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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)

**CONNECTED AND SHARE TRANSACTION:
ACQUISITION OF THE ENTIRE EQUITY INTERESTS OF CIL AND MIL**

On 2 March 2011, the Purchaser (being a wholly-owned subsidiary of the Company), the Vendor and the Warrantors entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the CIL Share and MIL Shares, at the Consideration of RMB73,500,000 (equivalent to approximately HK\$86,982,000). The sole asset of CIL and MIL is their respective 30.87% and 18.13% equity interests (collectively 49%) of Huancai Puda. The remaining 51% equity interest of Huancai Puda is owned by the Purchaser. Upon completion, Huancai Puda would become an indirect wholly owned subsidiary of the Company.

Pursuant to the terms of the Acquisition Agreement, the Consideration shall be satisfied as to RMB10,800,000 (equivalent to approximately HK\$12,781,000) in cash and as to RMB62,700,000 (equivalent to approximately HK\$74,201,000) to be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares, credited as fully paid at the Issue Price, on Completion to the Vendor.

Since the Acquisition may or may not proceed, investors are advised to exercise caution when dealing in the Shares.

Each of CIL and MIL is a substantial shareholder of Huancai Puda. CIL and MIL are wholly owned subsidiaries of the Vendor, the entire equity interests of which are beneficially owned by the Warrantors. The Vendor is an associate of CIL and MIL and accordingly a connected person of the Company. Mr. Lin Zhiwei, one of the Warrantors, is a director of Huancai Puda and a connected person of the Company. One or more of the applicable percentage ratios (other than the profits ratio) calculated under the GEM Listing Rules with respect to the Acquisition exceed 1% but is less than 5%. As Consideration Shares will be issued to settle part of the Consideration, the Acquisition is a share transaction and a non-exempt connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, the Vendor, Mr. Lin Zhiwei and their associates will abstain from voting on the resolution to approve the Acquisition and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

The Circular containing, among other matters, further details of the Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and a notice convening the EGM will be despatched to the Shareholders on or before 31 May 2011.

THE ACQUISITION AGREEMENT

Date: 2 March 2011 (after trading hours)

Parties:

Purchaser: Greatest Profit Investment Limited (信陞投資有限公司), an indirect wholly owned subsidiary of the Company and an investment holding company.

Vendor: Century Profit Holdings Limited (世盈控股有限公司), a company incorporated in the BVI, the entire equity interests of which are beneficially owned by the Warrantors and an investment holding company.

Warrantors: Mr. Lin Zhiwei and the other two beneficial shareholders of the Vendor, who are Independent Third Parties. Mr. Lin Zhiwei is a director of Huancai Puda and therefore a connected person of the Company.

CIL and MIL are wholly owned by the Vendor. The sole asset of CIL and MIL is their respective 30.87% and 18.13% equity interests (collectively 49%) of Huancai Puda. The remaining 51% equity interest of Huancai Puda is owned by the Purchaser. Each of CIL and MIL is a substantial shareholder of Huancai Puda, as such the Vendor is an associate of CIL and MIL and a connected person of the Company.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the CIL Share and MIL Shares (being the entire issued share capital of CIL and MIL).

Consideration

Pursuant to the terms of the Acquisition Agreement, the Consideration of RMB73,500,000 (equivalent to approximately HK\$86,982,000) shall be settled in the following manner:

- (i) an amount of RMB7,350,000 (equivalent to approximately HK\$8,698,000) as the Deposit and (if the Acquisition is completed) part of the Consideration to be paid by the Purchaser to the Vendor within 5 days after the signing of the Acquisition Agreement. Payment shall be made by bank draft or such other means as agreed by the Vendor and the Purchaser;
- (ii) an amount of RMB3,450,000 (equivalent to approximately HK\$4,083,000) as part of the Consideration to be paid by the Purchaser to the Vendor within 10 business days after Completion. Payment shall be made by bank draft or such other means as agreed by the Vendor and the Purchaser; and
- (iii) RMB62,700,000 (equivalent to approximately HK\$74,201,000) shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares, credited as fully paid at the Issue Price, within 10 business days after Completion to the Vendor.

The Consideration Shares will represent approximately 2.74% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Directors believe that the terms of the Acquisition are fair and reasonable and in the interest of the Shareholders as a whole.

The Consideration was determined by the Vendor and the Purchaser on the basis of normal commercial terms and arm's length negotiations by reference to the further business and growth potential of Huancai Puda.

Delivery of the Consideration Shares

Delivery of the Consideration Shares by the Purchaser to the Vendor is subject to the following terms:

- (i) within 10 business days after Completion, the Purchaser shall deliver to the Vendor 85,288,717 new Shares, representing part of the Consideration in the amount of RMB20,900,000 (equivalent to approximately HK\$24,734,000). Furthermore, the Purchaser, the Vendor and an escrow agent shall enter into the Escrow Agreement in relation to the custody of the remaining part of Consideration Shares, being 170,577,432 Shares, not yet delivered by the Purchaser to the Vendor;
- (ii) 365 days after Completion, the Purchaser shall within five business days direct the escrow agent to deliver 85,288,716 Shares, representing part of the Consideration in the amount of RMB20,900,000 (equivalent to approximately HK\$24,734,000), to the Vendor. As approved by the board of directors of the Purchaser, release of such Consideration Shares can be prior to 365 days after Completion. Any adjustment in this respect shall be made by the escrow agent upon receipt of the written notice jointly signed by the Purchaser and the Vendor;
- (iii) 730 days after Completion, the Purchaser shall within five business days direct the escrow agent to deliver 85,288,716 Shares, representing the balance part of the Consideration in the amount of RMB20,900,000 (equivalent to approximately HK\$24,734,000) and being the remaining number of the Consideration Shares kept in the safe custody of the escrow agent, to the Vendor.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (1) all necessary consents and approvals required to be obtained on the part of CIL, MIL, the Vendor, the Purchaser and the Warrantors in respect of the Acquisition Agreement and the transactions contemplated thereby;
- (2) the warranties of the Vendor and the Warrantors contained in the Acquisition Agreement remaining true and accurate in all respects, and the Vendors and Warrantors having complied with all of its obligations under the Acquisition Agreement;
- (3) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the Consideration Shares;
- (4) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the Acquisition Agreement and the transactions contemplated thereby, including but not limited to, the allotment and issue of the Consideration Shares to the Vendor;

- (5) the Stock Exchange or the Securities and Futures Commission in Hong Kong (if applicable) not deeming the transactions contemplated under the Acquisition Agreement as a “reverse takeover” under the GEM Listing Rules or not triggering the obligation to make a mandatory general offer pursuant to the Takeovers Code;
- (6) the delivery to the Purchaser of a PRC legal opinion (in the form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the Acquisition Agreement and the transactions contemplated thereby and Huancai Puda;
- (7) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of CIL and MIL; and
- (8) the obtaining of a production for lottery sales terminal network entry permit (in the form and substance satisfactory to the Purchaser) to be issued in the name of Huancai Puda by the relevant PRC lottery regulatory authority.

The Purchaser has the right to waive all of the above conditions in part or in full, except for conditions numbered (1), (3), (4) and (5). In the event that the above conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 360 days after the date of the Acquisition Agreement or such later date as the Vendor and the Purchaser may agree in writing, the Acquisition Agreement shall cease and determine and neither party shall have any obligations towards each other.

The Directors confirm that as at the date of this announcement, none of the above conditions have been fulfilled and the Purchaser has no intention to waive any of the above conditions which are capable of being waived.

Completion

Completion shall take place on the Completion Date.

Upon Completion, CIL and MIL will become wholly-owned subsidiaries of the Company and the financial results of the CIL and MIL will be consolidated into the consolidated financial statements of the Company. Further, Huancai Puda will also become a wholly-owned subsidiary of the Company.

THE CONSIDERATION SHARES

The Consideration Shares will be issued at the Issue Price of HK\$0.29 per Consideration Share, credited as fully paid. They will be issued to satisfy a portion (being RMB62,700,000 (equivalent to approximately HK\$74,201,000)) of the entire Consideration. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

The Consideration Shares will be issued pursuant to the specific mandate to be sought at the EGM. As illustrated in the table set out under the paragraph headed “Changes in shareholding structure of the Company” below, 255,866,149 Consideration Shares represent approximately 2.82% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.74% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price:

- (i) equals to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 3.57% over the average of the closing prices of HK\$0.28 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 1.36% to the average of the closing prices of HK\$0.294 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

There is no provision in the Acquisition Agreement which restricts the Vendor from disposing of the Consideration Shares.

Since the Acquisition may or may not proceed, investors are advised to exercise caution when dealing in the Shares.

INFORMATION OF CIL AND MIL

CIL and MIL are investment holding companies. The sole asset of CIL and MIL is their respective 30.87% and 18.13% equity interest (collectively 49%) of Huancai Puda. The remaining 51% equity interest of Huancai Puda is owned by the Purchaser.

Huancai Puda is principally engaged in the provision and development of value-added operation software system related to lottery business, has accumulated extensive experiences in innovative sales channel development and operation service of lottery sales. Huancai Puda has developed various innovative sales systems and software including lottery sales through mobile phone networks, short-message-services of mobile phones, and interactive voice response system of telephones as well as lottery sales through banks' automatic-teller machines, self-service terminals, digital televisions ("DTV"), internet protocol television, and mobile terminals. The customers of Huancai Puda applied the innovative sales channel software developed by Huancai Puda for the acceptance of the lottery sales from public whereby Huancai Puda will receive service income from its customers in proportion to the amount of acceptance of the lottery sales through the relevant innovative sales channels.

According to the unaudited financial statements of CIL, the net liabilities of the CIL as at 31 December 2010 is approximately HK\$20,000. The unaudited net loss of CIL, before and after taxation and extraordinary items, for the period from 8 October 2010 (the date of incorporation) to 31 December 2010 are both approximately HK\$20,000.

According to the unaudited financial statements of MIL, the net asset value of MIL as at 31 December 2010 is approximately HK\$2,756,000. The approximate net profit/(loss) of MIL (both before and after taxation and extraordinary items) for the last two financial years immediately preceding the Acquisition are set out below:

	For the financial year ended 31 December 2010 (unaudited)	For the financial year ended 31 December 2009 (audited)
Net profit/(loss) of MIL (before taxation and extraordinary items but including other income)	4,459,763	(6,985,047)
Net profit/(loss) of MIL (after taxation and extraordinary items but including other income)	4,459,763	(6,985,047)

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the issue of the Consideration Shares are as follows:

Shareholders	As at the date of this announcement		Immediately after the issue of the Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Substantial Shareholders</i>				
Mr. Leung Ngai Man and parties acting in concert with him	2,540,684,400 ^(1 & 2)	28.01	2,540,684,400 ^(1 & 2)	27.24
<i>Director</i>				
Mr. Ng Kwok Chu, Winfield	472,500 ⁽³⁾	0.01	472,500 ⁽³⁾	0.01
<i>Consideration Shares to be issued</i>	—	—	255,866,149	2.74
Sub-total	2,541,156,900	28.02	2,797,023,049	29.99
Public Shareholders	6,531,018,347	71.98	6,531,018,347	70.01
Total	<u>9,072,175,247</u>	<u>100.00</u>	<u>9,328,041,396</u>	<u>100.00</u>

Notes:

1. Out of the 2,540,684,400 Shares, 1,474,400 Shares were held by Speedy Well Investments Limited (“**Speedy Well**”), a company wholly and beneficially owned by Mr. Leung Ngai Man, an executive Director. By virtue of the Securities and Futures Ordinance, Mr. Leung Ngai Man was deemed to be interested in the Shares held by Speedy Well.
2. Exclude 795,416,666 underlying Shares.
3. Exclude 10,000,000 underlying Shares.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the trading of computer hardware and software, exploration of gold mine and development of computer software, hardware and application system, sale of self-developed technology, provision of relevant technical consultancy services in the PRC, and development and provision of operation software system sector of the PRC lottery market.

Currently the Group owns 51% equity interest of Huancai Puda. Upon Completion, Huancai Puda will become a wholly owned subsidiary of the Company. The Acquisition provides the Group with the opportunity to consolidate its control in Huancai Puda and broaden the income base of the Group.

IMPLICATION OF THE ACQUISITION UNDER THE GEM LISTING RULES

Each of CIL and MIL is a substantial shareholder of Huancai Puda. CIL and MIL are wholly owned subsidiaries of the Vendor, as such the Vendor is as an associate CIL and MIL and a connected person of the Company. Mr. Lin Zhiwei, one of the Warrantors, is a director of Huancai Puda and a connected person of the Company. One or more of the applicable percentage ratios (other than the profits ratio) calculated under the GEM Listing Rules with respect to the Acquisition exceed 1% but is less than 5%. As Consideration Shares will be issued to settle part of the Consideration, the Acquisition is a share transaction and a non-exempt connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, the Vendor, Mr. Lin Zhiwei and their associates will abstain from voting on the resolution to approve the Acquisition and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

None of the Directors were required to abstain from voting on the resolution approving the Acquisition.

The Independent Board Committee will be established to consider the Acquisition and to advise the Independent Shareholders in relation to the terms of the Acquisition and on how to vote. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

GENERAL INFORMATION

The Circular containing, among other matters, further details of the Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and a notice convening the EGM, will be despatched to the Shareholders on or before 31 May 2011.

DEFINITIONS

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

“Acquisition”	the acquisition of the CIL Share and MIL Shares pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 2 March 2011 and entered into between the Purchaser, the Vendor and the Warrantors in respect of the Acquisition
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“CIL”	Carnix Investment Limited (嘉悦投資有限公司), a limited liability company incorporated in Hong Kong and a wholly owned subsidiary of the Vendor
“CIL Share”	one ordinary share having a nominal value of HK\$1 in the issued share capital of CIL, representing the entire issued share capital of CIL
“Circular”	the circular to be issued by the Company in relation to the Acquisition
“Company”	China Netcom Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement

“Completion Date”	the date of Completion, being the date falling three business days after all the conditions of the Acquisition Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being RMB73,500,000 (equivalent to approximately HK\$86,982,000)
“Consideration Shares”	255,866,149 new Shares to be allotted and issued by the Company at the Issue Price as partial Consideration
“Deposit”	the deposit of RMB7,350,000 (equivalent to approximately HK\$8,698,000) to be paid by the Purchaser to the Vendor within 5 days after the signing of the Acquisition Agreement, as partial Consideration
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Escrow Agreement”	the escrow agreement to be entered into between the Purchaser, the Vendor and an escrow agent in relation to the lock-up and keeping of safe custody by the escrow agent of the Consideration Shares pursuant to the terms of the Acquisition Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huancai Puda”	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 non-wholly owned subsidiary of the Company and an equity joint venture established under the PRC laws on 9 November 2006, and as at the date of this announcement, owned as to 51% by the Purchaser, 30.87% by CIL and 18.13% by MIL
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than the Vendor, Mr. Lin Zhiwei and their associates
“Independent Third Party”	a person who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“Issue Price”	the issue price of HK\$0.29 per Consideration Share as agreed between the Vendor and the Purchaser
“Last Trading Day”	2 March 2011, being the last trading day for the Shares before the date of this announcement
“MIL”	Mutual International Limited (普達國際有限公司), a limited liability company incorporated in Hong Kong and a wholly owned subsidiary of the Vendor
“MIL Shares”	17,144,400 ordinary shares having a nominal value of HK\$1 each in the issued share capital of MIL, representing the entire issued share capital of MIL
“parties acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Greatest Profit Investment Limited (信陞投資有限公司), a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Code on Takeovers and Mergers
“Vendor”	Century Profit Holdings Limited (世盈控股有限公司), a company incorporated in the BVI, the entire equity interests of which are beneficially owned by the Warrantors
“Warrantors”	Mr. Lin Zhiwei and the other two beneficial shareholders of the Vendor, who are Independent Third Parties
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.845 to HK\$1.

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

Hong Kong, 2 March 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 for a minimum period of 7 days from the date of its publication and on the Company’s website at www.chinanetcomtech.com.