ANNUAL REPORT 2013

VODONE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)


zgzcw.com
diyicai.com
v1.cn
cmge.com

CORPORATE PROFILE

VODone Group is one of the largest new media enterprises in China

which principally engage in the production and broadcasting of internet-video news, web TV and mobile video news, as well as online advertising. Besides, we also engage in lottery-related business and mobile games development and distribution business.

第1视频® VODONE.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Dr. Loke Yu (alias Loke Hoi Lam) *(Chairman)*
Mr. Wang Zhichen
Mr. Wang Linan

NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Dr. Zhang Lijun *(Chairman of Nomination Committee)*
Dr. Loke Yu (alias Loke Hoi Lam)
(Chairman of Remuneration Committee)
Ms. Wang Chun
Mr. Wang Zhichen
Mr. Wang Linan

CORPORATE GOVERNANCE COMMITTEE

Mr. Wang Zhichen *(Chairman)*
Dr. Zhang Lijun
Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Wang Linan

COMPANY SECRETARY

Mr. Kwok Chi Keung, Andy

AUDITOR

BDO Limited

PRINCIPAL BANKERS

The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

PRINCIPAL PLACE OF BUSINESS

16-18/F, Tower 1
Recero International Centre
No 8, Wang Jing East Road
Chao Yang District
Beijing, PRC 100102

Room 3006, 30th Floor
Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

WEBSITES AND E-MAIL ADDRESSES

http://www.v1.cn, http://ir.vodone.com
info@vodone.com.hk, ir@v1.cn

STOCK CODE

00082

http://www.v1.cn http://ir.vodone.com


中国足彩网
www.zgzcw.com
第1彩
DIYICAI.COM
Enriching Contents

In 2013, the income and profit of the Group's lottery-related business managed to record a year on year increase of 64% and 255% respectively.

CHAIRMAN'S STATEMENTS

Chairman's Statement

In 2013, the income and profit of the Group's lottery-related business managed to record a year on year increase of 64% and 255% respectively.

WHERE HAS ALL THE TIME GONE?!

The closing prices of shares of VODone Limited (the "Company" or "VODone") and American depositary shares ("ADS") of 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 Company and its subsidiaries (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 Analysys International（易觀國際）, 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 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 to 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.


V1.CN
第一视频
VOD ONE LIMITED
Mini-video News Portal

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of the Company (the"Directors") herein present their report together with the corporate governance report, share option schemes, management discussion and analysis, and the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

During the year, the Group is principally engaged in tele-media business, lottery-related business and mobile games business in the PRC. The principal activities and other particulars of certain operational subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 56 to 149.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2013.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 December 2013 is set out in note 6 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 150. This summary is for information only and does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with explanations thereof, are set out in notes 29 and 39 respectively to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the"Bye-laws") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in note 29 and page 58 to the financial statements, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 and page 58 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution were approximately HK$941,221,000 (2012: HK$802,490,000). The Company's share premium account in the amount of HK$1,457,197,000 (2012: HK$1,364,058,000) may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the respective percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

(a)	Percentage of purchases attributable to:	
	• the largest supplier	6%
	• the five largest suppliers	15%
(b)	Percentage of sales attributable to:	
	• the largest customer	24%
	• the five largest customers	53%

The largest customer of the Group for the year was VODone Datamedia Technology Co., Ltd. ("TMD1"). TMD1, a sino-foreign joint-venture company, is 51% controlled by two state-owned enterprises. The Company indirectly owns a 24.99% interest in TMD1, with the balance of 24.01% indirectly held by Dr. Zhang Lijun, an executive Director, a substantial shareholder and the chairman of the Company (the"Chairman"). Through contractual arrangements as disclosed in the Company's circular dated 18 August 2006, the Group provides tele-media support services to TMD1. Save as disclosed and as far as the Directors are aware, none of the Directors, their associates, or shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

CHAIRMAN AND DIRECTORS

The Chairman and the Directors during the year and up to the date of this report have been:

EXECUTIVE DIRECTORS:

Zhang Lijun *(Chairman)*
Wang Chun

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Loke Yu (alias Loke Hoi Lam)
Wang Zhichen
Wang Linan

In accordance with the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Ms. Wang Chun and Mr. Wang Zhichen will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the"Listing Rules") and the Board considers them to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS


Dr. Zhang Lijun

Chairman

Dr. Zhang Lijun, aged 50, holds a Doctoral degree in Economics. He is an executive Director, the Chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee"). He is the chairman of the board of directors of CMGE, which is a subsidiary of the Company and listed on the Nasdaq Global Market in the United States. Dr. Zhang holds the position as director for other members of the Group. He joined the Group in 2006. Dr. Zhang is also China's representative of the Asia-Pacific Economic Cooperation ("APEC") Business Advisory Council, chairman of China APEC Development Council, vice chairman of the China Internet Association, council member of the Association for Relations Across the Taiwan Straits (ARATS), vice chairman of China Social Workers Association, vice president of China WTO Research Institute, honorary president of the Council of Beijing Association of Online Media, standing member of China Copyright Council, professor of Nankai University, honorary professor of the University of Sydney, Australia, and an experienced expert in China's internet media.

Dr. Zhang previously held the following positions: assistant to the general manager and deputy general manager of International Industrial Company of the China Minmetals Corporation, which was a company under the Ministry of Foreign Trade and Economic Cooperation, the People's Republic of China, and the deputy manager of the General Trade Department of the China Minmetals Corporation, chairman and party secretary of Sino-Interest Worldwide Economic Group under the National Development and Reform Commission and Economic Restructuring Office of the State Council, and chairman of Sino-Sky Telecom, etc. He is the spouse of Ms. Wang Chun.


Ms. Wang Chun

Ms. Wang Chun, aged 49, holds a Master degree in World Economics and is an executive Director and the chief operating officer of the Company. Ms. Wang has been the chief operating officer of the Company since 2005. Ms. Wang is also the vice president of the Council of Beijing Association of Online Media, member of the Central Women's Work Committee of the Central Committee of China Zhi Gong Party, and an experienced expert in internet trade.

In 1996, Ms. Wang spent a long time in the United States and Canada for the business of Sino-Canada International Investment (Group) Company Limited, for which she served as a director and deputy general manager as well as the chief representative of its Beijing office. In 1998, Ms. Wang returned to China and set up China Huatian Net Supermarket, the first cyber supermarket in China and originator of China's B2B and B2C e-business. She later joined Sino-Sky Telecom and was responsible for the management of one of the largest telecommunication value-added business service platforms in China. She was appointed the chief operating officer of Sino-Sky Telecom later. She is the spouse of Dr. Zhang Lijun.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu

Dr. Loke Yu (alias Loke Hoi Lam), aged 64, was appointed as an independent non-executive Director in May 2005. He is also the chairman of the audit committee (the"Audit Committee") and the remuneration committee (the"Remuneration Committee") of the Company. He has over 39 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. Dr. Loke is a fellow member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Hong Kong Institute of Chartered Secretaries. Currently, he is also the company secretary of Minth Group Limited and serves as an independent non-executive director of Chiho-Tiande Group Limited, China Fire Safety Enterprise Group Limited, China Household Holdings Limited, Matrix Holdings Limited, SCUD Group Limited, Sino Distillery Group Limited, Tianjin Development Holdings Limited, Winfair Investment Company Limited, and Zhong An Real Estate Limited, companies listed on The Stock Exchange of Hong Kong Limited (the"Stock Exchange").

Mr. Wang Zhichen

Mr. Wang Zhichen, aged 72, was appointed as an independent non-executive Director in August 2007. He is also the chairman of the corporate governance committee of the Company (the "Corporate Governance Committee"). Mr. Wang obtained his Bachelor degree in Biophysics and Agricultural Machinery from Jilin Agricultural University. Currently, Mr. Wang is also the director of Middle and Small Enterprise Committee and the chairman of the Middle and Small Enterprise Work Committee of the China APEC Development Council. He had been appointed as the vice commissioner of the Asian and African Division of the Foreign Affairs Bureau, Ministry of Agricultural of the People's Republic of China, the commissioner and vice general secretary of the China Feed Industry Association, director and vice director of the State Economic Reform Committee, and supervisor of the office of Taiwan affairs. He was also the former supervisor of the International Cooperation Centre of the Economic Reform Office and the former committee member of the National Development and Reform Commission.

Mr. Wang Linan

Mr. Wang Linan, aged 65, was appointed as an independent non-executive Director in August 2007. Mr. Wang graduated in Economic Management of the Central Communist Party School of Management. Currently, he is also the general secretary of the China Scientific Films and Videos Association. Mr. Wang has more than 18 years of experiences in promotion of science in China. He had worked as deputy division secretary in the China Association for Science and Technology General Office, deputy director of China Association for Science and Technology Popularisation Department City Division, and the vice general secretary of the China Scientific Popularisation Writers Association.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(Continued)*

SENIOR MANAGEMENT

Ms. Wang Xiang, aged 39, is the general manager of finance of the Company. She also undertakes and performs the role of the chief financial officer of the Company with the financial controller of the Company, Mr. Kwok Chi Keung, Andy. Ms. Wang is a Certified Public Accountant in the People's Republic of China. Before joining the Group, she served a foreign mobile technology company for more than 5 years as a finance in-charge where she accumulated extensive corporate finance and management knowledge in telecommunication and value added service industry. Besides, having taken part in several major audits in her role as an external auditor, she has accumulated invaluable experiences which have made her an all-rounded accountant. Ms. Wang holds a Bachelor degree in Business Management of Beijing Normal University. She joined the Group in 2006.

Mr. Kwok Chi Keung, Andy, aged 46, is the financial controller and company secretary of the Company (the"Company Secretary"). He also undertakes and performs the role of the chief financial officer of the Company with the general manager of finance of the Company, Ms. Wang Xiang. He holds a Bachelor degree of Science in Economics and is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants. He has over 21 years experience in accounting, auditing and financial management. Before he joined the Company in 2008, he was the financial controller of two companies listed on the main board of the Stock Exchange.

CHANGES IN REMUNERATION WITH REGARDS TO DIRECTORS

Save as those disclosed above, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the biographical details of the Directors during the course of the Director's term of office since the publication of Company's 2013 Interim Report are set out as follows:

Under the amendment to the service agreement with Dr. Zhang Lijun, an executive Director, with effect from 1 February 2014, the director's fee and remuneration of Dr. Zhang Lijun has been increased to HK$6,945,756 per annum as recommended by the Remuneration Committee and determined by the Board with reference to his duties and responsibilities with the Company and the market rate for the position.

Under the amendment to the service agreement with Ms. Wang Chun, an executive Director, with effect from 1 February 2014, the director's fee and remuneration of Ms. Wang Chun has been increased to HK$3,472,884 per annum as recommended by the Remuneration Committee and determined by the Board with reference to her duties and responsibilities with the Company and the market rate for the position.

Under the amendment to the service agreement with Dr. Loke Yu (alias Loke Hoi Lam), an independent non-executive Director, with effect from 1 February 2014, the director's fee of Dr. Loke Yu (alias Loke Hoi Lam) has been increased to HK$185,220 per annum as recommended by the Remuneration Committee and determined by the Board with reference to his duties and responsibilities with the Company and the market rate for the position.

CHANGES IN REMUNERATION WITH REGARDS TO DIRECTORS *(Continued)*

Under the respective amendment to the service agreement with Mr. Wang Zhichen and Mr. Wang Linan, independent non-executive Directors, with effect from 1 February 2014, the director's fee of each of Mr. Wang Zhichen and Mr. Wang Linan has been increased to HK$138,924 per annum as recommended by the Remuneration Committee and determined by the Board by reference to their duties and responsibilities with the Company and the market rate for the position.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2013, the Directors and their associates had the following interests in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

(A) LONG POSITION IN THE ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY:

Name of director	Capacity	Number of ordinary shares held	% of total issued share capital	Number of underlying shares in respect of the share option granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse	371,214,113 (Note 1)	11.29%	3,517,000 (Note 2)	0.11%
Wang Chun	Beneficial owner/ Interest of spouse	371,214,113 (Note 3)	11.29%	3,517,000 (Note 4)	0.11%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	–	–	400,000	0.01%
Wang Zhichen	Beneficial owner	1,100,000	0.03%	300,000	0.01%
Wang Linan	Beneficial owner	1,100,000	0.03%	300,000	0.01%

Note 1: Of these 371,214,113 shares, 355,264,113 shares are directly held by Dr. Zhang Lijun. Dr. Zhang is also deemed to be interested in the remaining 15,950,000 shares through the interest of his spouse, Ms. Wang Chun.

Note 2: Of these 3,517,000 share options, 1,758,500 share options are directly held by Dr. Zhang Lijun. Dr. Zhang is also deemed to be interested in the remaining 1,758,500 share options through the interest of his spouse, Ms. Wang Chun.

Note 3: Of these 371,214,113 shares, 15,950,000 shares are directly held by Ms. Wang Chun. Ms. Wang is also deemed to be interested in the remaining 355,264,113 shares through the interest of her spouse, Dr. Zhang Lijun.

Note 4: Of these 3,517,000 share options, 1,758,500 share options are directly held by Ms. Wang Chun. Ms. Wang is also deemed to be interested in the remaining 1,758,500 share options through the interest of her spouse, Dr. Zhang Lijun.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION *(Continued)*

(B) LONG POSITION IN THE ORDINARY SHARES AND UNDERLYING SHARES OF CHINA MOBILE GAMES AND ENTERTAINMENT GROUP LIMITED, A NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY:

Name of director	Capacity	Number of ordinary shares held	% of total issued share capital	Number of underlying shares in respect of the share option granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse	10,274,274 (Note 1)	2.62%	4,695,694 (Note 2)	1.20%
Wang Chun	Beneficial owner/ Interest of spouse	10,274,274 (Note 3)	2.62%	4,695,694 (Note 4)	1.20%

Note 1: Of these 10,274,274 shares, 6,977,614 shares are held by Big Step Group Limited which is wholly owned by Dr. Zhang Lijun.

Note 2: Of these share options carrying the rights to subscribe for 4,695,694 shares, share options carrying the rights to subscribe for 3,175,947 shares are directly held by Dr. Zhang Lijun. Dr. Zhang is also deemed to be interested in the remaining share options carrying the rights to subscribe for 1,519,747 shares through the interest of his spouse, Ms. Wang Chun.

Note 3: Ms. Wang Chun is deemed to be interested in these shares through the interest of her spouse, Dr. Zhang Lijun.

Note 4: Of these share options carrying the rights to subscribe for 4,695,694 shares, share options carrying the rights to subscribe for 1,519,747 shares are directly held by Ms. Wang Chun. Ms. Wang is also deemed to be interested in the remaining share options carrying the rights to subscribe for 3,175,947 shares through the interest of her spouse, Dr. Zhang Lijun.

Save as disclosed herein, as at 31 December 2013, none of the Directors or the chief executive of the Company and their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Same as disclosed in the section above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSEQUENT EVENT

On 13 January 2014 (United States Eastern time), a total of 1,811,854 share options of CMGE were granted to eligible participants, who are not Directors or substantial shareholders of the Company, to subscribe for a total of 1,811,854 ADSs (representing in aggregate 25,365,956 Class A ordinary shares of CMGE ("CMGE Class A Shares")) at an exercise price of US$29.03 per ADS. The options may be exercisable during the period from 13 January 2014 to 14 September 2017 with restrictions.

On 13 January 2014 (United States Eastern time), a total of 417,963 share options of CMGE were granted to eligible participants, who are not Directors or substantial shareholders of the Company, to subscribe for a total of 417,963 ADSs (representing in aggregate 5,851,482 CMGE Class A Shares) at an exercise price of US$29.03 per ADS. The options may be exercisable during the period from 13 January 2014 to 12 January 2019 with restrictions.

On 26 January 2014, a total of 136,500 warrants of CMGE were issued to Dr. Zhang Lijun, an executive Director and a substantial shareholder of the Company, to subscribe for a total of 136,500 ADS (representing in aggregate 1,911,000 CMGE Class A Shares) at an exercise price of US$29.34 per ADS. The warrants may be exercisable during the period from 26 January 2014 to 25 January 2019 with restrictions.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those transactions set out in note 40 to the financial statements, no Director had a beneficial interest in any material contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, other than the Directors whose interests are disclosed above, the Company was not aware of any person who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

During the year, the Group had certain related party transactions, further details of which are included in note 40 to the financial statements. The Directors believe the relevant disclosure requirements under the Listing Rules are met, where applicable.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

The Group remunerates its directors and staff primarily based on their contribution, responsibilities, qualification and experience under the remuneration policy set up by the Remuneration Committee. The Group has implemented share option schemes as incentive to the Directors and eligible employees.

Details of the emoluments of the Directors, the senior management and the five highest paid individuals in the Group are set out in notes 10 and 11 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the"Corporate Governance Report"section of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee has been established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non–executive Directors.

AUDITOR

The financial statements have been audited by BDO Limited.

A resolution for the re-appointment of BDO Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Lijun
Chairman

Hong Kong
19 March 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 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 report, 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 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.

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

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board currently has five members, comprising two executive Directors and three independent non-executive Directors. Collectively, they bring a broad range of commercial, financial, technology, management and stewardship experiences and varied skills, expertise and qualifications for leading and directing the Group's affairs. The Directors' biographical details and other information are set out in the "Directors' Report" section of this report. The role and function of the Directors are published on the websites of the Stock Exchange and the Company.

Dr. Zhang Lijun and Ms. Wang Chun is a couple. Save as disclosed above, there are no financial, business, family or other material/relevant relationships among members of the Board.

BOARD OF DIRECTORS *(Continued)*

BOARD COMPOSITION *(Continued)*

All new Directors appointed to fill casual vacancies of the Board are subject to election by the shareholders of the Company at the first general meeting after their appointments. In accordance with the Bye-laws and practice of the Company which conform to the requirements of the Listing Rules, one-third of Board members are required to retire by rotation each year at the annual general meeting provided that every Director shall be subject to retirement at least once every three years. Directors, who retire, if eligible, may sit for re-election at the same annual general meeting.

ROLE AND RESPONSIBILITY OF THE BOARD

The management and control of the business of the Company ultimately rests with the Board. The Board sets long term direction and objectives and oversees the management's plans and strategies for the delivery of results. The Board may delegate its responsibilities or functions to board committees and the day-to-day operation to management and ensures appropriate human and financial resources are appropriately applied and that the performance for the achievement of results is evaluated periodically. The Board approves all significant transactions and publication including annual reports, interim reports, circulars and announcements. In cases where shareholders' approvals are required, the Board resolves to convene the necessary shareholders meetings to seek shareholders' approval. Every Director is committed to carrying out his duty in good faith and acting honestly with due diligence, skill and care and in the best interest of the Company and its shareholders at all times.

BOARD MEETINGS AND ATTENDANCE OF DIRECTORS

All Board and committee meetings adhere to a formal agenda set in advance for consideration/resolution. All Directors may arrange to include matters on the agenda for consideration at Board meetings. Board materials are provided in advance of the meetings and detailed minutes are prepared and made available to all Directors.

Pursuant to the Bye-laws, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his associate(s) has/have a material interest, and if he shall do so, his vote shall not be counted (nor shall be counted in the quorum for that resolution). Questions arising at any meeting of the Board shall be decided by a majority of votes.

BOARD OF DIRECTORS *(Continued)*

BOARD MEETINGS AND ATTENDANCE OF DIRECTORS *(Continued)*

The Directors give sufficient time and attention of the Group's affair. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the Directors for the Board meetings, the board committees meetings and the general meetings held during the year is listed as follows:

	Number of Meetings Attended/Meetings Held					
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Corporate Governance Committee meeting	General meeting
Executive Directors						
Zhang Lijun	13/13	n/a	2/2	2/2	1/1	1/1
Wang Chun	13/13	n/a	2/2	2/2	n/a	1/1
Independent Non-executive Directors						
Loke Yu (alias Loke Hoi Lam)	13/13	2/2	2/2	2/2	1/1	1/1
Wang Zhichen	13/13	2/2	2/2	2/2	1/1	0/1
Wang Linan	13/13	2/2	2/2	2/2	1/1	0/1

TRAINING AND SUPPORT FOR DIRECTORS

Each newly appointed Director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the Listing Rules, legal and other regulatory requirements. The Company provides regular updates to the Directors relating to the Group's business and the business and regulatory environments in which the Group operates.

During the year, the Company arranged a seminar on 29 August 2013 on compliance with legal and regulatory requirements to the Directors. The seminar covered a broad range of topics including inside information, environmental, social and governance reporting, board diversity policy and disclosure suggestion on annual report by the Stock Exchange. All Directors attended the seminar. In addition, Dr. Loke Yu (alias Loke Hoi Lam) attended relevant seminars organized by Hong Kong Institute of Certified Public Accountants and Deloitte Touche Tohmatsu Limited.

The Directors have access to the advice and services of the Company Secretary and if necessary, have recourse to external professional advice at the Company's expense. Also, the Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

BOARD OF DIRECTORS *(Continued)*

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company believes that the independent non-executive Directors comprise a good mix of professional and business executives who have significant exposure to the business and accounting environment of Hong Kong and the PRC. The Board believes that such a group is ideally qualified to provide independent advice and guidance to the Board, to serve on the board committees and to act as independent stewards of the Company for the interests of its shareholders.

During the year, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors including at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. In addition, the Company also complied with Rule 3.10A of the Listing Rules that the number of independent non-executive Directors represents at least one-third of the Board.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has established the practice of requesting written confirmation from each independent non-executive Director regarding his independence. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them to be independent.

In January 2012, each of the independent non-executive Directors had entered into a service agreement with the Company for a specific term of three years, and the directorships under which are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws.

CHAIRMAN AND CHIEF EXECUTIVE

In accordance with the Bye-laws, the Board members elect among themselves a Director to be the Chairman. Dr. Zhang Lijun has been the Chairman since 8 December 2006.

BOARD COMMITTEES

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee. Written terms of reference, which are in line with the CG Code, of all the board committees, are available on the website of the Stock Exchange and the Company.

BOARD COMMITTEES *(Continued)*

AUDIT COMMITTEE

The Audit Committee was set up in 1999 and currently comprises three independent non-executive Directors, namely Dr. Loke Yu (alias Loke Hoi Lam) (the chairman), Mr. Wang Zhichen and Mr. Wang Linan.

The Audit Committee provides the Board with advice and recommendations on accounting, reporting and internal control matters and acts as a formal liaison channel for review, communication and problem resolution between the Company and its auditors. The Audit Committee members collectively hold the relevant commercial, industry, financial and auditing experience necessary for the Audit Committee to function effectively and independently.

The Audit Committee's primary functions include:

- to recommend to the Board on the appointment and terms of engagement of the external auditor;
- to review and monitor the appropriateness of accounting policy, accounting practices, financial reporting and disclosure and the application of judgement and estimates related thereto;
- to review the Company's annual and interim reports and any opinion expressed by the external auditor;
- to review any related party transactions and connected party transactions for compliance with the requirements of the Listing Rules and for reasonableness and fairness to the Company and its shareholders;
- to review with the external auditor issues raised in the external auditor's management letter, queries or similar communications;
- to monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards; and
- to assure that adequate internal controls including financial, operational, compliance controls and risk management are in place and followed.

During the year, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2012 and the unaudited interim financial statements for the six months ended 30 June 2013 with recommendations to the Board for approval. It also reviewed the internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee has also actively participated at the full Board or any independent board committees formed from time to time for the purpose of advising the independent shareholders of the Company of transaction(s) which require their input or contributing their independent views in the areas of business, financial, management and operating practices.

BOARD COMMITTEES *(Continued)*

REMUNERATION COMMITTEE

The Remuneration Committee was set up in 2007 and currently comprises three independent non-executive Directors, namely Dr. Loke Yu (alias Loke Hoi Lam) (the chairman), Mr. Wang Zhichen and Mr. Wang Linan, and two executive Directors, namely Dr. Zhang Lijun and Ms. Wang Chun.

For determining the remuneration packages of the executive Directors and senior management, the Remuneration Committee has adopted the model that it shall perform an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of the executive Directors and senior management. It recommends to the Board on the Company's policy and structure for all remuneration of the Board members and senior management, on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine specific remuneration packages for the Directors and senior management of the Company.

During the year, the Remuneration Committee reviewed the remuneration policy, structure and packages for Directors and senior management, and assessed the performance of the executive Directors. Recommendations regarding the increase of the remuneration of five Directors and three senior management were made by the Remuneration Committee to the Board.

The level of remuneration should be appropriate to attract, retain and motivate the Directors to run the Company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Director. Individual Director and executive would not be involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was set up in 2008 and currently comprises two executive Directors, namely Dr. Zhang Lijun (the chairman) and Ms. Wang Chun and three independent non-executive Directors, namely Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Zhichen and Mr. Wang Linan.

For the purpose of complying with the CG Code, the terms of reference of the Nomination Committee were revised during the year. The Nomination Committee is responsible for formulating and reviewing the nomination and Board diversity policies, reviewing the size, structure and composition of the Board, and making recommendations to the Board on nominations, appointment of Directors and Board succession with adequate consideration to the Board diversity policy. The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Nomination Committee adopts certain criteria to assist in its evaluation including but not limited to the candidate's gender, age, cultural and educational background, professional experience, business background, his past responsibility, exposure to the business environment in which the Group operates and intends to be engaged in and his experience including directorship or senior management level involvements with other entities, and his contribution or achievement to the Group. The Nomination Committee also assesses the independence of the independent non-executive Directors.

BOARD COMMITTEES *(Continued)*

NOMINATION COMMITTEE *(Continued)*

During the year, the Nomination Committee reviewed the policy for the nomination of Directors, the composition of the Board, the independence of the independent non-executive Directors, the re-election of all the retiring Directors at 2013 annual general meeting and adopted the Board diversity policy.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was set up in 2012 and currently comprises three independent non-executive Directors, namely Mr. Wang Zhichen (the chairman), Dr. Loke Yu (alias Loke Hoi Lam) and Mr. Wang Linan, and an executive Director, namely Dr. Zhang Lijun.

The primary functions of the Corporate Governance Committee are to develop and review the Company's policies and practices on corporate governance in compliance with legal and regulatory requirements. The Corporate Governance Committee also reviews the disclosure systems of the Company and introducing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company.

During the year, the Corporate Governance Committee reviewed the policies and practices on corporate governance of the Company, the training and continuous professional development of the Directors and senior management, and the disclosure in the corporate governance report of Annual Report 2012.

AUDIT AND RELATED FEES

During the year under review, the fees paid or payable to the Group's external auditor BDO Limited were as follows:

Audit	1,313,000
Non-audit services	Nil

INTERNAL CONTROL

The Board is entrusted with the overall responsibility for establishing and maintaining effective internal control systems for the Group. The management of the Group is delegated with the responsibility from time to time to implement and maintain the Board's policies on risk management and control. Detailed procedures are developed by management for major business units. At least annually, the significant internal control system is reviewed with the Company's auditor. The Group's internal control systems are designed to provide cost effective and reasonable protection that safeguards the Group's assets and maintains the integrity of the accounting and reporting systems. The Group emphasises the appointment of qualified, experienced and capable individuals to carry out critical control functions and has put in place a system for effective segregation of key duties and responsibilities. The Board and the Audit Committee periodically evaluate major controls and risks and where considered necessary, retains external professional services to evaluate or seek improvements to the internal control systems.

INTERNAL CONTROL *(Continued)*

During the year, the Audit Committee had reviewed effectiveness of the internal control system of the Group on behalf of the Board. The review covered all material control areas including financial, compliance and risk management functions. Based on the results of the review, the Board is satisfied that the Group has maintained sound and adequate internal controls in all major areas.

CODE OF CONDUCT

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") based primarily on the Model Code. The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Model Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment or involvement, are likely to come into contact or be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards set out in the Model Code and Code of Conduct during the year under review.

DIRECTORS' INTERESTS

Full details of individual Director's interests in the shares, share options and interest in securities of the Company and its associated corporation are set out in the "Directors' Report" and in note 39 to the financial statements.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge that they are responsible for overseeing the preparation of accounts for each financial period, which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and cash flow for that period. In preparing the accounts for the year ended 31 December 2013, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards; and
- made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The auditor's respective responsibilities to the shareholders in respect of the financial statements are included in the "Independent Auditor's Report".

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out in the "Directors' Report" section of this report.

CONSTITUTIONAL DOCUMENTS

The memorandum of association of the Company and the Bye-laws are published on the websites of the Stock Exchange and the Company. During the year, there is no significant change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great priority to open and effective communications with its shareholders and potential investors on the development of the Company. The Company has established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness.

The Company maintains a website through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by its shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The Directors regard all meetings with its shareholders to be very important as they offer opportunities for direct communication with the shareholders. When appropriate, presentations would be made at general meetings for the purposes of keeping shareholders informed of corporate developments. The Chairman and the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee, as well as the Company's auditor maintained an on-going dialogue with the shareholders and answered all questions raised by the shareholders during the last annual general meeting held on 28 May 2013.

In addition, key executives of the Company also participate in conferences and forums with the objective of promoting investor and stakeholder interests in the Group's businesses.

SHAREHOLDERS' RIGHT

CONVENE A SPECIAL GENERAL MEETING

Pursuant to the Bye-laws, special general meetings shall also be convened on requisition as provided by the Companies Act of Bermuda. The Directors, notwithstanding anything in the Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

SHAREHOLDERS' RIGHT *(Continued)*

PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to the Companies Act of Bermuda, any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relate or not less than one hundred members of the Company may deposit a written requisition to put forward proposals.

The Company shall then give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

PUT ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board with contact details as below:–

Investor Relations
VODone Limited
Room 3006, 30th Floor
Gloucester Tower, The Landmark
11 Pedder Street
Central, Hong Kong

Telephone: 852-2869 8966
Facsimile: 852-2869 8960
E-mail: info@vodone.com.hk, ir@v1.cn

Upon receipt of the enquiries, the staff of the investor relations department will consider the concern proposed and raise it to the Board in the regular Board meeting for their considering and communicate with the shareholders for the result and feedback of the Board meeting.

SHARE OPTION SCHEMES

THE COMPANY

On 27 April 2012, the shareholders of the Company approved a new share option scheme (the "VODone Scheme") and adopted it on 30 April 2012, and terminated the share option scheme adopted on 7 June 2002 (the "Old VODone Scheme").

Upon the termination of the Old VODone Scheme, no further share options will be offered under the Old VODone Scheme. However, the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old VODone Scheme. As at 31 December 2013, the outstanding share options granted under the Old VODone Scheme entitled the eligible participants to subscribe for 43,014,400 shares.

Under the VODone Scheme, the Directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The VODone Scheme is effective for the period from 30 April 2012 to 29 April 2022. The total number of shares which may be allotted and issued upon exercise of all options (excluding options which have lapsed in accordance with the terms of the VODone Scheme) to be granted under the VODone Scheme must not in aggregate exceed 10% of the shares in issue as at the date of approval of the VODone Scheme (the "VODone Scheme Limit") provided that, inter-alia, the Company may seek approval of the shareholders at general meeting to refresh the VODone Scheme Limit. The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the VODone Scheme and the Old VODone Scheme shall not exceed 30% of the share capital of the Company in issue from time to time.

A summary of the principal terms of the VODone Scheme is given below:

(I) *Purpose of the VODone Scheme:*
The purpose of the VODone Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group.

(II) *Participants of the VODone Scheme:*
The Directors may, in accordance with the provisions of the VODone Scheme, at their absolute discretion invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of the Company:

a. any employee, executive (including any executive director but excluding any non-executive director), manager, consultant or proposed employee, manager, consultant of the Company, any of its subsidiaries ("Subsidiary"), any controlling shareholder (as defined in the Listing Rules) of the Company ("Holding Company") or any entity in which any member of the Group holds any equity interest ("Invested Entity");

b. any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary, any Holding Company or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Holding Company or any Invested Entity;

d. any customer of the Group or any Holding Company or any Invested Entity;

e. any person or entity that provides research, development or other technological support to the Group or any Holding Company or any Invested Entity;

f. any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

THE COMPANY *(Continued)*

g. any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Holding Company or any Invested Entity; and

h. any joint venture partner or business alliance that co-operates with any member of the Group or any Holding Company or any Invested Entity in any area of business operation or development.

(III) *Total number of shares available for issue under the VODone Scheme and percentage of issued share capital it represents as at the date of this report:*
The total number of shares available for issue under the VODone Scheme was 255,778,478 shares representing approximately 7.76% of the issued share capital as at the date of this report.

(IV) *Maximum entitlement of each participant under the VODone Scheme:*
The total number of shares issued and which may fall to be issued upon exercise of the options granted under the VODone Scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless it is approved by shareholders at general meeting of the Company with such grantee and his associates abstaining from voting. Where any grant of share options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the shares issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million; such further grant of options must be approved by shareholders at general meeting of the Company.

(V) *The period within which the shares must be taken up under an option:*
The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.

(VI) *The minimum period for which an option must be held before it can be exercised:*
The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The VODone Scheme does not contain any such minimum period.

(VII) *The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:*
A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option within such time specified in the offer (which shall not be later than 10 business days from the date of the grant).

(VIII) *The basis of determining the exercise price:*
The exercise price under the VODone Scheme shall be a price determined by the Directors but shall not be less than the highest of:

a. the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of the offer of grant which must be a business day;

b. the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares for the five business days immediately preceding the date of the offer of grant which must be a business day; and

c. the nominal value of a share.

THE COMPANY *(Continued)*

(IX) The remaining life of the VODone Scheme:

The VODone Scheme has the period of 10 years commencing from 30 April 2012.

Details of the share options granted by the Company during the year ended 31 December 2013 are set out in note 39 to the financial statements.

THE SUBSIDIARY

Under the share option scheme of CMGE, a non-wholly owned subsidiary of the Company, adopted by CMGE and approved by the Company on 15 November 2011 (the "CMGE Scheme"), the directors of CMGE may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of CMGE. The CMGE Scheme is effective for the period from 15 November 2011 to 14 November 2021. The total number of shares of CMGE ("CMGE Shares") which may be issued upon exercise of all options to be granted under the CMGE Scheme shall not in aggregate exceed 10% of the CMGE Shares in issue on the date of approval of the CMGE Scheme (the "CMGE Scheme Limit") unless shareholders' approval of CMGE and the Company have been obtained at general meetings to refresh the CMGE Scheme Limit, provided that options lapsed in accordance with the terms of the CMGE Scheme will not be counted for the purpose of calculating the CMGE Scheme Limit. On 28 May 2013, the shareholders of the Company approved the refreshment of the 10% scheme mandate limit under the CMGE Scheme. The total number of CMGE Shares which may be issued upon exercise of all options to be granted under the CMGE Scheme, as refreshed, represents 10% of the CMGE Shares in issue as at 28 May 2013. The total number of the CMGE Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the CMGE Scheme shall not exceed 30% of the CMGE Shares in issue from time to time.

A summary of the principal terms of the CMGE Scheme is given below:

(I) Purpose of the CMGE Scheme:

The purpose of the CMGE Scheme is to enable CMGE to grant option to selected eligible persons as incentives or rewards for their contribution or potential contribution to CMGE and/or the Affiliate as defined below.

(II) Participants of the CMGE Scheme:

Subject to the terms of the CMGE Scheme and for so long as CMGE remains a subsidiary of the Company, subject also to the Listing Rules, the board of directors of CMGE (the "CMGE Board"), may at their absolute discretion, make offers to any eligible persons as defined below to take up options to subscribe for the CMGE Shares:

a. any executive, employee or director of CMGE or any company which is a holding company, a subsidiary, a fellow subsidiary or an associated company of CMGE (the "Affiliate"); and

b. any consultant, adviser, agent, business partner, joint venture partner, service provider, contractor of CMGE or any Affiliate, who, as determined at the sole discretion of the CMGE Board, has or may have contribution to CMGE.

(III) Total number of shares available for issue under the CMGE Scheme and percentage of issued share capital it represents as at the date of this report:

The total number of CMGE Shares available for issue under the CMGE Scheme was 1,890,013 shares representing approximately 0.48% of the issued share capital of CMGE as at the date of this report.

THE SUBSIDIARY *(Continued)*

(IV) Maximum entitlement of each participant under the CMGE Scheme

The total number of CMGE Shares issued and to be issued upon the exercise of the options granted and to be granted to any eligible person (including both exercised and outstanding options) in any 12-month period up and including the date of grant shall not exceed 1% of the CMGE Shares in issue as at the date of grant unless it is approved by the shareholders of CMGE and the Company (other than the grantees and/or their respective associates) in general meeting of CMGE and the Company. Where any proposed grant of options to a substantial shareholder (as such term is defined in the Listing Rules) or an independent non-executive director of the Company, or any of their respective associates, will result in the total number of CMGE Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant: (a) representing in aggregate over 0.1% of the CMGE Shares in issue; and (b) having an aggregate value, assuming such options were exercised and based on the adjusted net asset value per share in accordance with the latest audited accounts of CMGE, or based on the closing price of the CMGE Shares at the date of each grant, in excess of HK$5 million, such further grant of options shall be subject to approval by shareholders of CMGE and the Company in general meetings.

(V) The period within which the shares must be taken up under an option:

The period within which the options must be exercised will be specified by CMGE at the time of grant. This period shall not be more than 10 years from the relevant date of grant.

(VI) The minimum period for which an option must be held before it can be exercised:

CMGE may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The CMGE Scheme does not contain any such minimum period.

(VII) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option within such time specified in the offer.

(VIII) The basis of determining the exercise price:

The exercise price under the CMGE Scheme shall be determined by the CMGE Board on a fair and reasonable basis, taking into consideration the prevailing market condition, performance of CMGE and after having assessed the efforts, performance and/or future potential contribution of the eligible persons to the success of the business and operations of CMGE (and its subsidiaries from time to time), which shall be no less than the nominal value of the CMGE Share on the date of the offer of grant.

(IX) The remaining life of the CMGE Scheme:

The CMGE Scheme has the period of 10 years commencing from 15 November 2011.

Details of the share options granted by CMGE during the year ended 31 December 2013 are set out in note 39 to the financial statements.


战场之王
CMGE
中国手游娱乐集团
China Mobile Games and Entertainment Group
Entertainment Central

MANAGEMENT DISCUSSION AND ANALYSIS

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 MODEL AND STRATEGIC DIRECTION

BUSINESS MODEL

The Group is engaged in three main core business operations including the tele-media business, lottery-related business and mobile games business, which are of sizeable scale and significant influence in Mainland China. We are committed to providing high-quality services and creating sustainable values for shareholders and investors.

In relation to the tele-media business, its principal business is VODone Portal and telecommunication value-added business. By leveraging on the advantage of possessing all the necessary qualifications and licenses, the Group is able to offer high-quality, smooth and user-friendly "mini-video news portal" platform according to users' needs, and to generate advertising revenue from such platform.

In respect of the lottery-related business, our major income is derived from the web site and mobile apps developed by the partners of VODone. Besides, the Group earns income by providing lottery-related services, such as live match broadcasting, website information, member services and discussion forums.

In respect of the mobile game business, the Group has divided the mobile games business into two areas, which are mobile games development and mobile games publishing. In addition to having its own gaming platform, the Group has also cemented partnership with mobile network operators and major application stores in China to sell mobile games and related products. Furthermore, the Group will also actively seek for co-operation opportunities like exclusive licensing, initial launching and joint operation of quality online games, so as to obtain additional revenue.

The Group's main sources of revenue are derived from advertising revenue, revenue from lottery-related business, mobile games development and distribution, and revenue sharing from projects.

STRATEGIC DIRECTION

The Group adopts the following strategies to create sustainable values for shareholders:

- Making focused efforts on the mini-video news portal platform, lottery-related business and mobile games business
- Actively stepping up business expansion and cementing partnership
- Balancing risk exposures
- Maintaining prudent financial management

Making focused efforts on the mini-video news portal platform, lottery-related business and mobile game business

The Group attains growth by winning patronage from China's internet users and mobile phone users, and has built itself into an impeccably reputed player and an unrivalled brand over the years. With strong confidence in the continued expansion of the internet mini-video news, lottery-related business and mobile game market, the Group is expanding into the internet mini-video news, lottery-related business and mobile game business. Given that the Group is firmly dedicated to pursuing its core strategy of providing excellent and quality services, the Group's brand secures widespread market recognition. The Group will uphold its core strategy and continue to strengthen its brand.

Actively stepping up business expansion and cementing partnership

The Group dedicated vigorous efforts on its business expansion through enrichment of website contents and development of new products and mobile games. The Group also formed stronger partnership with a number of media partners in relation to the expansion of sales channels. Based on our renowned reputation, seasoned team plus unswerving commitment to premium product and service quality, we will be well-positioned to extend focused endeavours on the development and consolidation of the Group's business as well as to maintain our brand value.

Balancing risk exposures

The Group's risk management policies, which are framed in accordance with the operating principles of the Company, aim to prevent any possible losses within the scope of bearable risks, enhance shareholder values to the extent of an optimal balance between risks and rewards as well as fulfill the principle of optimization of capital allocation. The management expects to exercise continued control over the cost of the Group in the future, and to strive for sustainable core competitiveness, with a view to striking a balance between the development of the Group and the reward for shareholders.

Maintaining prudent financial management

The key to our success is to maintain sound financial position. With prudent financial management in place, we can ensure the positive development of the Group and enable the Group to capture the opportunities to invest in attractive projects. The Group places great emphasis on the management of liquidity, in order to ensure that the Company has a sufficient pool of funds to meet day-to-day operations and to finance strategic investments.

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"(「全民大吐糟」), "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 (于建嵘), 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 advertising 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, 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.

Lottery 365

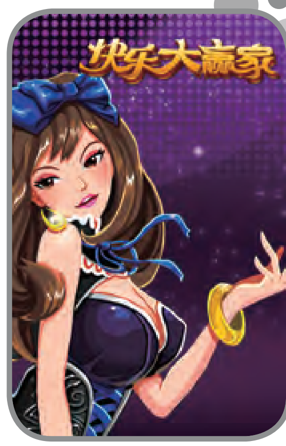
Lottery 365, a strategic cooperative product of VODone for mobile internet, has contributed revenue to VODone through commercial cooperation. In 2013, Lottery 365 recorded a rapid growth with the number of users surged by 30 times and lottery sales volume increased by more than 9 times. The downloads 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(豌豆荚), 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 Best Game 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 telecommunication 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.

AWARDS

AWARDS RECEIVED IN 2013

No.	Award	Award Organization
1	"Top 10 Influential Brand of Internet Industry"	2013 The Second China Brand Annual Meeting organized by China Brand Communication Alliance
2	"2013 Advanced Institutions for NPC & CPPCC Coverage Award"	Beijing Internet Information Office and Beijing Internet Association
3	"2013 Best Charity Communication Award"	Organizing Committee of China Charity Festival
4	"Honorable Charity Organization"	Internet Charity Event Office of Internet Society of China
5	"Strategic Partner during the 2013 China Internet Conference"	2013 China Internet Conference
6	"Zhongguozucaiwang" and "Diyicai" were awarded "The Most Popular Internet Retailer of Financial Products of 2013"	The Ministry of Commerce of the People's Republic of China
7	"War Valley" was awarded the "Outstanding Online Games Award"	2013 GMGC Global Mobile Game Congress
8	"War Valley" was awarded the "International Golden Fingertip – Best Mobile Game Award"	2012-2013 China International Mobile Terminal and Mobile Application Industry Expo
9	"War Valley" was awarded the "Best Online Game Award"	2013 China Mobile Internet Fist Award
10	"War Valley" was awarded the "Golden Plume Award – Players' Favourite Mobile Game"	2013 China Mobile Game Industry Annual Summit
11	"CMGE"was awarded "2013 Best Gaming Channel Award"	Chengdu Hi-Tech Industrial Development Zone and GMGC Global Mobile Game Confederation
12	"CMGE"was awarded the "Most Powerful Distributor Award"	sfw.cn and Top Fun Club
13	"Qiang Ni Mei" was awarded the "Golden Apple Innovation Award"	TFC Mobile Game Senior Management Summit by sfw.cn
14	"Joyful Da Ying Jia" was awarded the "Golden Apple Best Game Award"	TFC Mobile Game Senior Management Summit by sfw.cn

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 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.

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 promoting 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.


Convenient and Diverse

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF VODONE LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of VODone Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 149, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate no. P05309

Hong Kong, 19 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	7	**595,078**	476,800
Cost of revenue		**(398,765)**	(208,518)
Gross profit		**196,313**	268,282
Other gains and losses	8	**52,542**	61,158
Selling and marketing expenses		**(189,647)**	(61,881)
Administrative expenses		**(197,265)**	(191,689)
Impairment of intangible assets	20	**(3,715)**	(11,991)
Impairment of goodwill	18	**–**	(35,080)
Finance costs	9	**(3,900)**	(1,872)
Share of profit/(loss) of associates	17	**15**	(37)
(Loss)/profit before income tax	9	**(145,657)**	26,890
Income tax expense	12(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)	14	**(5.01) cents**	(0.10) cents
– Diluted (HK cents)	14	**(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	16	**48,444**	44,951
Interests in associates	17	**42,654**	41,411
Goodwill	18	**957,049**	869,224
Intangible assets	20	**1,186,246**	910,326
Deferred tax assets	28	**3,250**	–
Deposits for acquisition of property, plant and equipment		**836**	1,348
Other financial assets	24	**2,563**	–
		2,241,042	1,867,260
CURRENT ASSETS			
Trade receivables	21	**179,032**	94,010
Other receivables, deposits and prepayments	22	**458,131**	470,197
Inventories	23	**–**	2,855
Other financial assets	24	**44,498**	49,448
Amounts due from associates	40(c)	**75,355**	247,393
Amounts due from related companies	40(d)	**8,523**	706
Bank balances and cash	25	**616,137**	364,503
		1,381,676	1,229,112
CURRENT LIABILITIES			
Trade payables	26	**58,920**	4,478
Deposits received, other payables and accruals	27	**106,710**	38,949
Amount due to a related company	40(e)	**53**	53
Other financial liabilities	30	**99,372**	95,472
Bank borrowings	31	**17,938**	–
Consideration shares	32	**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	28	**49,624**	9,442
NET ASSETS		**3,237,894**	2,890,384
EQUITY			
Share capital	29	**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

Zhang Lijun
Director

Wang Chun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital (note 29) HK$'000	Share premium (note 36(a)) HK$'000	Investment revaluation reserve (note 36(b)) HK$'000	Other reserves (note 36(c)) HK$'000	Share-based compensation reserve (note 36(d)) HK$'000	Exchange fluctuation reserve (note 36(e)) HK$'000	Retained profits/ (accumulated losses) HK$'000	HK$'000	HK$'000
At 1 January 2012	26,141	1,163,238	–	484,473	34,587	201,031	682,301	103,701	2,695,472
Profit or loss	–	–	–	–	–	–	(3,138)	(12,278)	(15,416)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	14,334	–	146	14,480
Total comprehensive income for the year	–	–	–	–	–	14,334	(3,138)	(12,132)	(936)
Exercise of share options	62	7,604	–	–	(1,122)	–	–	–	6,544
Expenses related to shares issued in prior year	–	(1,000)	–	–	–	–	–	–	(1,000)
Capital contribution from non-controlling interests	–	–	–	(3,898)	–	–	–	4,150	252
Transfer of consideration shares for business acquisition in prior year	460	51,127	–	–	–	–	–	–	51,587
Recognition of share-based payment expense	–	–	–	–	11,350	–	–	6,116	17,466
Placing of new shares	1,600	143,089	–	–	–	–	–	–	144,689
Bonus issue	2,718	–	–	–	–	–	(2,718)	–	–
Dividend paid (note 15)	–	–	–	–	–	–	(21,743)	–	(21,743)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(952)	(952)
Profit appropriation on dividend paid by a subsidiary	–	–	–	32,875	–	–	(32,875)	–	–
Distribution in specie	–	–	–	–	–	–	(24,607)	24,607	–
Deemed disposal of partial interest in a subsidiary	–	–	–	(51,628)	–	–	–	49,657	(1,971)
Recognition of share-based payment expense and deemed disposal of partial interest in a subsidiary	–	–	–	610	–	–	–	366	976
At 31 December 2012	30,981	1,364,058	–	462,432	44,815	215,365	597,220	175,513	2,890,384
Profit or loss	–	–	–	–	–	–	(160,014)	(5,792)	(165,806)
Other comprehensive income	–	–	6,242	–	–	54,133	–	6,419	66,794
Total comprehensive income for the year	–	–	6,242	–	–	54,133	(160,014)	627	(99,012)
Exercise of share option (note 39(c))	–	–	–	1,925	(1,925)	–	–	–	–
Lapse of share options (note 39(a))	–	–	–	–	(21,627)	–	21,627	–	–
Acquisition of subsidiaries (note 35(a)&(b))	1,371	71,308	–	1,942	–	–	–	1,814	76,435
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	176	176
Transfer of consideration shares for business acquisition in prior year (note 32)	299	21,831	–	–	–	–	–	–	22,130
Recognition of share-based payment expense (note 39)	–	–	–	–	10,378	–	–	7,691	18,069
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(592)	(592)
Profit appropriation on dividend paid by a subsidiary	–	–	–	19,286	–	–	(19,286)	–	–
Deemed disposal of partial interest in a subsidiary (note 19(a) & 33)	–	–	–	128,711	–	–	–	201,593	330,304
At 31 December 2013	32,651	1,457,197	6,242	614,296	31,641	269,498	439,547	386,822	3,237,894

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'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

	Note	2013 HK$'000	2012 HK$'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	34(b)	6	–
Acquisition of subsidiaries, net of cash acquired	35(c)	(107,516)	–
Compensation from vendors in relation to acquisition of subsidiaries	24	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	31	17,938	–
Proceeds from issue of ordinary shares of a subsidiary	33	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 (note 35(a)).

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	16	34	51
Investments in subsidiaries	19	1,402,967	1,222,632
Intangible assets	20	777,376	705,167
		2,180,377	1,927,850
CURRENT ASSETS			
Deposits	22	3,819	2,684
Dividend receivable		64,394	–
Other financial assets	24	44,498	49,448
Amounts due from subsidiaries	19	244,214	245,418
Amount due from a related company	40(d)	33	33
Bank balances and cash		17,973	51,424
		374,931	349,007
CURRENT LIABILITIES			
Deposits received, other payables and accruals	27	40,687	1,726
Amounts due to subsidiaries	19	46,417	38,220
Consideration shares	32	22,680	38,115
Tax payable		6,440	–
Dividend payable		1,773	1,267
		117,997	79,328
NET CURRENT ASSETS		256,934	269,679
NET ASSETS		2,437,311	2,197,529
EQUITY			
Share capital	29	32,651	30,981
Reserves	36	2,404,660	2,166,548
TOTAL EQUITY		2,437,311	2,197,529

Zhang Lijun	**Wang Chun**
Director	*Director*

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 STANDARDS ("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.

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

(Continued)

(B) NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE *(Continued)*

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. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

(B) BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

3. BASIS OF PREPARATION *(Continued)*

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company is Renminbi ("RMB"), while the financial statements are presented in Hong Kong dollars ("HK$"), which the directors considered is more beneficial to the users of the financial statements. As the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited, the directors consider that it will be more appropriate to continuously adopt Hong Kong dollar as the Group's and the Company's presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(A) BUSINESS COMBINATION AND BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(A) BUSINESS COMBINATION AND BASIS OF CONSOLIDATION *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(B) SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(D) GOODWILL

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The depreciation rates are as follows:

Leasehold improvements	over the remaining terms of the lease but not exceeding 5 years
Motor vehicles	5 years
Plant, machinery and equipment	5-10 years
Computer hardware and software	3-10 years
Furniture, fixtures and office equipment	3-10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4(o)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(F) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(G) INTANGIBLE ASSETS

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in cost of revenue.

Internet SNS assets	Indefinite
Platform and domain names	Indefinite
Purchased software and technology	10-15 years
Mobile games license and platform	2-7 years
Distribution networks	7-10 years
Websites	10 years
Service contracts	3-10 years
Mobile games licenses	2-6 years

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) INTANGIBLE ASSETS *(Continued)*

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) INTANGIBLE ASSETS *(Continued)*

(iii) Impairment *(Continued)*

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(o)).

(H) FINANCIAL INSTRUMENTS

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial assets *(Continued)*

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) FINANCIAL INSTRUMENTS *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) FINANCIAL INSTRUMENTS *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) FINANCIAL INSTRUMENTS *(Continued)*

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(I) INVENTORIES

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(J) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follow:

(i) advertising income are recognised when services are rendered or substantially performed in accordance with the terms of the contract;

(ii) service income are recognised when services are performed in accordance with the substance of the relevant agreement;

(iii) revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer;

(iv) revenue from single player games and social games in mobile game business is recognised when (i) the goods are delivered based on download of games or consumption of in-game premium features by mobile phone game players, or at the end of subscription period and (ii) the estimated net proceeds to be received from the mobile network operators and the third-party payment platforms for the sale of game points of the social games, using data generated from its internal system, as deferred revenue upon delivery of game points to mobile phone game players. Deferred revenue is recognised as social games revenue ratably over the estimated average playing period of the paying mobile phone game players, starting from the point in time when game points are delivered to the mobile phone game players. The difference between the estimated proceeds and the actual amounts confirmed by the mobile network operators, third-party payment platforms or mobile phone service providers is recognised in the consolidated statements of comprehensive income when billing confirmations are received by the Group;

(v) revenue from licensed games in mobile game business is recognised when the estimated net proceeds to be received from the third-party payment platforms and third party app stores for the sale of game points of the licensed games net of the amount to be shared with the third-party game developers, using data generated from its internal system, as licensed games revenues upon delivery of game points to mobile phone game players;

(vi) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(K) INCOME TAXES

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(L) FOREIGN CURRENCY

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(L) FOREIGN CURRENCY *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange fluctuation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange fluctuation reserve.

(M) EMPLOYEE BENEFITS

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Prior to the MPF Scheme being effective, the Group did not have any pension arrangements for its employees.

The employees of the Group's subsidiaries in the PRC are members of central pension schemes operated by the local governments in the PRC and these subsidiaries make mandatory contributions to these central pension schemes to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on certain percentages of the employees' salaries cost in accordance with the relevant regulations in the PRC, and are charged to profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(N) SHARE-BASED PAYMENTS

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. When the entity cannot estimate reliably the fair value of goods or services received, they are indirectly measured by reference to the fair value of the equity instruments granted. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(O) IMPAIRMENT OF OTHER ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets with finite useful life;
- investments in subsidiaries and associates

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(P) CAPITALISATION OF BORROWING COSTS

Borrowing cost attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investment of specific borrowing pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(Q) GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(R) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(S) RELATED PARTIES

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(A) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Valuation of intangible assets and useful lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets acquired as part of business combinations. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the useful lives of such assets. These estimations and assumptions impact the income statement over the useful life of the intangible asset.

(ii) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iii) Contingent considerations

As part of the consideration transfer in business combinations as set out in notes 32, contingent consideration is valued at fair value at the acquisition date with the best estimates of the future outcome of the future events, such as earn-outs arrangement. Where the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at the end of each reporting period. The determination of the fair value is based on the expected adjustment on consideration shares to be issued. The key assumptions take into consideration the probability of meeting each profit target. In respect of the business combination transactions as disclosed in note 32, the Group identified the issuance of consideration shares as contingent considerations with a total fair value of HK$321,138,000 at the acquisition date, of which 115,668,250 shares were transferred to equity after release of lock-up and dealing restriction. Remaining were re-measured to HK$22,680,000 as at 31 December 2013 (2012: HK$38,115,000) (note 32).

6. 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.

6. SEGMENT REPORTING *(Continued)*

(A) BUSINESS SEGMENTS

	Tele-media business		Lottery-related business		Mobile game business		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'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 expenses	**–**	–	**–**	–	**–**	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 HK$'000	2012 HK$'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)
Staff costs	**(15,184)**	(28,376)
Interest expenses	**(3,900)**	–
Unallocated corporate expenses	**(10,983)**	(9,030)
Consolidated (loss)/profit before income tax	**(145,657)**	26,890

6. SEGMENT REPORTING *(Continued)*

(B) RECONCILIATION OF REPORTABLE SEGMENT (LOSS)/PROFIT, ASSETS AND LIABILITIES *(Continued)*

	2013 HK$'000	2012 HK$'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 HK$'000	2012 HK$'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.

6. SEGMENT REPORTING *(Continued)*

(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.

7. 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

8. 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 (note 32)	**16,659**	59,140
Gain on bargain purchase (note 35(b))	**11,904**	–
Interest income	**5,541**	1,098
Gain on disposal of a subsidiary (note 34(a))	**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

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2013 HK$'000	2012 HK$'000
Staff costs (excluding directors' remuneration) (note 10)		
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

10. DIRECTORS' REMUNERATION

	2013 HK$'000	2012 HK$'000
Directors' fees		
Executive directors	**5,568**	7,109
Independent non-executive directors	**439**	411
Basic remuneration, allowances and benefits in kind	**4,555**	11,578
Share-based payments	**1,741**	3,758
Pension fund contributions	**30**	38
	12,333	22,894

Directors' remuneration related information disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$000	Basic remuneration, allowances and benefits in kind HK$000	Share-based payments HK$000	Pension fund contributions HK$000	Total HK$000
2013					
Executive directors					
Zhang Lijun	4,224	2,605	1,022	15	7,866
Wang Chun	1,344	1,950	642	15	3,951
Independent non-executive directors					
Loke Yu (alias Loke Hoi Lam)	175	–	31	–	206
Wang Zhichen	132	–	23	–	155
Wang Linan	132	–	23	–	155
	6,007	4,555	1,741	30	12,333

10. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees HK$000	Basic remuneration, allowances and benefits in kind HK$000	Share-based payments HK$000	Pension fund contributions HK$000	Total HK$000
2012					
Executive directors					
Zhang Lijun	3,935	2,300	1,252	14	7,501
Wang Chun	1,319	1,769	927	14	4,029
Sin Hendrick [i]	1,855	7,509	1,579	10	10,953
Independent non-executive directors					
Loke Yu (alias Loke Hoi Lam)	165	–	–	–	165
Wang Zhichen	123	–	–	–	123
Wang Linan	123	–	–	–	123
	7,520	11,578	3,758	38	22,894

[i] resigned on 3 October 2012

There were no arrangements under which a director waived or agreed to waive any remuneration for the year (2012: Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2012: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2012: three) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining three (2012: two) individuals are as follows:

	2013 HK$'000	2012 HK$'000
Basic remuneration, allowances and benefits in kind	6,997	2,751
Share-based payments	3,331	2,642
Pension fund contributions	49	28
	10,377	5,421

Their emoluments are within the following bands:

	2013 No. of employees	2012 No. of Employees
HK$1,500,000 to HK$2,000,000	–	1
HK$2,000,000 to HK$2,500,000	1	–
HK$3,000,000 to HK$3,500,000	1	1
HK$4,500,000 to HK$5,000,000	1	–

The emoluments paid or payable to members of senior management (excluding the directors of the Company) were within the following bands:

	2013 No. of employees	2012 No. of Employees
Nil to HK$1,000,000	1	1
HK$1,000,000 to HK$1,500,000	–	–
HK$1,500,000 to HK$2,000,000	–	1
HK$2,000,000 to HK$2,500,000	1	–

12. INCOME TAX EXPENSE

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

	2013 HK$'000	2012 HK$'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 (note 28)		
– 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.

12. INCOME TAX EXPENSE *(Continued)*

(b) The income tax expense for the year can be reconciled to the accounting (loss)/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

13. (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 HK$'000	2012 HK$'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

14. LOSS PER SHARE

	2013 HK cents	2012 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:

Loss	2013 HK$'000	2012 HK$'000
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)

Number of shares	2013	2012
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 as disclosed in note 32, 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.

15. 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 HK$'000	2012 HK$'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

16. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Computer hardware and software HK$'000	Furniture, fixture, and office equipment HK$'000	Total HK$'000
Cost:						
At 1 January 2012	18,441	9,368	34,193	29,614	5,977	97,593
Additions	525	500	9,250	2,631	1,414	14,320
Disposals	–	(70)	(26)	(404)	(686)	(1,186)
Exchange adjustments	118	66	314	583	50	1,131
At 31 December 2012	19,084	9,864	43,731	32,424	6,755	111,858
Acquisition of subsidiaries (note 35)	–	–	–	9	216	225
Additions	6,126	–	1,217	6,081	6,263	19,687
Disposals	–	(699)	–	(298)	(178)	(1,175)
Exchange adjustments	600	283	1,286	847	281	3,297
At 31 December 2013	**25,810**	**9,448**	**46,234**	**39,063**	**13,337**	**133,892**
Accumulated depreciation:						
At 1 January 2012	10,060	6,877	18,635	10,455	1,550	47,577
Charge for the year	2,459	914	7,097	6,675	1,770	18,915
Written back on disposals	–	(63)	(12)	(50)	(304)	(429)
Exchange adjustments	81	55	188	492	28	844
At 31 December 2012	12,600	7,783	25,908	17,572	3,044	66,907
Charge for the year	3,996	262	6,074	4,789	2,395	17,516
Written back on disposals	–	(604)	–	(211)	(113)	(928)
Exchange adjustments	383	226	832	392	120	1,953
At 31 December 2013	**16,979**	**7,667**	**32,814**	**22,542**	**5,446**	**85,448**
Carrying amount:						
At 31 December 2013	**8,831**	**1,781**	**13,420**	**16,521**	**7,891**	**48,444**
At 31 December 2012	6,484	2,081	17,823	14,852	3,711	44,951

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company	Leasehold improvements	Plant, machinery and equipment	Furniture, fixture, and office equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 1 January 2012	1,485	634	324	2,443
Additions	–	–	2	2
At 31 December 2012 and 2013	**1,485**	**634**	**326**	**2,445**
Accumulated depreciation:				
At 1 January 2012	1,484	520	225	2,229
Charge for the year	1	106	58	165
At 31 December 2012	1,485	626	283	2,394
Charge for the year	–	2	15	17
At 31 December 2013	**1,485**	**628**	**298**	**2,411**
Carrying amount:				
At 31 December 2013	**–**	**6**	**28**	**34**
At 31 December 2012	–	8	43	51

17. INTERESTS IN ASSOCIATES

	Group 2013 HK$'000	Group 2012 HK$'000
Share of net liabilities	(19,284)	(18,743)
Goodwill	61,938	60,154
	42,654	41,411

The acquisition of the associate was related to the Group's tele-media services business ("Tele-media CGU") in the PRC and the carrying amount of interests in associate has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 18).

Particulars of the Group's associates are as follows:–

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/ voting rights/ profit share	Principal activity
VODone Datamedia Technology Co., Ltd. ("TMD1")	Corporation	PRC	49%	Provision of tele-media business support and content services
北京迷你威網絡科技有限公司	Corporation	PRC	49%	Inactive

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information (material associate)

TMD1	2013 HK$'000	2012 HK$'000
As at 31 December		
Current assets	67,795	212,973
Non-current assets	189	114
Current liabilities	(108,129)	(252,293)
Non-current liabilities	–	–
	(40,145)	(39,206)
Included in the above amounts are:		
Bank balances and cash	728	3,299
Current financial liabilities (excluding trade and other payables)	(64,274)	(207,088)
Non-current financial liabilities (excluding other payables and provisions)	–	–
Year ended 31 December		
Revenue	138,292	223,044
Profit/(loss) for the year	221	(17)
Total comprehensive income	221	(17)
Dividend received from associate	–	–
Included in the above amounts are:		
Depreciation and amortisation	9	1

17. INTERESTS IN ASSOCIATES *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net liabilities of the associate	(40,145)	(39,206)
Proportion of the Group's ownership interest in the associate	49%	49%
Goodwill	61,938	60,154
Carrying amount of the Group's interest in the associate	42,267	40,943
Summarised financial information (immaterial associate)		
Year ended 31 December		
Loss for the year	(191)	(59)
Total comprehensive income	(191)	(59)

18. GOODWILL

	Group HK$'000
Cost:	
At 1 January 2012	898,344
Exchange adjustments	5,960
At 31 December 2012	904,304
Acquisition of subsidiaries (note 35(a))	62,051
Exchange adjustments	26,814
At 31 December 2013	**993,169**
Accumulated impairment losses:	
At 1 January 2012	–
Impairment losses recognised in the year	35,080
At 31 December 2012	35,080
Exchange adjustments	1,040
At 31 December 2013	**36,120**
Carrying amount:	
At 31 December 2013	**957,049**
At 31 December 2012	869,224

For the purpose of impairment testing, cost of goodwill is allocated to the cash generating units ("CGU") identified as follows:

	2013 HK$'000	2012 HK$'000
Tele-media CGU (TMD) – PRC	**299,133**	290,519
Tele-media CGU (Pinzheng) – PRC	**117,486**	114,102
Tele-media CGU (Victor Choice) – PRC	**62,051**	–
Mobile game CGU (Dragon Joyce) – PRC	**218,866**	212,563
Mobile game CGU (3GUU) – PRC	**210,577**	204,512
Mobile game CGU (OWX) – PRC	**48,936**	47,528
	957,049	869,224

18. GOODWILL *(Continued)*

TELE-MEDIA CGU (TMD)

The recoverable amounts of tele-media CGU (TMD) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2012: 3%), which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2013	2012
Operating margin	**49%-50%**	45%-47%
Discount rate	**21.28%**	19.85%
Growth rate within the five-year period	**30%-114%**	23%-56%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

TELE-MEDIA CGU (PINZHENG)

The recoverable amounts of tele-media CGU (Pinzheng) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2012: 3%), which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2013	2012
Operating margin	**45%**	35%
Discount rate	**20.62%**	19.14%
Growth rate within the five-year period	**20%-60%**	30%-100%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

18. GOODWILL *(Continued)*

TELE-MEDIA CGU (VICTOR CHOICE)

The recoverable amounts of tele-media CGU (Victor Choice) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3%, which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2013	2012
Operating margin	**52%-63%**	N/A
Discount rate	**19.6%**	N/A
Growth rate within the five-year period	**57%-140%**	N/A

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

MOBILE GAME CGU (DRAGON JOYCE)

The recoverable amounts of mobile game CGU (Dragon Joyce) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2012: 3%), which does not exceed the long-term growth rate for mobile game industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2013	2012
Operating margin	**9%-16%**	22%-28%
Discount rate	**21.87%**	21.62%
Growth rate within the five-year period	**5%-88%**	3%-71%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

18. GOODWILL *(Continued)*

MOBILE GAME CGU (3GUU)

The recoverable amounts of mobile game CGU (3GUU) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2012: 3%), which does not exceed the long-term growth rate for mobile game industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2013	2012
Operating margin	**43%-54%**	40%-56%
Discount rate	**21.87%**	21.62%
Growth rate within the five-year period	**5%-116%**	5%-54%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

MOBILE GAME CGU (OWX)

The recoverable amounts of mobile game CGU (OWX) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2012: 3%), which does not exceed the long-term growth rate for mobile game industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2013	2012
Operating margin	**67%**	8%
Discount rate	**25.03%**	21.77%
Growth rate within the five-year period	**10%-15%**	22%-143%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the two-year period has been based on past experience.

All the recoverable amount of the CGUs is higher than its carrying amount with reference to the valuation for the year ended 31 December 2013.

The recognition of impairment loss in OWX Group (as defined in note 32(a)) for the year ended 31 December 2012 was due to handset design revenues dropped by 60% in 2012 as market demand continues to shift strongly from feature phones to smartphones. The Company started to deliver its order from smartphone manufacturers in September 2012.

19. INVESTMENTS IN SUBSIDIARIES

	Company 2013 HK$'000	2012 HK$'000
Unlisted shares/capital contributions, at cost	**1,437,276**	1,256,941
Less: Provision for impairment	**(34,309)**	(34,309)
	1,402,967	1,222,632

The amounts due from and to subsidiaries are unsecured, interest-free and are repayable on demand.

Particulars of the Company's principal subsidiaries at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary/ registered and paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
第一視頻信息工程有限公司 (VODone Information Engineering Co, Ltd.) ("TMD2") (i)	PRC	PRC	RMB160,500,000	99.69%	–	Provision of technical and promotional and advertising services
北京日升影響廣告有限公司("TMD3") (i)	PRC	PRC	RMB208,000,000	–	100%	Provision of advertisement production services
北京互聯時代娛樂文化發展有限公司(Beijing Union Times Entertainment Culture Development Co, Ltd.) ("TMD4") (i)	PRC	PRC	RMB39,306,800	98.47%	–	Provision of entertainment production services
China Mobile Games and Entertainment Group Limited ("CMGE") (note(a)&(b))	The Cayman Islands	#	US$392,254	–	48.34%	Investment holding
滙友數碼(深圳)有限公司 (Huiyou Digital (Shenzhen) Ltd.) (i) (c)	PRC	PRC	HK$135,500,000	–	48.34%	Development and provision of mobile games
廣州億通天下軟件開發有限公司 (i) (c)	PRC	PRC	US$3,000,000	–	48.34%	Development and provision of mobile games of smart phones

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary/ registered and paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
廣州盈正信息技術有限公司 (e)	PRC	PRC	RMB10,000,000	–	48.34%	Development and provision of mobile games of smart phones
OWX Hong Kong Limited (c) （一高香港有限公司）	Hong Kong	Hong Kong	HK$100	–	48.34%	Provision of developing, designing and maintenance services of mobile communication products
深圳市中拓科創科技有限公司[i] (c)	PRC	PRC	RMB100,000	–	48.34%	Provision of developing, designing and maintenance services of mobile communication products
深圳市嵐悦網絡科技有限公司 (e)	PRC	PRC	RMB10,000,000	–	48.34%	Development, operation and sale of mobile phone games
成都卓星科技有限公司 (e)	PRC	PRC	RMB10,000,000	–	48.34%	Development, operation and sale of mobile phone games
Vogins Technology (Shanghai) Co., Ltd. (d) （沃勤網絡科技（上海）有限公司）	PRC	PRC	US$5,770,000	–	43.80%	Provision of billing and collection service
China Mobile Games and Entertainment Group (HK) Limited (c)	Hong Kong	Hong Kong	HK$100	–	48.34%	Investment holding
China Perfect Investment Limited (c)	Hong Kong	Hong Kong	HK$1	–	48.34%	Investment holding

[i] These companies are foreign investment enterprises established in the PRC.

[#] The subsidiaries of the Company are investment holding only and do not have any operations.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note:

(a) On 5 August 2013, CMGE issued 35,000,000 Class A ordinary shares of a par value of US$0.001 per share to two third-party companies in a private placement. The interest held by the Company in CMGE was diluted from 57.3% to 51.8%. On 29 November 2013, CMGE further issued 15,866,900 Class A ordinary shares of a par value of US$0.001 per share to two thrid-party companies in another private placement. The interest held by the Company in CMGE was further diluted from 50.5% to 48.5%.

(b) As at 31 December 2013, although the Group's ownership interest in CMGE was 48.34%, which is less than 50%, the Group holds all the Class B ordinary shares of CMGE which carry the voting right of five votes per share. As the Company controls approximately 81.84% of the voting power to CMGE as at 31 December 2013, the directors of the Company consider they have the power to exercise control and have treated CMGE as a subsidiary of the Company.

(c) They are wholly owned subsidiaries of CMGE.

(d) It is a non-wholly owned subsidiary of CMGE with 90.6% equity interest.

(e) CMGE does not have legal ownership in equity of these entities. Nevertheless, under certain contractual agreements entered into with the registered owners of these entities, CMGE and its other legally owned subsidiaries control these entities by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these entities to CMGE and its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Company.

20. INTANGIBLE ASSETS

Group	Internet SNS assets HK$'000 (note (a))	Platform and domain names HK$'000 (note (b))	Purchased software and technology HK$'000 (note (c))	Mobile games license and platform HK$'000 (note (d))	Distribution networks HK$'000 (note (e))	Websites HK$'000 (note (f))	Service contracts HK$'000 (note (g))	Mobile games licenses HK$'000 (note (h))	Total HK$'000
Cost:									
At 1 January 2012	59,500	120,045	103,196	65,292	46,128	15,645	125,017	–	534,823
Additions	–	135,121	351,023	7,658	–	–	–	–	493,802
Exchange difference	–	219	–	442	306	104	(1,546)	–	(475)
At 31 December 2012	59,500	255,385	454,219	73,392	46,434	15,749	123,471	–	1,028,150
Acquisition of subsidiaries (note 35)	–	77,604	–	–	–	–	101,177	–	178,781
Additions	–	–	84,952	31,463	–	–	–	58,531	174,946
Exchange difference	–	987	–	2,330	860	467	3,661	825	9,130
At 31 December 2013	**59,500**	**333,976**	**539,171**	**107,185**	**47,294**	**16,216**	**228,309**	**59,356**	**1,391,007**
Amortisation and impairment:									
At 1 January 2012	–	–	14,100	21,144	9,209	1,564	1,953	–	47,970
Amortisation for the year	–	–	16,514	18,568	5,338	1,559	15,283	–	57,262
Impairment	–	–	–	–	11,991	–	–	–	11,991
Exchange difference	–	–	–	333	115	26	127	–	601
At 31 December 2012	–	–	30,614	40,045	26,653	3,149	17,363	–	117,824
Amortisation for the year	–	–	34,546	14,552	2,945	1,599	20,387	6,409	80,438
Impairment	–	–	–	3,715	–	–	–	–	3,715
Exchange difference	–	–	–	1,461	315	116	802	90	2,784
At 31 December 2013	**–**	**–**	**65,160**	**59,773**	**29,913**	**4,864**	**38,552**	**6,499**	**204,761**
Carrying amount:									
At 31 December 2013	**59,500**	**333,976**	**474,011**	**47,412**	**17,381**	**11,352**	**189,757**	**52,857**	**1,186,246**
At 31 December 2012	59,500	255,385	423,605	33,347	19,781	12,600	106,108	–	910,326

20. INTANGIBLE ASSETS *(Continued)*

Company	Internet SNS assets HK$'000 (note (a))	Platform and domain names HK$'000 (note (b))	Purchased software and technology HK$'000 (note (c))	Mobile games license and platform HK$'000 (note (d))	Total HK$'000
Cost:					
At 1 January 2012	59,500	86,941	103,196	–	249,637
Additions	–	135,121	351,023	–	486,144
At 31 December 2012	59,500	222,062	454,219	–	735,781
Additions	–	–	84,952	23,384	108,336
At 31 December 2013	**59,500**	**222,062**	**539,171**	**23,384**	**844,117**
Amortisation:					
At 1 January 2012	–	–	14,100	–	14,100
Amortisation for the year	–	–	16,514	–	16,514
At 31 December 2012	–	–	30,614	–	30,614
Amortisation for the year	–	–	34,546	1,581	36,127
At 31 December 2013	**–**	**–**	**65,160**	**1,581**	**66,741**
Carrying amount:					
At 31 December 2013	**59,500**	**222,062**	**474,011**	**21,803**	**777,376**
At 31 December 2012	59,500	222,062	423,605	–	705,167

Notes:

(a) Internet social networking service assets ("Internet SNS Assets") included all the rights of Domouse in relation to the Domain Names, all the rights to the Domouse Software and Domouse Database, the Domouse Message Management Platform and any relevant intellectual property rights, with an indefinite useful life. As the economic benefits arising from the Domouse Assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 18).

20. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(b) Platform and domain names included the following intangible assets:–

(i) In 2010, the Group acquired the miniV.tv Assets through acquisition of miniV.tv Holdings Limited and its subsidiaries. As the economic benefits arising from the miniV.tv Assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 18).

(ii) In 2011, the Group acquired an intellectual property right of a shopping website, with indefinite useful life.

The recoverable amounts have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2012: 3%), which does not exceed the long-term growth rate for e-commerce industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

Gross profit margin	14%-18%
Discount rate	22.55%
Growth rate within the five-year period	5%-233%

The discount rate used is pre-tax and reflects specific risks relating to the relevant asset. The growth rate within the five-year period has been based on past experience. There is no indication that it needs to be impaired.

(iii) In 2012, the Group acquired a lottery-related intangible assets which represented a software application for lottery platform used in smartphone which would enhance the level of entertainment and interactivity in lottery purchases on users' own handsets, with an indefinite useful life.

In addition, the Group also acquired another lottery-related intangible assets in 2012. The intangible assets represented intellectual property rights of a website which would strengthen its presence in the PRC's lottery business, enhance its analytical and research capability and its appeal to lottery players, with an indefinite useful life.

As the economic benefits arising from the above lottery-related assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 18).

(iv) During the year, the Group acquired a lottery-related platform though acquisition of Victor Choice Group (as defined in note 35(a)), with an indefinite useful life. It is tested for impairment and there is no indication that it needs to be impaired.

20. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(c) Purchased software and technology included software, administrative systems and software technology.

(i) The intangible assets acquired by the Group in 2010 and 2011 mainly included computer software and system applied on a number of paperless lottery platforms, with estimated useful lives of ten years. It is tested for impairment and there is no indication that it needs to be impaired.

(ii) In 2012, for the purpose of making strategic adjustment to the tele-media business operation, the Group acquired an e-commerce platform system and two software for live broadcasting on website, and video sharing used in smart phones, with estimated useful life of fifteen years. Among these intangible assets, the e-commerce platform system was acquired to converge with the original online shopping platform so as to enhance and optimize its operating capacity. The software for live broadcasting on website are acquired for the establishment of broadcasting studios for general, financial as well as entertainment news, which are for the purpose of conducting authorized businesses under the Network Audio-Video Broadcast License（網絡視聽播放許可證）issued by the State Administration of Radio Film and Television and the Internet Commercial Performances License（互聯網經營性演出許可證）issued by the Ministry of Culture of the PRC. The software for video sharing used in smart phones is mainly for enabling upload of video contents and connection play on users' own handsets, offering the quickest way for users to upload their latest video contents with minimum streaming resources so as to increase the website traffic.

In addition, the Group also acquired an information website computer system in 2012 which would add more functions to the portal and improve user stickiness, with estimated useful life of ten years.

The abovementioned intangible assets have been tested for impairment and there is no indication that it needs to be impaired.

(iii) During the year, the Group acquired a web based application which provides a web platform for end users to upload and watch videos through internet browser using 4G technology, with estimated useful life of fifteen years. As the economic benefits arising from this assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 18).

(d) The Group acquired the mobile games licenses and platform through acquisition of Dragon Joyce Limited and its subsidiaries in 2009, with estimated useful life of seven years. It is tested for impairment (Mobile game CGU (Dragon Joyce)) (note 18) and there is no indication that it needs to be impaired.

The Group acquired the mobile game licenses and platform through acquisition of 3GUU Group (as defined in note 32(c)), with estimated useful life of two to five years. It is tested for impairment (Mobile game CGU (3GUU)) (note 18) and there is no indication that it needs to be impaired.

During the year, the Group acquired a set of web games and game engines, with estimated useful life of five and fifteen years respectively. As the economic benefits arising from this assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 18).

For the year ended 31 December 2013, the Group recognised an impairment of HK$3,715,000 on the feature phone middleware platform of the 3GUU Group due to change in business strategy by management in light of the downward trend in the feature phone market. The intangible asset was no longer expected to generate any further economic benefit for the Group.

20. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(e) The Group acquired the distribution networks through acquisition of Dragon Joyce Limited and its subsidiaries in 2009, with estimated useful life of ten years. It is tested for impairment (Mobile game CGU (Dragon Joyce)) (note 18) and there is no indication that it needs to be impaired.

The Group acquired the distribution networks through acquisition of OWX Group (as defined in note 32(a)), with estimated useful life of seven years. The amount is fully written off in 2012 as the Company has stopped to trade with those customers in the list of Customer Relationship.

(f) The Group acquired the websites through acquisition of Pinzheng Group (as defined in note 32(b)), with estimated useful life of ten years. It is tested for impairment (Tele-media CGU (Pinzheng)) (note 18) and there is no indication that it needs to be impaired.

(g) The Group acquired a service contract through acquisition of subsidiary. It represented an 8-year sport lottery sales contract dated 24 September 2011 entered with Qinghai Province Sports Lottery Administration Centre, where the Group has the right to perform sport lottery sales through mobile and internet in Qinghai Province. It is tested for impairment and there is no indication that it needs to be impaired.

During the year, the Group acquired another service contract though acquisition of Victor Choice Group (as defined in note 35(a)). It represented a 10-year sports lottery sales contract dated 6 June 2013 entered with Hebei Province Sports Lottery Administration Centre, where the Group has the right to perform sport lottery sales through mobile and internet in Hebei Province. It is tested for impairment (Tele-media CGU (Victor Choice)) (note 18) and there is no indication that it needs to be impaired.

During the year, the Group also acquired a contract with mobile network operator though acquisition of Vogins Group (as defined in note 35(b)). It represents a co-operation agreement with a mobile network operator which allows the Group to act as a service provider for billing and collection services. The acquired contract with mobile network operator is recognised at fair value at the date of acquisition using a valuation technique based on expected income and amortized on a straight-line basis over the useful life of three years.

(h) Mobile games licenses represent the exclusive rights obtained to publish the mobile games developed by third-party game developers on the Group's game platform or third-party app stores and are capitalised and amortised on a straight-line basis over the shorter of the contractual terms or the estimated economic lives, which range from two to six years. As the mobile game licenses can generate cash inflows of these CGUs, the carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to the three Mobile-game CGUs (note 18).

21. 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.

Included in trade receivables are receivables for mobile games business of HK$178,952,000 (2012: HK$52,576,000).

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Current				
Other receivables (note a)	**32,062**	15,324	**–**	–
Deposits	**8,758**	5,680	**3,819**	2,684
Prepayments (note b)	**417,311**	449,193	**–**	–
	458,131	470,197	**3,819**	2,684

Note:

(a) Included in other receivables was receivables from game developers of HK$17,426,000 (2012: HK$12,444,000). It represented the financial support provided to two third-party game developers to each develop a social game according to the Group's request and specifications. The financial support will be repaid by the game developers using future profits generated by the two developed games to be shared with the game developers by the Group based on a predetermined profit sharing arrangement.

(b) Included in prepayments are

(i) prepaid cost for advertising space of HK$310,856,000 (2012: HK$397,660,000). The director is of the opinion that according to the Group's strategy plan, the Group expects to utilise such amounts in the next year.

(ii) prepayments of HK$34,748,000 (2012: Nil) to third-party game developers in connection with the arrangements to obtain licenses to publish the third-party developed games on the Group's game platform or third-party app stores. The third-party game developers are entitled to profit sharing based on a prescribed percentage of the gross amount charged to the mobile phone game players under the licensed games publishing arrangement. The shared profits earned by the third-party game developers will initially be offset against the prepayments until the balance is reduced to zero.

(iii) prepaid upfront payments of HK$29,470,000 (2012: HK$35,589,940) to certain mobile phone service providers as a form of sales incentives in exchange for an exclusive channel for billing and collection services (the "Channel") offered by the mobile service providers to mobile phone game players who purchase the Group's in-game premium features. The upfront payments are amortised over the useful life of the Channels, which is estimated to be 5 to 6 years depending on the historical relationship between the Group and the mobile phone service providers.

23. INVENTORIES

	Group	
	2013 **HK$'000**	2012 HK$'000
Raw materials	**–**	2,227
Work-in-progress	**–**	628
	–	2,855

24. OTHER FINANCIAL ASSETS

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Current portion:–				
Available-for-sale financial assets:–				
Compensation arising from profit guarantee arrangement of				
– OWX Group (note (a))	**–**	20,364	**–**	20,364
– 3GUU Group (note (b))	**44,498**	29,084	**44,498**	29,084
	44,498	49,448	**44,498**	49,448
Non-current portion:–				
Available-for-sale investments:–				
– Unlisted (note (c))	**2,563**	–	**–**	–

24. OTHER FINANCIAL ASSETS *(Continued)*

Note:

(a) Pursuant to the profit guarantee arrangement as disclosed in note 32(a), the Company is entitled to recover the related consideration shares at no cost as the actual result of OWX Group for the year ended 31 December 2012 was less than the relevant profit target. The Company had decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Compensation was determined based on the agreed number of shares to be disposed of at their fair value at the end of the year. The compensation was classified as available-for-sale financial asset in the consolidated statement of financial position and was carried at fair value with changes in fair value recognized in other comprehensive income for the year.

Further, as the value of the surrendered consideration shares was insufficient to cover the shortfall in the profit guarantee arrangement, the Vendors had agreed to dispose part of their interests in CMGE, and pay the Company the sale proceeds to make good the shortfall in actual profit of OWX Group. A realised fair value gain of HK$22,666,000 was recognised in the profit and loss for the year ended 31 December 2013 upon receipt of the final cash compensation.

(b) Pursuant to the profit guarantee arrangement as disclosed in note 32(c), the Company is entitled to recover the related consideration shares at no cost as the actual result of 3GUU Group for the year ended 31 December 2012 and 2013 was less than the relevant profit target. The Company had decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Compensation was determined based on the agreed number of shares to be disposed of at their fair value at the end of reporting period. The compensation was classified as available-for-sale financial asset in the consolidated statement of financial position and was carried at fair value with changes in fair value recognized in other comprehensive income for the year.

A realised fair value loss of HK$2,425,000 was recognised in profit and loss for the year ended 31 December 2013 upon receipt of the final cash compensation.

(c) One of the Group's strategic investments is a 4% interest in Shanghai Douwan Network Technology Co., Ltd. ("Shanghai Douwan"), a company established in the PRC. It was classified as available-for-sale investments as the Group does not have the power to control Shanghai Douwan. It was stated at cost as it did not have readily determinable fair value as at the year end.

25. BANK BALANCES AND CASH

It included restricted cash of HK$20,148,000 which is not available for withdrawal or the Company's general use until after the corresponding bank borrowings (note 31) is repaid. The corresponding bank borrowings was fully repaid by the Company on 7 January 2014.

26. 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 **HK$'000**	2012 HK$'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

27. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Dividend payable to non-controlling interests of subsidiaries	**2,483**	957	**–**	–
Other payables (note a)	**61,676**	23,238	**40,666**	1,705
Deposits received	**3,340**	911	**21**	21
Accruals	**39,211**	13,843	**–**	–
	106,710	38,949	**40,687**	1,726

Note:

(a) It included HK$34,083,000 payable for the final payment of the acquisition of an intangible assets as at 31 December 2013.

28. DEFERRED TAXATION

Details of the deferred tax assets recognised and movements during the year:

	Group Fair value adjustments HK$'000
At 1 January 2012 and 31 December 2012	–
Acquisition of subsidiaries (note 35)	3,250
At 31 December 2013	3,250

Details of the deferred tax liabilities recognised and movements during the year:

	Group Fair value adjustments HK$'000
At 1 January 2012	13,487
Credit to profit or loss for the year (note 12)	(4,113)
Exchange difference	68
At 31 December 2012	9,442
Acquisition of subsidiaries (note 35)	42,700
Credit to profit or loss for the year (note 12)	(2,759)
Exchange difference	241
At 31 December 2013	49,624

28. DEFERRED TAXATION *(Continued)*

A deferred tax asset has not been recognised for the following:

	Group	
	2013	2012
	HK$'000	HK$'000
Unused tax losses	**40,644**	21,662

Out of the tax losses of the Group as at 31 December 2013, approximately HK$35,966,000 (2012: HK$17,104,000) has an expiry period of five years since 2010.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2013, the Group has not recognised deferred tax liabilities of HK$38,841,000 (2012: HK$56,099,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to HK$388,408,000 (2012: HK$560,990,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

29. SHARE CAPITAL

	2013	2012
	HK$'000	HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
3,265,093,195 (2012: 3,098,057,138)		
ordinary shares of HK$0.01 each	**32,651**	30,981

29. SHARE CAPITAL *(Continued)*

The movements in the issued share capital of the Company during the year are as follows:

	Number of ordinary shares	Share capital HK$'000
At 1 January 2012	2,711,584,784	27,116
Exercise of shares options	6,200,000	62
Placing of new shares	160,000,000	1,600
Bonus issue	271,778,478	2,718
	3,149,563,262	31,496
Less: consideration shares which are subject to recall (ii)	(51,506,124)	(515)
At 31 December 2012	3,098,057,138	30,981
At 1 January 2013	3,149,563,262	31,496
Shares issued for acquisition of subsidiaries (i)	137,130,000	1,371
	3,286,693,262	32,867
Less: consideration shares which are subject to recall (ii)	(21,600,067)	(216)
At 31 December 2013	3,265,093,195	32,651

Notes:

(i) As disclosed in note 35(a), as part of the consideration for the acquisition of business in Victor Choice Group, the Company issued 137,130,000 new shares to the vendors on 9 July 2013.

(ii) As disclosed in note 32, included in the shares issued for acquisition of subsidiaries were 21,600,067 (2012: 51,506,124) shares which are subject to lock-up and dealing restrictions and adjustments. These shares are classified as financial liabilities until the date when the relevant restrictions are released.

30. OTHER FINANCIAL LIABILITIES (CURRENT)

	Group	
	2013	2012
	HK$'000	HK$'000
Put-option of shares in a subsidiary	**99,372**	95,472

Note:–

On 11 May 2012, CMGE issued 26,485,961 ordinary shares at a purchase price of US$0.45307 to two investors. Under the Share Purchase Agreement, the investors have the option, jointly and not severally, to require CMGE to purchase all of the shares held by the investors in the event that (i) the IPO is consummated on or prior to 10 May 2013 ("the IPO Target Date") and the market capitalisation of the IPO ("the Company's initial public offering of its Ordinary Shares and listing on the New York Stock Exchange, Nasdaq Stock Market or other internationally recognised securities exchange") is below US$300,000,000, or (ii) the IPO has not been consummated on or prior to the IPO Target Date. The returned consideration is equal to the sum of the purchase price of all investor shares plus accrued interest.

On 10 May 2013, a revised Share Purchase Agreement was entered into between CMGE and the investors where the IPO Target Date was changed to 31 December 2013.

On 21 January 2014, the redemption right of the put-option expired without being exercised by the holders. The liabilities were released and transferred to the equity.

31. BANK BORROWINGS

	Group	
	2013	2012
	HK$'000	HK$'000
Short-term bank borrowings	**17,938**	–

Note:–

The short-term bank borrowing outstanding as at 31 December 2013 represented a RMB denominated loan of RMB14,000,000 obtained from a financial institution in the PRC for working capital purposes. The short-term bank borrowing had a term of three months at a fixed interest rate of 5.60% per annum. The short-term bank borrowing was fully repaid by the Company on 7 January 2014.

32. CONSIDERATION SHARES

	Group and the Company	
	2013	2012
	HK$'000	HK$'000
Fair value of considerations shares for business acquisition		
– OWX Group (note (a))	**–**	1,415
Fair value of considerations shares for business acquisition		
– Pinzheng Group (note (b))	**11,118**	14,364
Fair value of considerations shares for business acquisition		
– 3GUU Group (note (c))	**11,562**	22,336
	22,680	38,115

(a) On 11 October 2010, OWX Hong Kong Limited, a subsidiary of the Group, purchased 70% of the tangible and intangible assets of Shenzhen Tastech Electronic Company Limited, a company established in the PRC, and Bright Way Technology (Hong Kong) Limited, a company incorporated in Hong Kong ("OWX Group"). OWX Group is principally engaged in developing, designing and providing maintenance services of mobile communication products.

The consideration transferred includes a performance-based contingent consideration adjustment, which was principally based on the acquiree's actual results in a two-year period after acquisition. The adjustment would be settled after the end of each year during the two-year period.

Period involved	**Profit Target**
Period from 1 September 2010 to 31 December 2010	RMB10,000,000
Year ending 31 December 2011	RMB36,000,000
Year ending 31 December 2012	RMB50,000,000

As part of the consideration for the acquisition of 70% of business in OWX Group, the Company was required to issue 28,694,372 new shares to the vendors at a price of HK$2.33 per share. All the consideration shares were issued on 13 January 2011. As the consideration shares were subject to lock-up and dealing restrictions and adjustments, they were classified as financial liabilities and subsequently re-measured to fair value.

During the year, 1,911,675 shares (2012: 21,217,611shares) were transferred to equity upon release of the lock-up and dealing restrictions in January 2013.

A fair value gain of HK$360,000 was recognised in profit and loss accordingly for the year ended 31 December 2012.

32. CONSIDERATION SHARES *(Continued)*

(b) On 20 December 2010, VODone Mobile Entertainments Limited, a subsidiary of the Group, purchased all tangible and intangible assets from Beijing Pinzheng Technology Development Company Limited, a company established in the PRC, Mr. Wang Ji Jun and Mr. Liu Ji Cun ("Pinzheng Group"). Pinzheng Group is principally engaged in the provisions of lottery information and services in the PRC. It currently operates two websites, www.zgzcw.com and www.betrich.com which engaged in the provision of worldwide football lottery information and provision of lottery service supports in the PRC.

The consideration transferred included a performance-based contingent consideration adjustment, which was principally based on the acquiree's actual results in a three-year period after acquisition. The adjustment would be settled after the end of each year during the three-year period.

Period involved	Profit Target
Period from 15 November 2010 to 31 December 2010	RMB1,600,000
Year ending 31 December 2011	RMB13,000,000
Year ending 31 December 2012	RMB16,000,000
Year ending 31 December 2013	RMB24,000,000

As part of the consideration for the acquisition of business in Pinzheng Group, the Company was required to issue 35,291,416 new shares to the vendors at the price of HK$2.54 per share. All the consideration shares were issued on 21 January 2011. As the consideration shares were subject to lock-up and dealing restrictions and adjustments, they were classified as financial liabilities and subsequently re-measured to fair value.

During the year, 8,822,000 shares (2012: 8,822,854 shares) were transferred to equity upon release of the lock-up and dealing restrictions in January 2013.

The remaining 10,588,449 shares, which were subject to adjustment which is principally based on Pinzheng Group's actual results for the year ended 31 December 2013, were still classified as financial liabilities in the consolidated statement of financial position and re-measured to fair value at end of the year.

A fair value loss of HK$3,282,000 (2012: fair value gain of HK$3,653,000) was recognised in profit and loss accordingly.

For the year ended 31 December 2013, the actual result of Pinzheng Group net profit before tax of RMB33,942,804 exceeded the profit target and accordingly no adjustment to the number of consideration shares to be issued is considered necessary for the year.

(c) On 31 December 2010, the Group acquired 70% of the voting equity instruments of 3GUU Mobile Entertainment Industrial Co., Ltd. and its subsidiaries ("3GUU Group"). The 3GUU Group is principally engaged in the development and provision of mobile games of smart phones.

The consideration transferred included a performance-based contingent consideration adjustment, which was principally based on the acquiree's actual results in a three-year period after acquisition. The adjustment would be settled after the end of each year during the three-year period.

32. CONSIDERATION SHARES *(Continued)*

(c) *(Continued)*

Period involved	Profit Target
Period from 1 December 2010 to 31 December 2010	RMB1,670,000
Year ending 31 December 2011	RMB35,000,000
Year ending 31 December 2012	RMB50,000,000
Year ending 31 December 2013	RMB75,000,000

As part of the consideration for the acquisition of 70% interest in 3GUU Group, the Company was required to issue 68,600,000 new shares to the vendors at the price of HK$2.4 per share. All the consideration shares were issued on 4 January 2011. As the consideration shares were subject to lock-up and dealing restrictions and adjustments, they were classified as financial liabilities and subsequently re-measured to fair value.

During the year, 19,172,382 shares (2012: 20,580,000 shares) were transferred to equity upon release of the lock-up and dealing restrictions in January 2013.

The remaining 11,011,618 shares which were subject to adjustment principally based on 3GUU Group's actual results for the year ended 31 December 2013, were still classified as financial liabilities in the consolidated statement of financial position and re-measured to fair value at end of the year.

A fair value loss of HK$3,414,000 (2012: fair value gain of HK$5,680,000) was recognised in profit and loss accordingly.

Pursuant to the profit guarantee arrangement as disclosed above, the Company was entitled to recover the related consideration shares at no cost as 3GUU Group made a net loss before tax of RMB2,370,225 for the year ended 31 December 2013 which was less than the profit target for the year.

The management noted that 3GUU Group failed to achieve the profit target for the year ended 31 December 2013 was mainly as a result of the increase in distribution expenses arising from more mobile games being sourced from third parties in response to growing market demand. In addition, higher expenses were incurred in product research and development so as to develop the next generation of smart phone social games and to reinforce the platform for social games. According to the profit guarantee arrangement, compensation for the shortfall of the profit target will be made to the Group based on the following formula:

Number of consideration shares to be recovered = (Profit Target – Actual Audited Net Profit before Tax) x exchange rate for conversion into HK$ at the time of adjustment / Issue price

The Company has decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation by cash. Compensation was determined based on the agreed number of shares to be disposed of at their fair value at the end of the year. The compensation is classified as available-for-sale financial asset in the consolidated statement of financial position and was carried at fair value with changes in fair value recognised in other comprehensive income for the year.

Although under the purchase agreement for the acquisition of the interest in 3GUU Group there is no specific term governing the timing of the settlement of the compensation, the Company is liaising with the vendor of 3GUU to work out the logistics and detailed arrangement for the payment of the compensation contemplated under the purchase agreement. The Company has maintained good relationship with the vendor which is a shareholder of CMGE. In the preceding financial year when the profit target was not achieved, the vendor did honor the profit guarantee arrangement pursuant to the acquisition agreement and made full compensation to the Company during the course of last year. Based on such past experience, the Company is confident that the vendor will honor the profit guarantee arrangement again this year and make compensation payment to the Company in a timely fashion.

33. NON-CONTROLLING INTERESTS

CMGE, a 48.34% owned subsidiary of the Company, has material non-controlling interests (NCI). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of CMGE, before intra-group eliminations, is presented below:

	2013 HK$'000	2012 HK$'000
For the year ended 31 December		
Revenue	448,685	241,339
Loss for the year	(12,590)	(64,622)
Total comprehensive income	(8,970)	(63,065)
Loss allocated to NCI	5,416	12,624
Dividend paid to NCI	–	–
For the year ended 31 December		
Cash (outflows)/inflow from operating activities	(74,662)	62,193
Cash outflows from investing activities	(90,702)	(68,505)
Cash inflow/(outflows) from financing activities	353,834	(7,805)
Net cash inflows/(outflows)	188,470	(14,117)
As at 31 December		
Current assets	718,324	300,970
Non-current assets	135,644	97,776
Current liabilities	(152,152)	(41,741)
Non-current liabilities	(8,338)	(8,271)
Net assets	693,478	348,734
Accumulated non-controlling interests	358,597	149,014

33. NON-CONTROLLING INTERESTS *(Continued)*

On 5 August 2013, CMGE issued 35,000,000 Class A ordinary shares of a par value of US$0.001 per share to two third-party companies in a private placement. The interest held by the Company in CMGE was diluted from 57.3% to 51.8%. The transaction has been accounted for as an equity transactions with the non-controlling interests as follows:

	2013 **HK$'000**
Capital contribution from NCI	**189,056**
Change in net assets attributable to NCI	**110,082**
Increase in equity attributable to owners of the Company (included in retained earnings)	**78,974**

On 29 November 2013, CMGE issued 15,866,900 Class A ordinary shares of a par value of USS0.001 per share to two third-party companies in a private placement. The interest held by the Company in CMGE was diluted from 50.5% to 48.5%. The transaction has been accounted for as an equity transactions with the non-controlling interests as follows:

	2013 **HK$'000**
Capital contribution from NCI	**126,578**
Change in net assets attributable to NCI	**75,167**
Increase in equity attributable to owners of the Company (included in retained earnings)	**51,411**

During the year, around 10,312,904 CMGE's shares options and warrants have been exercised by the employees and investors respectively. The transaction has been accounted for as an equity transactions with the non-controlling interests as follows:

	2013 **HK$'000**
Capital contribution from NCI	**14,669**
Change in net assets attributable to NCI	**16,343**
Decrease in equity attributable to owners of the Company (included in retained earnings)	**1,674**

34. DISPOSAL OF A SUBSIDIARY

(a) On 5 June 2013, the Company entered into an equity purchase and sale agreement with a third-party to dispose of its 100% equity interest in Shenzhen Douwan Network Technology Co., Ltd. ("Shenzhen Douwan") for a total cash consideration of RMB750,000. Shenzhen Douwan was engaged in the development, operation and sale of mobile phone games in the PRC. In April 2012, Shenzhen Douwan transferred substantially all of its operating assets to another subsidiary of the Company and ceased operations. The disposal date was 5 June 2013, which was the date the Company lost effective control over Shenzhen Douwan.

Net assets disposed of at the date of disposal:

	HK$'000
Bank balances and cash	955
Other payables	(1,186)
Net liabilities disposed of	(231)
Consideration received	961
Gain on disposal of subsidiary included in other gains or losses in the consolidated statement of comprehensive income (note 8)	1,192

(b) Cash inflow arising from disposal of a subsidiary

	HK$000
Cash consideration	961
Bank balances and cash disposed of	(955)
	6

35. BUSINESS ACQUISITION DURING THE YEAR

(a) On 9 July 2013, the Company acquired the entire issued and paid-up share capital of Victor Choice Investments Ltd. ("VCIL") and its subsidiaries ("Victor Choice Group"). 北京彩網博滙科技有限公司, a subsidiary of VCIL which is established in the PRC, entered into an exclusive service agreement with 北京匯泰歐金科技有限公司 ("Huitai Oujin") for the provision of technical and business supporting and consultancy services to Huitai Oujin at the fee representing all relevant service income receivable by Huitai Oujin. Huitai Oujin is a high-technology enterprise formed by a group of experienced internet elites and is engaged in online sales of lotteries. It owns a self-developed lottery online sales platform for all types of lotteries – Caipiao168 website. In addition, Huitai Oujin has entered into a framework agreement for phone sale and internet sale of sports lottery with Hebei Province Sports Lottery Administration Centre whereby Huitai Oujin will set up a paperless lottery platform and system in Hebei Province. The consideration for the acquisition included cash of RMB45,000,000, 137,130,000 consideration share of the Company and cash of RMB40,000,000 which would be settled after Huitai Oujin has obtained the"Telecommunication and Information Service Business Operation Permit" and the"Statistic Registration Licence"respectively in accordance with the relevant laws and regulations in the PRC. All the consideration had been settled before year end. As a result of the acquisition, the Company can further expand its sports lotteries related business in the PRC.

The fair value of identifiable assets and liabilities of the acquire as at the date of acquisition were:

	HK$'000	HK$'000
Property, plant and equipment (note 16)	9	
Intangible assets (note 20)	157,800	
Bank balances and cash	7	
Other receivables	146	
Other payables	(228)	
Deferred tax liabilities (note 28)	(39,450)	118,284
The fair value of consideration transfer:		
Cash	107,656	
137,130,000 ordinary share of HK$0.53 each	72,679	180,335
Goodwill (note 18)		62,051

The fair value of other receivables amounted to HK$146,000. None of the these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of the shares issued was determined by reference to their quoted market price of HK$72,679,000 at the date of acquisition.

35. BUSINESS ACQUISITION DURING THE YEAR *(Continued)*

(a) *(Continued)*

The goodwill of HK$62,051,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition, VCIL had contributed HK$357,000 to Group's loss and no revenue has been generated. If the acquisition had occurred on 1 January 2013, Group's loss would have been HK$165,857,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$108,000 have been expensed and are included in administrative expenses.

(b) On 22 November 2013, the Group entered into a share purchase agreement with the shareholders of Vogins Technology Co. Limited ("Vogins BVI") to acquire 90.6% equity interest in Vogins BVI, of which 82.6% was acquired from Gaintech Co. Limited ("Gaintech"), a company controlled by a non-controlling shareholder of CMGE, at a purchase price of HK$1,406,000. The acquisition was completed and the Group took effective control of Vogins BVI and its subsidiaries ("Vogins Group") on 29 November 2013. The acquisition of Vogins Group meets the definition of a business acquisition and the results of operations of the acquired business have been included in the Company's consolidated financial statements since 29 November 2013. As a result of the acquisition, the Group is expected to effectively manage its billing and collection process and further expand its mobile phone games business in the PRC.

Prior to the acquisition, the Group had several preexisting relationships with Vogins BVI and one of its subsidiaries, Vogins Network Technology (Shanghai) Limited ("Vogins Shanghai").

Vogins Shanghai obtained two loans from the Group amounting to HK$5,744,000 in aggregate due to shortage of working capital. These loans were unsecured, non-interest bearing and repayable on demand.

In addition, the Group entered into several contracts with a total contract value amounting to HK$8,861,000 with Vogins Shanghai for its service as a mobile phone service provider for billing and collection services offered to mobile phone game players who have purchased in-game premium features.

35. BUSINESS ACQUISITION DURING THE YEAR *(Continued)*

(b) *(Continued)*

Furthermore, the Group entered into a technology service agreement with Vogins Shanghai, pursuant to which the Group would provide a self-developed mobile phone technology platform software and related technical services to Vogins Shanghai for a contractual term of three years in exchange for a service fee calculated based on the number of download by mobile phone users multiplied by a pre-determined unit price for each download through the mobile phone technology platform. The Group transferred 49% non-controlling interest in one of its subsidiaries to Vogins BVI as an inducement for Vogins Shanghai to sign the technology service agreement. The carrying value of the 49% non-controlling interest was treated as a deferred cost and amortised over the contractual terms of the technology service agreement of three years, which amounted to HK$3,203,000.

The Group treated the settlement of these preexisting relationships amounting to HK$17,808,000 as additional consideration transferred as it comprised intra-group balances which would be eliminated on consolidation of the subsidiaries. No gain or loss was recognised on the settlement of these balances as their fair value and carrying amount was approximately the same at the date of acquisition.

The Group accounted for the 49% non-controlling interest of its subsidiary obtained indirectly through the acquisition of Vogins BVI as an equity transaction. The consideration transferred, including settlements of the preexisting relationships with Vogins BVI, was allocated between the business acquired and the non-controlling interest obtained based on their relative fair values. As a result, HK$16,531,000 and HK$2,683,000 of the consideration transferred were allocated to the business acquired and the non-controlling interest obtained, respectively. The difference between the fair value of the consideration transferred in the amount of HK$2,683,000 and the carrying value of the 49% non-controlling interest of HK$741,000, which amounted to HK$1,942,000, was recorded as an adjustment to capital reserve.

The fair value at the acquisition date of the consideration transferred for the business acquired and the 9.4% non-controlling interest in Vogins BVI amounted to HK$18,346,000, which consisted of the following:

	HK$000
Cash	1,406
Settlements of the preexisting relationships with Vogins BVI	17,808
Less: Consideration allocated to the 49% non controlling interest obtained	(2,683)
Fair value of 9.4% non-controlling interest in Vogins BVI	1,815
	18,346

35. BUSINESS ACQUISITION DURING THE YEAR *(Continued)*

(b) *(Continued)*

The fair value of identifiable assets and liabilities of the acquire as at the date of acquisition were:

	HK$'000	HK$'000
Bank balances and cash	1,539	
Trade receivables	12,170	
Other receivables	202	
Property, plant and equipment (note 16)	216	
Intangible assets (note 20)	20,981	
Deferred tax assets (note 28)	3,250	
Trade payable	(1,948)	
Other payable	(2,910)	
Deferred tax liabilities (note 28)	(3,250)	30,250
The fair value of consideration transfer		18,346
Gain on bargain purchase (note 8)		11,904

The fair value of trade and other receivables amounted to HK$12,170,000 and HK$202,000 respectively. None of the these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The gain on bargain purchase represents the excess of the fair value of the identifiable net assets acquired above the consideration transferred. The Group has performed a comprehensive reassessment of the bargain purchase gain by verifying that all assets acquired and liabilities assumed were properly identified. The gain on bargain purchase was primarily attributable to (i) the transaction not being subject to a competitive bidding process as a result of the original shareholders' inexperience in the industry and their inability to market Vogins BVI to multiple potential buyers; and (ii) the purchase price was agreed prior to the closing date of the transaction and the fair value of the net identifiable assets acquired increased during the intervening period.

Since the acquisition date, Vogins Group had contributed HK$2,583,000 and HK$2,079,000 to Group's revenue and profit respectively. If the acquisition had occurred on 1 January 2013, Group's revenue and loss would have been HK$598,721,000 and HK$166,131,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$38,000 were expensed and are included in administrative expenses.

35. BUSINESS ACQUISITION DURING THE YEAR *(Continued)*

(c) Cash outflow arising from acquisition of subsidiaries

	HK$000
Cash consideration	109,062
Bank balances and cash acquired	(1,546)
	107,516

36. RESERVES

Company

	Share premium HK$'000 (Note (a))	**Investment revaluation reserve** HK$'000 (Note (b))	**Other reserves** HK$'000 (Note (c))	**Share-based compensation reserve** HK$'000 (Note (d))	**Retained profits** HK$'000	**Total reserves** HK$'000
Balance at 1 January 2012	1,163,238	–	523,125	34,587	44,064	1,765,014
Profit and total comprehensive income for the year	–	–	–	–	281,955	281,955
Exercise of share options	7,604	–	–	(1,122)	–	6,482
Expenses related to shares issued for acquisition of assets in prior year	(1,000)	–	–	–	–	(1,000)
Transfer of consideration shares for business acquisition in prior year	51,127	–	–	–	–	51,127
Recognition of share-based payment expense	–	–	–	1,714	–	1,714
Placing of new shares	143,089	–	–	–	–	143,089
Bonus issue	–	–	–	–	(2,718)	(2,718)
Distribution in specie	–	–	–	–	(57,372)	(57,372)
Dividend paid (note 15)	–	–	–	–	(21,743)	(21,743)
Balance at 31 December 2012	1,364,058	–	523,125	35,179	244,186	2,166,548
Profit and total comprehensive income for the year	–	6,242	–	–	137,959	144,201
Lapse of share options (note 39(a))	–	–	–	(21,627)	21,627	–
Acquisition of subsidiaries (note 35(a))	71,308	–	–	–	–	71,308
Transfer of consideration shares for business acquisition in prior year (note 32)	21,831	–	–	–	–	21,831
Recognition of share-based payment expense (note 39(a))	–	–	–	772	–	772
Balance at 31 December 2013	1,457,197	6,242	523,125	14,324	403,772	2,404,660

36. RESERVES *(Continued)*

NATURE AND PURPOSE OF RESERVES

(a) The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981 (as amended).

(b) Investment revaluation reserve represents change in fair value of available-for-sale financial assets.

(c) The Group's other reserves represent:–

(i) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the shares of the subsidiary granted to employees; and

(ii) certain portion of the profits of the Group's subsidiaries established in the PRC transferred from the retained earnings which are restricted to use pursuant to the relevant laws and regulations in the PRC.

The Company's other reserve is derived from the difference between the fair value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the group reorganisation in 1991. Under the Bermuda Companies Act 1981 (as amended), a company may make distributions to its members out of its other reserves under certain circumstances.

(d) Share-based compensation reserve comprises the value of the unexercised share option granted by the Company recognised in accordance with the accounting policy adopted for share-based payments in note 4(n).

(e) Exchange fluctuation reserve represents gains/losses arising on retranslating the net assets of foreign operations into Hong Kong dollars.

37. OPERATING LEASE ARRANGEMENTS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Minimum lease payments paid under operating leases during the year	**21,473**	14,547	**3,476**	2,723

37. OPERATING LEASE ARRANGEMENTS *(Continued)*

At 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of its premises falling due as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Within one year	**24,429**	14,378	**3,371**	768
In the second to fifth year, inclusive	**30,635**	25,497	**4,494**	–
	55,064	39,875	**7,865**	768

Operating lease payments represent rentals payable by the Group and the Company on certain of its leased properties. Leases are negotiated for an average term of one to five years at fixed rental.

38. COMMITMENTS

	2013 HK$'000	2012 HK$'000
Contracted, but not provided for:		
– Acquisition of property, plant and equipment	**1,073**	2,756

39. SHARE-BASED PAYMENT

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

On 27 April 2012, the shareholders of the Company approved a new share option scheme (the "VODone Scheme") and adopted it on 30 April 2012, and terminated the share option scheme adopted on 7 June 2002 (the "Old VODone Scheme"). Upon the termination of the Old VODone Scheme, no further share options will be offered under the Old VODone Scheme. However, the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old VODone Scheme.

Under the Old VODone Scheme and VODone Scheme, the directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The exercise price for the share options shall be determined in accordance with the Old VODone Scheme and VODone Scheme and the relevant provisions of the Listing Rules. The costs for the value of the grant of share options were recognised as an expense during the year.

39. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

(A1) The Old VODone Scheme

The terms and conditions of the grants and movements in the number of share options under the Old VODone Scheme during the year were as follows:

2013

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Executive directors							
Zhang Lijun							
on 4 November 2010	2,530,000	–	–	(2,530,000)	–	2.044	04/11/2010 to 03/11/2013
on 30 March 2011	258,500	–	–	–	258,500	2.273	30/03/2011 to 29/03/2014
on 7 November 2011	2,629,000	–	–	(2,629,000)	–	1.136	07/11/2011 to 06/11/2013
	5,417,500	–	–	(5,159,000)	258,500		
Wang Chun							
on 4 November 2010	2,530,000	–	–	(2,530,000)	–	2.044	04/11/2010 to 03/11/2013
on 30 March 2011	258,500	–	–	–	258,500	2.273	30/03/2011 to 29/03/2014
on 7 November 2011	2,629,000	–	–	(2,629,000)	–	1.136	07/11/2011 to 06/11/2013
	5,417,500	–	–	(5,159,000)	258,500		
Sub-total	10,835,000	–	–	(10,318,000)	517,000		
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
on 4 November 2010	330,000	–	–	(330,000)	–	2.044	04/11/2010 to 03/11/2013
Wang Zhichen							
on 4 November 2010	330,000	–	–	(330,000)	–	2.044	04/11/2010 to 03/11/2013
Wang Linan							
on 4 November 2010	330,000	–	–	(330,000)	–	2.044	04/11/2010 to 03/11/2013
Sub-total	990,000	–	–	(990,000)	–		
Employees/others							
on 7 August 2009	3,997,400	–	–	–	3,997,400	1.064	07/08/2009 to 06/08/2014
on 12 October 2009	10,417,000	–	–	–	10,417,000	1.527	12/10/2009 to 11/10/2014
on 4 November 2010	48,400,000	–	–	(48,400,000)	–	2.044	04/11/2010 to 03/11/2013
on 3 January 2011	3,300,000	–	–	–	3,300,000	2.209	03/01/2011 to 02/01/2014
on 30 March 2011	21,483,000	–	–	–	21,483,000	2.273	30/03/2011 to 29/03/2014
on 8 September 2011	28,380,000	–	–	(28,380,000)	–	0.984	08/09/2011 to 07/09/2013
on 7 November 2011	9,900,000	–	–	(9,900,000)	–	1.136	07/11/2011 to 06/11/2013
on 3 January 2012	3,300,000	–	–	–	3,300,000	0.909	03/01/2012 to 02/01/2014
Sub-total	129,177,400	–	–	(86,680,000)	42,497,400		
Total	141,002,400	–	–	(97,988,000)	43,014,400		

39. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

(A1) The Old VODone Scheme *(Continued)*

2012

	Number of shares issuable under share options							
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted upon the bonus issue (Note 1)	At the end of the year	Adjusted exercise price (Note 2) HK$	Exercise period
Executive directors								
Zhang Lijun								
on 4 November 2010	2,300,000	–	–	–	230,000	2,530,000	2.044	04/11/2010 to 03/11/2013
on 30 March 2011	235,000	–	–	–	23,500	258,500	2.273	30/03/2011 to 29/03/2014
on 7 November 2011	2,390,000	–	–	–	239,000	2,629,000	1.136	07/11/2011 to 06/11/2013
	4,925,000	–	–	–	492,500	5,417,500		
Wang Chun								
on 4 November 2010	2,300,000	–	–	–	230,000	2,530,000	2.044	04/11/2010 to 03/11/2013
on 30 March 2011	235,000	–	–	–	23,500	258,500	2.273	30/03/2011 to 29/03/2014
on 7 November 2011	2,390,000	–	–	–	239,000	2,629,000	1.136	07/11/2011 to 06/11/2013
	4,925,000	–	–	–	492,500	5,417,500		
Sin Hendrick (Note 3)								
on 12 October 2009	3,650,000	–	–	–	365,000	4,015,000	1.527	12/10/2009 to 11/10/2014
on 4 November 2010	17,000,000	–	–	–	1,700,000	18,700,000	2.044	04/11/2010 to 03/11/2013
on 30 March 2011	8,350,000	–	–	–	835,000	9,185,000	2.273	30/03/2011 to 29/03/2014
on 7 November 2011	9,000,000	–	–	–	900,000	9,900,000	1.136	07/11/2011 to 06/11/2013
	38,000,000	–	–	–	3,800,000	41,800,000		
Sub-total	47,850,000	–	–	–	4,785,000	52,635,000		
Independent non-executive directors								
Loke Yu (alias Loke Hoi Lam)								
on 4 November 2010	300,000	–	–	–	30,000	330,000	2.044	04/11/2010 to 03/11/2013
Wang Zhichen								
on 4 November 2010	300,000	–	–	–	30,000	330,000	2.044	04/11/2010 to 03/11/2013
Wang Linan								
on 4 November 2010	300,000	–	–	–	30,000	330,000	2.044	04/11/2010 to 03/11/2013
Sub-total	900,000	–	–	–	90,000	990,000		
Employees/others								
on 7 August 2009	3,634,000	–	–	–	363,400	3,997,400	1.064	07/08/2009 to 06/08/2014
on 12 October 2009	5,820,000	–	–	–	582,000	6,402,000	1.527	12/10/2009 to 11/10/2014
on 4 November 2010	27,000,000	–	–	–	2,700,000	29,700,000	2.044	04/11/2010 to 03/11/2013
on 3 January 2011	3,000,000	–	–	–	300,000	3,300,000	2.209	03/01/2011 to 02/01/2014
on 30 March 2011	11,180,000	–	–	–	1,118,000	12,298,000	2.273	30/03/2011 to 29/03/2014
on 8 September 2011	30,000,000	–	(4,200,000)	–	2,580,000	28,380,000	0.984	08/09/2011 to 07/09/2013
on 3 January 2012	–	5,000,000	(2,000,000)	–	300,000	3,300,000	0.909	03/01/2012 to 02/01/2014
Sub-total	80,634,000	5,000,000	(6,200,000)	–	7,943,400	87,377,400		
Total	129,384,000	5,000,000	(6,200,000)	–	12,818,400	141,002,400		

39. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

(A1) The Old VODone Scheme *(Continued)*

2012

Note 1: The aggregate number of shares that can be subscribed for was adjusted for the bonus issue of shares made by the Company on 2 May 2012.

Note 2: The exercise prices of the share options were adjusted for the bonus issue of shares made by the Company on 2 May 2012.

Note 3: Resigned on 3 October 2012.

(A2) The VODone Scheme

The terms and conditions of the grants and movements in the number of share options under the VODone Scheme during the year as follows:

2013

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Executive directors							
Zhang Lijun on 9 September 2013	–	1,500,000	–	–	1,500,000	0.604	09/09/2013 to 08/09/2016
Wang Chun on 9 September 2013	–	1,500,000	–	–	1,500,000	0.604	09/09/2013 to 08/09/2016
Sub-total	–	3,000,000	–	–	3,000,000		
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam) on 9 September 2013	–	400,000	–	–	400,000	0.604	09/09/2013 to 08/09/2016
Wang Zhichen on 9 September 2013	–	300,000	–	–	300,000	0.604	09/09/2013 to 08/09/2016
Wang Linan on 9 September 2013	–	300,000	–	–	300,000	0.604	09/09/2013 to 08/09/2016
Sub-total	–	1,000,000	–	–	1,000,000		
Employees/others							
on 13 September 2012	6,000,000	–	–	–	6,000,000	0.700	13/09/2012 to 12/09/2015
on 9 September 2013	–	6,000,000	–	–	6,000,000	0.604	09/09/2013 to 08/09/2016
Sub-total	6,000,000	6,000,000	–	–	12,000,000		
Total	6,000,000	10,000,000	–	–	16,000,000		

39. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

(A2) The VODone Scheme *(Continued)*

2012

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Employees/others							
on 13 September 2012	–	6,000,000	–	–	6,000,000	0.700	13/09/2012 to 12/09/2015
Total	–	6,000,000	–	–	6,000,000		

On 9 September 2013, a total of 10,000,000 share options were granted to directors of the Company and eligible participants and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$0.604 per share, with closing price per share immediately before the date on which the share options were granted at HK$0.600. The options may be exercisable during the period from 9 September 2013 to 8 September 2016.

Fair value of share options granted during the year and assumptions are as follows:

	Granted on 9 September 2013 (the VODone Scheme)
Fair value at grant date	HK$0.07715
Weighted average share price at grant date	HK$0.604
Weighted average contractual life	1 year
Expected volatility	32.881%
Expected dividend rate	0.60%
Risk-free interest rate	0.2013%

The volatility assumption is measured at the average of the comparable companies' share price return volatility over the same period.

39. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The fair value of the share options granted during the year was approximately HK$772,000 (2012: HK$1,714,000), all of which was recognised an equity-settled share-based payment expenses during the year.

Details and movements of share options are as follows:

	Weighted average exercise price	**Number** '000
At 1 January 2012	HK$1.84	129,384
Granted during the year	HK$0.76	11,000
Exercised during the year	HK$1.03	(6,200)
Lapsed during the year	HK$1.68	12,818
At 31 December 2012	HK$1.64	147,002
Granted during the year	HK$0.60	10,000
Lapsed during the year	HK$1.60	(97,988)
At 31 December 2013	HK$1.53	59,014

The weighted average exercise price of options outstanding at the end of the year is HK$1.53 (2012: HK$1.64) and their weighted average remaining contractual life was 0.90 years (2012: 1.04 years). The validity period of the share options of the Company granted during the year is from 9 September 2013 to 8 September 2016 (2012: from 3 January 2012 to 12 September 2015).

Of the total number of options outstanding at the end of the year, all were exercisable at the end of the year.

The weighted average closing share price immediately before the dates of exercise of share options of the Company during the year was HK$Nil (2012: HK$2.32).

In 2013, 97,988,000 share options were lapsed. Accordingly, the related share-based compensation reserve of HK$21,627,000 was released to retained profits/(accumulated losses).

39. SHARE-BASED PAYMENT *(Continued)*

(B) ALLOTMENT OF SHARES IN THE SUBSIDIARIES – CMGE TO THE DIRECTORS

On 16 March 2012, a total of 639,000 shares of CMGE were allotted to directors of the Group and eligible participants, at a price of US$0.001 per share.

The fair value of HK$1,033,000 (2012: HK$976,000) of services received in return for shares granted is measured by reference to the fair value of CMGE's shares at the date of allotment and was recognised as equity-settled share-based payment expenses during the year.

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE

The terms and conditions of the grants and movements in the number of share options under the share option scheme of CMGE during the year were as follow:

2013

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price US$	Exercise period
Executive directors							
Zhang Lijun							
on 6 February 2012	1,519,747	–	–	–	1,519,747	0.605	06/02/2012 to 05/02/2017
on 8 February 2013	–	1,656,200	–	–	1,656,200	6.500 (Note 1)	08/02/2013 to 07/02/2018
	1,519,747	1,656,200	–	–	3,175,947		
Wang Chun							
on 6 February 2012	1,519,747	–	–	–	1,519,747	0.605	06/02/2012 to 05/02/2017
Sub-total	3,039,494	1,656,200	–	–	4,695,694		
Employees/others							
on 6 February 2012	22,796,218	–	(3,183,194)	(1,232,073)	18,380,951	0.605	06/02/2012 to 05/02/2017
on 8 February 2013	–	2,739,495	–	–	2,739,495	0.605	08/02/2013 to 07/02/2018
on 8 February 2013	–	12,765,200	–	–	12,765,200	6.500 (Note 1)	08/02/2013 to 07/02/2018
Sub-total	22,796,218	15,504,695	(3,183,194)	(1,232,073)	33,885,646		
Total	25,835,712	17,160,895	(3,183,194)	(1,232,073)	38,581,340		

39. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

2012

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price US$	Exercise period
Executive directors							
Zhang Lijun							
on 6 February 2012	–	1,519,747	–	–	1,519,747	0.605	06/02/2012 to 05/02/2017
Wang Chun							
on 6 February 2012	–	1,519,747	–	–	1,519,747	0.605	06/02/2012 to 05/02/2017
Sin Hendrick (Note 2)							
on 6 February 2012	–	3,039,495	–	–	3,039,495	0.605	06/02/2012 to 05/02/2017
Sub-total	–	6,078,989	–	–	6,078,989		
Employees/others							
on 6 February 2012	–	19,756,723	–	–	19,756,723	0.605	06/02/2012 to 05/02/2017
Sub-total	–	19,756,723	–	–	19,756,723		
Total	–	25,835,712	–	–	25,835,712		

Note 1: US$6.5 to subscribe for 14 class A ordinary shares of US$0.001 each in the share capital of CMGE which equals to one ADS of CMGE.

Note 2: Resigned on 3 October 2012.

On 6 February 2012, CMGE granted shares options under the 2011 Share Option Scheme to purchase 25,835,712 ordinary shares of CMGE to its employees, at an exercise price of US$0.605 per share with a contractual life of five years. Pursuant to the share options agreement, (i) 25% of the share options are vested and exercisable by each grantee on the first anniversary of the date of grant; and (ii) the remaining 75% of the share options are vested and exercisable by each grantee in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant.

The fair value of the share options granted was approximately HK$30,397,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$8,940,000 (2012: HK$15,752,000) was recognised in profit or loss for the year ended 31 December 2013.

39. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

On 8 February 2013, CMGE granted options under the 2011 Share Option Scheme to purchase 970,100 ADS and 60,000 ADS of CMGE to certain of its employees and a third-party individual consultant who provides consultancy service to CMGE respectively, at an exercise price of US$6.50 per ADS with a contractual life of five years. Pursuant to the share options agreement, (i) 25% of the share options are vested and exercisable on the first anniversary of the date of grant; and (ii) the remaining 75% of the share options are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant. There is a service condition attached to the vesting of the option granted to the employees. The closing price immediately before the date on which the share options of CMGE were granted was at US$3.53 per ADS.

The fair value of the share options granted was approximately HK$6,536,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$1,706,000 was recognised in profit or loss for the year ended 31 December 2013.

On 8 February 2013, CMGE granted options under the 2011 Share Option Scheme to purchase 2,539,495 and 200,000 ordinary shares of CMGE to an employee and a consultant who became an employee of CMGE on 20 March 2013 respectively, at an exercise price of US$0.605 per share with a contractual life of five years. Pursuant to the share options agreement, 25% of the share options are vested and exercisable on each of the first to fourth anniversary of the grant date if the grantees continue to provide service to a subsidiary of the Company and this subsidiary achieves predetermined performance conditions. There is a service condition in addition to a performance condition attached to the vesting of these options. The closing price immediately before the date on which the share options of CMGE were granted was at US$3.53 per ADS.

The fair value of the share options granted was approximately HK$1,261,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$495,000 was recognised in profit or loss for the year ended 31 December 2013.

39. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

Fair value of share options granted during the year and assumptions are as follows:

	Granted on 8 February 2013
Fair value at grant date	US$0.24-US$0.66
Weighted average share price at grant date	US$0.24
Weighted average contractual life	5 years
Expected volatility	49.43%-50.02%
Expected dividend rate	–
Risk-free interest rate	0.79%-0.84%

The volatility assumption is measured at the average of the comparable companies' share price return volatility over the same period.

Details and movements of share options are as follows:

	Weighted average exercise price	**Number** '000
At 1 January 2012	–	–
Granted during the year	US$0.605	25,836
At 31 December 2012	US$0.605	25,836
Granted during the year	US$0.487	17,161
Exercised during the year	US$0.605	(3,117)
Lapsed during the year	US$0.605	(696)
Outstanding, at 31 December 2013	US$0.553	39,184
Exercisable at 31 December 2013	US$0.605	7,923

The weighted average closing share price immediately before the dates of exercise of share options of CMGE during the year was US$17.28.

The weighted average exercise price of options outstanding at the end of the year is US$0.553 (2012: US$0.605) and their weighted average remaining contractual life was 4.10 years (2012: 4.10 years). The validity period of the share options of the Company granted during the year is from 8 February 2013 to 7 February 2018 (2012: from 6 February 2012 to 5 February 2017).

39. SHARE-BASED PAYMENT *(Continued)*

(D) WARRANTS ISSUED TO CONSULTANTS – CMGE

On 7 February 2013, CMGE issued 500,000 warrants to an external consultant in exchange for its financial advisory service. Each warrant allows the consultant to purchase one ADS of CMGE at US$8.50 per ADS. The exercise period commences on the date of issuance and expires on 7 February 2018. Pursuant to the warrant agreement, 250,000 warrants immediately vested upon issuance and the remaining 250,000 warrants will be vested on 31 December 2013 if the Company continues to retain the consultant as its financial advisor. However, the Company may, at its sole discretion, terminate the consultant as its financial advisor without cause. On 23 September 2013, the Company terminated the consultant as its financial advisor and cancelled the second batch of the 250,000 unvested warrants. The warrants issued to the consultant are classified as equity awards and measured based on the measurement date fair value of US$0.6951 per warrant. During the year ended 31 December 2013, 166,750 warrants were exercised.

On 25 June 2013, CMGE issued 100,000 fully vested warrants to an external consultant in exchange for its financial advisory service. Each warrant allows the consultant to purchase one ADS of CMGE at US$12.92 per ADS. The exercise period commences on the date of issuance and expires on 25 June 2015. The exercise of these 100,000 warrants is subject to certain market conditions. The warrants issued to the consultant are classified as equity awards and measured based on the measurement date fair value of US$3.0874 per warrant.

On 27 September 2013, CMGE issued 100,000 fully vested warrants to an external consultant in exchange for its financial advisory service. Each warrant allows the consultant to purchase one ADS of CMGE at US$15.6 per ADS. The exercise period commences on the date of issuance and expires on 27 September 2015. The exercise of these 100,000 warrants is subject to certain market conditions. The warrants issued to the consultant are classified as equity awards and measured based on the measurement date fair value of US$1.76 per warrant.

The fair value of HK$5,123,000 (2012: Nil) of services received in return for warrants granted is measured by reference to the fair value of CMGE's shares at the date of issue and was recognised as equity-settled share-based payment expenses during the year.

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

	Note	2013 HK$'000	2012 HK$'000
Service fee income earned from an associate, TMD1	(i)	**143,595**	235,461
Management fee charged by TMD1	(ii)	**51,752**	31,300
Gain on bargain purchase of Vogins BVI from Gaintech	35(b)	**11,904**	–
Sale of inventories to directors of a subsidiary	(iii)	**2,981**	–

(i) Service fee income was charged in accordance with the terms and conditions of the exclusive technology support and services agreements entered with TMD1 dated 29 April 2006.

(ii) Under the service agreements as mentioned in Note 1, the Company, TMD1 and VODone Telemedia entered into an arrangement in which a subsidiary of VODone Telemedia provides management services to the Group in order to assist the Group in providing the internet information services. The fee was charged at cost basis and terms agreed between the related parties.

(iii) During the year, the Group sold all of its inventories to Mr. Kuang Yixun and Mr. Hu Zhengning, directors of subsidiaries at cost, due to the business transition of the OWX Group from handset design business to mobile phone games promotion business. No gain or loss was resulted from the sale of inventories.

(b) The remuneration of directors and other member of key management during the year is as follows:

	2013 HK$'000	2012 HK$'000
Short term benefits	**10,592**	19,136
Share-based payments	**1,741**	3,758
	12,333	22,894

(c) The amounts due from associates mainly arising from the trading transaction detailed in note (a)(i) above are unsecured, interest-free and repayable on demand.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Amounts due from related companies, which is disclosed pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

The related company includes Media Tek Inc., the parent company of a non-controlling shareholder of a non-wholly owned subsidiary of the Company. Details of the balances with the related companies are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Balance at 1 January	**706**	2,834
Balance at 31 December	**8,523**	706
Maximum amount outstanding during the year	**8,523**	2,834

The amounts due from the related companies are interest-free, unsecured and repayable on trading terms.

There was no amount due but unpaid, nor any allowance for doubtful debts made against the principal amounts at 31 December 2013 and 2012.

(e) The amount due to the related company is interest-free, unsecured and repayable on demand.

41. CAPITAL RISK MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

42. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from movements in its own equity share price. These risks are limited by the Group's financial management policies and practices described below.

CREDIT RISK

The Group's credit risk is primarily attributable to its accounts receivable, other receivables and amounts due from a related company and associates arising from trade transactions. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of third party accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a concentration of credit risk as 26% (2012: 49%) and 51% (2012: 65%) of the total accounts and other receivables was due from the Group's largest customer and the five largest customers respectively.

The directors consider that the credit risk arising from related party trading transactions is minimal. Based on past experience, management believes that no impairment allowance is necessary in respect of amounts due from associates as there has not been a significant change in credit quality and the balances are still fully recoverable.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set up in note 21.

LIQUIDITY RISK

The Group's policy are to regularly monitor its liquidity requirements and its compliance with lending covenants and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

At the end of reporting period, all the Group's and the Company's financial liabilities based on contractual undiscounted cash flows are within one year or on demand.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

INTEREST RATE RISK

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cost flows are substantially independent of changes in market interest rate.

CURRENCY RISK

Most of the subsidiaries' functional currency is RMB since majority of the revenue of the Group are derived from operations in the PRC. RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Other than the above, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

EQUITY PRICE RISK

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial liabilities of the Group. At the end of reporting period, the Group is exposed to this risk through the business acquisitions attached to the consideration shares issued by the Company as disclosed in note 32.

SENSITIVITY ANALYSIS

The sensitivity analysis on equity price risk includes the Group's financial liabilities, which fair value or future cash flows will fluctuate because of changes in the Company's own share price. If the Company's own share price had been 5% higher/lower, profit for the year would decrease/increase by HK$1,134,000 (2012: HK$1,906,000) and the financial liabilities would increase/decrease by HK$1,134,000 (2012: HK$1,906,000).

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2013 and 2012 may be categorised as follows:

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**919,867**	715,173
Available-for-sale financial assets	**47,061**	49,448
Financial liabilities		
Financial liabilities designated upon initial recognition as at fair value through profit or loss:		
– Consideration shares	**22,680**	38,115
Financial liabilities measured at amortised cost	**237,960**	123,241

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013			
Group and Company	**Level 1** **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Available-for-sales financial assets	**–**	**–**	**44,498**	**44,498**
Financial liabilities measured at fair value – Consideration shares	**–**	**–**	**22,680**	**22,680**

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

	2012			
	Level 1	Level 2	Level 3	Total
Group and Company	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sales financial assets	–	–	49,448	49,448
Financial liabilities measured at fair value				
– Consideration shares	–	–	38,115	38,115

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets are measured at fair value based on the share price of the Company and take into consideration of whether the profit guarantee is probable to be met (details refer to note 32). The management of the Group used its internal budgets and forecasts which included information about the fair value measurement using significant unobservable inputs (level 3).

If the actual performance was 10% higher/lower than the respective expected performance, available-for-sale financial assets would have been decreased/increased by approximately HK$125,000 and HK$138,000 respectively with the corresponding loss/gain recognised in other gains or losses.

If the share price of the Company were 5% higher/lower while all the other variables were held constant, the fair value of the available-for-sale financial assets would be increased/decreased by approximately HK$2,225,000 (2012: HK$2,472,000).

The following table shows the reconciliation of Level 3 fair value measurements of available-for-sale financial assets:

	2013	2012
	HK$'000	HK$'000
Group and Company		
At 1 January	**49,448**	37,429
Additions for the year	**23,355**	49,448
Settlement from the vendors	**(54,788)**	(39,938)
Realised gains	**20,241**	2,509
Fair value changes on available-for-sale financial assets	**6,242**	–
At 31 December	**44,498**	49,448

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

CONSIDERATION SHARES

The consideration shares are measured at fair value based on the share price of the Company and take into consideration of whether the profit guarantee is probable to be met (details refer to note 32). The management of the Group used its internal budgets and forecasts which included information about the fair measurement using significant unobservable inputs (level 3).

If the share price of the Company were 5% higher/lower while all the other variables were held constant, the fair value of the contingent consideration shares would be increased/decreased by approximately HK$1,134,000 (2012: HK$1,906,000).

The following table shows the reconciliation of Level 3 fair value measurement of consideration shares:

	2013 **HK$'000**	2012 HK$'000
Group and Company		
At 1 January	**38,115**	99,393
Transfer to equity upon release to lock-up and dealing restriction	**(22,131)**	(51,586)
Fair value changes on consideration shares	**6,696**	(9,692)
At 31 December	**22,680**	38,115

Gains or losses recognised in profit and loss (included in other gains and losses) relating to financial instruments held by the group at the reporting date was HK$16,659,000 (2012: HK$59,140,000) comprising fair value changes on the consideration shares and additional compensation receivable under the profits guarantee recognised as available-for-sale financial assets.

44. EVENTS AFTER THE REPORTING PERIOD

(a) On 13 January 2014 (United States Eastern time), CMGE granted options under the 2011 Share Option Scheme to purchase 1,811,854 ADSs of CMGE to certain of its employees at an exercise price of US$29.03 per ADS, which was the closing price per ADS as of 13 January 2014. There is a service condition in addition to a performance condition attached to the vesting of these options.

(b) On 13 January 2014 (United States Eastern time), CMGE granted options under the 2011 Share Option Scheme to purchase 417,963 ADSs of CMGE to certain of its employees at an exercise price of US$29.03 per ADS which was the closing price per ADS as of 13 January 2014. There is a service condition attached to the vesting of these options.

(c) On 26 January 2014, CMGE issued 136,500 warrants to Dr. Zhang Lijun. Each warrant allows Dr. Zhang Lijun to purchase ADS of CMGE at US$29.34 per ADS. Dr. Zhang Lijun can exercise the warrants in four equal annual tranches beginning one calendar year after the date of issue.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 19 March 2014.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**595,078**	476,800	950,072	767,591	298,702
Profit/(loss) for the year	**(165,806)**	(15,416)	399,393	349,714	109,883
Attributable to:					
Owners of the Company	**(160,014)**	(3,138)	370,688	325,428	105,307
Non-controlling interests	**(5,792)**	(12,278)	28,705	24,286	4,576
	(165,806)	(15,416)	399,393	349,714	109,883

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**2,241,042**	1,867,260	1,482,023	1,185,518	679,788
Current assets	**1,381,676**	1,229,112	1,491,585	1,177,729	591,476
Current liabilities	**(335,200)**	(196,546)	(264,649)	(497,450)	(21,962)
Net current assets	**1,046,476**	1,032,566	1,226,936	680,279	569,514
Non-current liabilities	**(49,624)**	(9,442)	(13,487)	(14,942)	(9,014)
Net assets	**3,237,894**	2,890,384	2,695,472	1,850,855	1,240,288