i) Cost of services provided included HK$83,000 (2009: HK$144,000) relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

(ii) Employee benefit expense (excluding Directors' emoluments) included equity-settled share option expense of Nil (2009: HK$1,184,000) disclosed above.

(iii) Amortisation of other intangible assets, loss on redemption of convertible bonds and loss on disposal of property, plant and equipment are included in other operating expenses.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$1,887,273,000 (2009: HK$365,512,000) and on the weighted average number of approximately 5,013,891,000 (2009: 3,151,654,000) ordinary shares of the Company in issue during the year.

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 and convertible bonds since their exercise and conversion would have an anti-dilutive effect.

10. GOODWILL

	2010	2009
	HK$'000	*HK$'000*
COST		
Balance at beginning of year	**1,129,598**	1,134,000
Additional amounts recognised from business combinations occurred during the year	**432,378**	–
Effect of foreign currency exchange differences	**54,549**	(4,402)
Balance at end of year	**1,616,525**	1,129,598
ACCUMULATED IMPAIRMENT LOSSES		
Balance at beginning of year	**(127,400)**	–
Impairment loss recognised in the year	**(1,082,300)**	(127,400)
Effect of foreign currency exchange differences	**(4,809)**	–
Balance at end of year	**(1,214,509)**	(127,400)
CARRYING AMOUNTS		
Balance at 31 December	**402,016**	1,002,198

11. OTHER INTANGIBLE ASSETS

Group

	Exploration and evaluation assets *HK$'000*	Concession rights *HK$'000*	Supply contract *HK$'000*	Total *HK$'000*
Cost				
Balance at 1 January 2009	21,365	–	287,020	308,385
Additions	1,086	–	–	1,086
Effect of foreign currency exchange differences	(293)	–	–	(293)
Balance at 31 December 2009	22,158	–	287,020	309,178
Additions	41	–	–	41
Acquisitions through business combinations	–	2,306,800	–	2,306,800
Effect of foreign currency exchange differences	837	70,760	–	71,597
Balance at 31 December 2010	**23,036**	**2,377,560**	**287,020**	**2,687,616**
Accumulated amortisation and impairment				
Balance at 1 January 2009	–	–	–	–
Impairment losses recognised in the year	–	–	(287,020)	(287,020)
Balance at 31 December 2009	–	–	(287,020)	(287,020)
Amortisation expense	–	(23,863)	–	(23,863)
Impairment losses recognised in the year	–	(1,629,552)	–	(1,629,552)
Effect of foreign currency exchange differences	–	(284)	–	(284)
Balance at 31 December 2010	**–**	**(1,653,699)**	**(287,020)**	**(1,940,719)**
Carrying amounts				
Balance at 31 December 2010	**23,036**	**723,861**	**–**	**746,897**
Balance at 31 December 2009	22,158	–	–	22,158

12. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**–**	41
Prepayments, deposits and other receivables	**1,672**	539
	1,672	580

The Group allows a credit period of 45 days to its trade customers. The following is an ageing analysis of net trade receivables at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**–**	13
31 – 60 days	**–**	14
61 – 90 days	**–**	14
	–	41

The ageing analysis of trade receivables that are not impaired is as follows:

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**–**	27
Past due but not impaired	**–**	14
	–	41

13. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**5**	–
Other payables and accruals	**13,023**	1,851
	13,028	1,851

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

	2010	2009
	HK$'000	*HK$'000*
0 – 60 days	**2**	–
61 – 90 days	**1**	–
Over 90 days	**2**	–
	5	–

14. CONVERTIBLE BONDS

The movement of the liability component of the convertible bonds for the year is set out below:

	HK$'000
At 1 January 2009	319,150
Interest charged calculated at an effective interest rate of 11.82%	21,280
Redemption	(3,208)
Arising from exercise of convertible bonds	(337,222)
At 31 December 2009 and 1 January 2010	–
Issue during the year	358,290
Interest charged calculated at an effective interest rate of 17.35%	11,301
Arising from exercise of convertible bonds	(278,647)
At 31 December 2010	**90,944**

15. PROMISSORY NOTE

Under the terms of the promissory note, the promissory note with principal amount of HK$1,200,000,000 is unsecured, interest bearing at 0.15% per annum and has a maturity period 5 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company at its principal amount and accrued interest up to the redemption date. The promissory note was issued as part of the consideration for the Acquisition (as defined below) and was fair valued at initial recognition with an effective interest rate of 17.35% per annum.

During the year ended 31 December 2010, the Company early redeemed part of the promissory note with a principal amount of approximately HK$29,000,000 and incurred an early redemption loss of approximately HK$11,520,000.

Subsequent to the end of the reporting period, the Company early redeemed part of the promissory note with a principal amount of approximately HK$100,000,000.

16. SHARE CAPITAL

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.001 each:		
Authorised:		
Ordinary shares of HK$0.001 each		
At 31 December 2009 and 2010	100,000,000	100,000
Issued and fully paid:		
At 1 January 2009	2,796,500	2,797
Exercise of share options *(Note (i))*	165,930	166
Exercise of convertible bonds *(Note (ii))*	663,425	663
At 31 December 2009 and 1 January 2010	3,625,855	3,626
Exercise of share options *(Note (i))*	142,110	142
Exercise of convertible bonds *(Note (ii))*	2,527,500	2,527
Issue of new ordinary shares *(Note (iii))*	2,563,710	2,564
Issuance of consideration shares *(Note (iv))*	200,000	200
At 31 December 2010	**9,059,175**	9,059

Notes:

(i) Exercise of share options

Share options were exercised by option holders during the year ended 31 December 2009 to subscribe for a total of 165,930,000 shares of HK$0.001 each by payment of subscription monies of approximately HK$12,086,000, of which approximately HK$166,000 was credited to share capital and the balance of approximately HK$11,920,000 was credited to the share premium account.

Share options were exercised by option holders during the year ended 31 December 2010 to subscribe for a total of 142,110,000 shares of HK$0.001 each by payment of subscription monies of approximately HK$17,569,000, of which approximately HK$142,000 was credited to share capital and the balance of approximately HK$17,427,000 was credited to the share premium account.

(ii) Exercise of convertible bonds

During the year ended 31 December 2009, 663,425,000 ordinary shares of HK$0.001 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.80 per share.

During the year ended 31 December 2010, 2,527,500,000 ordinary shares of HK$0.001 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.24 per share.

(iii) Issue of new ordinary shares

On 15 March 2010, the Company entered into a placing agreement with Cinda International Capital Limited in relation to the placing of up to 559,200,000 then new ordinary shares of the Company to placees at HK$0.105 per placing share. Completion of such placing took place on 25 March 2010, pursuant to which the Company allotted and issued 559,200,000 shares to not less than six placees at the placing price of HK$0.105 per placing share. The net proceeds from such placing were approximately HK$58 million which had been used for general working capital of the Group and the acquisition of the entire issued share capital of Pearl Sharp Limited pursuant to an acquisition agreement dated 13 May 2010 as partial consideration. Details of such placing were set out in the announcements of the Company dated 15 March 2010 and 25 March 2010 and details of such acquisition were set out in the announcement of the Company dated 24 June 2010 and the circular of the Company dated 30 July 2010.

On 25 August 2010, Mr. Leung Ngai Man ("**Mr. Leung**"), the chairman and an executive Director entered into a placing agreement with Samsung Securities (Asia) Limited and the Company. Pursuant to such placing agreement, Mr. Leung agreed to place, through the placing agent, 588,405,000 then existing shares of the Company at the placing price of HK$0.143 per placing share to not less than six placees which are independent investors. Pursuant to the subscription agreement entered into between the Company and Mr. Leung on the even date, Mr. Leung conditionally agreed to subscribe for 588,405,000 subscription shares at the subscription price of HK$0.143 per subscription share. Completion of the placing and the subscription took place on 30 August 2010 and 3 September 2010 respectively in accordance with the terms and conditions of the placing agreement and the subscription agreement. The net proceeds from such placing were approximately HK$82 million which had partly been used for general working capital of the Group and partly was intended to be used for funding the acquisition of 65% of the equity interest in 北京市彩贏樂科技有限公司 (Beijing Caiyingle Technology Company Limited being its unofficial English name) and capital investment in such company pursuant to an acquizition agreement dated 6 November 2010. Details of such placing were set out in the announcements of the Company dated 26 August 2010 and 3 September 2010 and details of such acquisition were set out in the announcements of the Company dated 21 October 2010 and 8 November 2010.

On 7 December 2010, a placing and subscription agreement was entered into amongst Mr. Leung, the Company and Daiwa Capital Markets Hong Kong Limited, pursuant to which the placing agent had agreed to place up to 1,416,114,049 placing shares held by Mr. Leung to independent third parties who are not connected persons of the Company or Mr. Leung at HK$0.20 per placing share. Pursuant to such placing and subscription agreement, the Company has conditionally agreed to allot and issue the subscription shares (the number of which should be equivalent to the placing shares actually sold by Mr. Leung under the placing) at HK$0.20 per subscription share. Completion of the placing and the subscription took place on 9 December 2010 and 14 December 2010 respectively, pursuant to which the Company allotted and issued 1,416,105,000 existing shares to not less than six placees at the placing price of HK$0.20 per placing share. The net proceeds from the subscription amounted to approximately HK$276 million. The Company intended to use the net proceeds for future potential business acquisitions and for general working capital of the Group. Details of such placing were set out in the announcements of the Company dated 8 December 2010 and 14 December 2010.

(iv) Issuance of consideration shares

On 27 August 2010, 200,000,000 shares of HK$0.001 each (“**Consideration Shares**”) were issued to Mr. Leung as part of the consideration for the Acquisition (as defined below). The 200,000,000 Consideration Shares were recorded at HK$0.168 each, being the published share price available at the date of completion of the Acquisition (as defined below). The 200,000,000 Consideration Shares of HK$0.001 each rank pari passu in all respects with the existing issued shares of the Company.

EVENTS AFTER THE REPORTING PERIOD

The name of the Company has been changed from “China Metal Resources Holdings Limited 中國金屬資源控股有限公司” to “China Netcom Technology Holdings Limited 中彩網通控股有限公司”. The certificate of incorporation on change of name has been issued by the Registrar of Companies in the Cayman Islands on 10 December 2010 and the certificate of registration of change of corporate name of non-Hong Kong company has been issued by the Registrar of Companies in Hong Kong on 6 January 2011.

On 5 January 2011, 4,000,000 Shares were allotted and issued to a consultant of the Group due to the exercise of 4,000,000 share options at the exercise price of HK$0.2656 which were granted on 10 July 2008.

On 20 January 2011, 4,000,000 Shares were allotted and issued to a consultant of the Group due to the exercise of 4,000,000 share options at the exercise price of HK$0.1176 which were granted on 10 December 2009.

On 27 January 2011, 5,000,000 Shares were allotted and issued to a consultant of the Group due to the exercise of 5,000,000 share options at the exercise price of HK$0.1176 which were granted on 10 December 2009.

BUSINESS REVIEW

Memorandum of understanding

On 23 December 2010, Multi Joy Corporation Limited (“**Multi Joy**”), a wholly-owned subsidiary of the Company entered into a memorandum of understanding (“**MOU**”) with China Digital Library Limited Company (中國數字圖書館有限責任公司) (“**China Digital Library**”), an independent third party and a company authorised by the State Council (國務院) and established by the Ministry of Culture (文化部) and National Library of China (中國國家圖書館), pursuant to which both parties agree to establish a joint venture company in the PRC (“**JV Company**”) to engage in an internet protocol television (“**IPTV**”) project. Details of the MOU were set out in the announcement of the Company dated 29 December 2010.

Acquisition of interests and capital investment in 北京市彩贏樂科技有限公司 (Beijing Caiyingle Technology Company Limited, being its unofficial English name)

On 6 November 2010, Media Hong Kong Investment Limited ("**Purchaser**"), a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement ("**Agreement**") with the owners of 北京市彩贏樂科技有限公司 (Beijing Caiyingle Technology Company Limited, being its unofficial English name) ("**Target Company**") namely the First Vendor who holds 60% of the Target Company and the Second Vendor who holds 40% of the Target Company, pursuant to which the Purchaser has agreed to purchase from the First Vendor and the Second Vendor their 25% and 40% interests in the Target Company for a consideration of RMB2,980,769 and RMB4,769,231 respectively ("**Transfer**"). On the same day, the Purchaser and the First Vendor entered into an increase in registered capital agreement, pursuant to which the Purchaser and the First Vendor agreed to increase the registered capital of the Target Company in proportion to their equity interest from RMB5,000,000 to RMB14,285,700 ("**Increase**"). Details of the Transfer and Increase were set out in the announcements of the Company dated 21 October 2010 and 8 November 2010.

As at the date of this announcement, an official written approval regarding the Transfer and Increase was received from 北京市商務委員會(the Beijing Municipal Commission of Commerce).

Very substantial acquisition and connected transaction in relation to the acquisition of 深圳環彩普達科技有限公司 (Shenzhen Huancai Puda Technology Company Limited, being its unofficial English name) ("Shenzhen Huancai")

On 13 May 2010, Easywin International Holdings Limited ("**Easywin**"), a wholly-owned subsidiary of the Company entered into an acquisition agreement ("**Acquisition Agreement**") with Mr. Leung, pursuant to which Easywin has conditionally agreed to acquire and Mr. Leung, being a connected person by virtue of him being a Director and a substantial Shareholder holding approximately 16.27% of the then issued share capital of the Company, has conditionally agreed to dispose of the entire issued share capital of Pearl Sharp Limited which in turn holds Greatest Profit Investment Limited which owns 51% of the registered and paid up capital of Shenzhen Huancai ("**Acquisition**"), at a total consideration of HK$2,112.5 million. Details of the Acquisition were set out in the announcements of the Company dated 8 June 2010, 24 June 2010, 16 August 2010 and 27 August 2010 and the circular of the Company dated 30 July 2010.

The Group continuously developed its existing business of trading of computer hardware and software and exploration of mine. With the backdrop of great potential on the development of both virtual and traditional lottery industry in the PRC, the Group has made entry into the PRC lottery industry. During the second half of 2010, the Group had acquired 51% equity interests in Shenzhen Huancai, a leading company that provides technology for innovative channels for the distribution of lottery sales; and undergoing to acquire 65% equity interests in the Target Company, a fast growing company that is expanding its sports lottery sales distribution across the PRC airports.

Financial review

Liquidity and financial resources

For the year, the Group's audited revenue and the loss attributable to owners of the Company were approximately HK$2,675,000 and HK$1,887,273,000 respectively, representing an increase of approximately HK$618,000 and an increase of approximately HK$1,521,761,000 respectively as compared with the audited revenue of approximately HK$2,057,000 and the loss attributable to owners of the Company of approximately HK$365,512,000 for the year ended 31 December 2009. Such increase of revenue was due to a significant rise in the revenue of the business segment of trading of computer hardware and software.

The Group financed its operations through the cash flow generated from the exercise of share options and share placings during the year. The Group adopted a conservative financial management and treasury policy and will continue to apply such policy in the coming year. The majority of bank balances are denominated in Hong Kong dollars and put in short term deposits. As at 31 December 2010, the Group had cash and bank balances of approximately HK$348,172,000 (2009: HK$11,422,000). The increase of cash and bank balances was mainly due to the placings of shares during the year. As at 31 December 2010, the Group had approximately HK$776,818,000 non-current liabilities (2009: Nil) as stated in the consolidated statement of financial position.

Impairment loss

With reference to the audited accounts, the amount of the impairment loss (goodwill and intangible assets) attributable to the owners of the Company amount to HK$1,913 million, which, (a) as to HK$674 million mainly due to decrease in the valuation of the Gold Mine located at Luoxi City, Yunnan Province, the PRC; and (b) as to HK$1,239 million mainly due to the decrease in valuation of the lottery business acquired by the Group in 2010. Further details of such impairment loss were set out in the announcement of the Company dated 10 February 2011.

Capital structure

As at 31 December 2010, the Company's total number of issued shares was 9,059,175,247 ordinary shares of HK$0.001 each (2009: 3,625,855,247 shares).

Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: Nil).

Prospect

The PRC lottery market is witnessing unprecedented opportunities. The new measure introduced by the PRC Government has created a clear and direct framework for all industry participants, while the opening of the "lottery game" market offers market participants new growth opportunities.

Looking forward, the Group will take advantage of such opportunities to expand our footprints in the varied businesses. The Group will continue to capture opportunities to acquire lottery game companies and develop more innovative sales channels. Besides, the Group intends to develop ancillary businesses that complement our strategy to become a leading player in the China lottery industry, both in distribution and development of new lottery games. These ancillary businesses that we develop will be able to complement the suite of businesses that we offer to consumers.

AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. During the year, the following persons served as the members of the Audit Committee:

Dr. Leung Wai Cheung
Mr. Cai Wei Lun
Mr. Gao Shikui (resigned on 31 March 2010)
Mr. Wang Jun Sui (appointed on 30 June 2010 and resigned on 28 October 2010)

The Audit Committee has two members comprising the two independent non-executive Directors. As at the date of this announcement, the Audit Committee comprises Dr. Leung Wai Cheung (Chairman of the Audit Committee) and Mr. Cai Wei Lun.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. During the year, the Audit Committee held four meetings. The annual results of the Group for the year ended 31 December 2010 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and the legal requirements, and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("**Code**") contained in Appendix 15 to the GEM Listing Rules except the following:

1. Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated 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 and implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders of the Company.

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 who 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 in order to comply with the Code.

2. Code provision A.3 stipulates that the board of directors of a listed issuer must include three independent non-executive Directors.

   Following the resignation of Mr. Wang Jun Sui on 28 October 2010, the number of independent non-executive Directors and Audit Committee members fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules respectively during the year.

   Subsequent to the resignation of Mr. Wang Jun Sui, the Company is still looking for a suitable candidate to fill the vacancy in order to comply with the Code and the GEM Listing Rules.

A Corporate Governance Report will be included in the annual report to be published by the Company in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

Hong Kong, 14 February 2011