



## **GAMEONE HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8282)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors (the “Directors”) of Gameone Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2015 (the “Year”) together with the comparative figures for the year ended 31 December 2014 as follows:

#### **HIGHLIGHTS**

1. The Group recorded consolidated turnover of HK\$118,181,000 for the year ended 31 December 2015, which represents approximately 50.2% increase from HK\$78,668,000 in year 2014.
2. The Group recorded gross profit of HK\$53,199,000 for the Year, as compared with gross profit of HK\$34,129,000 in year 2014.
3. The Group recorded profit before income tax of HK\$7,416,000 for the Year, as compared with profit before income tax of HK\$10,070,000 in year 2014.
4. The Group recorded profit after income tax of HK\$3,098,000 for the Year, after deducting the listing expenses of HK\$15,997,000, as compared with profit after income tax of HK\$7,040,000 in year 2014.
5. The Group obtained operating cash inflow of HK\$18,842,000 for the Year, as compared with operating cash inflow of HK\$14,255,000 in year 2014.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	5	<b>118,181</b>	78,668
Cost of services rendered		<u>(64,982)</u>	<u>(44,539)</u>
<b>Gross profit</b>		<b>53,199</b>	34,129
Other income	5	<b>1,526</b>	1,176
Selling expenses		<b>(17,368)</b>	(13,272)
Administrative expenses		<b>(27,440)</b>	(11,347)
Other expenses		<u>(2,501)</u>	<u>(616)</u>
<b>Profit before income tax</b>	6	<b>7,416</b>	10,070
Income tax expense	7	<u>(4,318)</u>	<u>(3,030)</u>
<b>Profit for the year</b>		<u><b>3,098</b></u>	<u>7,040</u>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of financial statements of foreign operations		<u>623</u>	<u>644</u>
<b>Other comprehensive income for the year</b>		<u><b>623</b></u>	<u>644</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>3,721</b></u>	<u>7,684</u>
		<b>2015</b>	2014
		<b>HK\$</b>	HK\$
<b>Earnings per share</b>	9		
<b>– Basic and Diluted</b>		<u><b>0.03</b></u>	<u>0.06</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,237	1,970
Intangible assets		20,679	18,076
		<u>22,916</u>	<u>20,046</u>
<b>Current assets</b>			
Inventories		156	290
Trade receivables	10	7,003	7,264
Prepayments, deposits and other receivables	11	13,625	5,066
Amount due from a related company		1,000	—
Cash at banks and in hand		45,545	37,613
		<u>67,329</u>	<u>50,233</u>
<b>Current liabilities</b>			
Trade payables	12	3,458	1,963
Accrued expenses and other payables	13	15,378	5,534
Deferred income	13	10,449	12,037
Amounts due to related companies		459	222
Provision for taxation		3,581	432
		<u>33,325</u>	<u>20,188</u>
<b>Net current assets</b>		<u>34,004</u>	<u>30,045</u>
<b>Total assets less current liabilities</b>		<u>56,920</u>	<u>50,091</u>
<b>Non-current liabilities</b>			
Deferred taxation		272	164
<b>Net assets</b>		<u>56,648</u>	<u>49,927</u>
<b>EQUITY</b>			
Equity attributable to the Company's owners			
Share capital	14	85	—
Reserves		56,563	49,927
<b>Total equity</b>		<u>56,648</u>	<u>49,927</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 1. CORPORATE INFORMATION

Gameone Holdings Limited was incorporated in Cayman Islands with limited liability under the Companies Law of Cayman Islands on 14 April 2010. The Company's registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The Company's principal place of business is located at Unit A, 21/F, North Point Industrial Building, No. 499 King's Road, North Point, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2016.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries are engaged in development, operation, publishing and distribution of online and mobile games (the "Core Business") in Hong Kong, People's Republic of China (the "PRC") and Taiwan.

The Company's immediate holding company is PC Investment Limited, incorporated in Hong Kong and its ultimate holding company is PC Asia Limited, also incorporated in Hong Kong.

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

### (a) Adoption of new/revised HKFRSs – effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of the revised HKFRSs has no material impact on the Group's financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS <sup>1</sup>	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact of these new or revised HKFRSs upon initial application but is not yet in a position to state whether these new or revised HKFRSs will result in substantial changes to the Group's accounting policies and financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 3. REORGANISATION AND BASIS OF PRESENTATION

In preparation of the Company's listing of its shares on the GEM of the Stock Exchange, the companies now comprising the Group underwent a reorganisation to rationalise the existing group structure (the "Reorganisation"). Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 December 2015. Details of the Reorganisation are fully explained in the prospectus dated 31 December 2015. As the Reorganisation mainly involved inserting holding entities at the top of existing company and has not resulted in any change of economic substances, the consolidated financial statements has been presented as a continuance of the existing group using the merger accounting.

The Directors considered that ongameshow.com Limited ("Ongameshow") is engaged in publishing of magazines and comic books, generating advertising income from online platform, which are not related to the Core Business ("Non-core Business") and operated and financed separately, therefore they are excluded in the listing of the Company's shares. Accordingly, Ongameshow was disposed of on 25 September 2015 as part of the Reorganisation. Results of Ongameshow has been consolidated into these consolidated financial statements up to the date of disposal and inter-company transactions have been eliminated on consolidation up to the date of disposal.

The consideration for the transfer of Ongameshow was determined based on the share capital acquired by Mr. Sze Yan Ngai ("Mr. Sze") and the consideration was settled by cash on 25 September 2015. Investment cost in Ongameshow of approximately HK\$1 has been treated as repayment of capital in the capital reserve.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the current year and prior year have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the current year and prior year, or since their respective dates of incorporation, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2014 has been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at that date.

The assets and liabilities of the companies now comprising the Group are combined using the existing book values from the controlling shareholders' perspective. No amount is recognised as goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive Directors in order to allocate resources and assess performance of the segment. During the year, executive directors regularly review revenue and operating results derived from development, operation, publishing and distribution of online and mobile games and consider as one single operating segment.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

### Geographical information

	2015	2014
	HK\$'000	HK\$'000
<b>By country / region</b>		
Hong Kong (place of domicile)	<b>108,078</b>	66,908
Taiwan	<b>9,895</b>	10,759
Others	<b>208</b>	1,001
	<b>118,181</b>	78,668

### Information about major customers

So far as the Company is aware, there is no single customer contributed to 10% or more revenue to the Group's revenue for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income are as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>		
Game operation income	113,610	74,589
Game publishing income	2,895	2,610
Royalty income	208	1,054
License fee income	1,468	415
	<u>118,181</u>	<u>78,668</u>
<b>Other income</b>		
Interest income	2	7
Promotion income	—	117
Exchange gain	—	680
Gain on disposal of a subsidiary	944	—
Other income	580	372
	<u>1,526</u>	<u>1,176</u>
	<u><u>119,707</u></u>	<u><u>79,844</u></u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2015 HK\$'000	2014 HK\$'000
<i>Under Cost of services rendered:</i>		
Cost of inventories recognised as expenses	130	236
Amortisation of intangible assets	7,560	5,172
Royalty expenses	25,040	17,564
<i>Under administrative expenses:</i>		
Auditor's remuneration	717	232
Exchange losses	67	—
Operating lease charges	2,202	2,142
Listing expenses	15,997	—
<i>Under other expenses:</i>		
Impairment on intangible assets	2,479	368
Written off of prepayment and receivables (note 10)	22	75
Loss on disposal of property, plant and equipment	—	172
Depreciation of property, plant and equipment		
– under cost of services rendered	1,198	1,425
– under administrative expenses	155	550
	1,353	1,975
Staff costs excluding directors' remuneration:		
– Salaries and allowances	12,707	11,857
– Contributions on defined contribution retirement plan	1,188	1,249
– Discretionary bonuses	600	449
	14,495	13,555

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 7. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current tax – Hong Kong Profits Tax		
– Tax for the year	4,210	2,450
– Underprovision in prior years	—	516
	<u>4,210</u>	<u>2,966</u>
Current tax – PRC Tax		
– Tax for the year	—	21
	<u>4,210</u>	<u>2,987</u>
Deferred tax	108	43
	<u>4,318</u>	<u>3,030</u>

No Profits Tax for the Taiwan branch has been provided as the Taiwan branch has not generated any tax assessable profits in Taiwan for the year.

A provision for Hong Kong Profits Tax was made at the rate of 16.5% for the Group's estimated assessable profit derived in Hong Kong for both years.

No provision for PRC Enterprise Income Tax was made as the Group has not generated any tax assessable profit in the PRC for the year.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	<u>7,416</u>	<u>10,070</u>
Tax on profit before income tax, calculated at rates applicable to profits in the tax jurisdictions concerned	1,048	1,456
Tax effect of non-deductible expenses	3,157	645
Tax effect of non-taxable revenue	(234)	(790)
Tax effect of tax losses not recognised	545	1,210
Tax effect of deductible temporary differences not recognised	(68)	28
Underprovision in prior years	—	516
Others	(130)	(35)
	<u>4,318</u>	<u>3,030</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 8. DIVIDENDS

No dividends have been paid or declared by the Company or any of the subsidiaries during the year (2014: Nil).

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company and on the assumption that the proposed 120,000,000 ordinary shares in issue, comprising 8,534,007 shares in issue as at 31 December 2015 and 111,465,993 shares to be issued pursuant to a capitalisation but before the placing of 40,000,000 new shares upon the subsequent listing of the Company's shares on 13 January 2016.

No diluted earnings per share is calculated for the year ended 31 December 2015 (2014: Nil) as there was no potential dilutive ordinary share in existence.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 10. TRADE RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	<u>7,003</u>	<u>7,264</u>

The Group normally allows credit period within 60 days to its trade debtors. At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis.

The ageing analysis of trade receivables (net of impairment losses), based on the month-end dates of the month in which the transaction completed, as of the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
Not more than 30 days	6,804	4,994
30-60 days	132	2,109
Over 60 days	<u>67</u>	<u>161</u>
	<u>7,003</u>	<u>7,264</u>

The ageing analysis of trade receivables (net of impairment losses), based on past due date, as of the end of the reporting periods is as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	6,798	6,924
Not more than 30 days	159	277
30-60 days	16	33
Over 60 days	<u>30</u>	<u>30</u>
	<u>7,003</u>	<u>7,264</u>

Trade receivables that were neither past due nor impaired and that were past due but not impaired related to a number of trade debtors that the Group had continuing business relationships with these parties including transactions and settlements from these parties in general, in the opinion of the Directors, has no indication of default. Based on past credit history, 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 to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 10. TRADE RECEIVABLES *(continued)*

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. During the year ended 31 December 2015, the Group has written off trade receivables of HK\$22,000 (2014: HK\$75,000) directly to the profit or loss for the year (note 6). None of the trade receivables as at 31 December 2015 (2014: Nil) have been identified by the Group as having an impairment issue.

The Directors consider that the carrying amounts of trade receivables approximate their fair value.

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Prepayments	12,723	4,156
Deposits	569	560
Other receivables	333	350
	<u>13,625</u>	<u>5,066</u>

## 12. TRADE PAYABLES

The Group's trade payables mainly due to its suppliers which are aged within 30 days, based on invoice date.

## 13. ACCRUED EXPENSES, OTHER PAYABLES AND DEFERRED INCOME

	2015 HK\$'000	2014 HK\$'000
Accrued expenses	12,375	3,057
Other payables	2,070	1,537
Receipt in advance	933	940
	<u>15,378</u>	<u>5,534</u>
Deferred income	<u>10,449</u>	<u>12,037</u>
	<u>25,827</u>	<u>17,571</u>

The Directors consider that the carrying amounts of accrued expenses and other payables approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 14. SHARE CAPITAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 14 April 2010. At the date of incorporation, the authorised share capital of the Company was HK\$30,000 divided into 3,000,000 ordinary shares of HK\$0.01 each. One share of HK\$0.01 in the share capital was issued and allotted fully paid to the initial subscribing shareholder and such fully paid subscriber share was transferred to Mr. Sze on 14 April 2010. On 30 September 2015, Mr. Sze transferred one share, which represented entire issued share capital of the Company, to PC Investment Limited, a company incorporated in Hong Kong and the controlling shareholder of the Group.

### Authorised share capital

On 23 December 2015, the authorised share capital of the Company was increased from HK\$30,000 to HK\$10,000,000 by creation of an additional 997,000,000 ordinary shares.

### Issued and fully paid

	2015 Number	2015 HK\$'000	2014 Number	2014 HK\$'000
Ordinary shares				
At beginning of year	1	—	1	—
Issued shares upon group reorganisation	<u>8,534,006</u>	<u>85</u>	<u>—</u>	<u>—</u>
At ending of year	<u>8,534,007</u>	<u>85</u>	<u>1</u>	<u>—</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 15. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions:

	Notes	2015 HK\$'000	2014 HK\$'000
Royalty expenses paid to:			
– Nineyou International (Hong Kong) Limited	(i)	—	1
– Suzhou Snail Digital Technology Company Limited	(ii)	1,542	—
Game publishing income received from:			
Nineyou Information Technology (Shanghai) Limited ("NITS")	(iii)	254	914
Advertising expenses paid to:			
Innovation Power	(iv)	2,306	860
Gain on disposal of a subsidiary, ongameshow to Mr. Sze	(v)	944	—
		944	—

Notes:

- (i) Royalty was paid to Nineyou International (Hong Kong) Limited, a subsidiary of Nineyou International Limited ("NYIL"), for profit sharing of the licensed games during the year. The royalty paid was determined and agreed by both parties.
- (ii) Royalty was paid to Suzhou Snail Digital Technology Company Limited of which its subsidiary, Snail Digital (HK) Limited, is a shareholder of the Company, for profit sharing of the licensed games during the year. The royalty paid was determined and agreed by both parties.
- (iii) Game publishing income was received from NITS, is subsidiary of NYIL during the year up to 27 August 2015, for sales of game. The game publishing income was determined and agreed by both parties.
- (iv) Advertising expenses was paid to Innovation Power, of which the owner is a brother of the Company's shareholder and director, for the advertisements posted in the multimedia during the year. The advertising fee paid was determined and agreed by both parties.
- (v) The entire equity interest in ongameshow (one issued share totaling HK\$1) was disposed to Mr. Sze on 25 September 2015 as part of the Reorganisation and the consideration of HK\$1 was settled on the date of disposal.

(b) Compensation of key management personnel

	2015 HK\$'000	2014 HK\$'000
Total remuneration of Directors and other members of key management during the year was as follows:		
Fees, salaries and staff welfare benefits	3,218	2,427
Discretionary bonus	—	1,013
Total short-term employee benefits	3,218	3,440
Defined contribution plans (post employment benefits)	125	111
	3,343	3,551

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are an integrated game developer, operator and publisher focusing in the market of Hong Kong and Taiwan. We operate and publish our self/co-developed and licensed games in Hong Kong and/or Taiwan primarily through our game distribution platforms as well as other third-party distribution platforms. We collect payments from players either through third-party distribution platforms such as Apple Store and Google Play, or third-party payment vouchers, such as pre-paid game cards/vouchers. We also operate licensed games which utilize our own distribution platforms and payment channels. We consider such integration of upstream and downstream services in the value chain of the game industry has provided us with a better market position. Since the establishment of our predecessor group in 1999, we have participated in the game industry of Hong Kong for over ten years.

We believe that there are certain risks involved in our operations, many of which are beyond our control. A small number of games have generated a majority of our revenue, and we must continue to launch games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position. Our new games may attract players away from our existing games, which may have a material adverse impact on our business, financial performance and results of operations.

Furthermore, our intangible assets are one of the principal components of our total assets. If the game operated by us was not well anticipated by our game players and ceased operation before its expected game life or agreed term of license agreement, the impairments to be made on our intangible assets would materially and adversely affect our results of operations, financial conditions and business prospects.

## INDUSTRY REVIEW

Our market share in terms of total revenue generated from game operated/published by locally based companies in the online PC and mobile games operation/publishing market in Hong Kong was approximately 11.7% in 2014 and approximately 9.0% for the six months ended 30 June 2015, while that in Taiwan was approximately 0.3% and 0.2% for the respective periods.

## OUR GAMES

We provide a wide range of mobile games, online PC games and web-games on a free-to-play basis. We strategically focus on games based on popular literatures, comics and animations as we believe we can leverage on the critical mass of the captive readership, to maximize the market recognition and receptiveness at a reduced marketing costs, attracting readers of these popular literatures, comics and animations, to try and play these games. By leveraging the experience and networks of our management in the game industry, we have successfully secured rights to adopt seven popular literatures, comics and animations, including, Sea Tiger\* (海虎), The Ice Fantasy\* (幻城), The Storm Riders\* (風雲) and The Ravages of Time\* (火鳳燎原) into games.

We have launched ten new mobile games during the year ended 31 December 2015, among which two are self/co-developed games, five are licensed games and the remaining three are games for publishing.

Our self/co-developed games and licensed games generate revenue primarily from the sales of in-game virtual items that enable game players to advance in the game more conveniently or enhancing game players' in-game experience through obtaining additional powers, abilities and attractiveness etc. of their in-game characters. We generally adopt a free-to-play model for our games. Under this free-to-play model, players can play the basic features of the games for free.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 50.2% from approximately HK\$78.7 million for the year ended 31 December 2014 to approximately HK\$118.2 million for the year ended 31 December 2015, primarily attributable to the combined effect of (i) a HK\$54.1 million increase in our game operation income from our licensed games primarily due to the increase in revenue from mobile games which included the launch of Demi-Gods and Semi-Devils 3D\* (天龍八部 3D); (ii) a HK\$1.8 million increase in our game publishing income from mobile games; and (iii) a HK\$15.0 million decrease in our game operation income from our online PC games for the year ended 31 December 2015.

### *Revenue by game ownership and forms*

The following table sets out a breakdown of our revenue by its type in absolute amounts and as percentage of our revenue for the periods indicated:

	For the year ended 31 December			
	2015		2014	
	HK\$'000	%	HK\$'000	%
<b>Game operation income</b>				
– Self/co-developed games	23,830	20.2	23,238	29.5
– Licensed games	89,780	76.0	51,351	65.3
<b>Game publishing income</b>				
– Games for publishing	2,895	2.4	2,610	3.3
<b>Income from game operation and publishing</b>	<b>116,505</b>	<b>98.6</b>	77,199	98.1
Royalty income	208	0.2	1,054	1.4
License fee income	1,468	1.2	415	0.5
Total	<b>118,181</b>	<b>100</b>	78,668	100

## MANAGEMENT DISCUSSION AND ANALYSIS

We offered our games in three forms: mobile games, online PC games and web games. The following table sets out a revenue breakdown by game forms in absolute amounts and as percentage of our revenue for the periods indicated:

	For the year ended 31 December			
	2015		2014	
	HK\$'000	%	HK\$'000	%
Mobile games	97,639	82.6	41,551	52.8
Online PC games	18,508	15.7	34,698	44.1
Web games	358	0.3	950	1.2
<b>Income from game operation and publishing</b>	<b>116,505</b>	<b>98.6</b>	77,199	98.1
Royalty income	208	0.2	1,054	1.4
License fee income	1,468	1.2	415	0.5
<b>Total</b>	<b>118,181</b>	<b>100</b>	<b>78,668</b>	<b>100</b>

To align ourselves with the market trend of the game industry in Hong Kong and Taiwan, we have shifted our strategic focus from online PC games and web games to mobile games. With more mobile games and less online PC games and web games operated and/or published by us, there was an overall increase in revenue contribution from our mobile games and an overall decrease in revenue contribution from our online PC games and web games. Our Directors expect that the percentage of revenue contributed from our mobile games will continue to increase in the foreseeable future.

### Cost of services rendered

The Group's cost of services rendered for the year ended 31 December 2015 was approximately HK\$65.0 million, representing an increase of approximately 46.1% from approximately HK\$44.5 million for the corresponding period in 2014, primarily attributable to the combined effect of (i) a HK\$8.9 million increase in channel fees primarily resulted from the operation and publishing of more mobile games in 2015 which were more dependent on services by third-party distribution platforms than that for online PC games and web games; (ii) a HK\$7.5 million increase in royalty expenses primarily resulted from an increase in our game operation income from our licensed games; and (iii) a HK\$2.4 million increase in amortization of our intangible assets during the year ended 31 December 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2015 was approximately HK\$53.2 million, representing an increase of approximately 56.0% from approximately HK\$34.1 million for the year ended 31 December 2014, primarily contributed by an increase in our game operation income from our licensed games.

The Group's gross profit margin for the year ended 31 December 2015 was approximately 45.0%, representing an increase of approximately 1.6 percentage points compared to approximately 43.4% for the year ended 31 December 2014. The increase in the Group's gross profit margin was primarily due to the increased in revenue from licensed mobile games was higher than the cost incurred.

## Other income

Our other income increased by approximately 25.0% from approximately HK\$1.2 million for the year ended 31 December 2014 to approximately HK\$1.5 million for the year ended 31 December 2015, primarily attributable to the recognition of gain on disposal of a subsidiary, Onegameshow.com Limited, of approximately HK\$0.9 million in 2015.

## Selling expenses

The Group's selling expenses for the year ended 31 December 2015 were approximately HK\$17.4 million, representing an increase of approximately 30.8% from approximately HK\$13.3 million for the corresponding period in 2014, primarily attributable to a HK\$4.0 million increase in marketing and promotion costs as a result of stronger marketing and promotion effort for the introduction of new games in 2015.

## Administrative expenses

The Group's administrative expenses for the year ended 31 December 2015 were approximately HK\$27.4 million, representing an increase of approximately 142.5% from approximately HK\$11.3 million for the year ended 31 December 2014, primarily due to a HK\$16.0 million increase in listing expenses for the services rendered by professional parties for the listing process in 2015.

## Other expenses

The Group's other expenses for the year ended 31 December 2015 were approximately HK\$2.5 million, representing an increase of approximately 316.7% from approximately HK\$0.6 million for the year ended 31 December 2014, primarily due to HK\$2.1 million increase in impairment on our intangible assets mainly attributable to the fact that more licensed games could not achieve the expected level of paying players in 2015 than that in 2014.

## Income tax expense

The Group's income tax expense for the year ended 31 December 2015 was approximately HK\$4.3 million, representing an increase of approximately 43.3% from approximately HK\$3.0 million for the year ended 31 December 2014. The increase in the Group's income tax expenses was mainly as a result of the increase in our taxable profit primarily attributable to the increase in revenue from our operation in Hong Kong.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit for the year

Our net profit decreased by approximately 55.7% from approximately HK\$7.0 million for the year ended 31 December 2014 to approximately HK\$3.1 million for the year ended 31 December 2015, primarily attributable to the combined effect of (i) a HK\$19.1 million increase in our gross profit for the year ended 31 December 2015 primarily attributable to an increase in our revenue contributed by our game operation income from our licensed games; (ii) a HK\$4.1 million increase in our selling expenses primarily attributable to more marketing and promotion costs for game promotion; and (iii) a HK \$16.1 million increase in our administrative expenses primarily attributable to the recognition of listing expenses for the year ended 31 December 2015.

## BUSINESS OBJECTIVES

Our Company has only become listed on GEM since 13 January 2016. The period prior to the Listing Date (that is, from 23 December 2015, being the latest practicable date as defined in the prospectus of the Company issued on 31 December 2015 (the “Prospectus”), to 31 December 2015 (the “Relevant Period”)) was relatively short and no proceeds was available during the Relevant Period. The Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

## USE OF PROCEEDS FROM THE PLACING OF SHARES

Our Company was successfully listed on the GEM on 13 January 2016 by way of placing of a total of 40,000,000 new shares in our Company at the placing price of HK\$1.25 each (the “Placing”) and the net proceeds raised from the Placing were about HK\$25.6 million after deducting the listing-related expenses.

In line with that disclosed in the Prospectus, the Company intends to use approximately HK\$8.03 million, HK\$4.34 million, HK\$0.4 million, HK\$0.8 million, HK\$6.83 million, HK\$2.73 million and HK\$2.47 million respectively for (i) expanding game portfolio through introducing more high-quality licensed games with a focus on mobile games; (ii) securing the development rights for popular literatures, comics and animations; (iii) utilizing the existing games and development rights to broaden revenue stream; (v) enhancing game development capacity and increase the investment in game technology to increase the number of self-developed games; (vi) consolidating market position and enhancing marketing efforts; (vii) pursuing strategic alliances and acquisition opportunities; and (viii) working capital and other general corporate purposes.

Since the Company was listed after 31 December 2015, the disclosure requirement under Rule 18.08A of the GEM Listing Rules is not applicable in this annual report.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During the year ended 31 December 2015, we did not have any bank borrowings. As at 31 December 2014 and 2015, we had cash and cash equivalents of approximately HK\$37.6 million and HK\$45.5 million, respectively, which were cash at banks and in hand. No banking facility has been arranged by our Group during the year ended 31 December 2015. We expect that our liquidity position would further be strengthened by using the combination of cash generated from our operating activities and the net proceeds received from the Placing. Going forward, we intend to use our capital for our operations and the expansion plans as stated in the Prospectus.

# MANAGEMENT DISCUSSION AND ANALYSIS

Our primary uses of cash have been and are expected to continue to be operating costs and capital expenditure.

## BORROWING AND GEARING RATIO

During the year ended 31 December 2015, we did not have any short-term or long-term bank borrowings.

As at 31 December 2015, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was approximately 37.2% (31 December 2014: approximately 29.0%).

## TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. We monitor our trade receivables on an ongoing basis and only trade with creditworthy parties. We consider the credit risk on liquid funds as low because the counterparties are major banks with high credit ratings. We are subject to concentration of credit risk since majority of our trade receivables are due from a limited number of trade debtors which were primarily the third-party game distribution platforms and payment channels. To manage liquidity risk, we closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement.

## CAPITAL STRUCTURE

During the year ended 31 December 2015, the capital structure of our Group consisted of cash and cash equivalents and equity attributable to owners of our Company, comprising issued share capital and reserves.

## FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposures to currency risk arise mainly from its overseas income or payment on royalty and license fee, which are primarily denominated in US dollar, Japanese Yen or Renminbi. These are not the functional currencies of our principal subsidiaries to which these transactions related. We currently do not have a foreign currency hedging policy. However, we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## CHARGE ON GROUP ASSETS

As at 31 December 2015, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2014: Nil).

## CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMMITMENTS

Our contract commitments mainly involve leases of office properties and acquisition of intangible assets. As at 31 December 2015, the Group's operating leases were approximately HK\$1.8 million (31 December 2014: approximately HK\$3.0 million) and capital commitments for acquisition of intangible assets were approximately HK\$1.9 million (31 December 2014: approximately HK\$3.4 million).

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In preparation for the Listing, the Company underwent corporate reorganization, the details of which are set out in the section headed "History, Reorganization and Structure of our Group" of the Prospectus.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2015.

## DONATIONS

Charitable donations made by the Group during the year ended 31 December 2015 amounted to HK\$0.1 million (31 December 2014: HK\$0.1 million).

## INFORMATION ON EMPLOYEES

As at 31 December 2015, the Group had 87 employees (31 December 2014: 67) working in Hong Kong, Taiwan and the People's Republic of China (the "PRC"). Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for the year ended 31 December 2015 amounted to approximately HK\$16.3 million (31 December 2014: HK\$15.2 million). The dedication and hard work of the Group's staff during the year ended 31 December 2015 are generally appreciated and recognized.

## SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Scheme") on 23 December 2015 which will remain in force for a period of 10 years from the effective date of the Scheme. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The principal terms of the Scheme are summarized in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

For the year ended 31 December 2015, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

## OTHER INFORMATION

### FUTURE PROSPECTS

The Group intend to expand our game portfolio through procuring more high-quality licensed games. We will continue to diversify our game portfolio and to maintain novelty of our games. In order to adapt to the fast-changing preference of game players and increase the chance of market success of our games, we will continue to seek development rights to popular literatures, comics and animations that are attractive to local game players and possess strong monetizing potentials.

We currently develop, operate and publish games in Traditional Chinese language only. To maximize the value of our self/co-developed games, we intend to explore market opportunity of other geographic markets by offering other language version (such as English or Malay versions) of our self/co-developed games. In order to focus our efforts on game development, we will license such games to third-party game operators in other geographic locations besides Hong Kong and Taiwan. Meanwhile, it is our plan to adopt some of our self/co-developed online PC games classic into mobile games.

We strive to introduce high-quality games and deliver the superior game experience to players in order to retain their interests in our games. It is our constant endeavor to elevate the awareness of our brand-name in order to associate our brand with high-quality games and appealing game experience. This is achieved through investments in talents, expanding our game development team and hiring more staff, upgrades of software such as game engines, game-designing tools, and the acquisition of hardware to accommodate increasing technical demands for operating the games. Furthermore, our investment in technology, both in terms of hardware and software, would raise the entry barrier for future competitors as well as maintaining our competitive edge against existing competitors.

We believe the longevity of our games can be extended through promotion and marketing activities. As such, we shall increase our promotion spending on our games. Furthermore, we shall expand our player base through special promotion and marketing events, such as participating in other game fairs and festivals.

In order to increase our market share in the mobile games industry, we plan to expand our business through both organic growth and strategic acquisitions and partnerships. We intend to selectively invest in or enter into strategic partnerships with complementary game developers, development teams, other game operators and distributors in order to broaden the scope, spectrum and reach of our games, particularly mobile games. We currently do not have any identified acquisition interests.

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE PRACTICE**

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code from 13 January 2016 (the “Listing Date”) up to the date of this annual report.

### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance from the Listing Date up to the date of this annual report.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Shares have been listed on the GEM of the Stock Exchange since 13 January 2016. Save as the Listing, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2015.

### **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during year ended 31 December 2015.

### **NON-COMPETITION UNDERTAKINGS IN DIRECTORS’ SERVICE CONTRACT**

Each of the executive Directors has undertaken, among other things, not to accept any positions/job titles or conduct any business transactions with any individual or company that in any way competes with the Group or our associated companies, whether directly or indirectly. The executive Directors have also undertaken that they would not hold more than 5% of the economic interests and/or participate in any business activities of the aforesaid companies. Each of the executive Directors confirms that he had complied with the non-competition undertakings as set out in their respective service contracts from the date of the service contract up to the date of this annual report.

### **INTERESTS OF THE COMPLIANCE ADVISER**

As confirmed by the Group’s compliance adviser, Innovax Capital Limited (the “Compliance Adviser”), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 18 December 2015, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.



## **OTHER INFORMATION**

### **EVENTS AFTER THE REPORTING PERIOD**

The Company's shares were listed on the GEM of the Stock Exchange on 13 January 2016. A share option scheme (the "Scheme") adopted by the Company was approved by the shareholders on 13 January 2016. Details of the Scheme are set out in Prospectus dated 31 December 2015.

Save as disclosed above and elsewhere in these consolidated financial statements, no other significant events took place subsequent to 31 December 2015.

### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the Year (2014: Nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

### **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

### **Audit Committee**

The Audit Committee was established on 23 December 2015. The chairman of the Audit Committee is Mr. Lu Tak Meng Teddy, our independent non-executive Director, and other members included Mr. Yung Kai Tai and Dr. Fung Ying Him Anthony, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the GEM website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

## OTHER INFORMATION

The Group's consolidated financial statements for the year ended 31 December 2015 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2015 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made. The consolidated financial statements of the Group have been agreed by the auditor of the Group.

By order of the Board  
**Gameone Holdings Limited**  
**Sze Yan Ngai**  
*Chairman and Executive Director*

Hong Kong, Tuesday, 22 March 2016

*As at the date of this announcement, the executive Directors are Mr. Sze Yan Ngai and Mr. Lam Kin Fai; the non-executive Directors are Ms. Wong Pui Yain and Mr. Hong Ming Sang; and the independent non-executive Directors are Mr. Yung Kai Tai, Dr. Fung Ying Him Anthony and Mr. Iu Tak Meng Teddy.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company's website at <http://www.gameone.com.hk>.*