VODONE LIMITED

第一視頻集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

2013 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 2013 are as follows:

Highlights of the annual results for 2013

- Turnover for the year amounted to HK$595,078,000, representing an increase of around 25% as compared with last year
- Bank and cash balance of HK$616,137,000, representing an increase of around 69% as compared with last year
- Total assets exceeded HK$3,622,718,000, representing an increase of around 17% as compared with last year
- Net cash generated from operating activities amounted to HK$105,234,000
- Income from lottery-related business amounted to HK$114,903,000, representing an increase of around 64% as compared with last year and a profit of HK$32,049,000, representing an increase of around 255% as compared with last year
- Income from mobile games business amounted to HK$448,685,000, representing an increase of around 86% as compared with last year and recorded turnaround in profit

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	*4*	**595,078**	476,800
Cost of revenue		**(398,765)**	(208,518)
Gross profit		**196,313**	268,282
Other gains and losses	*5*	**52,542**	61,158
Selling and marketing expenses		**(189,647)**	(61,881)
Administrative expenses		**(197,265)**	(191,689)
Impairment of intangible assets		**(3,715)**	(11,991)
Impairment of goodwill		**–**	(35,080)
Finance costs		**(3,900)**	(1,872)
Share of profit/(loss) of associates		**15**	(37)
(Loss)/profit before income tax	*6*	**(145,657)**	26,890
Income tax expense	*7(a)*	**(20,149)**	(42,306)
LOSS FOR THE YEAR		**(165,806)**	(15,416)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets		**6,242**	–
Exchange differences arising on translation of foreign operations		**60,552**	14,480
Other comprehensive income for the year		**66,794**	14,480
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(99,012)**	(936)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(160,014)**	(3,138)
Non-controlling interests		**(5,792)**	(12,278)
		(165,806)	(15,416)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(99,639)**	11,196
Non-controlling interests		**627**	(12,132)
		(99,012)	(936)
LOSS PER SHARE			
– Basic *(HK cents)*	*9*	**(5.01) cents**	(0.10) cents
– Diluted *(HK cents)*	*9*	**(5.01) cents**	(0.42) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**48,444**	44,951
Interests in associates		**42,654**	41,411
Goodwill		**957,049**	869,224
Intangible assets		**1,186,246**	910,326
Deferred tax assets		**3,250**	–
Deposits for acquisition of property, plant and equipment		**836**	1,348
Other financial assets		**2,563**	–
		2,241,042	1,867,260
CURRENT ASSETS			
Trade receivables	*11*	**179,032**	94,010
Other receivables, deposits and prepayments		**458,131**	470,197
Inventories		**–**	2,855
Other financial assets		**44,498**	49,448
Amounts due from associates		**75,355**	247,393
Amounts due from related companies		**8,523**	706
Bank balances and cash		**616,137**	364,503
		1,381,676	1,229,112
CURRENT LIABILITIES			
Trade payables	*12*	**58,920**	4,478
Deposits received, other payables and accruals		**106,710**	38,949
Amount due to a related company		**53**	53
Other financial liabilities		**99,372**	95,472
Bank borrowings		**17,938**	–
Consideration shares		**22,680**	38,115
Deferred revenue		**15,466**	–
Tax payable		**14,061**	19,479
		335,200	196,546
NET CURRENT ASSETS		**1,046,476**	1,032,566
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,287,518**	2,899,826
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**49,624**	9,442
NET ASSETS		**3,237,894**	2,890,384
EQUITY			
Share capital		**32,651**	30,981
Reserves		**2,818,421**	2,683,890
Equity attributable to owners of the Company		**2,851,072**	2,714,871
Non-controlling interests		**386,822**	175,513
TOTAL EQUITY		**3,237,894**	2,890,384

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss)/profit before income tax	**(145,657)**	26,890
Depreciation of property, plant and equipment	**17,516**	18,915
Amortisation of intangible assets	**80,438**	58,987
Foreign exchange (gain)/loss, net	**(106)**	1,324
Interest income	**(5,541)**	(1,098)
Interest expense	**3,900**	1,872
Loss on disposal of property, plant and equipment	**23**	12
Share of (profit)/loss of associates	**(15)**	37
Share-based payment expense in respect of:–		
– granting of share options	**772**	1,714
– granting shares of subsidiary	**17,297**	16,728
Impairment of intangible assets	**3,715**	11,991
Impairment of goodwill	**–**	35,080
(Reversal for)/provision for write-down of inventories	**(825)**	825
Gain on bargain purchase	**(11,904)**	–
Gain on disposal of a subsidiary	**(1,192)**	–
Realised fair value gain on other financial assets	**(20,241)**	–
Fair value gain on consideration shares	**(16,659)**	(59,140)
Operating cash flows before working capital changes	**(78,479)**	114,137
Decrease/(increase) in inventories	**3,680**	(1,123)
(Increase)/decrease in trade receivables	**(68,998)**	102,075
Decrease in other receivables, deposits and prepayments	**24,945**	8,675
Decrease in amounts due from associates	**176,547**	180,046
(Increase)/decrease in amounts due from related companies	**(7,642)**	2,147
Increase/(decrease) in trade payables	**51,586**	(7,228)
Increase/(decrease) in deposits received, other payables and accruals	**17,559**	(19,036)
Increase in deferred revenue	**15,466**	–
Effect of foreign exchange rate changes	**(890)**	22
Net cash generated from operations	**133,774**	379,715
Income tax paid	**(28,540)**	(70,188)
Net cash generated from operating activities	**105,234**	309,527

	2013	2012
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(19,143)**	(9,265)
Purchases of intangible assets	**(140,863)**	(584,588)
Proceeds on disposal of property, plant and equipment	**224**	–
Purchase of available-for-sale financial assets	**(2,563)**	–
Disposal of a subsidiary, net of cash disposed	**6**	–
Acquisition of subsidiaries, net of cash acquired	**(107,516)**	–
Compensation from vendors in relation to acquisition of subsidiaries	**54,788**	37,429
Interest received	**5,541**	1,098
Net cash used in investing activities	**(209,526)**	(555,326)
FINANCING ACTIVITIES		
Net proceeds from issue of shares through exercise of share options	**–**	6,544
Payment of dividends	**(592)**	(22,695)
Proceeds from borrowings	**17,938**	–
Proceeds from issue of ordinary shares of a subsidiary	**330,303**	91,629
Capital contribution from non-controlling interests	**176**	252
Placing of shares	**–**	144,689
Net cash generated from financing activities	**347,825**	220,419
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**243,533**	(25,380)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**364,503**	387,836
Effect of foreign exchange rate changes	**8,101**	2,047
CASH AND CASH EQUIVALENTS AT END OF YEAR	**616,137**	364,503
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**616,137**	364,503

Note: For the year ended 31 December 2013, investing activities included an equity consideration for acquisition of a subsidiary of HK$72,679,000 which is a significant non-cash transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL

VODone Limited (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 Company and its subsidiaries (thereafter referred to as the "Group") are principally engaged in tele-media business, lottery-related business and mobile games business in the People's Republic of China ("PRC"). In 2012, a non-wholly owned subsidiary of the company, China Mobile Games and Entertainment Group Limited, which is principally engaged in mobile game business, is 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 STATNDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans

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.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

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.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 – Hedge Accounting

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

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, as well as mini-video news platform for the mobile clients.

- Lottery-related business – Provision of lottery-related business services through the corresponding services offered to and 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**31,490**	165,411	**114,903**	70,050	**448,685**	241,339	**595,078**	476,800
Reportable segment profit/(loss)	**(71,177)**	73,131	**32,049**	9,026	**2,189**	(69,794)	**(36,939)**	12,363
Interest income	**250**	14	**–**	–	**5,291**	1,084	**5,541**	1,098
Interest expense	**–**	–	**–**	–	**–**	1,872	**–**	1,872
Impairment of intangible assets	**–**	–	**–**	–	**3,767**	11,991	**3,767**	11,991
Impairment of goodwill	**–**	–	**–**	–	**–**	35,080	**–**	35,080
Other operating expense	**–**	–	**–**	–	**–**	37,580	**–**	37,580
Depreciation and amortisation	**38,834**	24,802	**30,265**	23,989	**28,838**	28,945	**97,937**	77,736
Reportable segment assets	**1,180,764**	1,348,658	**1,023,515**	762,758	**1,309,351**	839,610	**3,513,630**	2,951,026
Additions to non-current assets	**228,483**	361,387	**101,177**	136,390	**106,030**	47,675	**435,690**	545,452
Reportable segment liabilities	**4,181**	13,614	**46,353**	12,323	**163,270**	43,266	**213,804**	69,203

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

	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit before income tax		
Reportable segment (loss)/profit	**(36,939)**	12,363
Other gains and losses	**36,900**	63,295
Share of profit/(loss) of associates	**15**	(37)
Advertising expense	**(104,821)**	(9,611)
Share-based payment expense	**(10,745)**	(1,714)
Directors' remuneration	**(10,322)**	(19,098)
Salaries for administrative staffs	**(4,862)**	(9,278)
Interest expenses	**(3,900)**	–
Unallocated corporate expenses	**(10,983)**	(9,030)
Consolidated (loss)/profit before income tax	**(145,657)**	26,890

	2013	2012
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**3,513,630**	2,951,026
Other financial assets	**44,498**	49,448
Interest in associates	**42,654**	41,411
Bank balances and cash	**18,083**	51,434
Unallocated corporate assets	**3,853**	3,053
Consolidated total assets	**3,622,718**	3,096,372

	2013	2012
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**213,804**	69,203
Deposits received, other payables and accruals	**48,899**	2,971
Other financial liabilities	**99,372**	95,472
Consideration shares	**22,680**	38,115
Unallocated corporate liabilities	**69**	227
Consolidated total liabilities	**384,824**	205,988

(c) Geographical information

During 2013 and 2012, 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$28,692,000 (2012: HK$165,411,000) in the tele-media segment and amounted to approximately HK$114,903,000 (2012: HK$70,050,000) 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:

	2013 *HK$'000*	2012 *HK$'000*
Revenue		
Tele-media business:		
– advertising and service income	**31,490**	165,411
Lottery-related business:		
– service and advertising income	**114,903**	70,050
Mobile games business:		
– sales of mobile communication products, mobile games and provision of maintenance service	**448,685**	241,339
	595,078	476,800

5. OTHER GAINS AND LOSSES

	2013 *HK$'000*	2012 *HK$'000*
Realised fair value gain on other financial assets	**20,241**	2,509
Fair value gain on consideration shares	**16,659**	59,140
Gain on bargain purchase	**11,904**	–
Interest income	**5,541**	1,098
Gain on disposal of a subsidiary	**1,192**	–
Net foreign exchange gain/(loss)	**106**	(1,324)
Loss on disposal of property, plant and equipment	**(23)**	(12)
Others	**(3,078)**	(253)
	52,542	61,158

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
Salaries and wages	**104,878**	83,266
Pension fund contributions	**21,721**	18,715
Share-based payments	**10,823**	14,684
	137,422	116,665
Carrying amount of inventories sold	**38,836**	14,555
(Reversal for)/provision for write-down of inventories	**(825)**	825
Depreciation of property, plant and equipment	**17,516**	18,915
Amortisation of intangible assets included in		
Cost of revenue	**74,900**	54,141
Administrative expenses	**5,538**	4,846
Listing expenses	**–**	34,499
Interest expenses for financial liabilities		
– wholly repayable within five years	**3,900**	1,872
Auditor's remuneration	**1,313**	1,195

7. INCOME TAX EXPENSE

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

	2013	2012
	HK$'000	*HK$'000*
Current tax – PRC		
– provision for the year	**2,606**	15,350
– under provision in prior year	**960**	434
– withholding tax on distribution of retained profits of subsidiaries	**19,039**	30,458
Current tax – Hong Kong Profits Tax		
– provision for the year	**454**	216
– over provision in prior year	**(151)**	(39)
Deferred taxation		
– attributable to the reversal of temporary differences	**(2,759)**	(4,113)
	20,149	42,306

The Hong Kong profits tax of OWX Hong Kong Limited is calculated at 16.5% (2012: 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 2012, followed by a 50% reduction in CIT for the next 3 years, 2013 to 2015.

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 2013, followed by a 50% reduction in CIT for the next 3 years, 2014 to 2016.

During the year, the Company received 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:

	2013 ***HK$'000***	2012 *HK$'000*
(Loss)/profit before income tax	**(145,657)**	26,890
Taxation calculated at PRC income tax of 25% (2012: 25%)	**(36,414)**	6,723
Tax effect of non-taxable income	**(11,938)**	(11,954)
Tax effect of expenses not deductible for taxation purposes	**37,155**	25,097
Tax effect of tax losses not recognised	**24,815**	14,873
Effect of tax exemptions granted	**(23,383)**	(21,979)
Effect of lower tax rate applicable to subsidiaries as a result of preferential tax policy as described in (a)	**4,321**	(10,354)
Effect of tax rate in foreign jurisdictions	**5,745**	9,047
Under provision in prior year	**809**	395
Withholding tax on distribution of retained profits of subsidiaries	**19,039**	30,458
Income tax expense for the year	**20,149**	42,306

8. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated (loss)/profit for the year attributable to owners of the Company includes a loss of HK$52,434,000 (2012: a profit of HK$5,998,000) 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:

	2013	2012
	HK$'000	*HK$'000*
Amount of consolidated (loss)/profit attributable to owners dealt with in the Company's financial statements	**(52,434)**	5,998
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**190,393**	275,957
Company's profit for the year	**137,959**	281,955

9. LOSS PER SHARE

	2013	2012
	HK cents	*HK cents*
		(Restated)
Basic loss per share	**(5.01)**	(0.10)
Diluted loss per share	**(5.01)**	(0.42)

The calculation of basic and diluted loss per share is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the year attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(160,014)**	(3,138)
Effect of dilutive potential ordinary shares (ii)	**–**	(9,692)
Loss for the year attributable to owner of the Company, used in the diluted loss per share calculation	**(160,014)**	(12,830)

	2013	2012 (Restated)
Number of shares		
Issued ordinary shares at 1 January	**3,098,057,138**	2,875,554,627
Effect of exercise of share options	**–**	5,383,388
Effect of placing of new shares	**–**	105,792,350
Effect of shares issued for acquisition of subsidiaries	**95,008,920**	55,682,511
Weighted average number of ordinary shares for basic loss per share	**3,193,066,058**	3,042,412,876
Effect of dilution		
– Shares subject to recall (i) and (ii)	**–**	29,906,057
– Shares options (ii)	**–**	2,267,393
Weighted average number of ordinary shares for basic loss per share, adjusted for effect of dilution	**3,193,066,058**	3,074,586,326

(i) 21,600,067 shares (2012: 29,906,057 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.

(ii) No adjustment has been made to the basic loss per share presented for the year ended 31 December 2013 as the shares subject to recall and 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 2013 are the same.

10. DIVIDENDS

(i) There is no final dividend proposed after 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:

	2013	2012
	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 in 2012	**–**	21,743

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	
	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**95,109**	16,766
2 to 3 months	**73,900**	11,796
4 to 6 months	**8,679**	8,853
7 to 12 months	**22**	14,963
Over 1 year	**1,322**	41,632
	179,032	94,010

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:

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**154,395**	40,563
Less than 1 month past due	**17,743**	3,319
1 to 3 months past due	**5,315**	2,205
More than 3 months past due	**1,579**	47,923
	179,032	94,010

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	
	2013	2012
	HK$'000	*HK$'000*
Current or less than 1 month	**36,011**	3,429
1 to 3 months	**14,623**	799
More than 3 months but less than 12 months	**8,286**	250
	58,920	4,478

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2013 have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

Where has all the time gone?!

The closing prices of VODone and China Mobile Games and Entertainment Group Limited ("CMGE") on 31 December 2013 were HK$1.05 and US$25.23, representing a year on year increase of 41.89% and 545.52% respectively. The performance of our share prices in 2013 was the result of our continual hard work throughout the year contributing to our shareholders. Looking forward to 2014, I hope we can do better.

Looking back at the basic description on VODone and the analysis on our business segments as stated in the Chairman's Statement of the 2012 annual report, through our relentless efforts, we are able to honor our commitment to shareholders and create value for them accordingly.

2013 marked the debut of the new government of China, and various policies have grown from trial and error to the stage of deepening the reform. President Xi Jinping talked about reform recently. He said, "10% of planning and 90% of implementation." I am really impressed and touched by his saying. During the process of business planning, adjustment of strategies and market adaptation in recent years, the Group has continued to make changes, from simple to complex, from easy to difficult, in accordance with the prevailing economic conditions of China, the trend of development of the internet industry and the assessment of the market outlook. We have been able to make steady progress on all fronts. As a result, all business segments of the Group have been able to get back to the right track and entered into a new stage.

1. Lottery-related business

The lottery-related business has always been the focus whenever I mention about VODone with practitioners in the capital market. In 2013, despite the uncertainties casted by the Chinese government over the policy regarding the lottery industry, the income and profit of the Group's lottery-related business managed to record a year on year increase of 64% and 255% respectively. In 2013, the sales of lotteries in China amounted to RMB309.325 billion, of which approximately RMB40 billion was via internet and mobile applications. According to the sector analysis report prepared by Analysis International, the download count of "Lottery 365"(「彩票365」), the mobile application jointly developed by the partners of VODone, had reached 30 million by the third quarter of 2013, and it was ranked the top of the industry in terms of lotteries sales volume and the top three in the industry in terms of monetary value of sales. In this regard, industry players are of the view that, with a series of mergers and acquisitions and market development, the sales platform of internet and mobile applications jointly developed by VODone and its partners is a "Star of Tomorrow" equipped with tremendous potential for further growth. Following the deeper understanding of lottery concept stocks by the capital market, coupled with the positive news of possible policies on selling paperless lotteries, the capital market started to keep an eye on the lottery-related business of VODone in the third and fourth quarters of 2013, and the value of lottery concept stocks has started to realize gradually. Leveraging the joint effort of VODone and its partners, we are confident in the year of 2014.

2. Mobile Games business

The performance of CMGE in the U.S. stock market has been able to speak itself. Since the spin-off of mobile games business in the U.S. stock market by VODone, the smartphone markets in China and even around the world have experienced revolutionary changes instantly. Our competitive edge in the market of feature mobile games had been all vanished. As a result, an immediate business transformation was required and we needed to resume the leading position in the market. These seemed to be missions impossible. However, CMGE did it in 2013. The management team of CMGE developed and implemented its basic policies of "contents as core, distribution as body, and platform for growth" and CMGE resumed its profitability successfully as a result. Both the income and the download count had experienced rapid growth continuously and the performance itself evidenced the effort made. Taking the card game product series developed by CMGE as an example, the registered users increased to 60 million and the monthly income has exceeded RMB10 million, both ranking the top of the sector. Despite the fact that the earning of CMGE for 2013 had yet to be a major contributor to the revenue of VODone, it is expected that with the strong growth trend of CMGE, it will become a new and main driver of the earning of VODone in the future. In 2014, CMGE will uphold its established strategies for business development, endeavor to enhance the portfolio of self-developed mobile games, enlarge its distribution network and strengthen the establishment of platforms, with an aim to become the largest mobile games distribution platform as well as developing CMGE into a leading developer and distributor of mobile games in the international market. Actually, CMGE has exceeded VODone in terms of market capitalization. It is therefore conceivable that CMGE will be an important contributor to the profit and the market capitalization of VODone, its major shareholder, when CMGE delivers promising results and its stock prices keep breaking new highs.

3. Tele-media business

The tele-media business of VODone mainly comprises "VODone Portal"(「第一視頻網」)(www.v1.cn), and telecommunication value-added business. VODone Portal had undergone a reform in 2013. Guiding by a new concept of website operation and new operating policies, the original business approach was abandoned. The brand new and innovative strategies in respect of content production, website technologies and advertising and marketing activities were launched. Although the strategies brought temporary impact on the hit rate and the website ranking, resulting in a decrease in revenue for 2013 and making it a segment lagging behind others in terms of revenue, under the atmosphere of "Demise without Development", the site managers insisted to take an aggressive approach. After a year's hard work, VODone Portal finally secured the top position amongst all web TVs in China (according to data of iResearch) and was one of the top 570 websites around the world (according to www.alexa.com). It should be noted that the accessibility of 4G network in China represents another invaluable opportunity for the development of video websites. Accordingly, VODone has completed 4G business planning. Please stay tuned for our new plans.

In short, our lottery-related business is going to unleash its tremendous potential whereas our mobile games business will become a leading brand name in the international mobile games market, and capitalizing on opportunities brought by 4G technologies, the tele-media business will resume its vitality.

When you are reading this report, my team and I are working hard to reach the goals. According to the schedule, my next report will be due again in 365 days. We will just wonder "where has all the time gone?!" whenever we check our daily schedule.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover of the Group for the year ended 31 December 2013 amounted to HK$595,078,000, representing an increase of around 25% as compared with last year. Loss attributable to the owners of the Company was HK$160,014,000 (2012: Loss of HK$3,138,000).

Business Review and Development

In 2013 VODone focused mainly on the development of the tele-media, lottery-related and mobile games businesses.

- **Tele-media business**

In 2013, VODone Portal started a new undertaking. Looking back at the past year's work, especially after management renewal in April, under the guidance of new operation concepts and policies, VODone Portal quickly made planning for development, improved the personnel structure and adjusted the technical base platform boldly and resolutely, with the purpose of increasing traffic and influence.

Gratifying results were achieved in respects of increasing traffic and influence. Nine months of efforts led to the realization of various traffic goals set in the middle of the year. We believe VODone Portal has stepped out of the low times and jumped on a new stage, which also lays a solid foundation for realizing various traffic goals in the coming year.

Marketing

As of 31 December 2013, VODone Portal's daily page views has increased significantly and was ranked 570th globally in ALEXA.

Goals of traffic and ALEXA ranking could not be realized without marketing efforts. By using greater endeavors in video, image and press release selection, social website promotion and search engine optimization, the website saw a sharp increase in traffic in the second half of the year.

Content reform

Despite continuous increase in the website traffic, it is more crucial to retain users. Accordingly, we centralized resources to enhance our content construction. In the middle of 2013, we made a series of improvements for user experience, including improvements in the technical platform system and redesigning and re-launching the layout design. The new page layout design was fresh, simple, smooth and easy to browse, and strengthened by contents of self-produced programs and programs created by photographer teams and external cooperation, all of which have gained favourable recognition from internet users and industry peers.

Based on the improvement of interactive video broadcast technology, "The First View of News"(「新聞第一眼」), the Group's first live broadcast news program, has been launched covering a wide range of contents such as international, domestic, military, social, hottest online, local news and newspapers articles, which does not only attract widespread attention from internet users but also close attention from industry peers. Wherein, Xinhua News Agency（新華社）, China National Radio（央廣網）, Associated Press（美聯社）and Cable News Network（美國有線電視新聞網）have proposed to share press releases, and in the meantime, the program also begins to receive news reports nationwide.

Website programs including "World of Soldiers"(「兵論天下」), "National Spitslot"(「全民大吐槽」), "Big Coming"(「大牌來襲」) and "High Noon Broadcast"(「正午衝擊播」) will be launched successively to gradually expand VODone Portal's influence over military, entertainment and finance, and initially form a data bank of political commentators and celebrities.

VODone Portal organized photographer teams across the country, which have now grown to 2,000 photographers with more than 400 active photographers covering major regions of the country. They have provided a massive number of exclusive video resources for VODone Portal and become one of the key factors to the exclusivity of VODone Portal's video contents.

Content cooperation

In respect of content cooperation development, VODone Portal has made substantial breakthroughs that it did not only form strategic cooperations with nearly ten key web news media, such as cnr.cn (央廣網), dzwww.com (大眾網), chinatibetnews.com (西藏新聞網), newssc.org. (四川新聞網) and anhuinews.com (安徽新聞網), but also formed cooperation with Xinhua News Agency on the fixed column "China Online News" (「中國網事」) in respect of sharing contents, pictures, videos and press releases. For instance, in the case of the response of Zhang Yimou (張藝謀) as to his children born in violation of the one-child policy of China, after VODone Portal's exclusive release, its page views reached up to 9.8 million. The cooperation with 360 Navigation (360導航) and Baidu (百度) for seamless live broadcast of significant international events, including Ya'an Earthquake (雅安地震), Launch of Tiangong-1 (天宮一號) and Death of Mandela, brought more than 10 million page views for the website.

At the same time, we cooperated with CCTV (中央電視台) and other famous satellite TV columns on "Straight to Spring Festival Gala" (「直通春晚」). Also, through the cooperation with the ticketing agencies as Yongle (永樂), Wanda (萬達), Jinyi (金逸) and Huaxing (華星), VODone Portal's content cooperation has been extended to a broader space.

Media responsibility

In 2013, we further strengthened VODone Portal's position and increased the influence of our website as a media by actively reporting and following up major news events, public opinion and social welfare, and giving full play to the advantages of internet media.

During Ya'an Earthquake in Sichuan, in addition to on-scene reports, we also showed support in collaboration with more than 30 domestic major online media. We interviewed patients with uremia from local poor villages, which attracted public attention, and as a result the patient received pro bono treatments at a kidney disease hospital in Shandong.

In December last year, we arranged photographers for an exclusive interview and jointly reported the "RMB130,000 Sky-High Salvage Charges" (13萬天價救援費事件) event in Shandong with Xinhua News Agency, resulting in the follow up reporting by nearly 100 key central and local media and mainstream websites. The event ended up with the drivers involved getting their vehicles back and receiving compensation while the company involved being suspended for rectification and a number of officials involved being dismissed. Afterwards, the three drivers involved made a special trip to Beijing and sent a silk banner to VODone to express their heartfelt thanks.

By the end of December in the same year, we arranged photographers to interview disabled orphans so as to let them express their new year wishes. After the video was released, it attracted close attention from enterprises and celebrities, and these children received toys and donations within a few days.

Our concept on reporting news is not only to bring social attention for children but also to present strong social influence and media responsibility.

Technology introduction & improvement

The long-term development of our website cannot be separated from effective technical support. In order to solve the complexity of maintenance procedures and instability of website running when using the cloud platform and to ensure smooth operation of the Content Management System (CMS), our website has completed the following work since April:

1. Introduction of a new CMS system: replace the previous content management system. The new system is stable and easy to maintain, and it ensures smooth daily maintenance of our website;

2. Introduction of the Spider (automatic video capture) System: the new Spider System can finish the task of selecting 2,000-3,000 videos automatically per day, and it greatly solves the problem of video undercapacity at our website;

3. Search engine upgrade: develop the search engine with the acquired core technology, resulting in a faster speed and more comprehensive search results; and

4. Create a new advertisement release system.

4G layout

We will make use of VODone Portal's news license advantage and timely seize the 4G opportunity to develop the mobile application of User Generated Content for news photographers integrating such functions as news, scene photos and video sharing. It will be launched in 2014 according to the plan. It will be connected with the VODone Portal so as to increase the number of users when more content is updated in VODone Portal, making VODone Portal a real mini-video news portal platform.

Capture the mobile applications market

Under the intense competition in mobile applications market, by virtue of VODone Portal's unique background and resource advantages, we took the lead to put forward "V1 Family" (V1家), which is a "media APP for individual celebrity" and a platform integrating contents in the forms of texts, photos, audios and videos. At present, a number of network celebrities have participated in the platform, including Yu Jianrong (于建嶸), a famous political commentator, and Chen Li (陳里), an expert commentator supported by ten millions of fans and having an official background, and Sima Nan (司馬南), Deng Fei (鄧飛), Kong Qingdong (孔慶東) and Sima Pingbang (司馬平邦) etc.

Employee training

In order to improve the quality of website employees, VODone Portal organized the "All-Employee Training in June" activity in June 2013, involving comprehensive and professional training on various working tasks including title production, feature production, webpage update, use of CMS, video clip production and interviews. The trained employees fully reflected the good results brought by the training.

Looking back at 2013, we are clearly aware of the fact that we were tracing behind our competitors and we fell short of shareholder's expectations, so we must amplify our efforts to achieve the goals of PageRank and page view in 2014, and meanwhile, to gain higher revenues. We will firmly seize the 4G opportunity to move forward with an entrepreneurial spirit and forge ahead in unity to bring greater returns for shareholders.

- **Lottery-related business**

The main source of income for VODone's lottery-related business is websites set up by the partners of VODone, including "Zhongguozucaiwang"(「中國足彩網」) (www.zgzcw.com), "Diyicai"(「第一彩」) (www.diyicai.com) and a mobile application named Lottery 365, which is a strategic cooperative product self-developed by the partner of VODone. The cooperation pattern has also contributed to the income structure.

Zhongguozucaiwang and Diyicai

Chinese Super League Scheme

"Chinese Super League Scheme", the publicity campaign of the Group, obtained excellent results at the beginning of 2013. Zhongguozucaiwang has since then become the top sponsor of Liaoning Whowin Football Club, one of the top teams in the Chinese Super League, with its players wearing jerseys bearing our logo in football matches. Owing to a considerable overlap between lottery buyers and football fans in China and with the help of CCTV and various major sports media, the numbers of registered users of Zhongguozucaiwang and downloads of Lottery 365 have surged and our popularity and brand value have been enhanced.

Website Improvement

Zhongguozucaiwang and Diyicai constantly enriched the contents of their websites, including forecast and analysis from experts, first-hand sports news provided by overseas journalists and real-time information of betting odds and matches. We have focused on accuracy and timeliness in news contents to enhance the reputation and professionalism of the websites. In addition, in order to provide lottery players with excellent experience with our websites, we updated match preview information on a real time basis, and more accurate and incisive information was available to game players. The information channel, namely "The Forecasts from All Directions"(「八方預測」), has maintained pages of different versions for lottery players. The self-produced content, which emphasized our features, provided us with competitiveness to be ahead of our competitors.

In terms of development of new games and functions, the websites introduced two highly frequent lottery games, namely "Kuai 3"(「快3」) and "Kuaile Shifen"(「快樂十分」), which have an interval of 10 minutes and are available until 10 p.m. of each day. The games have provided more betting choices for lottery players, thus enriching entertainment experience of the highly frequent lottery games and raising lottery players' loyalty towards the websites. The lottery games for competitive sports also borrowed ideas of "Handicap Home Away Draw"(讓球盤), "Non-handicap Home Away Draw"(非讓球盤), "Gross Pool All up(混合過關)" and "One Out of Two"(競彩二選一) to make the games easier and more interesting, and to significantly lift odds of bets winning.

Website management

We have planned various targeted marketing campaigns with reference to the market and seasonality of different lottery games. The most popular are those targeting at newly-registered users, proved by a doubled registration rate and a 3 times increase in value adding rate. Moreover, the websites launched a membership rewards and ranking scheme so as to encourage users to be more loyal, more active and more reliant on the sites.

In respect of advertising activities, we have developed our advertisement posting system and strengthened internal drainage mechanism, which have increased the exposure of the advertisting scheme and buoyed up website page views. For lottery betting, the activity of "Extra Bonus on Winning 2 Games in One Lottery"(「競彩2串1中獎加獎」) was launched. It has granted gamblers a larger reward and obviously fueled their sentiment, contributing to a 40 to 50% increase in lottery sales during the seasons of the five major leagues.

In addition to all kinds of marketing efforts, we have established a real-time system to monitor operational data and analyze drive forces of sales growth to justify those schemes, thus enhancing efficiency of our investments and avoiding wastage of funds.

Channel cooperation

We have endeavored to increase the number of users by cooperating with a spectrum of different channels, including PPTV, Baihe.com (百合), Wo1m.com (我要買), Iqiyi.com (愛奇藝), Ganji.com (趕集), Baidu.com, Alipay.com (支付寶), Fengyunzhibo.com (風雲直播), Aoyou (遨遊), Chinapay.com (愛農驛站), Postal Saving Bank of China (郵儲銀行), Industrial Bank (興業銀行), Lianlianpay.com (連連銀通), Fetion (飛信), 12580, China Mobile (中國移動) and China Telecom (中國電信) etc. The expansion in channel cooperation brought us a lot of new users and a double in the sales volume when compared with last year.

We began the Search Engine Marketing campaign with Baidu and Sougou (搜狗) in September 2013, aiming at enhancing the marketing effect and lowering the average cost for each new user. In the fourth quarter of 2013, the two search engines brought us tremendous new registered users with a significant increase in the number of accumulated active users.

Coordination with search engines

In 2013, we actively streamlined the internal Universal Resource Locator (URL) structure and the CMS of our websites. We made an unprecedented change to transform our url structure to the tree structure by integrating the front page with other pages, which makes our pages and websites more searchable in search engines. We also overhauled the CMS and sorted out all categories in hope of easier maintenance, thereby laying a solid ground for long term development of the websites.

The website developed pages for different types of lottery games and thus increased the number of lottery key words available for searching. In addition, the adjustment conducted has made it possible for substantial URL expansion and thereby sustainable development in the future. After a year's efforts for website overhaul and promotion, Zhongguozucaiwang has become more prominent among search engines, recorded higher PageRank and increased its exposure rate.

Brand identity

We launched a large amount of brand advertising activities through new media like Weibo and WeChat in 2013. We kept updating the latest news on Weibo and WeChat. Besides, we have collaborated with mainstream media, including Analysys International（易觀國際）, Youth.cn（中青網）, Hexun.com（和訊網）, Gmw.cn（光明網）, Beijing Youth Daily（北京青年報）and The Beijing News（新京報）, which posted our advertorials for over 1,500,000 times.

Zhongguozucaiwang and Diyicai were the only lottery websites being invited to the "China Internet Conference 2013" and the "China Electronic Commerce Expo held by the Ministry of Commerce", and were honoured as "The Most Popular Internet Retailer of Financial Products of 2013"(「年度最受歡迎金融產品類網路零售商」) by the Ministry of Commerce of the People's Republic of China. We were also elected as the "Online Lottery Brand"(「網路彩票行業品牌」) by the Online Trade Security Center at the end of this year.

Lottery 365

Lottery 365, a strategic cooperative product of VODone for mobile internet, has contributed revenue to VODone through commercial cooperation. In 2013, Lottery 365 recorded a rapid growth with the number of users surged by 30 times and lottery sales volume increased by more than 9 times. The downloads of Lottery 365 exceeded 10 million in May 2013, and even exceeded 30 million in six months' time. Lottery 365 is the first domestic lottery purchasing mobile application with downloads exceeding 30 million. Due to excellent product experience and marvellous marketing activities, Lottery 365 is the only domestic lottery application highly recommended as the "Necessary Application in App Store" by Samsung and was also ranked among the Top 100 applications of Apple's App Store in China for the year 2013. It was ranked the top of lottery purchasing mobile applications in terms of market share.

In respect of marketing strategies, Lottery 365 has realized a wide coverage of users of domestic mainstream mobile internet. Lottery 365 has cooperated with Baidu, 91.com (91無線), Android Market (安卓市場), Go market (安智市場), Wandoujia (豌豆莢), UC Browser (UC瀏覽器), Kingsoft (金山網絡), PPTV and Dixintong Telecom (迪信通) in the form of resource sharing and revenue sharing. Dixintong Telecom, the largest domestic mobile phone retailer, pre-installed Lottery 365 in over 2 million Android smartphones in 2013. Meanwhile, we had stepped up cooperation with leading mobile phone manufacturers, including Xiaomi (小米), Huawei (華為), Lenovo (聯想), Coolpad (酷派), OPPO (歐珀), VIVO and Gionee (金立) in respect of resource sharing and lottery revenue sharing. Besides, we lined up with the three largest telecommunication operators for business cooperation, namely China Mobile, China Telecom and China Unicom (中國聯通). One of the focus of the cooperation was to allow users of China Mobile to buy lottery directly with the balance of their mobile phone bill payment.

In terms of the brand influence, according to Analysys International's report named "Monitor on China's Internet Lottery Market" for the third quarter of 2013, Lottery 365 championed the market with a share of 28.6%. In 2013, Lottery 365 was awarded "China's Top 10 Services Innovation Award"(「中國十大服務創新獎」), "The Creative Star of Internet Live in China" (「中國互聯網生活創想之星」) and "The Most Popular Mobile Internet Retailer of the Year"(「年度最受歡迎移動互聯網類網絡零售商」) by the Internet Society of China under the Ministry of Industry and Information Technology, the Chinese Electronic Commerce Association under the Ministry of Commerce, China Telecom, 91.com and China Internet News Centre under the State Council Information Office. Lottery 365 also won several prizes like the "Excellent Prize"(「優秀作品獎」),"Top 100 Most Popular Application of the Year" (「年度熱門應用TOP 100」) and "China's Influential Brands"(「中國影響力品牌」) in the National Creative Mobile Application Contest. Furthermore, Lottery 365 was the sole representative of the mobile lottery industry of China to attend "2013 Global Mobile Internet Conference" and "2013 China Internet Conference". It also attended "APEC Indonesia 2013".

- **Mobile Games Business**

Our mobile game business recorded turnaround in profit and achieved many significant milestones in 2013. We maintained our leadership position in the China mobile game publishing industry, as reflected by CMGE's leading share of gross billings according to the report issued by Analysys International. We achieved this by applying CMGE's mobile game and entertainment expertise to successfully expand our portfolio of popular social games that are designed for smartphones and tablets. We significantly grew our player base, which exceeded 130 million in 2013, with 27.5 million paying users for the full year.

As of the end of December 2013, CMGE licensed 51 social games in our publishing portfolio, of which 21 were exclusive licenses. Our success in selecting top games for licensing, as well as our success in widely distributing licensed games, are significant achievements for our company.

In the area of self-developed games, a very successful, high-quality poker and RPG games was released in 2013. The self-developed social poker game, "Joyful Da Ying Jia"(「快樂大贏家」) (also marketed as "Joyful Zha Jin Hua"(「快樂炸金花」) which was launched in March 2013, was the first social poker game in our Joyful poker game series. This game not only obtained the "Golden Apple Award"(「最佳遊戲金蘋果獎」) by sfw.cn (上方網), but also surpassed over RMB10.0 million in monthly gross billings from July to December of 2013. The success of Joyful Da Ying Jia, together with our other Joyful poker games releases, helped increase our registered users for the Joyful poker game series to 60 million in 2013. In addition, the self-developed MMORPG game, "War Valley"(「戰谷」), received five top industry awards, including the "Golden Plume Award"(「金翎獎」) by China Mobile Game Industry Annual Summit. We not only made War Valley popular in China, but also expanded it overseas to Korea. For a period of time in December 2013, War Valley was the most downloaded mobile game on T-Store, which is a popular application store in Korea.

During 2013, CMGE added over 200 people to grow our research and game development teams, which are located in Shenzhen, Beijing, Guangzhou and Chengdu. We also grew our distribution platform, both in terms of the number of channels and overall reach. The distribution platform serves self-developed games as well as licensed games, and we have also entered into co-production agreements where CMGE funds some portion of production costs in exchange for various distribution rights. In addition to wide-scale pre-installations, CMGE has extensive distribution agreements with third-party application stores as well as all three mobile network operators.

Our outlook for 2014 is promising as CMGE continue to expand our product portfolio, grow our distribution platform and expand into overseas markets. CMGE expects to launch approximately 15 self-developed social games and 32 single-player games. We continue to deepen our pre-installation channel and open additional app store platforms. Meanwhile, we plan to expand significantly to overseas markets in 2014, with emphasis on Asian markets such as Taiwan, Hong Kong, Korea and other South East Asia. In conclusion, we are confident that with everyone's continued dedication, motivation and innovation, 2014 will be a very successful year for CMGE and CMGE will become an engine to generate strong profit growth for the Group.

FINANCIAL REVIEW

Business segments

	Tele-media business		Lottery-related business		Mobile games business		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**31,490**	165,411	**114,903**	70,050	**448,685**	241,339	**595,078**	476,800
Reportable segment profit/(loss)	**(71,177)**	73,131	**32,049**	9,026	**2,189**	(69,794)	**(36,939)**	12,363

Tele-media Business

The tele-media business segment contributed a turnover of HK$31,490,000 to the Group for the year ended 31 December 2013, as compared with HK$165,411,000 for the corresponding period in 2012. Segment loss was HK$71,177,000 for the year (2012: Profit of HK$73,131,000).

The unsatisfactory performance was mainly attributable to the Group's tele-media business was undergoing a strategic realignment process and a reform in 2013 as a result of which the relevant promotional and platform development costs such as content production costs and the costs of marketing the new website were increased largely during the period but the revenue has not yet reflected the great potential of the new launched platform.

Lottery-related Business

For the year ended 31 December 2013, the Group recorded a lottery-related income of HK$114,903,000, representing an increase of around 64% as compared with the corresponding period last year. Segment profit for the whole year increased by 255% to HK$32,049,000 when compared with last year's corresponding period.

With online sales having now been formally recognized by the PRC government as a legal channel for lottery selling from 1 January 2013 and various promotional campaigns with features of market planning and lottery seasonality were launched during the year, the lottery-related business of the Group now resume the pattern of high growth in the year. With such trend of results, we believe that the lottery-related business of the Group will continue to become the strategic development focus of the Group.

Mobile Games Business

For the year of 2013, revenue increased to HK$448,685,000, representing an increase of around 86% as compared with the corresponding period in 2012. Segment profit was HK$2,189,000 (2012: Loss of HK$69,794,000).

Despite the fact that the Group's mobile games business was undergoing a process of transitioning its business during the year, it started to see the initial benefits of its transition to smartphone games. Therefore, the segment resumed its profitability during the year and recorded turnaround in profit.

Net Loss

Loss attributable to the owners of the Company for the year was HK$160,014,000, compared to a loss of HK$3,138,000 in the last year.

Liquidity and Financial Resources

As at 31 December 2013, the Group had HK$616,137,000 cash and cash equivalents (31 December 2012: HK$364,503,000).Working capital was HK$1,046,476,000 as compared with the working capital of HK$1,032,566,000 at the end of last year. The Group had bank borrowings of HK$17,938,000 as at 31 December 2013 (2012: Nil). 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 2013, the Group's current ratio was 4.1 (31 December 2012: 6.2). 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$105,234,000.

Charges and Contingent Liabilities

As at 31 December 2013 and 31 December 2012, the Group had no charges on its assets and no material contingent liabilities.

Capital Structure

As at 31 December 2013, the total assets of the Group were HK$3,622,718,000 (2012: HK$3,096,372,000). Issued number of shares increased from 3,149,563,262 shares (31 December 2012) to 3,286,693,262 shares (31 December 2013), which was mainly due to the issuance of new shares as a result of assets acquisition. The Group's capital structure, as well as cash inflow, is therefore very healthy.

EMPLOYEES REMUNERATION AND BENEFITS

As at 31 December 2013, the Group had a total of 1,359 employees in the PRC (Beijing, Guangdong, Chengdu and Shanghai) 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

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014, 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 (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on Tuesday, 27 May 2014.

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 Company had applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013 except as noted hereunder.

According to the code provision A.2.1 of the CG 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 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 consider appointing an individual as chief executive when it is appropriate.

According to the code provision A.6.7 of the CG Code, 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 independent non-executive Directors were unable to attend the annual general meeting of the Company held on 28 May 2013 due to various work commitments.

For the purpose of complying with the CG Code, in August 2013, the Board adopted the board diversity policy and revised terms of reference for the nomination committee of the Company.

The Board shall continue to monitor and review the Company's corporate governance practices to ensure compliance.

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 2013. 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 2013 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 the Group.

By Order of the Board
VODone Limited
ZHANG Lijun
Chairman

Hong Kong, 19 March 2014

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