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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

THE DISPOSAL

On 22 August 2012, the Company entered into the Disposal Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to dispose of the Sale Share and the Sale Loan at an aggregate consideration of HK\$9,300,000.

Pursuant to the terms of the Disposal Agreement, the Consideration shall be settled by cashier order made payable to the Company within 10 days from the date of the Disposal Agreement or other manner of payment as may be agreed between the Company and the Purchaser.

GEM LISTING RULES IMPLICATION

As at the date of this announcement, the Purchaser, being a substantial Shareholder, the chairman of the Company and an executive Director, is a connected person of the Company. As such, the Disposal constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As one of the relevant applicable percentage ratios in respect of the Disposal calculated in accordance with Chapter 19 of the GEM Listing Rules is more than 5% but less than 25% and the Consideration is less than HK\$10,000,000, the Disposal constitutes a discloseable and connected transaction on the part of the Company which is subject to the reporting and announcement requirements under the GEM Listing Rules, but is exempted from the independent Shareholders' approval requirement.

THE DISPOSAL AGREEMENT

Date : 22 August 2012

Parties :

Purchaser : Mr. Leung, a substantial Shareholder, the chairman of the Company and an executive Director

Vendor : the Company

Assets to be disposed

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to dispose of the Sale Share (being the entire issued share capital of the Target Company) and the Sale Loan.

Consideration

Pursuant to the terms of the Disposal Agreement, the Consideration shall be settled by cashier order made payable to the Company within 10 days from the date of the Disposal Agreement or other manner of payment as may be agreed between the Company and the Purchaser.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference to (i) losses recorded by the Target Company and Beijing Caiyingle as stated in the paragraph headed "Information on the Target Group" below; and (ii) the latest unaudited net asset value of the Target Group of approximately HK2.1 million as at 31 July 2012.

Conditions precedent

Completion of the Disposal shall be conditional upon all the following conditions being fulfilled:

- (i) all necessary approvals and consents in relation to the disposal of the Sale Share and the Sale Loan having been obtained by the Vendor and the Purchaser;
- (ii) there does not exist any matter, fact or circumstance which constitutes, or may constitute a breach of the warranties provided by the Vendor or the terms of the Disposal Agreement; and
- (iii) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operation and affairs aspects of the Target Company.

The Purchaser may at any time by notice in writing to the Vendor waive the above conditions in whole or in part.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will have no more shareholding in the Target Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the Group's financial statements after Completion.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong and is wholly and beneficially owned by the Vendor. The principal asset of the Target Company is the 65% equity interests in Beijing Caiyingle.

According to the audited financial statements of the Target Company for the period from 7 September 2010 (date of incorporation) to 31 December 2011, the audited loss (both before and after taxation and extraordinary items) of the Target Company was approximately HK\$9.3 million. The audited net liabilities of the Target Company as at 31 December 2011 amounted to approximately HK\$9.3 million.

Beijing Caiyingle is a company established under the PRC laws on 18 July 2008. As at the date of this announcement, Beijing Caiyingle was owned as to 65% by the Target Company and 35% by an independent third party. It is principally engaged in the provision of technology development, logistic services and distribution management services for lottery sales system.

According to the unaudited financial statements of Beijing Caiyingle prepared under generally accepted accounting practices and principles in the PRC, the unaudited loss (both before and after taxation and extraordinary items) for the year ended 31 December 2010 was approximately RMB4.2 million (equivalent to approximately HK\$5.1 million). According to the audited financial statements of Beijing Caiyingle prepared under generally accepted accounting practices and principles in the PRC, the audited loss (both before and after taxation and extraordinary items) of Beijing Caiyingle for the year ended 31 December 2011 was approximately RMB1.2 million (equivalent to approximately HK\$1.7 million). The unaudited net asset value of Beijing Caiyingle as at 31 July 2012 was approximately RMB0.9 million (equivalent to approximately HK\$1.1 million).

REASONS FOR THE DISPOSAL

The Company is incorporated in the Cayman Islands with limited liability and, through its subsidiaries, is principally engaged in the trading of computer hardware and software and the provision of lottery system management service and operation of lottery sales halls services in the PRC.

The Board has from time to time reviewed the business operations and financial position of the Group with a view to achieving the best interests of the Company and the Shareholders. Given the losses recorded by the Target Company and Beijing Caiyingle as set out in the paragraph headed “Information on the Target Group” above, the Board considers that the Disposal would enable the Group to divest its loss-making operation and commit the available resources to businesses that provide a better return to the Shareholders.

The expected gain to be derived from the Disposal would amount to approximately HK\$7.2 million. The Company intends to apply the proceeds from the Disposal as general working capital of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal (including the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION OF THE DISPOSAL UNDER THE GEM LISTING RULES

As at the date of this announcement, the Purchaser, being a substantial Shareholder, the chairman and an executive Director, is a connected person of the Company. As such, the Disposal constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As one of the relevant applicable percentage ratios in respect of the Disposal calculated in accordance with Chapter 19 of the GEM Listing Rule, is more than 5% but less than 25% and the Consideration is less than HK\$10,000,000, the Disposal constitutes a discloseable and connected transaction on the part of the Company which is subject to the reporting and announcement requirements under the GEM Listing Rules, but is exempted from the independent Shareholders’ approval requirement. Mr. Leung was considered to have a material interest in the Disposal and has abstained from voting on the resolution passed at the Board meeting to approve the transactions contemplated under the Disposal Agreement.

DEFINITIONS

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

“Beijing Caiyingle”	北京市彩贏樂科技有限公司 (Beijing Caiyingle Technology Company Limited*), a company established under the PRC laws on 18 July 2008 and was owned as to 65% by the Target Company and 35% by an independent third party as at the date of this announcement
“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
“Company” or “Vendor”	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”	the completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the date of Completion, being the date falling on the third business day after all the conditions of the Disposal Agreement have been fulfilled or waived or such later date as may be agreed between the Company and the Purchaser
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	the consideration for the Disposal, being HK\$9,300,000
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Company pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 22 August 2012 entered into between the Purchaser and the Company in respect of the Disposal
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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” or “Mr. Leung”	Mr. Leung Ngai Man, a substantial Shareholder, the chairman of the Company and an executive Director
“Sale Loan”	HK\$11,841,119, being the shareholder loan outstanding as at the date of the Disposal Agreement made by or on behalf of the Vendor to Beijing Caiyingle
“Sale Share”	one ordinary share in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Shareholder(s)”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Media Hong Kong Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Target Group”	the Target Company and Beijing Caiyingle
“%”	per cent.

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

Hong Kong, 22 August 2012

* *For identification purpose only*

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, Mr. Cai Wei Lun and Mr. Qi Ji.

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.