VODONE LIMITED

第 一 視 頻 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

2012 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of VODone Limited (the "Company" or "VODone") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 are as follows:

Highlights of the annual results for 2012

- Turnover for the year amounted to HK$476,800,000
- Bank and cash balance of HK$364,503,000, and no bank borrowings
- Total assets exceeded HK$3,096,372,000
- Net cash generated from operating activities amounted to HK$309,527,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	4	**476,800**	950,072
Cost of revenue		**(208,518)**	(284,895)
Gross profit		**268,282**	665,177
Other gains and losses	5	**61,158**	171,656
Selling and marketing expenses		**(61,881)**	(247,301)
Administrative expenses		**(191,689)**	(138,279)
Impairment of intangible assets		**(11,991)**	–
Impairment of goodwill		**(35,080)**	–
Finance costs		**(1,872)**	–
Share of loss of associates		**(37)**	(12,479)
Profit before income tax	6	**26,890**	438,774
Income tax expense	7(a)	**(42,306)**	(39,381)
(LOSS)/PROFIT FOR THE YEAR		**(15,416)**	399,393
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**14,480**	94,963
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(936)**	494,356
(LOSS)/PROFIT ATTRIBUTABLE TO:			
Owners of the Company		**(3,138)**	370,688
Non-controlling interests		**(12,278)**	28,705
		(15,416)	399,393
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**11,196**	460,813
Non-controlling interests		**(12,132)**	33,543
		(936)	494,356
(LOSS)/EARNINGS PER SHARE			
– Basic *(HK cents)*	9	**(0.10 cents)**	13.38 cents
– Diluted *(HK cents)*	9	**(0.10 cents)**	13.13 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**44,951**	50,016
Interests in associates		**41,411**	41,175
Goodwill		**869,224**	898,344
Intangible assets		**910,326**	486,853
Deposits for acquisition of property, plant and equipment		**1,348**	5,635
		1,867,260	1,482,023
CURRENT ASSETS			
Trade receivables	*11*	**94,010**	195,237
Other receivables, deposits and prepayments		**470,197**	440,469
Inventories		**2,855**	2,557
Other financial assets		**49,448**	37,429
Amounts due from associates		**247,393**	425,223
Amounts due from related companies		**706**	2,834
Bank balances and cash		**364,503**	387,836
		1,229,112	1,491,585
CURRENT LIABILITIES			
Trade payables	*12*	**4,478**	11,657
Deposits received, other payables and accruals		**38,949**	110,362
Amount due to a related company		**53**	53
Other financial liabilities		**95,472**	–
Consideration shares		**38,115**	99,393
Tax payable		**19,479**	43,184
		196,546	264,649
NET CURRENT ASSETS		**1,032,566**	1,226,936
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,899,826**	2,708,959
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,442**	13,487
NET ASSETS		**2,890,384**	2,695,472
EQUITY			
Share capital		**30,981**	26,141
Reserves		**2,683,890**	2,565,630
Equity attributable to owners of the Company		**2,714,871**	2,591,771
Non-controlling interests		**175,513**	103,701
TOTAL EQUITY		**2,890,384**	2,695,472

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before income tax	**26,890**	438,774
Depreciation of property, plant and equipment	**18,915**	17,185
Amortisation of intangible assets	**58,987**	36,105
Foreign exchange loss/(gain), net	**1,324**	(4,838)
Interest income	**(1,098)**	(1,203)
Interest expense	**1,872**	–
Loss on disposal of property, plant and equipment	**12**	8
Share of loss of associates	**37**	12,479
Share-based payment expense in respect of:–		
– granting of share options	**1,714**	17,680
– granting shares of subsidiary	**16,728**	5,774
Impairment of intangible assets	**11,991**	–
Impairment of goodwill	**35,080**	–
Write-down of inventories	**825**	–
Fair value gain on consideration shares	**(59,140)**	(163,846)
Operating cash flows before working capital changes	**114,137**	358,118
Decrease in inventories	**(1,123)**	(130)
Decrease/(increase) in trade receivables	**102,075**	(70,363)
Decrease/(increase) in other receivables, deposits and prepayments	**8,675**	(21,248)
Decrease/(increase) in amounts due from associates	**180,046**	(171,747)
Decrease in amounts due from related companies	**2,147**	16,213
Decrease in trade payables	**(7,228)**	(3,454)
(Decrease)/increase in deposits received, other payables and accruals	**(19,036)**	2,241
Increase in amount due to a related company	**–**	53
Effect of foreign exchange rate changes	**22**	1,070
Net cash generated from operations	**379,715**	110,753
Income tax paid	**(70,188)**	(31,754)
Net cash generated from operating activities	**309,527**	78,999

	2012	2011
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(9,265)**	(13,404)
Purchases of intangible assets	**(584,588)**	(146,811)
Proceeds on disposal of property, plant and equipment	**–**	10
Acquisitions of subsidiaries	**–**	(105,559)
Compensation from vendors in relation to acquisition of subsidiaries	**37,429**	–
Interest received	**1,098**	1,203
Net cash used in investing activities	**(555,326)**	(264,561)
FINANCING ACTIVITIES		
Net proceeds from issue of shares through exercise of share options	**6,544**	9,473
Payment of dividend	**(22,695)**	(38,352)
Repurchase of shares	**–**	(13,753)
Proceeds from issue of ordinary shares of a subsidiary	**91,629**	–
Capital contribution from non-controlling interests	**252**	–
Placing of shares	**144,689**	203,400
Net cash generated from financing activities	**220,419**	160,768
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(25,380)**	(24,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**387,836**	399,282
Effect of foreign exchange rate changes	**2,047**	13,348
CASH AND CASH EQUIVALENTS AT END OF YEAR	**364,503**	387,836
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**364,503**	387,836

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL

The Company is a limited liability company incorporated in Bermuda. Its shares are listed on the Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is located at Room 3006, 30th Floor, Gloucester Tower, the Landmark, 11 Pedder Street, Central, Hong Kong.

The Group are principally engaged in tele-media business, lottery-related business and mobile games business in the People's Republic of China ("PRC"). During the year, a non-wholly owned subsidiary of the Company, China Mobile Games and Entertainment Group Limited, which are principally engaged in mobile game business, are successfully listed on the Nasdaq Global Market in the United States.

The Group provides internet information services through a series of service agreements (as defined in the Company's circular dated 18 August 2006 and mentioned below) entered into among the Company, the Group's associate – VODone Datamedia Technology Co., Ltd. ("TMD1") and VODone Telemedia Co. Ltd. ("VODone Telemedia").

VODone Telemedia, a company established in the PRC, owns the domain name (www.v1.cn) and is licensed in the PRC to provide an audio/video transmission platform delivering a range of cross media telecommunications contents and valued added services to its customers. Dr. Zhang Lijun is a director of both VODone Telemedia and the Company and he has beneficial interests in the Company as at the end of reporting period.

Under the abovementioned arrangements, VODone Telemedia, as the holder of the business licenses, has established a normal commercial arrangement to outsource its various technical, contents, advertising and marketing and other support service with TMD1, for the latter to provide the exclusive business support and content services to VODone Telemedia. The Group provides the support services to TMD1 which can in turn fulfill its obligation as VODone Telemedia's exclusive service provider.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(a) Adoption of new/revised HKFRSs – effective 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2012

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2014

[4] Effective for annual periods beginning on or after 1 January 2015

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to four standards that are potentially relevant to the Group's operations.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these pronouncements. In respect of the new pronouncements, the directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers 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 – Provision of internet information services, including mini-video news portal and self-produced original news commentary programs and operation of online shopping platform.

- Lottery-related business – Provision of a lottery operation platform through the complementary support of lottery information, mobile phone lottery betting system and the lottery weibo.

- Mobile game business – Development and provision of mobile games, as well as provision of mobile and internet value-added services, and also developing, designing and providing maintenance services of mobile communication products.

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 games business**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**165,411**	430,010	**70,050**	203,507	**241,339**	316,555	**476,800**	950,072
Reportable segment profit/(loss)	**63,520**	157,494	**9,026**	107,200	**(69,794)**	120,539	**2,752**	385,233
Interest income	**14**	170	**–**	–	**1,084**	1,032	**1,098**	1,202
Interest expense	**–**	–	**–**	–	**1,872**	–	**1,872**	–
Impairment of intangible assets	**–**	–	**–**	–	**11,991**	–	**11,991**	–
Impairment of goodwill	**–**	–	**–**	–	**35,080**	–	**35,080**	–
Other operating expense	**–**	–	**–**	–	**37,580**	–	**37,580**	–
Depreciation and amortisation	**(24,802)**	(15,621)	**(23,989)**	(15,746)	**(28,945)**	(21,730)	**(77,736)**	(53,097)
Reportable segment assets	**1,348,658**	1,389,514	**762,758**	618,848	**839,610**	875,608	**2,951,026**	2,883,970
Additions to non-current assets	**361,387**	103,410	**136,390**	207,417	**47,675**	17,358	**545,452**	328,185
Reportable segment liabilities	**13,614**	21,239	**12,323**	22,066	**43,266**	80,005	**69,203**	123,310

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

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax		
Reportable segment profit	**2,752**	385,233
Other gains and losses	**63,295**	165,092
Share of loss of associates	**(37)**	(12,479)
Advertising expense	**–**	(44,543)
Share-based payment expense	**(1,714)**	(17,680)
Directors' remuneration	**(19,098)**	(17,842)
Salaries for administrative staffs	**(9,278)**	(8,470)
Unallocated corporate expenses	**(9,030)**	(10,537)
Consolidated profit before income tax	**26,890**	438,774

	2012	2011
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**2,951,026**	2,883,970
Other financial assets	**49,448**	37,429
Interest in associates	**41,411**	41,175
Bank balances and cash	**51,434**	8,135
Unallocated corporate assets	**3,053**	2,899
Consolidated total assets	**3,096,372**	2,973,608

	2012	2011
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**69,203**	123,310
Deposits received, other payables and accruals	**2,971**	54,346
Other financial liabilities	**95,472**	–
Consideration shares	**38,115**	99,393
Unallocated corporate liabilities	**227**	1,087
Consolidated total liabilities	**205,988**	278,136

(c) Geographical information

During 2012 and 2011, over 90% of the Group's revenue is attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong.

(d) Major customers

The Group's associate is the only major customer with whom transactions have exceeded 10% of the Group's revenues. Revenue from the Group's associate amounted to approximately HK$165,411,000 (2011: HK$371,876,000) in the tele-media segment and amounted to approximately HK$70,050,000 (2011: HK$129,758,000) in the lottery-related segment.

4. REVENUE

Revenue, which is also the Group's 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:

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Tele-media business:		
– advertising and service income	**165,411**	430,010
Lottery–related business:		
– service and advertising income	**70,050**	203,507
Mobile games business:		
– sales of mobile communication products, mobile games and provision of maintenance service	**241,339**	316,555
	476,800	950,072

5. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Fair value gain on consideration shares	**59,140**	163,846
Net foreign exchange (loss)/gain	**(1,324)**	4,838
Interest income	**1,098**	1,203
Loss on disposal of property, plant and equipment	**(12)**	(8)
Others	**2,256**	1,777
	61,158	171,656

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
Salaries and wages	**83,266**	70,283
Pension fund contributions	**18,715**	12,255
Share-based payments	**14,684**	13,810
	116,665	96,348
Carrying amount of inventories sold	**14,555**	30,420
Write-down of inventories	**825**	–
Amortisation of intangible assets included in		
Cost of revenue	**54,141**	35,307
Administrative expenses	**4,846**	798
Depreciation of property, plant and equipment	**18,915**	17,185
Research and development costs for mobile game business	**43,348**	23,062
Listing expenses	**34,499**	–
Interest expenses for financial liabilities	**1,872**	–
Auditor's remuneration	**1,195**	1,130

During the year, the estimated useful life of certain purchased software and technology was revised from five years to ten years to better reflect the useful life of the assets. The effect of the change in accounting estimate in the current year was a decrease in amortisation charge of HK$10,157,000.

7. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of comprehensive income represents:

	2012	2011
	HK$'000	*HK$'000*
Current tax – PRC		
– provision for the year	**15,350**	30,053
– under provision in prior year	**434**	1,040
– withholding tax on distribution of retained profits of subsidiaries	**30,458**	8,463
Current tax – Hong Kong Profits Tax		
– provision for the year	**216**	1,918
– over provision in prior year	**(39)**	–
Deferred taxation		
– attributable to the reversal of temporary differences	**(4,113)**	(2,093)
	42,306	39,381

The Hong Kong profits tax of OWX Hong Kong Limited is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

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 on the statutory tax rate of 25%, except for the following subsidiaries.

VODone Information Engineering Co., Ltd. ("TMD2") is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%.

廣州億通天下軟件開發有限公司is regarded as a high-technology company according to PRC tax regulations and is entitled to a tax concession from local tax authority in which the company was fully exempted from PRC corporate income tax ("CIT") for years 2011 to 2013, followed by a 50% reduction in CIT for the next 3 years, 2014 to 2016.

Huiyou Digital (Shenzhen) Ltd. is regarded as a high-technology company according to PRC tax regulations and is entitled to a tax concession from local tax authority in which the company was fully exempted from CIT for years 2012 to 2014, followed by a 50% reduction in CIT for the next 3 years, 2015 to 2017.

During the year, the company receives dividends from TMD2 attributable to the profits of the previous financial year which was subject to PRC withholding tax at 10% of the distributed profits.

(b) The income tax expense for the year can be reconciled to the accounting profit as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax	**26,890**	438,774
Taxation calculated at PRC income tax of 25% (2011: 25%)	**6,723**	109,693
Tax effect of non-taxable income	**(11,954)**	(19,963)
Tax effect of expenses not deductible for taxation purposes	**25,097**	12,110
Utilisation of previously unrecognised tax loss	**–**	(545)
Tax effect of tax losses not recognised	**14,873**	14,596
Effect of tax exemptions granted	**(21,979)**	(52,932)
Effect of lower tax rate applicable to a subsidiary as a result of preferential tax policy as described in (a)	**(10,354)**	(27,773)
Effect of tax rate in foreign jurisdictions	**9,047**	(5,308)
Under provision in prior year	**395**	1,040
Withholding tax on distribution of retained profits of subsidiaries	**30,458**	8,463
Income tax expense for the year	**42,306**	39,381

8. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit for the year attributable to owners of the Company includes a profit of HK$5,998,000 (2011: HK$54,732,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2012	2011
	HK$'000	*HK$'000*
Amount of consolidated profit attributable to owners dealt with in the Company's financial statements	**5,998**	54,732
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**275,957**	61,702
Company's profit for the year	**281,955**	116,434

9. (LOSS)/EARNINGS PER SHARE

	2012	2011
	HK cents	*HK cents*
		(Restated)
Basic (loss)/earnings per share	**(0.10)**	13.38
Diluted (loss)/earnings per share	**(0.10)**	13.13

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the bonus issue that took place during the year ended 31 December 2012. Basic and diluted (loss)/earnings per share amounts for the year ended 31 December 2011 are restated to take into effect the bonus issue during the current year.

	2012	2011
(Loss)/profit	***HK$'000***	*HK$'000*
(Loss)/profit for the year attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(3,138)**	370,688

	2012	2011 (Restated)
Number of shares		
Issued ordinary shares at 1 January	**2,875,554,627**	2,638,751,496
Effect of exercise of share options	**5,383,388**	7,055,942
Effect of repurchase of shares	**–**	(1,730,520)
Effect of placing of new shares	**105,792,350**	73,232,877
Effect of shares issued on acquisition of assets	**–**	13,806,700
Effect of shares issued for acquisition of subsidiaries	**55,682,511**	38,655,901
Weighted average number of ordinary shares for basic earnings per share	**3,042,412,876**	2,769,772,396
Effect of dilution		
– Share subject to recall (i)	**26,708,815**	44,968,663
– Share options	**2,267,393**	7,786,410
Weighted average number of ordinary shares for basic earnings per share, adjusted for the effect of dilution	**3,071,389,084**	2,822,527,469

(i) 26,708,815 shares, which are subject to recall, are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date when they are no longer subject to the lock-up and dealing restriction. These shares are included in the calculation of diluted earnings per share as if the conditions of the contingency are deemed to have been met based on the information available at the end of reporting period.

10. DIVIDENDS

(i) Dividends payable to owners of the Company attributable to the year:

	2012 *HK$'000*	2011 *HK$'000*
No final dividend proposed after the end of the reporting period (2011: HK0.8 cents per ordinary share)	**–**	21,743

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year:

	2012	2011
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.8 cents per share (2011: HK1.38 cents per share)	**21,743**	36,293

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of reporting period, based on invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**16,766**	134,126
2 to 3 months	**11,796**	30,460
4 to 6 months	**8,853**	26,136
7 to 12 months	**14,963**	4,471
Over 1 year	**41,632**	44
	94,010	195,237

The credit period of the Group's trade receivables ranges from 30 days to 180 days.

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

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**40,563**	165,410
Less than 1 month past due	**3,319**	16,348
1 to 3 months past due	**2,205**	8,199
More than 3 months past due	**47,923**	5,280
	94,010	195,237

For trade receivables with ageing more than 3 months past due, over 50% have been settled. 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. TRADE PAYABLES

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current or less than 1 month	**3,429**	6,665
1 to 3 months	**799**	4,648
More than 3 months but less than 12 months	**250**	344
	4,478	11,657

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2012 have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

We leveraged the foundation laid in the past and continued to grow in 2012

2012 undoubtedly marked a year of exceptional significance in the history of China. A number of keywords, such as global economic recovery, European debt crisis, soft landing of China's economy, austerity measures over the real estate sector, the 18th National Congress of the Communist Party of China and Diaoyu Islands, kept appearing in news headlines. Against this backdrop, having considered the macroeconomic environment diligently and with the long-term business development of the Company as top priority, the management of the Group had made decisive decisions to enhance the Group's structure and expand new business lines so as to elevate the profitability of the Group steadily.

I. Tele-media business

2012 was a year of notable development for VODone Portal（第一視頻網）(www.v1.cn). As the sole "mini-video news portal" media in China, VODone Portal is blessed with loyal fans and unique high level of influence, and power of influence continues to rise. However, we cannot afford to be complacent as the development of the internet has entered a "micro era" and "cloud era". The question as to how to further extend our influence, utilize the features of the media to a fuller extent, elevate the loyalty of users, improve profitability amid a highly competitive environment and further enhance the income structure of the Group's media business need to be seriously considered by the management. After thorough deliberation by the management, the answers to these questions are "changes"! Not only do we need to adapt to the changes in the market, become innovative and keep abreast with market development, but also to look for new growth drivers and breakthroughs under the strategy of active pursuit of "changes". Thus, VODone Portal has stood out by launching a series of innovative products including "mini-video, cloud news". And the mobile applications of "v1" of VODone Portal were rolled out under this background. In June 2012, VODone Portal began the set up and development of the "cloud" platform, and it took about six months to complete the set up of the "cloud news" platform, which was launched in February 2013. You may now watch a mini-video news portal powered and supported by the new "v1" system and cloud technology. With an all-in-one integration of multiple features including mobile mini-video news, internet live video broadcasting together with new media and social networking functions such as video mode friends-making and video community functions, the network has become a highly popular tool and platform for internet video news among internet users. The network's tremendous influence enables the Group's belief of "social justice" to be realised. At the same time, the huge page viewing volume will increase online advertising revenue and generate revenue for lottery and games channels. The management will step up its efforts in building VODone Portal as an internet video platform in China that is embedded with positive, stable growth and abundant opportunities, and become a leading brand of the Group.

II. Lottery-related business

2012 was a crucial year for the Mainland China. There were adjustments in various policies along with the leadership transition in China. Internet lottery sale related policies underwent continuous adjustments and changes, that considerably affected the development of the lottery-related business of the partners of VODone. The uncertainty of policies to some extent had led to the decline in the total volume of internet lottery sales. The impact was particularly notable in the first half of 2012. In order to respond to the rapidly changing market environment, the management of the Group had decisively strengthened the collaboration with domestic partners, and developed applications for purchase of lotteries through mobile phones in full throttle to capture the opportunities arising from the swift growth in the number of smartphone users. The management had also actively kept themselves well aware of the direction of the policies development related to internet lottery sales in order for them to determine the right trends for business development. As a result, performance of the lottery-related business began to rebound and achieved a relatively higher growth in the second half of the year. Also, there were increases in both the number of registered users and sales volume in the three lottery-related business lines including Zhongguozucaiwang（中國足彩網）(www.zgzcw.com), Diyicai（第一彩）(www.diyicai.com) and Lottery 365（彩票365）. In particular, Lottery 365 has evolved into the most famous mobile lottery buying application with the largest number of users and sales volume among its peers. On 1 January 2013, the inclusion of the internet as one of the legitimate channels for the sale of lottery tickets by the Ministry of Finance of the People's Republic of China was definitely an extremely good news to us. In the coming year, VODone and its partners will endeavour to strengthen their internal infrastructure in order to meet the relevant requirements of the country and cater for the market changes, with a vision to strive for growing into a leading player in China's internet lottery sales industry, and to continue the Group's trajectory of high growth.

III. Mobile games business

China Mobile Games and Entertainment Group Limited ("CMGE"), a subsidiary of the Group, successfully achieved its goal of listing in the United States market in 2012. Against the background of the economic downturn in the United States and the low ebb of interest in China concept stocks, CMGE has succeeded in becoming the first domestic enterprise listed on the Nasdaq Global Market in the United States by way of introduction through its remarkable results and unabated efforts. The listing represented a "zero" breakthrough, and attracted much attention among the global capital markets. With the successful listing of CMGE, the management of the Group had fulfilled their commitment to the majority of investors and created shareholder values while striking a balance between risk exposures and rewards. Following the completion of business restructuring and successful product transformation of CMGE, I am confident that CMGE will become an important source of profit for the Group.

2012 was actually a year in which "we leveraged the foundation laid in the past and continued to grow". Owing to the year's main theme of "changes", the Group adjusted its business structure and profit model in response to policy changes and market trends. Based on our past proven records, we have laid a solid foundation for our future development. Looking ahead of 2013, we are fully confident of our prospect.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover of the Group for the year ended 31 December 2012 amounted to HK$476,800,000, representing a decrease of around 49.81% as compared with last year. Loss attributable to the owners of the Company was HK$3,138,000 (2011: Profit of HK$370,688,000).

Business Review and Development

In 2012 VODone focused mainly on the development of the tele-media, lottery-related and mobile games businesses.

- **Tele-media business**

Mature technology in Cloud video news and diversification of website contents

Capitalizing on the advantage of possessing all the necessary qualifications and licenses, in 2012 VODone Portal (第一視頻網) (www.v1.cn) re-positioned itself as a "mini-video news portal in China" specializing in the broadcasting of mini-video news. Through various means of access to contents including partnering up with the media and the set up of editing and broadcasting stations, the problems of high similarity of contents and exorbitant royalty charges which plagued mini-video portals were overcome. Thanks to the efforts in offering a wide spectrum of information, personalized topics, branded self-produced programs and professionalised live broadcasting, the visibility of the website as a medium was strengthened. The website has become increasingly influential, and its advertising value was recognised by a number of authoritative institutions. At the 2012 annual meeting of China's enterprise leaders and media leaders, VODone Portal was granted the award of "The Most Influential New Media with the Greatest Advertising Value in China in 2012" (「影響中國二零一二年度最具廣告傳播價值新媒體」).

In order to further enhance the power of influence and profitability of VODone Portal as a "mini-video news portal" in China in 2012, with the technology innovation of "cloud video news" as the highlight, VODone Portal successfully built in eight months' time the largest integrated broadcast platform of "cloud video news" in the PRC. In line with the philosophy of "mini-video, cloud news, real-time discovery", the "cloud video news" platform generated an original concept of "News Tree", which embraces the concept of creating fabulous experience for users in watching video news by inspiring their thoughts and insights into the inter-relationship between individual pieces of news without limiting to the news itself and the related news through the use of the "keyword association" technology. The "cloud video news" platform also provides users with a wide range of customised services by incorporating social elements, UGC (User Generated Content) technology and mobile application services. The application of the "cloud video news" technology will greatly enhance the content production capacity and the product innovation capability of the website.

Mini-video news in China and around the world are readily available in the "cloud video news" platform, which supports the uploading, searching and playing back of mobile phone shot videos and is also the first of its kinds that provides "video weibo" services in China. Such service features an integrated platform for weibo, mini-video and "cloud", enabling users to share their thoughts, feelings and special moments in life with friends or the public in the form of short videos. Meanwhile, the "Di Yi Xiu Chang"(「第一秀場」) internet video broadcast platform, which is linked to the "cloud" platform, and the "cloud gaming" platform, which supports the "cloud" platform's games channel business, have been built and will commence operation successively. Each of these new products and business lines will help boost the profitability of VODone Portal significantly, underscoring the sustainable and stable growth of the tele-media business of VODone.

Introduction and prospect of the V1pin (www.v1pin.com) business

In recent years, China has entered the fourth wave of baby boom, with new borns putting on by about 20 million per annum. Based on the cumulative number of newborn babies, the total number of infants and children (age between 0 to 6 years) in the country amounted to about 110 million. Fuelled by enhanced spending power, maternal-child consumer goods are set to record a sustained high growth. According to the projection by the Association of Infant and Child Industry, the consumption of maternal-child consumer goods currently accounts for about 30% of the total household expenditure, with sales amount in the entire maternal-child market in 2012 reaching RMB1 trillion. Moreover, China has become the second largest maternal-infant product consuming country, just behind the United States.

In view of this, V1pin online shopping platform established by joint forces between us and CCTV(中視購物)will tap on this burgeoning market which has vast business opportunities. In respect of online marketing, V1pin leveraged on the Group's abundance in resources, targets on high-end household customers of the maternal-child category among users and carries out in-depth marketing on them. V1pin focuses on the consumers group who "care about baby health, and demand for quality products". In relation to offline marketing, we will also team up with banks, high-class postnatal care centres and maternity hospitals for joint marketing efforts. The Group is committed to providing originally-imported high-quality infant products, with a vision to assure its customers of superb-quality products and attentive services. In addition, V1pin has attached much attention to high-end household customers in second and third-tier cities where have strong consumption demand for originally-imported infant products from the high-end household customers, but have relatively lesser channels for the purchase of these products. As such, the Group will put intensive marketing efforts in these markets.

In the future, V1pin is committed to becoming China's largest online store for imported infant products, and to providing customers with a safe and reliable shopping platform of an advanced platform, powerful operations, premium quality and caring service. Meanwhile, V1pin will be a fresh impetus to the growth in e-commerce revenue for the Group.

- **Lottery-related business**

In response to the adjustments to the state policies in lottery-related business in 2012, the partners of VODone adjusted the management structure of the lottery-related business by adopting the principles of autonomous operation, and independent and professional approach of operations. Vigorous and proactive efforts were made to mitigate the adverse impact and pressure of the changes in the policies on the lottery-related business, thereby restoring a steady growth of operating revenue. On 1 January 2013, the Ministry of Finance of the People's Republic of China promulgated a new policy to officially include internet sales as a legitimate channel for lottery sales and distribution, thus presenting immense business opportunities for the lottery-related business of the partners of VODone. The partners of VODone are currently making active endeavours to comply with the regulatory adjustments and attain necessary qualifications for the lottery-related business and striving to become anchor enterprises in China's internet lottery sales.

Zhongguozucaiwang (中國足彩網) (www.zgzcw.com)

Since the end of 2011, Zhongguozucaiwang has been continuously enhancing and enriching its content by adding more experts' predictions and analyses, which were highly regarded and well received by users, which took Zhongguozucaiwang's scope of professional service to a new level. Moreover, pre-games information was updated on a daily basis to provide more precise and relevant reference for soccer games betting, which were highly popular among sports fans. A good variety of original contents had helped characterize our website and enabled us to stay ahead among the competitive websites in the sector.

To boost lottery sales volume and enhance users' cohesion and degree of activeness, we continued develop and enhance the website's products. These efforts started with the development of "The Fight of Hundred Regiments"(「百團大戰」) (group lottery) project. Since the launch of group lottery, users have taken greater initiatives towards "combination of lottery placements and greater sum of lottery placements"(「發單併，發大單」) (i.e. collective group purchase of a series of lotteries), which drew the attention of more sports fans. In addition, with the launch of a new version of "The Forecasts from All Directions"(「八方預測」), further improvement and enhancement were achieved by the inclusion of match details such as match schedules and player lineup, featuring an easy browsing of all important information including soccer team information and league match information by sports fans. As such, the needs of users have been better catered for, whereas users' experiences and the chance of lottery winning have been enhanced. In addition, following the introduction of the new version of "Guess Forum (「猜猜論壇」), the number of average daily postings has increased to 5,000. The forum created an open platform for sports fans to chat and exchange their ideas freely.

In 2012, Zhongguozucaiwang had established collaboration with more than 30 media including Sohu (搜狐), Beijing Evening News (北京晚報), China Sports Lottery News (中國體彩報), NetEase (網易), Sina (新浪), Hexun (和訊), Beijing Youth Daily (北京青年報), China News Service (中新社), People's Daily (人民日報) and The Beijing News (新京報) for the exchange and sharing of articles, laying a solid foundation for the promotion and page viewing volume of the website. During the European Cup, the cooperation with PPTV brought the daily page viewing volume to nearly 100,000. There was a steady growth in both monthly page viewing volume and sales volume, and the results in the second half of the year were particularly remarkable.

Zhongguozucaiwang has been committed to launching promotion activities to boost sales volume and number of users. On average, two activities were launched each month. Of which the "Award of Extra 50 for Each Winning of Lottery Money of 400, with No Cap"(「競彩中400獎50不封頂」) was in particular attracted to soccer fans. Activities like "Shengfucai and Renxuanjiu, with Prizes for Unsuccessful Betting"(「勝負彩任選九不中獎也有獎」), "Guess PK Game"(「猜猜PK賽」) and "Lottery Match"(「競彩擂台」) were highly popular with soccer fans. These promotional activities substantially uplifted the active participation of sports fans.

Diyicai（第一彩）(www.diyicai.com)

Diyicai is a paperless platform that comprehensively covers the country's mainstream welfare lottery tickets. Enriched information and contents are embodied in the website through continuous improvement and introduction of new technologies. In order to promote wider use of Diyicai among lottery players, Shuangseqiu Dingtou（雙色球定投）, Shuangseqiu Dedicated Page, NBA Topics Page, Digital Lottery Topics Page and European Cup Topics Page have been launched, thereby providing convenient and diversified betting options for lottery players.

In 2012, Diyicai reached a cooperation agreement with China National Broadcasting Network（央廣廣播電視網絡台）("CNBN"). In addition, we worked with Talkweb Information System（湖南拓維信息）to introduce SMS betting system in Heilongjiang. Also, we partnered with a number of websites including hao123, Taobao（淘寶）, Etao（一淘）, ku6（酷六網）, 139 Community（139社區）, PaiGou（拍夠）and Quanmama（券媽媽）in respect of the marketing of lottery money coupons. Lottery money coupons were given as present through collaborative platforms. This had greatly enhanced the page viewing volume of the website. Moreover, there was an addition of 430,000 new registered users, among them, 200,000 new users were active users.

Lottery 365（彩票365）

A brand new milestone product "Lottery 365" was officially launched in 2012. It is a mobile application which is the first of its kind that integrates weibo interactivity, live match broadcasting, sports events betting, lottery sales and experts' analyses.

Lottery 365 entered into a cooperation agreement with TCL Mobile Payment Platform. In June 2012, Lottery 365 was officially launched for the first time on China Telecom's E surfing platform（天翼空間）covering 60 million 3G phone users of China Telecom. Since its launch, Lottery 365 had been immediately recommended by dozens of applications stores, including Apple iOS App Store, "91 Shoujizhushou"（91手機助手）, Android market, GoMarket（安智市場）, aMarket（機鋒市場）, E surfing, Baidu App Engine（百度應用）, waptw.com（UC天網）, Tencent App Center（騰訊應用寶）and Sohu App Center（搜狐應用中心）and soon become highly popular amongst lottery players and soccer fans. When searching "彩票 (lottery)" on Apple iOS App Store, Lottery 365 appears in a top-rank position, and has attained a top 10 ranking among free applications for a number of times. Lottery 365 is also at the forefront of the "lottery" category among Android platforms and major mobile applications market in China.

From the initial launch of Lottery 365 to 31 December 2012, the number of users downloading Lottery 365 had exceeded 4.5 million. Lottery 365 has now become the mobile lottery-buying application with the highest downloading volume and the largest number of active users in China.

Lottery 365 had already received positive feedbacks from millions of users since its roll out for only six months, and won increasing recognition and applause from industry experts and the media. In 2012, we were granted a number of honours, including the "2012 Product Innovation Award (「2012年度產品創新獎」)" from the China Institute of Communications of the Ministry of Communications, the "Editor's Recommendation Award for Other Applications for Mobile Phone In China"(「中國手機其他應用軟件編輯推薦獎」) in the selection activities of "The Event of M-World Top App" (「91全球移動應用世界2012金掌獎」) organized by SJ.91.com (91手機娛樂), the "2012 Excellent Mobile Application Award (「2012年度優秀移動應用獎」)" at the Mobile Internet Annual Meeting hosted by the Global Mobile Internet Union, as well as the "Internet Top 10 Service Innovation Award in PRC in 2012(「2012中國互聯網十大服務創新獎」)" from the Internet Society of China.

Lottery 365 features the following eight innovative functions:

1. Live scores: Synchronization of live scores with betting on match results and the provision of goals score alerts in a prompt manner enable users to keep closely abreast of the development of matches.

2. Live broadcasting of matches: Live broadcasting is provided for focused sport events such as the European Cup/Olympic Games/European Championship.

3. Notification of lottery results: Synchronization of lottery results notification with that of the China Welfare Lottery Center and Sports Lottery Administration Center enables users to have immediate access to lottery results.

4. "The Forecasts from All Directions": It releases trend analyses on Shuangseqiu and predictions on football lottery exclusively by renowned media specialists.

5. Weibo interactivity: It provides lottery players with an interactive platform that enables lottery players everywhere to share information among themselves. The platform is the most active lottery weibo community for lottery players in China.

6. Joint lottery-buying in voice form: Voice elements are added by introducing "365 Good Voice"(「365好聲音」), which makes suggestions on joint lottery-buying proposals in voice mode to users of Lottery 365.

7. Lucky number selection: Users may randomly select their lucky numbers by "Shaking Mobile Phones"(「搖一搖」). Users may also select their lucky numbers with a unique shaking function named "A Blow"(「吹一吹」), which is based on the calculation of their constellation, date of birth or name.

8. Lottery betting: It covers the nation's mainstream welfare lotteries and sports lotteries such as Shuangseqiu, Daletou (大樂透), Selection of 5 out of 11 (11選5), Fucai 3D (福彩3D), Shengfucai (勝負彩), Basketball Lottery (競彩籃球) and Football Lottery (競彩足球). It also provides trend analyses on numbers, past track records of soccer teams and live betting proportion for users' reference.

Intra-site services

Our lottery-related business has proactively upgraded a number of services, including a series of new features such as website bets, intra-site messaging and personal secretary, which has greatly enhanced the speed of response of the website services. The optimization and improvement of the customer service, SMS support, channel and agency departments had facilitated user enquiry, data compilation and company promotion, thereby improving the efficiency of interaction between users and the website.

To benefit from celebrity effect, the Group cemented respective partnerships with Huang Jianxiang (黃健翔), a celebrated sports commentator in China and the Chief Marketing Officer of Diyicai of VODone, and Zhou Liang (周亮), a popular football commentator in China. Accordingly, Jianxiang Bet Club (健翔彩吧) and Zhou Liang Bet Club (周亮彩吧) had been set up and attracted many sports supporters and fans, adding fresh impetus to drive for sales growth.

Targeting on the recharge users of the website, we have put into place a half-year user loyalty reinforcement plan. Through the Group's business partnership, marketing efforts and improvement in customer services, we have reactivated nearly 100,000 idle users and regained nearly 20,000 active users.

These business partnerships and marketing efforts have further promoted the popularity of Zhongguozucaiwang, Diyicai and Lottery 365 and laid a solid foundation for future development.

- **Mobile Games Business**

The smartphones industry experienced a very high growth in China in 2012. In anticipation of a fast-shifting environment away from feature phones to smartphones, VODone's mobile game subsidiary China Mobile Games and Entertainment Group Limited ("CMGE") is upgrading its mobile game products, distribution channels and technology and development teams to ensure a smooth transition. Despite market and company transitioning, CMGE remains a leading mobile game company in China with the largest market share among mobile game developers in terms of revenues in 2012 (in addition to 2010 and 2011).

By focusing on providing feature phone users with a mobile game experience comparable to smartphones through the launch of popular products such as the "Featured Games" the Funbox Game Platform, and the service platform FMM (Feature phone Mobile Market) that was jointly launched with China Mobile（中國移動）, MediaTek（聯發科技）and Vogins Technology（沃勤科技）, CMGE sought to strengthen its already leading position in the feature phone mobile games market in China in 2012. CMGE also focused primarily on the development and operation of smartphone games for both Android and iOS platforms. In order to attract high-quality smartphone games resources and to increase CMGE's image and recognition in the market, CMGE works closely with a number of industry partners.

By the end of 2012, CMGE's MMORPG (Massive Multiplayer Online Role-playing Game 大型多人在線角色扮演遊戲) social games portfolio included "Hero Alliance（英雄聯盟）," "Purple Wings（紫翼）," "Dian Feng（巔峰）," "Xiao'ao Jianghu（笑傲江湖）," "Xun Qin（尋秦）" and "Creation Song（創世神曲）." "Hero Alliance" was successfully launched in July 2012. CMGE has a self-developed game portfolio that spans multiple genres which include mobile social card games, MMORPGs and 2D/3D mobile social games. We have developed a theme called "Kuaile（快樂）" in the mobile social card game series. The Kuaile series contain games like, "Kuaile Doudizhu（快樂鬥地主）," "Kuaile chajinhua（快樂炸金花）," "Kuaile Mahjong（快樂麻將）," "Kuaile Mahjong for two（快樂二人麻將）," and "Kuaile Niuniu（快樂牛牛）." Some of the mobile social card games have been launched in the market and have garnered encouraging feedbacks. Regarding MMORPG social games, CMGE is developing an immortal hero themed heavy MMORPG social game – "Demon Killer Legends（降魔神話）," a western fantasy myths themed heavy MMORPG social game – "War Valley（戰谷）"; an ancient legendary themed RPG social game – "Immortal Wind（仙風）"; a stone-aged fighting RPG social game – "Che Che Bomb（扯扯彈）"; a heavy three-dimensional immortal hero themed MMORPG social game – "Gods & Demons（仙魔道）" and a three dimensional music and dancing social game – "Dazzling Dance（炫舞派）."

All smartphone games developed by CMGE are generally available on both Android and iOS platforms. In terms of light social games, in 2012 CMGE successfully launched a new Android based social game called "Home Aquarium." In November 2012, this game was ranked sixth on Apple's iPhone paid game list in the China region and second on Apple's iPad paid game list.

As the mobile games operation and publishing for smartphones continues to grow rapidly, we anticipate that the user traffic will facilitate the promotion of our own propriety mobile social games and reduce future promotional costs. CMGE started developing the mobile game operation and publishing business in the second half of 2012 and established a strong distribution network that reaches over 150 million users, with over 30 million active users per month. Supported by its powerful distribution network and established user base, CMGE aims to operate and distribute mobile game products tailoring the characteristics and needs of different users, and establish cooperative relationships with game developers, assisting them to further penetrate the mobile social games market. As of 31 December 2012, CMGE operated and published 20 mobile social games, five of which CMGE has secured the exclusive rights to operate in China.

During 2012, CMGE had developed a strong mobile game distribution platform in China – CMGE Game Center（中國手遊中心）. CMGE Game Center is a one-stop social and interactive platform for downloading Android-based mobile games via WEB portals for mobile internet users, users' own mobile handsets and WAP websites. CMGE Game Center has become one of the important publishing channels for CMGE.

CMGE has expanded its relationship with China Mobile on single player game bundles from one game bundle in 2011 to three in 2012. These game bundles are "G+ Haoyouduo（G+好又多）", "G+ Gamewang（G+遊戲王）" and "3GUU Game Tui Jian Bao（3GUU人氣推薦包）". Each game bundle delivers six to eight single player games to users every month. "G+ Haoyouduo" was ranked first by revenue among all of China Mobile's monthly subscription game bundles for 11 months in 2012.

As of 31 December 2012, CMGE's proprietary game portfolio included 497 mobile games, of which 328 were smartphone games and 169 were feature phone games.

2012 Milestones

- **May 2012,** MediaTek, a leading fabless semiconductor company for wireless communications, became CMGE's strategic shareholder.

- **August 2012,** CMGE was selected by Forbes China as one of the 30 Top Mobile Businesses in China.

- **September 2012,** CMGE was listed on NASDAQ.

- **October 2012,** CMGE signed an exclusive strategic cooperation agreement with Guangzhou CooguoSoft Co., Ltd.（廣州市谷果軟件有限公司）Under the terms of the agreement, the game promotion segment of KuGuo's Ad Platform（酷果廣告平台）will promote mobile games operated and published by CMGE.

Outlook for 2013

Business Outlook

In 2013 CMGE is determined to capture the growth opportunities in the smartphone social games and game publishing businesses by leveraging its prior investments in developing its new generation games as well as its expanded distribution channels. The games CMGE develops for smartphones will also be available for download on tablets through the same channels as smartphones, an aspect of its business CMGE anticipates will expand significantly during 2013 because of the better user experience available through tablets, in particular for MMORPGs, due to their larger screen size compared to phones. During 2013, CMGE plans to launch more than seven self-developed social games, all of which will be available for both Android and iOS-based phones and their tablets and to launch over 100 self-developed or sourced single player smartphone games. CMGE has already established a strong network that reaches over 150 million users with over 30 million active users a month and recently released the Game Center application store, which can leverage its extensive pre-installation and open-platform channels to distribute and publish smartphone games. In 2013 CMGE wishes to install its Game Center application store and its selected games on approximately 60 million mobile handsets. CMGE plans to exclusively publish eight third-party developed social games and to operate and publish over 100 additional social games for third-party game developers through its publishing platform.

2013 Major Game Launch Schedule

War Valley (aka Zhan Gu) – Expected launch: May 2013

"War Valley" is a heavy MMORPG social game set against a western fantasy myth. Players navigate around the virtual world through their mobile phone screens or controller. Through exploration, players gradually customize their characters as the game plot develops. Revenue is generated through the in-game sale of virtual items.

Compatible systems: PC (web game), iOS, Android.

Immortal Wind (aka Xian Feng) – Expected launch: June 2013

"Immortal Wind" is a RPG social game based on the ancient Chinese legend "Shanhai Jing." Players navigate around the virtual world by controlling their mobile phone screens. Through exploration, players gradually customize their characters as the game progresses. Revenue is generated through in-game sale of virtual items.

Compatible systems: iOS, Android.

Che Che Bomb (aka Che Che Dan) – Expected launch: June 2013

"Che Che Bomb" is a RPG social game set in the Stone Age era. Players move their characters around the virtual world and hit targets with bombs by controlling the launch trajectory. Revenue is generated through in-game sale of virtual items.

Compatible systems: PC (web game), iOS, Android.

Dazzling Dance (aka Xuan Wu Pai) – Expected launch: July 2013

"Dazzling Dance" is a 3D music dancing game with fun interactive gameplay. With a high degree of community interaction and personalized in-game preferences. The game provides upgradable items such as costumes, as well as a cooperative game mode along with other unique game settings in addition to the music experience. This game is different from other games of the same type in three aspects: gameplay, interaction and personalization level.

Compatible systems: iOS, Android.

FINANCIAL REVIEW

Business segments

	Tele-media business		Lottery-related business		Mobile games business		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**165,411**	430,010	**70,050**	203,507	**241,339**	316,555	**476,800**	950,072
Reportable segment profit/(loss)	**63,520**	157,494	**9,026**	107,200	**(69,794)**	120,539	**2,752**	385,233

Tele-media Business

The Tele-media business segment contributed a turnover of HK$165,411,000 to the Group for the year ended 31 December 2012, representing a decrease of around 61.5% as compared with 2011, when it contributed a turnover of HK$430,010,000. The lackluster performance of the overall business operation environment in the PRC continued in 2012 under the influence of negative factors in the macro economic environment, including but not limited to the European debt crisis. As a result, the relevant advertising and service income suffered. Segment profit decreased to HK$63,520,000 for the year, representing a decrease of around 59.6% over last year.

Lottery-related Business

As at 31 December 2012, the Group recorded a lottery-related income of HK$70,050,000, representing a decrease of around 65.5% as compared with the corresponding period last year. Lottery-related business income in the second half of 2012 increased by 200% over the first half of 2012. However, segment profit for the whole year decreased by 91.5% to HK$9,026,000 when compared with last year's corresponding period. Excluding expenditure of non-cash nature, such as depreciation and amortization, profit from lottery-related business segment reached HK$33,015,000.

In 2012, due to the Chinese government regulated internet lottery selling through policy, both revenue and profit from lottery-related business decreased. With online sales have now been formally recognized by the PRC government as a legal channel for lottery selling from 1 January 2013, and promulgation of relevant policies and regulations on internet lottery business, we are optimistic that such supportive development will benefit the lottery-related business of the Group that it may resume the pattern of high growth.

Mobile Games Business

For the Year of 2012, revenue decreased to HK$241,339,000, representing a decrease of 23.7% as compared with the corresponding period in 2011. Segment loss was HK$69,794,000 (2011: Profit of HK$120,539,000).

The mobile games business launched new efforts in 2012 with a view to capturing the substantial business potentials in the mobile games market. As a results of which, significant expenses were incurred during the year. Firstly, the successful listing of CMGE on the Nasdaq Global Market on 25 September 2012 incurred a one-off listing expenses of HK$34,499,000. Secondly, CMGE granted share options and restricted shares to its management and R&D personnel as incentives in February 2012, which incurred a share-based expenses of HK$16,728,000. Thirdly, the handset design operation of CMGE recorded an impairment loss of HK$47,071,000. Fourthly, more resources have been invested in product R&D and recruiting talents so as to develop the next generation of smart phone social games, reinforce the platform of social games and the handset design operation. Consequently, the R&D expenses increased from 10.1% in 2011 to 18.7% in 2012. However, such investments are expected to generate return in 2013.

Net Loss

Loss attributable to the owners of the Company for the year was HK$3,138,000, compared to a profit of HK$370,688,000 in the last year.

Liquidity and Financial Resources

As at 31 December 2012, the Group had HK$364,503,000 cash and cash equivalents (31 December 2011: HK$387,836,000).Working capital was HK$1,032,566,000 as compared with the working capital of HK$1,226,936,000 at the end of last year. The Group did not have any bank borrowings as at 31 December 2012 and 31 December 2011. Since the Group generates most of the revenue and incurs most of the costs in Renminbi, there was no material foreign exchange risk. As at 31 December 2012, the Group's current ratio was 6.2 (31 December 2011: 5.6). Taking into account the financial resources available, the directors of the Company (the "Directors") are of the view that the Group will have sufficient working capital for its present requirement.

During the year, the Group recorded a net cash inflow from operating activities amounting to HK$309,527,000 as compared with the corresponding period in 2011 recording a net cash inflow from operating activities amounting to HK$78,999,000.

Charges and Contingent Liabilities

As at 31 December 2012 and 31 December 2011, the Group had no charges on its assets and no material contingent liabilities.

Capital Structure

As at 31 December 2012, the total assets of the Group were HK$3,096,372,000 (2011: HK$2,973,608,000). Issued number of shares increased from 2,711,584,784 shares (31 December 2011) to 3,149,563,262 shares (31 December 2012), which was mainly due to the issuance of new shares as a result of placing of new shares, bonus issue and exercise of share options by employees. The Group's capital structure, as well as cash inflow, is therefore very healthy.

On 3 May 2012, the Company entered into a share placing and subscription agreement with BOCI Asia Limited and Zhang Lijun for the placing and subscription of 160,000,000 new shares of the Company, at the subscription price of HK$0.93 per subscription share. The gross proceeds from the subscription before deducting related expenses amounted to HK$148.8 million. The Directors believe that the subscription can provide an opportunity to broaden the shareholder base and strengthen the capital base and financial position of the Company for the Group's future business developments.

EMPLOYEES REMUNERATION AND BENEFITS

As at 31 December 2012, the Group had a total of 741 employees in the PRC (Beijing and Guangdong) and Hong Kong. They include the management and the employees in administration, production and sales personnel. The Group regularly reviewed its professional team members and will expand its management team whenever necessary.

The Group remunerates its directors and staff primarily based on their contribution, responsibilities, qualification and experience. The Group has implemented staff stock option plans. The Group has granted options to the Directors and other employees to encourage them towards enhancing the value of the Group and promote the long-term growth of the Group.

Furthermore, the Group offers training programs for employees to upgrade their skills and knowledge on a regular basis.

DIVIDENDS

A conditional special dividend in specie was declared on 15 August 2012 by the Company to the qualifying shareholders whose names appeared on the register of members of the Company on 5 September 2012. The sale of all the American depositary shares of CMGE distributed by the Company (the "Distribution ADSs") in satisfaction of the conditional special dividend has been completed, the cheques for net proceeds of the sale of the Distribution ADSs are expected to be despatched to the excluded shareholders and the qualifying shareholders of the Company who did not receive the Distribution ADSs on or before 30 April 2013. Therefore, the Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK0.8 cent per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 24 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2013.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining statutory and regulatory standards and adhering to good corporate governance in the conduct of its business. The Board believes that good corporate governance is essential in enhancing the confidence of the current and potential shareholders, investors and business partners and is consistent with the Board's pursuit of value creation for the Company's shareholders.

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules was amended and revised as the Corporate Governance Code (the "Revised Code") which became effective on 1 April 2012. The Company had applied and complied with the code provisions of the CG Code and the Revised Code throughout the year ended 31 December 2012 except as noted hereunder.

According to the code provision A.2.1 of the CG Code and the Revised Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Up to the date of this announcement, the Board has not appointed an individual to the post of chief executive. The role of the chief executive has been performed collectively by all the executive Directors, particularly by the Chairman. 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 consider appointing an individual as chief executive when it is appropriate.

According to the code provision A.6.7 of the Revised Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of the non-executive Directors were unable to attend the annual general meeting and the special general meeting of the Company both held on 27 April 2012 due to various work commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules during the year ended 31 December 2012. Having made specific enquiry to all the Directors, each of them has confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://ir.vodone.com) and the Hong Kong Exchanges and Clearing Limited's website (http://www.hkexnews.hk). The 2012 annual report will be dispatched to the shareholders of the Company and will be made available on the aforesaid websites in due course.

APPRECIATION

I would like to extend on behalf of the Board its sincere gratitude to our employees for their hard work and commitment, which has been, and will continue to be, essential for the Group's success and competitive edge in a market full of challenges and uncertainties. We also thank our shareholders for their continuous support and confidence in our Group.

By Order of the Board
VODone Limited
ZHANG Lijun
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Directors are:

Executive Directors:
Dr. ZHANG Lijun *(Chairman)*
Ms. WANG Chun

Independent Non-executive Directors:
Dr. LOKE Yu (alias LOKE Hoi Lam)
Mr. WANG Zhichen
Mr. WANG Linan