



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)

First Quarterly Report
2011

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 report, 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 (“**GEM Listing Rules**”) of the Stock Exchange 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.*

HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2011 was approximately HK\$671,000 with an increase of approximately HK\$131,000 as compared with that for the corresponding period in 2010.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$83,350,000 for the three months ended 31 March 2011, which was increased by approximately HK\$77,480,000 as compared with that for the corresponding period in 2010.
- The unaudited loss per share for loss attributable to the owners of the Company was approximately HK\$0.92 cents for the three months ended 31 March 2011.

RESULTS

The board of Directors (“**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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011

		Three months ended 31 March	
	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue	3	671	540
Cost of sales		(1,162)	(490)
Gross (loss)/profit		(491)	50
Other income and gains		322	12
Administrative expenses		(8,549)	(5,981)
Loss on early redemption of promissory note		(51,960)	–
Finance costs	4	(24,529)	–
Share of loss of an associate		(14)	–
Loss before income tax		(85,221)	(5,919)
Income tax credit/(expense)	5	606	(5)
Loss for the period	6	(84,615)	(5,924)
Other comprehensive income/(expense), net of income tax			
Exchange differences on translating foreign operations		7,187	(170)
Share of other comprehensive income of an associate		2	–
Other comprehensive income/(expense) for the period, net of income tax		7,189	(170)
Total comprehensive expense for the period		(77,426)	(6,094)

	Three months ended	
	31 March	
	2011	2010
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:		
Owners of the Company	(83,350)	(5,870)
Non-controlling interests	(1,265)	(54)
	<u>(84,615)</u>	<u>(5,924)</u>
Total comprehensive income/(expense)		
attributable to:		
Owners of the Company	(78,640)	(6,047)
Non-controlling interests	1,214	(47)
	<u>(77,426)</u>	<u>(6,094)</u>
Loss per share for loss attributable		
to owners of the Company	<i>7</i>	
– Basic and diluted (HK cents per share)	<u>(0.92)</u>	<u>(0.17)</u>

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated statement of comprehensive income of the Group for the three months ended 31 March 2011 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**”) and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. It has been prepared under historical cost convention.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the unaudited consolidated statement of comprehensive income for the three months ended 31 March 2011 are consistent with those used in the preparation of the Company’s annual financial statements for the year ended 31 December 2010.

From 1 January 2011, the Group has adopted all the new and revised HKFRSs, which are first effective on 1 January 2011 and relevant to the Group. The adoption of the new and revised HKFRSs did not result in any significant changes to the Group’s accounting policies and to the amounts or disclosures in the unaudited consolidated statement of comprehensive income.

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 24 (as revised in 2009)	Related Party Disclosures ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ²
HKFRS 9	Financial Instruments ⁴
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ¹

¹ Effective for annual periods beginning on or after 1 January 2011.

² Effective for annual periods beginning on or after 1 July 2011.

³ Effective for annual periods beginning on or after 1 January 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 “Financial Instruments” (Issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (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 at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their 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 period 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 standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold and services rendered arising from the principal activities of the Group after elimination of all significant intra-group transactions.

4. FINANCE COSTS

	Three months ended	
	31 March	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Effective interest on convertible bonds	3,670	–
Effective interest on promissory note	20,859	–
	<hr/> 24,529 <hr/>	<hr/> – <hr/>

5. INCOME TAX (CREDIT)/EXPENSE

Income tax recognised in profit or loss

	Three months ended 31 March	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	–	5
Deferred tax:		
Current year	<u>(606)</u>	<u>–</u>
	<u>(606)</u>	<u>5</u>

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.

The subsidiaries in the People's Republic of China ("PRC") are subject to PRC Enterprise Income Tax at 15% and 25% (2010: 25%). 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 at 31 March 2011 and 31 March 2010.

6. LOSS FOR THE PERIOD

	Three months ended 31 March	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging/(crediting):		
Crediting:		
Bank interest income	<u>(321)</u>	<u>(4)</u>
Charging:		
Cost of goods sold	1,162	454
Cost of services provided*	–	36
Auditors' remuneration	200	80
Employee benefits expense (excluding Directors' emoluments):		
– Salaries and other benefits	1,623	419
– Contributions to retirement benefits scheme	63	10
– Equity-settled share-based payments	1,230	3,537
Directors' emoluments	1,829	864
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	402	222
Net foreign exchange loss	147	–
Depreciation	<u>126</u>	<u>53</u>

* For the three months ended 31 March 2010, cost of services provided included HK\$36,000 relating to employee benefits expense while nil was included for the three months ended 31 March 2011. Such amount is included in both "Cost of services provided" and "Employee benefits expense" disclosed above.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the unaudited loss for the period attributable to owners of the Company of approximately HK\$83,350,000 (2010: HK\$5,870,000) and on the weighted average number of approximately 9,069,753,025 (2010: 3,387,337,617) ordinary shares of the Company in issue during the period.

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 adopted by the Company on 29 June 2007 ("Share Option Scheme") and convertible bonds since their exercise and conversion would have an anti-dilutive effect.

8. CONVERTIBLE BONDS

Imputed interest expenses of approximately HK\$3,670,000 (three months ended 31 March 2010: Nil) has been recognised in the unaudited consolidated statement of comprehensive income in respect of the convertible bonds for the three months ended 31 March 2011.

As at 31 March 2011, the carrying amount of the liability component of the convertible bonds at amortised cost was approximately HK\$94,614,000 (31 March 2010: Nil).

9. PROMISSORY NOTE

During the three months ended 31 March 2011, the Company early redeemed part of the promissory note with a principal amount of approximately HK\$100,000,000 and incurred an early redemption loss of approximately HK\$51,960,000 (three months ended 31 March 2010: Nil).

10. RESERVES

	Attributable to owners of the Company									
	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated loss (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2010	1,475,357	1	-	18,486	(4,732)	(49)	(459,550)	1,029,513	1,843	1,031,356
Loss for the period	-	-	-	-	-	-	(5,870)	(5,870)	(54)	(5,924)
Other comprehensive income/ (expense) for the period	-	-	-	-	(177)	-	-	(177)	7	(170)
Total comprehensive expense for the period	-	-	-	-	(177)	-	(5,870)	(6,047)	(47)	(6,094)
Issue of new ordinary shares, net of share issue expense	57,716	-	-	-	-	-	-	57,716	-	57,716
Recognition of equity-settled share-based payments	-	-	-	3,537	-	-	-	3,537	-	3,537
Balance at 31 March 2010	<u>1,533,073</u>	<u>1</u>	<u>-</u>	<u>22,023</u>	<u>(4,909)</u>	<u>(49)</u>	<u>(465,420)</u>	<u>1,084,719</u>	<u>1,796</u>	<u>1,086,515</u>

Attributable to owners of the Company

	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bonds equity reserve (Unaudited) HK\$'000	Share options reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated loss (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2011	2,553,718	1	87,788	14,136	82,016	(49)	(2,345,705)	391,905	310,973	702,878
Loss for the period	-	-	-	-	-	-	(83,350)	(83,350)	(1,265)	(84,615)
Other comprehensive income for the period	-	-	-	-	4,710	-	-	4,710	2,479	7,189
Total comprehensive expense for the period	-	-	-	-	4,710	-	(83,350)	(78,640)	1,214	(77,426)
Recognition of equity-settled share-based payments	-	-	-	1,230	-	-	-	1,230	-	1,230
Issue of new ordinary shares under share option scheme	3,370	-	-	(795)	-	-	-	2,575	-	2,575
Balance at 31 March 2011	<u>2,557,088</u>	<u>1</u>	<u>87,788</u>	<u>14,571</u>	<u>86,726</u>	<u>(49)</u>	<u>(2,429,055)</u>	<u>317,070</u>	<u>312,187</u>	<u>629,257</u>

11. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months ended 31 March 2011, the Group recorded an unaudited revenue of approximately HK\$671,000, with an increase of approximately HK\$131,000 as compared with that for the corresponding period in 2010. During the three months ended 31 March 2011, the revenue of the Group was primarily derived from trading of computer hardware and software and lottery business. The increase in revenue is mainly due to the rise in income from lottery business.

For the three months ended 31 March 2011, the unaudited loss attributable to owners of the Company increased by approximately HK\$77,480,000 as compared with that for the corresponding period in 2010. The difference was mainly because of the increase in expense for the loss on early redemption of promissory note and finance cost for the three months ended 31 March 2011.

In January 2011, the name of the Company has been changed to China Netcom Technology Holdings Limited which is a benchmark of the Group striving to become one of the leading players in the PRC lottery industry.

On 2 March 2011, 深圳環彩普達科技有限公司 (Shenzhen Huancai Puda Technology Company Limited, being its unofficial English name) (“**Huancai Puda**”), a subsidiary in which the Company has controlling interest, entered into of a letter of intent (“**Letter of Intent**”) with Hainan Province Welfare Lottery Issuing Centre, pursuant to which both parties agreed to commence short messages, tones, interactive voice responses (IVR) and other services of phones (including mobile phones and fixed-line phones) as well as mobile phone welfare lottery sales service within the administrative region of Hainan Province. Further details were set out in the announcement of the Company dated 7 March 2011.

Also on 2 March 2011, Greatest Profit Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into of an acquisition agreement (“**Acquisition Agreement**”) with Century Profit Holdings Limited (“**Vendor**”), which is beneficially owned by Mr. Lin Zhiwei, who is a director of Huancai Puda, and the other two beneficial shareholders of the Vendor, who are the independent third parties. Pursuant to the Acquisition Agreement such subsidiary has conditionally agreed to acquire 49% equity interest of Huancai Puda at the consideration of RMB73,500,000 (equivalent to approximately HK\$86,982,000). Since the remaining 51% equity interest of Huancai Puda is owned by the Group, Huancai Puda would therefore become an indirect wholly-owned subsidiary of the Company upon completion. This is the hallmark of our acquisition strategy whereby we ensure our shareholders’ interest are aligned and that management is committed to achieving satisfactory results for the Group. Further details of this transaction were set out in the announcements of the Company dated 2 March 2011 and 9 March 2011.

Prospect

The PRC's lottery market remains in persistent growth, and together with the support of sports and welfare programmes, and the favorable new measures by the PRC Government, the Group is committed to continuously exploring opportunities in the PRC's lottery market. In early 2011, Huancai Puda has entered into the Letter of Intent for the development of telephone welfare lottery sales system in Hainan. This is the first of many initiatives that we hope to undertake in Hainan Province. Hainan Province is classified as a Special Economic Zone in the PRC and we hope to take advantage of the excellent opportunities ahead that Hainan Province will provide.

The Group is actively negotiating on new contracts with the potential targets. Looking forward, leveraging on our edges, the Group aims to be one of the key players in the PRC's lottery industry within the next few years.

EVENTS AFTER THE REPORTING PERIOD

On 27 April 2011, the Board announced that all conditions precedent under the agreement dated 6 November 2010 ("**Sale and Purchase Agreement**") entered into between Media Hong Kong Investment Limited ("**Purchaser**"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, and the owners of 北京市彩赢乐科技有限公司 (Beijing Caiyingle Technology Company Limited, being its unofficial English Name) ("**Beijing Caiyingle**") namely the first vendor ("**First Vendor**") who held 60% of the Beijing Caiyingle and the second vendor who held 40% of the Beijing Caiyingle had been fulfilled and the Sale and Purchase Agreement was completed. Upon completion, Beijing Caiyingle became a 65%-owned subsidiary of the Company.

The registered capital of Beijing Caiyingle had also been increased from RMB5,000,000 to RMB14,285,700 and it remains owned as to 65% by the Purchaser and 35%-owned by the First Vendor after completion.

Capital structure

As at 31 March 2011, the Company had 9,076,175,247 ordinary shares of HK\$0.001 each (each a "**Share**") (31 March 2010: 4,185,055,247 Shares) in issue.

Issue of new Shares under the share option scheme adopted by the Company on 29 June 2007 ("**Share Option Scheme**")

On 5 January 2011, 4,000,000 Shares were allotted and issued to a consultant of the Group due to the exercise of 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 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 share options at the exercise price of HK\$0.1176 which were granted on 10 December 2009.

On 31 March 2011, 4,000,000 Shares were allotted and issued to a consultant of the Group due to the exercise of share options at the exercise price of HK\$0.1176 which were granted on 10 December 2009.

Grant of share options

On 15 February 2011, the Company granted 15,000,000 share options to an employee of the Group at an exercise price of HK\$0.333 per Share. The share options would be exercisable during the period from 15 February 2011 to 29 June 2017. Details of the grant of share options were set out in the Company's announcement dated 15 February 2011.

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 2011, the interests and short positions of the Directors and 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 (“SFO”)), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares	underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Mr. Leung Ngai Man ("Mr. Leung")	Beneficial owner	2,539,210,000	795,416,666 (Note 1)	3,334,626,666	36.74%
	Through a controlled corporation	1,474,400 (Note 2)	–	1,474,400	0.02%
Mr. Ng Kwok Chu, Winfield	Beneficial owner	472,500	10,000,000 (Note 3)	10,472,500	0.12%
Ms. Wu Wei Hua	Beneficial owner	–	10,000,000 (Note 3)	10,000,000	0.11%

Notes:

1. Mr. Leung was issued convertible bonds in an aggregate principal amount of HK\$797,500,000 on 27 August 2010 at a conversion price of HK\$0.24 per share. Upon full conversion of the convertible bonds, a maximum of 3,322,916,666 Shares will be issued to Mr. Leung. As at 31 March 2011, convertible bonds in the amount of HK\$190,900,000 remains outstanding. The interests constitute a long position of the Director in a physically settled equity derivative for the purpose of the SFO.
2. These Shares were held by Speedy Well Investments Limited ("Speedy Well"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Speedy Well is wholly and beneficially owned by Mr. Leung. By virtue of the SFO, Mr. Leung is deemed to be interested in the Shares held by Speedy Well.
3. These underlying Shares are related to the share options granted on 10 July 2008 pursuant to the Share Option Scheme. As the share consolidation became effective on 21 October 2008, the number of share options granted was adjusted from 20,000,000 shares of HK\$0.0005 each to 10,000,000 shares of HK\$0.001 each and the subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per Share. The share options would be exercisable during the period from 10 July 2008 to 29 June 2017. The interests constitute a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 31 March 2011, none of the Directors and chief executive of the Company had any other 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), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken that was required to be recorded pursuant to section 352 of the SFO) or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Save as disclosed above, as at 31 March 2011, no person or company (other than the Directors or chief executive of the Company whose interests are set out in the section “INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION” above) had an interest or short positions in the Shares, underlying Shares and debentures of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the Shares and underlying Shares that is discloseable under the section 336 of the SFO.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the audit committee comprises two independent non-executive Directors, namely, Dr. Leung Wai Cheung (chairman of the audit committee) and Mr. Cai Wei Lun.

The Group’s first quarterly results for the three months ended 31 March 2011 has been reviewed by the audit committee which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 (“**Shareholders**”).

During the period under review, the Company has complied with the code provisions and certain recommended best practices in the Code on Corporate Governance Practices (“**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules except the following:

1. Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer 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 and 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 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 CG Code.

2. Board Composition

Note 1 to Code Provision A.3 refers to rule 5.05 of the GEM Listing Rules, which stipulates that every board of directors of a listed company must include at least three independent non-executive directors.

Following the resignation of Mr. Wang Jun Sui as an independent non-executive Director and a member of the audit committee of the Company on 31 March 2010 and up to the date of this report, the number of independent non-executive Directors and audit committee members of the Company fell below the minimum number required under rules 5.05(1) and 5.28 of the GEM Listing Rules respectively. The Company is in the process of identifying a suitable candidate to fill the vacancy in order to comply with the CG Code and the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions by Directors (“Code”) which is no less exacting than the required terms for dealings of Shares by Directors as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific inquiry with all the Directors, and has not been notified of any non-compliance with the standard for dealings of securities by Directors and the Code during the three months ended 31 March 2011.

COMPETING INTERESTS

During the period under review, none of the Directors, the management Shareholders or substantial Shareholders 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 purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2011.

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

Hong Kong, 9 May 2011

As at the date of this report, 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.