VODONE LIMITED

第一視頻集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

2009 FINAL RESULTS ANNOUNCEMENT

The board of directors of VODone Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:

Highlights of the Year 2009

- Turnover grew by 353% year-on-year to HK$298.7 million
- Earned profit attributable to owners of the Company of HK$105.3 million with EPS of HK5.4 cents
- Maintained a cash balance of HK$339 million
- Maintained debt free
- Total assets exceeded HK$1,200 million
- Proposed a dividend of HK0.6 cents per share

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	4	298,702	65,922
Cost of revenue		(45,948)	(45,822)
Gross profit		252,754	20,100
Other gains and losses	5	2,928	75,550
Selling and marketing expenses		(63,749)	(81,800)
Administrative expenses		(79,380)	(79,235)
Other operating expenses		—	(24,747)
Finance costs	6	—	(29,974)
Share of loss of an associate		(1,065)	(2,412)
Profit/(loss) before income tax	7	111,488	(122,518)
Income tax	8	(1,605)	(20)
PROFIT/(LOSS) FOR THE YEAR		109,883	(122,538)
Other comprehensive income			
Exchange differences arising on translation		3,076	54,853
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		112,959	(67,685)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company		105,307	(121,004)
Minority interests		4,576	(1,534)
		109,883	(122,538)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		108,334	(69,069)
Minority interests		4,625	1,384
		112,959	(67,685)
EARNINGS/(LOSS) PER SHARE			
— Basic (HK cents)	10	5.4 cents	(7.1 cents)
— Diluted (HK cents)	10	5.4 cents	(7.1 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		33,552	22,268
Interest in an associate		51,473	52,444
Goodwill		474,314	265,188
Intangible assets		119,596	—
Other receivable		—	19,495
Deposits for acquisition of property, plant and equipment		853	10,853
		679,788	370,248
CURRENT ASSETS			
Accounts receivable	11	14,374	148
Other receivables, deposits and prepayments		177,418	40,923
Amount due from an associate		55,407	16,560
Amount due from a related company		5,218	4,491
Bank balances and cash		339,059	249,846
		591,476	311,968
CURRENT LIABILITIES			
Accounts payable	12	151	—
Other payables and accruals		17,528	64,947
Deposits received		2,467	21
Obligations under finance leases		—	8
Other borrowing		—	1,414
Taxation		1,816	—
		21,962	66,390
NET CURRENT ASSETS		569,514	245,578
TOTAL ASSETS LESS CURRENT LIABILITIES		1,249,302	615,826
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,014	—
Obligations under finance leases		—	23
		9,014	23
NET ASSETS		1,240,288	615,803
EQUITY			
Share capital		22,664	17,314
Shares to be issued		—	8,292
Reserves		1,170,816	564,246
Equity attributable to owners of the Company		1,193,480	589,852
Minority interests		46,808	25,951
TOTAL EQUITY		1,240,288	615,803

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company								
	Share capital	**Shares to be issued**	**Share premium**	**Contri-buted surplus**	**Share-based compen-sation reserve**	**Exchange fluctua-tion reserve**	**Accu-mulated losses**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	16,441	—	838,366	33,474	17,823	11,508	(302,583)	24,567	639,596
Total comprehensive income for the year	—	—	—	—	—	51,935	(121,004)	1,384	(67,685)
Shares issued on repurchase of convertible notes	867	8,292	29,475	—	—	—	—	—	38,634
Shares issued on exercise of share options	6	—	905	—	(142)	—	—	—	769
Recognition of share-based payment expense	—	—	—	—	4,489	—	—	—	4,489
At 31 December 2008 and 1 January 2009	17,314	8,292	868,746	33,474	22,170	63,443	(423,587)	25,951	615,803
Total comprehensive income for the year	—	—	—	—	—	3,027	105,307	4,625	112,959
Shares issued on repurchase of convertible notes	237	(8,292)	8,055	—	—	—	—	—	—
Shares issued on exercise of share options	870	—	15,844	—	(5,363)	—	—	—	11,351
Subscription of new shares	1,440	—	77,760	—	—	—	—	—	79,200
Placing of shares	920	—	127,864	—	—	—	—	—	128,784
Shares issued for									
- acquisition of assets	875	—	58,625	—	—	—	—	—	59,500
- acquisition of subsidiaries	1,008	—	204,602	—	—	—	—	—	205,610
Acquisition of subsidiaries	—	—	—	—	—	—	—	15,855	15,855
Dilution of shareholdings in a subsidiary	—	—	—	—	—	—	—	377	377
Recognition of share-based payment expense	—	—	—	—	10,849	—	—	—	10,849
Transfer upon cancellation of share options	—	—	—	—	(948)	—	948	—	—
At 31 December 2009	22,664	—	1,361,496	33,474	26,708	66,470	(317,332)	46,808	1,240,288

1. **Corporate Information**

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

During the year, the Group is principally engaged in tele-media business, lottery-related business and mobile gaming business in the People's Republic of China ("PRC").

In prior years, the directors regarded Hong Kong dollar as the functional currency of the Company. During the year, the directors reassessed the Company's functional currency and considered that the functional currency of the Company should be changed from Hong Kong dollar to Renminbi, which has become the currency that mainly influences the operations of the Group's significant entities. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 'The Effect of Change in Foreign Exchange Rates'. As the Company is listed on the Main Board of the Stock Exchanges of Hong Kong, the directors consider that it will be more appropriate to adopt Hong Kong dollar as the Group's and the Company's presentation currency.

2. **Adoption of New and Revised Standards**

(a) **Adoption of new and revised HKFRSs**

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for following changes:-

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statements are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

HKFRS 8 "Operating Segment"

HKFRS 8 replaces HKAS 14 "Segment Reporting, and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

HKFRS 7 (Amendments) Improving Disclosures about Financial Instruments

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities including issued financial guarantee contracts.

(b) **Potential impact arising on HKFRSs not yet effective**

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, but potentially relevant to the Group's operations.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]

Amendments to HKAS 32	Classification of Rights Issues[4]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKFRS 9	Financial Instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. **Segment Reporting**

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Tele-media business

- Lottery-related business

- Mobile gaming business

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-makers for assessment of segment performance.

(a) **Business segments**

	Tele-media business		**Lottery-related business**		**Mobile gaming business**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	217,263	65,922	64,481	—	16,958	—	298,702	65,922
Reportable segment profit/(loss)	101,369	(132,314)	36,422	—	15,155	—	152,946	(132,314)
Interest revenue	1,257	2,822	—	—	—	—	1,257	2,822
Depreciation and amortisation	(6,128)	(8,110)	(27)	—	(1,412)	—	(7,567)	(8,110)
Income tax expenses	(1,812)	—	—	—	207	—	(1,605)	—
Reportable segment assets	622,427	427,675	97,260	—	289,955	—	1,009,642	427,675
Additions to non-current assets	15,968	13,719	61,162	—	270,276	—	347,406	13,719
Reportable segment liabilities	9,069	2,698	1,338	—	13,105	—	23,512	2,698

(b) **Reconciliation of reportable segment profit or loss, assets and liabilities**

	2009 *HK$'000*	2008 *HK$'000*
Profit/(loss) before income tax		
Reportable segment profit	152,946	(132,314)
Other gains and losses	3,577	76,585
Share of loss of an associate	(1,065)	(2,412)
Unallocated corporate expenses	(43,970)	(34,403)
Finance costs	—	(29,974)
Consolidated profit/(loss) before income tax	111,488	(122,518)

	2009 *HK$'000*	2008 *HK$'000*
Assets		
Reportable segment assets	1,009,642	427,675
Interest in an associate	51,473	52,444
Unallocated corporate assets	210,149	202,097
Consolidated total assets	1,271,264	682,216

	2009 *HK$'000*	2008 *HK$'000*
Liabilities		
Reportable segment liabilities	23,512	2,698
Unallocated corporate liabilities	7,464	63,715
Consolidated total liabilities	30,976	66,413

(c) **Geographical information**

During 2009 and 2008, the Group's operations and non-current assets are situated in the PRC in which all of its revenue was derived.

4. **Revenue**

Revenue, which is also turnover, represents the net invoiced value of goods sold, after allowances for goods returned and trade discounts, and service fees earned. An analysis of turnover and revenue is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Revenue		
Tele-media business:		
- advertising and service income	217,263	65,922
Lottery-related business:		
- service and advertising income	64,481	—
Mobile gaming business:		
- sales of mobile games	16,958	—
	298,702	65,922

5. **Other Gains and Losses**

	2009	**2008**
	HK$'000	*HK$'000*
Fair value gain on derivative component of convertible notes	—	54,360
Gain on repurchase of convertible notes	—	24,312
Loss on dilution of shareholdings in a subsidiary	(377)	—
Net foreign exchange losses	(1,906)	(3,777)
Interest income	1,647	5,655
Additional cost in relation to disposal of subsidiaries in 2007	—	(5,000)
Gain on deregistration of subsidiaries	1,393	—
Others	2,171	—
	2,928	75,550

6. **Finance Costs**

Finance costs comprise the followings:

	2009	**2008**
	HK$'000	*HK$'000*
Imputed interest on convertible notes	—	29,972
Finance lease charge	—	2
	—	29,974

7. **Profit/(Loss) Before Income Tax**

Profit/(loss) before income tax is arrived at after charging:

	2009	**2008**
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
Salaries and wages	18,959	18,462
Pension fund contributions	3,512	3,428
Share-based payments	6,788	3,519
	29,259	25,409
Amortisation of intangible assets	1,383	—
Depreciation of property, plant and equipment	6,961	8,881
Bad debts written off	136	—
Auditor's remuneration	740	630
Production and programming costs (included in other operating expenses)	—	24,747

8. **Income Tax**

Taxation in the consolidated statement of comprehensive income represents:

	2009	**2008**
	HK$'000	*HK$'000*
Current tax — PRC		
- provision for the year	1,812	—
Current tax — Hong Kong Profits Tax		
- under provision in respect of prior years	—	20
Deferred taxation		
- attributable to the reversal of temporary differences	(207)	—
	1,605	20

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based the statutory tax rate of 25%, except for VODone Information Engineering Co., Ltd. ("TMD2") which is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%. TMD2 has also obtained a tax concession from local tax authority in which the Company was fully exempted from PRC income tax for year 2006 to 2008, followed by a 50% reduction in the PRC income tax for the next 3 years, 2009 to 2011.

9. **Profit/(loss) for the Year Attributable to Owners of the Company**

Profit/(loss) for the year attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$69,871,000 (2008: a profit of HK$17,106,000) which has been dealt with in the financial statements of the Company.

10. **Earnings/(loss) Per Share**

	2009 *HK cents*	**2008** *HK cents*
Basic earnings/(loss) per share	5.4	(7.1)
Diluted earnings/(loss) per share	5.4	(7.1)

The calculation of basic and diluted earnings/(loss) per share attributable to ordinary equity holders of the Company is based on the following data:

Profit/(loss)	**2009** *HK$'000*	**2008** *HK$'000*
Profit/(loss) for the year attributable to ordinary equity holders of the Company, used in the basic and diluted earnings of share calculation	105,307	(121,004)

Number of shares	**2009**	**2008**
Issued ordinary shares at 1 January	1,731,366,355	1,644,074,049
Effect of shares issued on repurchase of convertible notes	15,967,967	43,819,881
Effect of shares to be issued for repurchase of convertible notes	—	11,975,620
Effect of shares issued on exercise of share options	42,607,288	572,131
Effect of shares issued on subscription of shares	75,747,945	—
Effect of shares issued on placing of shares	18,147,945	—
Effect of shares issued on acquisition of assets	43,630,137	—
Effect of shares issued on acquisition of subsidiaries	18,224,920	—
Weighted average number of ordinary share for basic earnings/(loss) per share	1,945,692,557	1,700,441,681
Effect of dilution — share options	10,997,058	—
Weighted average number of ordinary share for basic earnings/(loss) per share, adjusted for the effect of diluation	1,956,689,615	1,700,441,681

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2008 as the share options outstanding at the year end had an anti-dilutive effect on the basic loss per share. Therefore the basic and diluted loss per share in 2008 are the same.

11. **Accounts Receivable**

An aging analysis of the accounts receivable as at the end of reporting period, based on payment due date is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within 1 month	20	—
2 to 3 months	14,340	—
4 to 6 months	3	—
7 to 12 months	—	—
Over 1 year	11	148
	14,374	148

The credit period of the Group's accounts receivable ranges from 30 days to 60 days.

The ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Neither past due nor impaired	14,360	—
Less than 1 month past due	—	—
1 to 3 months past due	—	—
More than 3 months past due	14	148
	14,374	148

Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. **Accounts Payable**

Generally, the credit terms received from suppliers of the Group is 30 days. An ageing analysis of year end accounts payables is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Current or less than 1 month	100	—
1 to 3 months	3	—
More than 3 months but less than 12 months	48	—
	151	—

13. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2010, Vodone Telemedia Co. Ltd. ("VODone Telemedia"), the related company of the Group, has entered into an exclusive strategic partnership agreement with Cmedia Electronics, Inc. ("Cmedia") and iPeer Multimedia International Ltd ("iPeer") under a revenue sharing principle. Through cooperation with iPeer, to which Cmedia and Media Tek Inc. ("MTK") are shareholders, VODone Telemedia becomes the exclusive strategic partner of Cmedia's and iPeer's integrated mobile entertainment platform on MTK and other local and international branded mobile handsets.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee of the Company and approved and authorized for issue by the board of directors on 25 March 2010.

Chairman's Statement

Dear shareholders and friends who have placed their trusts and hopes on VODone,

Wish you a wonderful 2010!

In 2009, as China's economy began to bottom out and rebound from the World's financial turmoil, all industries in China began to regain confidence in their operations. During the harsh period, Internet video websites in China had been considerably hit and even forgotten by part of the viewers. After due consideration under such difficult conditions, the management strived to cut costs and opened income sources through extensive exploration of the huge internal potentials within China's Internet video industry, holding the belief that "only the fittest can survive". As a result, VODone was not only unaffected by the tremendous impact of the weak economy and the chaos within and outside the industry, but also managed to obtain financing under such an unfavorable environment. Adhering to the strategy of diversifying into new businesses on the basis of internet video new media, VODone was probably the first to regain profitability in China's internet video industry. In short, through its sincere and great hard work in 2009, VODone has provided Internet viewers in China and our shareholders, customers and partners with an encouraging performance report.

China's Internet video industry is an exciting industry to practitioners because it is vibrant and full of opportunities. However, to put the opportunities into dynamics, practitioners need to be more considerate to the needs of Internet viewers and to meet market demands, to make timely planning and adjustments according to market conditions, to constantly develop new growth points for profits, and to gather all comprehensive advantages of the advanced technologies and extensive platform. "Based on the Internet and do business that makes money" has become a common philosophy of the management. It is on the basis of this starting point that VODone carried out extensive adjustments to its main businesses in 2009 and the resulting performance has proved this to be accurate.

The new lottery business has become a powerful engine of the Group's profitability prospect. In 2009, VODone had rapid development in the lottery business which included China welfare lottery, sports lottery, single match game betting (競彩). In early 2010, several agreements and cooperation arrangements have been reached: an agreement on mobile phone chip software pre-installation with C-Media Group of Taiwan; an exclusive pre-installation agreement with Lenovo Group; cooperation intent with Longcheer Group; and the key business co-operation with China Unicom. Through the acquisition of Dragon Joyce Group by the Group, VODone will launch its pre-installed mobile lottery terminals to the market in a mass scale in early 2010, and is endeavored to become China's largest operator for mobile lottery.

With the self developed web-based lottery information services and the mobile phone-based lottery sales terminals with security-protection mechanism, VODone's "www.caishijie.com" (彩視界) provided extremely rich, safe, and convenient services to about 100 million lottery buyers in China. Meanwhile, the launch of lottery business based on radio and television systems is gradually developing and under application, and "game lottery" as a fresh concept is rapidly well received by the great number of lottery buyers.

VODone has long noted that there are great differences between contemporary lottery buyers and traditional lottery buyers in terms of nature and characteristics. The "three high" (high education, high income, high consumption) group are gradually entering the area and becoming a truly stable and powerful consumer group. VODone Group's application and development of Mobile Terminals have enabled VODone's mobile games, lottery purchase and entertainment products to quickly occupy China's huge mobile terminal market, providing China's about 700 million mobile phone users with true "3G super applications". It is believed that VODone will achieve rapid growth with expected development opportunities in 2010.

The mobile games business of Dragon Joyce Group acquired by VODone Group also contributed to the Group's profits.

Meanwhile, China's e-commerce also has room for development, it is particularly the case for internet video websites, as the combination of network video elements with e-commerce is a combination of lead and purchase and an influential driving force for consumption. "Happy E-go", the first video e-commerce platform created by VODone, is a video-based e-commerce platform built for this feature. This platform developed rapidly during the year offering thousands of products. The launch of the mobile commerce platform will in the future provide VODone with another great market opportunity.

Apart from dynamic new businesses, VODone Live and the VODone BUS advertising platform, 3G wireless business and SNS Communities continued to make impressive contributions to the brand building and revenues of VODone. The steady growth in advertising revenue and especially the recognition from international brands are the best encouragements to the further development of VODone.

In 2009, VODone made its greatest efforts in the hope to reward its loyal and supportive customers, advertisers, close strategic partners and shareholders. And we did it! We can proudly say: VODone played the leading role in 2009!

Prospects

Looking forward to 2010, I have full confidence in VODone.

In 2010, the triple integration (三網合一) of China's telecom network, the Internet and the broadcasting networks have once again been written into the Chinese government's work reports, and was highlighted by Premier Wen Jiabao when he chaired an executive meeting convened by the State Council.

As early as 2009, VODone already made its first attempts in the triple integration. Lottery business is a successful example of displaying the advantages of triple integration by combining the three networks. In 2010, VODone will also continue to pay close attention to the development of the triple integration, and will continue to commit to the rapid promotion of its mobile terminal-based lottery business in China. On the basis of consolidating leadership, the Group will strive to grow bigger and stronger in the entire value chain, so as to achieve resources complementation and synergy effects within the Group. With lottery sales and mobile games as the lead, and occupation of terminals as the main strategy, VODone is endeavored to build an enterprise for operating China's largest mobile media, mobile commerce and mobile advertisement, and continue to provide China's Internet viewers, lottery fans and mobile phone users with practical and sincere services, thus forming the notion, "the media creates influences, business creates contributions". Meanwhile, VODone will continue to perform its fidelity duties towards customers and partners, and of course will continue to strive to create the greatest value to our shareholders!

Thank you!

VODone Group
Zhang Lijun
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

Turnover of the Group was HK$298,702,000 an increase of around 353%, compared to last year of HK$65,922,000 The turnaround of the results of the Group is principally attributable to the improved performance of the tele-media business of the Group as well as the contributions of new businesses in 2009 including lottery related business and mobile gaming business.

OPERATION REVIEW

VODone focused mainly on the development of the tele-media, lottery related and mobile gaming businesses in 2009.

Tele-media business

VODone on-line advertising platform (bus.vodone.com)

VODone BUS, the major build-out by VODone in the past few years, is named as the largest Internet video advertisement display platform in China, and continued to be one of the key revenue generators for VODone in 2009. VODone BUS underwent many new developments and breakthroughs during the year.

In respect of the advertising formats: Besides keeping the original formats such as video, texts and flash, VODone BUS added new formats such as streaming media and pop-up video, and will continue to explore new models in combination with advertising formats including SNS and BBS.

In respect of the advertising broadcasting: On the basis of the eight major channels including Brand Channel, Finance Channel and Sports Channel, VODone BUS strengthened the cooperation with portals, prominent websites in all industries and local portals in order to meet the demands of both small and medium-sized enterprises and brand customers for advertising broadcasting. Although the PRC government increased efforts to supervise websites in the second half of 2009, resulting in the decrease in website traffic flow and increase in the closing of more websites, VODone BUS recorded an increase in both the number of partners and website traffic flow.

In respect of the advertising revenue: Affected by the financial crisis, customers might spend less on traditional media and instead focused their budgets on Internet media. Under these circumstances, VODone BUS recorded an increase in new advertising formats and website traffic flow, attracting more advertising customers.

VODone Portal (www.vodone.com)

Being one of the leading internet video portals in the PRC, VODone Portal (www.vodone.com) provides varieties of contents including news, sports, entertainment, life style, finance and films. Its advantage of the video technology ensures video clarity and fluency. In the second half of 2009, the Film Channel cooperated with CCTV6, the film channel of PRC CCTV, in "Love Series" such as "Love Shooting Films" and "Love Drawing Films". The broadcasting of six series of programs of CCTV's film channel on VODone's Film Channel received praise and applause from netizens. In early 2010, with its high-quality video technology, VODone's Film Channel broadcasted "Only the Scenery on This Side is Beautiful" live. The first Internet Spring Festival Gala organized by VODone not only made the best of its advanced video technology in comprehensive application, but also attracted a number of advertising agents' attention and cooperation.

VODone Live (live.vodone.com)

One big feature of VODone is its self-created video programmes and live broadcasting of such programmes with online interactions. VODone provides a great number of channels for 338 million Chinese netizens to choose from. In May, 2009, VODone launched two self-produced live programmes, "HK Stock Express"「港股直擊」and "A Share Focus"「A股縱橫」(http://v.vodone.com/gu). VODone was the first real-time live video new medium to broadcast programmes about the Hong Kong stock market.

VODone Online Shopping Platform (ego.vodone.com)

"Happy E-go" is a new concept Internet video stylish shopping mall launched on the VODone's strong Internet video broadcasting platform and is the first shopping platform launching video reality shows in China. Beginning as a video shopping platform mainly selling underclothes in late 2009, "Happy E-go" has developed itself into an integrated stylish shopping platform focusing on white-collars in modern cities. With the diversified development of the product range, there are now almost 100 sales brands and more than 1,000 categories of products. A large number of products, reasonable prices and regular promotional activities have increased customers' enthusiasm.

Based on VODone's Internet platform. "Happy E-go" has advantage of strong Internet brand effect and advanced Internet video technology. Both have provided convenient conditions for the E-go shopping mall. With its own brand features, "Happy E-go" is also gradually becoming an Internet shopping mall leader in a new period. It integrates visual effects and practicality and displays the characteristics of products to the greatest extent within the shortest possible time. This allows customers to gain realistic experience as if they went shopping in person at the mall, thus raising the experience of Internet shopping to a new level.

Lottery related business

VODone Lottery Services

On 27 April, 2009, VODone became one of the first authorized service providers of mobile lottery betting service for mobile end users in China. The Group has also opened the "www.caishijie.com" portal named "Lottery View" (彩視界) broadcasting lottery related news and information exclusively supplied by China Association of Social Workers and China Philanthropy Times. VODone and China Philanthropy Times have together launched the "Expert Lottery Comments" (專家說彩) channel, providing lottery news.

Mobile lottery has the advantage of surpassing other traditional purchasing methods by which players can make their purchasing decision whenever and wherever. Players simply need to register, log-in and download the lottery software from "www.caishijie.com" in order to study lottery information, place their bets, check their account balance, self-pick the lottery numbers or quick-pick the numbers through their handsets. In addition, the system is developed to enable the safety in achieving paperless lottery services, therefore, there is a special process of bundling the mobile number and identity card number as the certification information of user registration. There is a unique safety code generated for each lottery ticket by the Welfare Lottery Center which is incomparable in nature.

On 8 July, 2009, VODone and Heilongjiang Welfare Lottery Center launched "Constant Lottery" (時時彩) (http://ssc.caishijie.com/). "Constant Lottery" is a type of lottery with fast pace, digit-based, fixed winning rate betting. It has 84 runs every day, approximately every 10 minutes for each drawing from 10:00 a.m. to midnight 12:00, VODone provides instant Internet broadcasting of Constant Lottery drawing results on its website. The "Electronic Lottery Drawing System" has smoothly passed the authentication by the expert panel comprising professors from the State Key Laboratory of Information Security of Chinese Academy of Sciences and Harbin Engineering University. The system ensures the safety and reliability of Constant Lottery. Meanwhile, "Constant Lottery" also provides an important channel for China welfare funding. It has drawn overwhelming attention from nationwide Chinese lottery fans and netizens since its debut on 8 July 2009. Deemed as a core supporting business of China's welfare service, lottery has already been developed as a major income in contributing to the well being of the community.

VODone's Lottery View (彩視界) has since its establishment broadened its coverage from merely Welfare Lottery to Sports Lottery and Single Match Game, covering all lottery categories in November 2009. VODone has also further been authorized by lottery centres in major provinces in China, and has now established in-depth cooperation with 15 lottery centres in 12 provinces of China. In order to understand and capture the needs of users, VODone held press conferences in Beijing, HeBei and JiNan to educate and allow users to share their lottery experiences with VODone. Lottery View has also been recently in collaboration with China Unicom on forming an important business cooperation at wo116114 Unicom gateway web Lottery Channel, wo116114 gateway wap Lottery Channel and Unicom customized iphone mobile wo116114 Lottery Channel, all these projects have come on-line. The registered users for Lottery View have soared to over 5 million as of 31 December 2009. The first VODone Single Match Game Lottery shop outlet has also been opened in Tian He District, Guangzhou, PRC in February, 2010.

According to an authoritative source of data, the sales income of lottery (welfare and sport) for 2008 in Mainland China was RMB106 billion, including RMB60.4 billion from welfare and RMB45.6 billion from sport lottery. The overall sales of lottery in China in 2009 amounted to RMB132.4 billion, an increase of 25% compared to that of 2008. In 2009, RMB75.58 billion welfare lottery and RMB56.88 sports lottery was sold, raising RMB41.3 billion for China's welfare fund. During the 11th National Games alone, over 2.4 billion of sport theme lotteries were sold. As the 2010 South Africa World Cup, 2010 Guangzhou Asian Games and NBA games in the USA take place, Single Match Sports Betting are also expected to increased tremendously, driving lottery sales up to an even higher level. In July 2009, The State Council of the People's Republic of China released the Law Governing Lottery Business. Deemed as core supporting business of China's welfare service, lottery has already been developed as a major financial and tax income in contributing to the well being of the community.

With the increase of mobile handset users utilizing mobile games and mobile lottery, this would not only be beneficial to VODone, but would also be an advantage to the PRC's welfare as a whole as a result of the income lottery contributes.

Mobile gaming business

In October 2009, VODone acquired 70% interest in Dragon Joyce Limited ("Dragon Joyce Group"), which is principally engaged in the development and provision of mobile gaming. Dragon Joyce Group develops mobile game platforms for stand-alone games, web games and online games, as well as entertainment software distribution platforms. Dragon Joyce Group has an extensive distribution network and has established business relationships with over 400 Chinese-brand mobile handset developers and manufacturers. At present in the PRC, there are over 700 million mobile phone subscribers and a major portion of this market is occupied by Chinese-brand mobile handsets. The volume of Chinese-brand mobile handsets is expected to maintain continuous growth as the PRC government has directed policies to promote household electrical appliances to rural areas, including low-cost mobile handsets. Through effective distribution channels, there are over 7 million active paying accounts for the games of the Dragon Joyce Group. Given the embedded nature of the games within the mobile phones, the continued growth in mobile phone subscribers and the tremendous growth prospects of mobile games, the Directors believe that the Dragon Joyce Group has good prospects.

As at December 2009, the overseas business of Dragon Joyce Group has expanded to 83 countries worldwide, with coverage in developed countries including Europe and USA, and developing countries in South East Asia, South America and Africas. Through combining with the Dragon Joyce Group's extensive distribution network of over 400 mobile handset developers and manufacturers distributing its games to over 1.5 million new mobile handset users each month, VODone is in a much stronger position to capture the mobile and gaming and lottery market. Such acquisition also added to the Group's mobile lottery platform with immediate access to a significant pool of potential lottery users and maintains a leading position in mobile gaming.

Furthermore, VODone Telemedia entered into an exclusive strategic partnership with Cmedia of Taiwan in January 2010. Through cooperation with iPeer, to which Cmedia and Mediatek ("MTK") are shareholders, VODone Telemedia becomes the exclusive strategic partner of Cmedia and iPeer's integrated mobile entertainment platform on MTK and other local and international branded mobile handsets. In this cooperation, Cmedia will be responsible for the platform's research and development, application layer, mobile client technology development, and marketing, whilst VODone Telemedia will be responsible for providing an authorized lottery and entertainment value-added business and payment gateway system. Both parties are working together with an aim to build up the largest mobile lottery and entertainment platform in the PRC.

Currently there are about 700 million mobile users in the PRC with a sales volume of about 200 million mobile phones per annum. Such is believed to have paved a way for a substantial future business and earnings growth for VODone.

Recent Awards:

Awards and certificates obtained by VODone

- January 2009 Becoming a Standing Member of the China Institute of the World Trade Organization (2005-2008)
- February 2009 Being awarded "Organization Award" for the 4th Spring Festival Greeting Message of K-Touch SX4 Cup
- March 2009 Being awarded "Award for New Media Contribution to China Advertisement in 2008-Internet Video Advertising Award" (China Advertisement & Brand Meeting for 2009)
- June 2009 "Chinese New Media Contribution Prize 2009" - General Assembly and Dissemination of Chinese brands Contribution Award
- 2009 VODone web site's "Changan Forum" series seminars were accredited as "Outstanding Theme Series Seminars" by "Online Auditorium" for the period between February and June 2009 (Beijing Internet Management Office)
- 2009 VODone web site was awarded the "Award for Excellent Organization" by "Online Auditorium" for the period between February and June 2009 (Beijing Internet Management Office)
- September 2009 Beijing Zhigong Charitable Special Fund Donation Certificate
- September 2009 2009 First China Netizen Culture Festival Best Organization Award
- October 2009 2009 Contributions to Discipline and Governance for China's Internet Industry Award "China Internet Power Star"

近年獎項:

第一視頻獲得的獎項及證書

- 2009年1月 被授予"2005-2008 中國世界貿易組織研究會 常務理事單位"
- 2009年2月 獲"天語SX4杯第四屆新春祝福短信組織獎"
- 2009年3月 獲"2008中國廣告新媒體貢獻大獎—網路視頻廣告大獎"(2009中國廣告與品牌大會)
- 2009年6月中國品牌與傳播大會"品牌貢獻獎"影響中國新媒體貢獻大獎
- 2009年 第一視頻網站《長安講壇》系列講座,榮獲 "網上大講堂"2009年2月至6月"優秀主題系列講座"(北京市互聯網宣傳管理辦公室)
- 2009年 第一視頻網站榮獲"網上大講堂"2009年2月至6月"優秀組織獎"(北京市互聯網宣傳管理辦公室)
- 2009年9月 北京致公愛心專項基金善款捐贈證書
- 2009年9月 2009 首屆中國線民文化節最佳組織獎
- 2009年10月 2009年度中國互聯網行業自律貢獻獎 "中國互聯網力量之星"

- October 2009 "National Vertical Web Site Top 10 Energetic Brand Award"
- October 2009 Becoming the Chairman-in-Office Unit of the Council of National Internet Communication Union
- October 2009 60th Anniversary of the Founding of New China Internet Communication Innovation Award
- December 2009 Top 500 Chinese Enterprise in 2009.
- 2009 "Best Organization Award for "Painting and Calligraphy, Photography and Singing Contest for Greeting the Spring Festival"

- 2009年10月 全國垂直網站十佳活力品牌獎
- 2009年10月 獲任全國網路傳播聯盟理事會輪值主席單位
- 2009年10月 新中國成立60周年網路傳播創新獎
- 2009年12月 "2009華商中國市場500強"
- 2009 "迎新春書畫、攝影、歌唱比賽"最佳組織獎

Awards and certificates obtained by Dr. Zhang Lijun, chairman of the board of VODone

第一視頻集團董事局主席張力軍獲得的獎項及證書

- 2009 Vice Chairman of China Internet Association
- 2009 Excellence in Achievement of World Chinese Youth Entrepreneurs
- "China's Top Ten Innovative Media Figures 2009" - General Assembly and Dissemination of Chinese brands Contribution Award

- 2009 中國互聯網協會副理事長
- 2009 世界傑出華商青年
- 2009 中國品牌與傳播大會 "品牌貢獻獎" 影響中國十大傳媒創新人物

Awards and certificates obtained by Wang Chun, Chief Operating Officer of VODone

第一視頻集團首席營運官王淳獲得的獎項和證書

- 2009 New Media Leaders in China
- 2009 National Local Web Site Top 10 Prominent Leaders Brand Award (China Internet Brand Conference)
- 2009 Being awarded "China AD100 Person of the Year"

- 2009 中國新媒體領軍人物
- 2009 全國地方網站十佳新銳領軍人物品牌獎（中國互聯網品牌大會）
- 2009年獲得"中國AD100風雲人物"

FINANCIAL REVIEW

Revenues

The tele-media business contributed a revenue of HK$217,263,000 to the Group for the year 2009, an increase of 230 % from 2008. Such increase in revenue was mainly due to the growth of advertising market in the second half of 2009, following a recovery of global economy and the strengthen of our advertising platforms and sales organization and continue enrichment in contents.

The lottery-related business contributed a revenue of HK$64,481,000 to the Group for the year 2009, it was a new business segment of the Group introduced in April 2009. Revenue from lottery related business comprises service and advertising incomes. Such new revenue has formed an important segment of our overall revenue in 2009 as a result of the rapid growth of the Group's lottery subscribers, the enhancements in the Group's brand (Lottery View) and influences, as well as the establishment of a lottery related advertising platform.

The mobile gaming business contributed a revenue of HK$16,958,000 to the Group for the year 2009, following the acquisition of Dragon Joyce in October 2009.

Costs

Despite the Group's turnover increased by 353%, the Group has been able to control and stabilize its overall expenses. Cost of revenue largely in line with 2008. Selling, marketing and administrative expenses dropped by 11% as compared with 2008 mainly due to more stringent control of spending particularly in the first half of 2009. Administrative expenses was largely in line with last year despite the Group had considerably increased its headcounts due to business expansions. The other operating expenses incurred in 2008 was mainly relating to one-off special events in relation to the Group's works on the 2008 Beijing Olympic Games and a discontinued TV production programme and such expenses were not repeated in 2009. As the Group had restructured the interest bearing convertible bonds in 2008 (details were disclosed in the 2008 Annual Report and the 2009 Interim Report), no finance cost was therefore incurred in the year 2009.

Net Profit

Year 2009 was a year of turnaround for the Group. Profit attributable to the owners of the Company for the year was HK$105,307,000, compared to a loss of HK$121,004,000 in the last year.

Liquidity and Financial Resources

As at 31 December 2009, the Group had HK$339,059,000 cash and cash equivalents (2008: HK$249,846,000). Working capital was HK$569,514,000 as compared with the working capital of HK$245,578,000 at the end of last year. The increase in liquidity of the Group was largely the result of the fund raising on issuing new shares and the profit for the year of HK$109,883,000 earned in year 2009. During the year 2009, new shares were issued and raising a net proceeds of HK$219,335,000 (2008: HK$769,000).

As at 31 December 2009, the Group has no debt (2008: HK$57,200,000). The convertible bonds issued in 2007 had been either fully repaid or converted in the year 2008 and 2009. With substantial cash resources in hand, the Group has paved a strong ground to expand further in 2010.

Capital Structure

As at 31 December 2009, the total asset of the Group was HK$1,271 million (2008: HK$682 million), which was financed virtually by shareholders' equity. Issued number of shares increased from 1,731 million shares (31 December 2008) to 2,266 million shares (31 December 2009). Out of the 535 million shares, 323 million shares were issued for raising cash resources. The Group's capital structure, as well as cash inflow, is therefore very healthy.

The Group controlled carefully the foreign exchange risk exposure. Exchange loss incurred in the year 2009 was HK$1,906,000 (2008: HK$3,777,000).

DIVIDENDS

The Directors of the Company proposed a dividend of HK0.6 cents per share (2008: nil). The dividend is intended to be declared through cancellation of an amount standing to the credit of the share premium account of the Company ("Share Premium Reduction") and transferring the credit arising from the Share Premium Reduction to the contributed surplus account of the Company. The Capital Reduction will be subject to shareholders' approval in a special general meeting of the Company. Separate announcements will be made on the special general meeting and on the period closure of register of members for determining the entitlement of dividend.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions of the Code on Corporate Government Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for deviation of the code provision A.2.1. of the Code as mentioned below.

According to the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this annual report, the Board has not appointed an individual to the post of chief executive officer. The role of the chief executive officer has been performed collectively by all the executive directors, particularly by the chairman, of the Company. The Board considers that this arrangement is appropriate and cost effective in the initial phase of development of the Group and allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies. Going forward, the Board will periodically review the effectiveness of this arrangement and considers appointing an individual as chief executive officer when it considers appropriate.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANE'S WEBSITE

All the detailed information regarding the final results of the Group for the year ended 31 December 2009 required by paragraph 45(1) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
VODone LIMITED
Zhang Lijun
Chairman

Hong Kong, 25 March 2010

As at the date of this announcement, the Board comprises four executive Directors, Dr. Zhang Lijun (Chairman), Ms. Wang Chun, Mr. Yue Hong Chu, George and Mr. Sin Hendrick and three independent non-executive Directors Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Zhichen and Mr. Wang Linan.

* *for identification purpose only*