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GAMEONE HOLDINGS LIMITED

智傲控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8282)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 GEM 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 enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board (the “**Board**”) of directors (the “**Directors**”) of Gameone Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2017 (the “**Year**”), together with the audited comparative figures for the preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 HK\$’000	2016 HK\$’000
Revenue	5	79,634	79,612
Cost of services rendered		<u>(53,351)</u>	<u>(53,525)</u>
Gross profit		26,283	26,087
Other income	5	418	209
Selling expenses		(20,897)	(14,319)
Administrative expenses		(18,197)	(19,908)
Other expenses		<u>(5,554)</u>	<u>(1,981)</u>
Loss before income tax	6	(17,947)	(9,912)
Income tax credit	7	<u>242</u>	<u>1,100</u>
Loss for the year		<u>(17,705)</u>	<u>(8,812)</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of financial statements of foreign operations		<u>(1,392)</u>	<u>(206)</u>
Other comprehensive income for the year		<u>(1,392)</u>	<u>(206)</u>
Total comprehensive income for the year		<u>(19,097)</u>	<u>(9,018)</u>
Loss for the year attributable to:			
Owners of the Company		(17,703)	(8,808)
Non-controlling interests		<u>(2)</u>	<u>(4)</u>
		<u>(17,705)</u>	<u>(8,812)</u>

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total comprehensive income attributable to:			
Owners of the Company		(19,095)	(9,014)
Non-controlling interests		(2)	(4)
		<u>(19,097)</u>	<u>(9,018)</u>
		2017 <i>HK\$</i>	2016 <i>HK\$</i>
Losses per share	<i>9</i>		
– Basic and Diluted		<u>(0.11)</u>	<u>(0.06)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,375	3,601
Intangible assets		<u>20,116</u>	<u>15,006</u>
		<u>23,491</u>	<u>18,607</u>
Current assets			
Inventories		26	38
Trade receivables	<i>10</i>	14,094	5,528
Prepayments, deposits and other receivables	<i>11</i>	16,162	9,731
Amounts due from non-controlling shareholders of a subsidiary		400	344
Tax recoverable		98	644
Cash at banks and on hand		<u>42,459</u>	<u>76,209</u>
		<u>73,239</u>	<u>92,494</u>
Current liabilities			
Trade payables	<i>12</i>	2,521	3,460
Accrued expenses and other payables	<i>13</i>	5,794	4,618
Deferred income		16,741	11,891
Amount due to a related company		<u>97</u>	<u>216</u>
		<u>25,153</u>	<u>20,185</u>
Net current assets		<u>48,086</u>	<u>72,309</u>
Total assets less current liabilities		<u>71,577</u>	<u>90,916</u>
Non-current liabilities			
Deferred taxation		<u>–</u>	<u>242</u>
Net assets		<u><u>71,577</u></u>	<u><u>90,674</u></u>

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
EQUITY			
Share capital		1,600	1,600
Reserves		69,583	88,678
		<hr/>	<hr/>
Equity attributable to the Company's owners		71,183	90,278
Non-controlling interests		394	396
		<hr/>	<hr/>
Total equity		71,577	90,674
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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, Uglan House, Grand Cayman, KY1-1104 Cayman Islands. The Company's principal place of business is located at Room 1808-9, 18/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The Company's shares were listed on 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 in Hong Kong, People's Republic of China (the "PRC") and Taiwan.

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

(a) Adoption of new/revised HKFRSs-effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has no impact on these financial statements as the Group did not have any changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(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. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 16	Leases ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Annual Improvement to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing costs ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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 “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

(b) Basis of measurements

The financial statements have been prepared under the historical cost convention.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

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

The Group’s revenue and information about its non-currents assets by geographical location are detailed below.

	2017 <i>HK\$’000</i>	2016 <i>HK\$’000</i>
By country/region		
Hong Kong (place of domicile)	72,024	73,027
Taiwan	7,365	6,580
Others	245	5
	79,634	79,612

Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
By country/region		
Hong Kong (place of domicile)	22,388	17,579
Taiwan	1,091	1,026
PRC	12	2
	<u>23,491</u>	<u>18,607</u>

Information about major customers

There is no single customer contributed to 10% or more revenue to the Group's revenue for the year.

5. REVENUE AND OTHER INCOME

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Game operation income	74,020	76,359
Game publishing income	5,276	2,067
Royalty income	23	56
License fee income	315	1,130
	<u>79,634</u>	<u>79,612</u>
Other income		
Interest income	9	10
Gain on disposal of property, plant and equipment	–	7
Other income	409	192
	<u>418</u>	<u>209</u>
	<u>80,052</u>	<u>79,821</u>

6. LOSS BEFORE INCOME TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<i>Under cost of services rendered:</i>		
Cost of inventories recognized as expenses	–	148
Amortization of intangible assets	5,453	8,219
Royalty expenses	17,370	15,617
<i>Under administrative expenses:</i>		
Auditor's remuneration	606	728
Exchange (gain)/losses, net	(71)	87
Operating lease charges	3,181	2,537
Listing expenses	–	816
<i>Under other expenses:</i>		
Impairment on intangible assets	5,544	1,905
Written off of inventories	–	27
Loss on disposal of property, plant and equipment	10	–
Written off of prepayment and receivables	–	46
<i>Depreciation of property, plant and equipment:</i>		
– Under cost of services rendered	1,072	1,336
– Under administrative expenses	1,124	306
	2,196	1,642
<i>Staff costs excluding directors' remuneration:</i>		
– Salaries and allowances	14,255	15,453
– Contributions on defined contribution retirement plan	1,142	1,103
– Discretionary bonuses	993	1,139
	16,390	17,695

No depreciation was included in the cost of research and development for the year ended 31 December 2017 (2016: approximately HK\$3,000). The salaries included in the cost of research and development for the year ended 31 December 2017 amounted to approximately HK\$5,791,000 (2016: approximately HK\$4,993,000).

7. INCOME TAX CREDIT

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax-Hong Kong Profits Tax		
– Tax for the year	–	206
– Over provision in prior years	–	(1,276)
	–	(1,070)
Current tax-PRC Tax		
– Tax for the year	–	–
	–	(1,070)
Deferred tax	(242)	(30)
Income tax credit	<u>(242)</u>	<u>(1,100)</u>

No provision for PRC Enterprise Income Tax (“EIT”) was made as the Group has not generated any tax assessable profits in the PRC for both years. A provision for the EIT in the PRC is calculated at the applicable rate of 25% in accordance with the relevant laws and regulation in PRC.

No Profits Tax for the Taiwan branch has been provided as the Taiwan branch has not generated any tax assessable profits in Taiwan for both years. A provision for the EIT in the Taiwan is calculated at the applicable rate of 17% in accordance with the relevant laws and regulation in Taiwan.

No provision for Hong Kong Profits Tax was made as the Group has not generated any tax assessable profits in the Hong Kong for the year ended 31 December 2017. A provision for Hong Kong Profits Tax was made at the rate of 16.5% for the Group’s estimated assessable profits derived in Hong Kong for both years.

Reconciliation between income tax credit and accounting loss at applicable tax rate is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before income tax	<u>(17,947)</u>	<u>(9,912)</u>
Tax on loss before income tax, calculated at rates applicable to profits in the tax jurisdictions concerned	(2,961)	(1,858)
Tax effect of non-deductible expenses	379	153
Tax effect of non-taxable revenue	(5)	(2)
Tax effect of tax losses not recognized	2,309	1,870
Tax effect of deductible temporary differences not recognized	–	13
Over provision in prior years	–	(1,276)
Utilization of tax losses previously not recognized	36	–
Income tax credit	<u>(242)</u>	<u>(1,100)</u>

8. DIVIDENDS

No dividends have been paid or declared by the Company or any of the subsidiaries during the year (2016: Nil).

9. LOSSES PER SHARE

The calculation of basic losses per share is based on the loss attributable to the owners of the Company and on the basis of the weighted average number of 160,000,000 ordinary shares (2016: 160,000,000 ordinary shares) in issue.

The calculation of basic loss per share is based on the loss attributable to the owners of the Company on the basis of weighted average number of 160,000,000 ordinary shares in issue, being the number of shares of the Company after the completion of the Group reorganization, capitalization issue, and placing of shares upon the listing of the Company's shares on GEM of the Stock Exchange on 13 January 2016.

No diluted earnings per share is calculated for the year ended 31 December 2017 (2016: Nil) as there was no potential dilutive ordinary share in existence.

10. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	<u>14,094</u>	<u>5,528</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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Not more than 30 days	11,233	5,109
30-60 days	2,624	275
Over 60 days	<u>237</u>	<u>144</u>
	<u>14,094</u>	<u>5,528</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	11,275	5,211
Not more than 30 days	2,015	173
30-60 days	573	84
Over 60 days	<u>231</u>	<u>60</u>
	<u>14,094</u>	<u>5,528</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.

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. During the year ended 31 December 2017, the Group has no written off trade receivables (2016: HK\$46,000) directly to the profit or loss for the year (note 6). None of the trade receivables as at 31 December 2017 (2016: 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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Prepayments	15,091	8,635
Deposits	804	809
Other receivables	267	287
	<u>16,162</u>	<u>9,731</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 AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accrued expenses	4,484	3,097
Other payables	1,292	1,275
Receipt in advance	18	246
	<u>5,794</u>	<u>4,618</u>

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

14. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Royalty expenses paid to:			
Suzhou Snail Digital Technology Company Limited	<i>(i)</i>	1,386	5,049
Game development services fee paid to:			
Innepage Limited	<i>(ii)</i>	162	–

Notes:

- (i) 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.
- (ii) Game development services fee was paid to Innepage Limited, of which a non-controlling shareholder of the Company, for the game development during the year. The game development services fee was determined and agreed by both parties.

(b) Compensation of key management personnel

	2017 HK\$'000	2016 HK\$'000
Total remuneration of Directors and other members of key management during the year was as follows:		
Fees, salaries and staff welfare benefits	4,384	4,099
Discretionary bonus	2,143	2,752
Total short-term employee benefits	6,527	6,851
Defined contribution plans (post employment benefits)	107	107
	6,634	6,958

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are an integrated game developer, operator and publisher focusing on the market of Hong Kong and Taiwan. We operate and publish our self/co-developed and licensed games in Hong Kong and Taiwan primarily through our game distribution platforms as well as other third-party distribution platforms. We collect payments from players either through our own game platform, third-party distribution platforms such as Apple Store and Google Play, or third-party payment vendors, which include convenience stores selling pre-paid game cards/vouchers. 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.

For the year ended 31 December 2017, the Group recorded a net loss of approximately HK\$17.7 million as compared to a net loss of approximately HK\$8.8 million for the same period in 2016. The Directors are of the view that the downturn experienced by the Group during the year ended 31 December 2017 was due to a tougher competitive condition in the mobile game industry faced by the Group in Hong Kong and Taiwan. In view of the expected game launch date and in order to increase our competition in mobile game market in Hong Kong and Taiwan, the Board will closely monitor the performance of the Group and the Group will continue to pursue the key business strategies to expand game portfolio through introducing more high-quality licensed games with a focus on mobile games, to consolidate market position and to enhance marketing efforts.

Our new mobile game development license

We are licensed by Culturecom Holdings Limited (Stock Code: 343) to develop a mobile game “Licensed Oriental Heroes AR” (正牌龍虎門AR), based on the classic comic “Oriental Heroes”. In the game, players may select to join one of the five organizations, including “Dragon and Tiger Gate (龍虎門)”, “Lousha Gate (羅刹教)” and “White Lotus Society (白蓮教)”. The game is expected to be launched in the fourth quarter of 2018.

We have also obtained game development rights licensed by SNK Asia Co., Limited, a subsidiary of SNK Corporation (“**Japan SNK**”), for its products, such as KOF’95, KOF’96 and KOF’97. The Group endeavors to develop a mobile KOF game with GPS positioning and AR technique, temporarily named as “The King of Fighters – The Orochi Saga Go (拳皇大蛇篇GO)”. The game is expected to be launched in the second quarter of 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$79.6 million for the year ended 31 December 2017 as similar with that of the financial year of 2016. It was due to the revenue recorded in the fourth quarter of Demi-Gods and Semi-Devils (Mobile version) (天龍八部手機版) and Yulgang (Mobile version) (熱血江湖手機版) contributing to 30.0% of our total revenue in 2017. Thus, our revenue increased in the fourth quarter as compared to other quarters in 2017.

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			
	2017		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Game operation income				
– Self/co-developed games	17,851	22.4	14,096	17.7
– Licensed games	56,169	70.5	62,263	78.2
Game publishing income				
– Games for publishing	5,276	6.6	2,067	2.6
Income from game operation and publishing	79,296	99.5	78,426	98.5
Royalty income	23	0.1	56	0.1
License fee income	315	0.4	1,130	1.4
Total	79,634	100.0	79,612	100.0

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			
	2017		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Mobile games	67,111	84.2	68,609	86.2
Online PC games	12,185	15.3	9,739	12.2
Web games	–	–	78	0.1
Income from game operation and publishing	79,296	99.5	78,426	98.5
Royalty income	23	0.1	56	0.1
License fee income	315	0.4	1,130	1.4
Total	79,634	100.0	79,612	100.0

Cost of services rendered

The Group's cost of services rendered for the year ended 31 December 2017 was approximately HK\$53.4 million as similar with that of the financial year of 2016.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2017 was approximately HK\$26.3 million, representing a slightly increase of approximately 0.8% from approximately HK\$26.1 million for the year ended 31 December 2016. The Group's gross profit margin for the year ended 31 December 2017 was approximately 33.0%, representing a slightly increase of approximately 0.2 percentage points as compared to approximately 32.8% for the year ended 31 December 2016.

Selling expenses

The Group's selling expenses for the year ended 31 December 2017 were approximately HK\$20.9 million, representing an increase of approximately 46.2% from approximately HK\$14.3 million for the corresponding period in 2016, primarily attributable to an increase in promotion and advertising expenses for the new self/co-developed mobile game, Warlocks Z (魔法軍團Z) and licensed mobile games, Demi-Gods and Semi-Devils (Mobile version) (天龍八部手機版) and Yulgang (Mobile version) (熱血江湖手機版).

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2017 were approximately HK\$18.2 million, representing a decrease of approximately 8.5% from approximately HK\$19.9 million for the year ended 31 December 2016, primarily attributable to a decrease in legal and professional fees.

Loss for the year

The Group recorded a loss for the year ended 31 December 2017 of approximately HK\$17.7 million as compared with a loss of approximately HK\$8.8 million for the corresponding period in 2016, primarily attributable to the combined effect of (i) an approximately HK\$1.8 million increase in royalty expenses of licensed mobile games, mainly Demi-Gods and Semi-Devils (Mobile version) (天龍八部手機版) and Yulgang (Mobile version) (熱血江湖手機版); (ii) an approximately HK\$6.8 million increase in promotion and advertising expenses, mainly for the new self/co-developed mobile game, Warlocks Z (魔法軍團Z) and licensed mobile games, Demi-Gods and Semi-Devils (Mobile version) (天龍八部手機版) and Yulgang (Mobile version) (熱血江湖手機版); and (iii) the recognition of impairment loss on the intangible assets of certain games of the Group in an amount of approximately HK\$5.5 million due to the write-down of license fees paid for certain licensed games of the Group which failed to achieve the expected performance level.

Comparison between Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Company's prospectus (the "**Prospectus**") dated 13 January 2016 ("**Listing Date**") with actual business progress for the year ended 31 December 2017.

Business objectives

Expand our game portfolio – securing additional through introducing more high-quality licensed games with a focus on mobile games

Actual business progress up to 31 December 2017

- We had settled the fees payable to secure the license for the mobile games "King Corps" (王者軍團) and "Demi-Gods and Semi-Devils" (Mobile version) (天龍八部手機版).
- We have secured the license for the mobile game "Goodbye Weapon" (再見武器).

Business objectives

Continue to secure development rights for popular literatures, comics and animations

Consolidate our market position and enhance our marketing efforts – marketing and promotion of our existing licensed games and self/co-developed games

Pursue strategic alliances and acquisition opportunities

Fully utilise existing games and development rights to broaden our revenue stream – identifying business partners to produce game-related merchandise such as die-cast characters, etc.

Enhance our game development capacity and increase the investment in game technology to increase the number of self-developed games – acquisition of additional computer and related hardware and game design software

Actual business progress up to 31 December 2017

– We have secured and settled the development rights for the mobile games “Line Walker” (使徒行者), “The King of Fighters” (KOF’95, KOF’96 and KOF’97) (拳皇) and “Licensed Oriental Heroes AR” (正牌龍虎門AR).

We have increased the spending on the promotion of Warlocks Z (魔法軍團Z), Demi-Gods and Semi-Devils (Mobile version) (天龍八部手機版) and Yulgang (Mobile version) (熱血江湖手機版).

– We invested in GPS positioning and AR technique with strategic alliance.

– We produced gift box packing of our certain games.

We have acquired additional computer hardware and design software and commenced to develop a number of self-developed games such as Licensed “Oriental Heroes AR” (正牌龍虎門AR) and “The King of Fighters-The Orochi Saga Go” (拳皇大蛇篇GO).

As at the date of this announcement, the Directors of the Company do not anticipate any material change to the above intention.

USE OF PROCEEDS FROM PLACING

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 13 January 2016 (“**Listing**”) through a placement of 40,000,000 shares of HK\$0.01 each in the share capital of the Group at the price of HK\$1.25 per share, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, were approximately HK\$25.6 million. The future operation plans of the Group are as follows:

	Intended use of proceeds from the Listing as described in the Prospectus				Actual use of proceeds	
	From the Listing Date to 30 June 2016 (HK\$ Million)	For the six months ending 31 December 2016 (HK\$ Million)	For the six months ending 30 June 2017 (HK\$ Million)	For the six months ending 31 December 2017 (HK\$ Million)	Total (HK\$ Million)	Up to 31 December 2017 (HK\$ Million)
Proceeds from the Listing						
– Securing additional licensed mobile games	2.0	2.0	2.0	2.03	8.03	8.03
– Continue to secure development rights for popular literatures, comics and animations	1.0	1.0	1.0	1.34	4.34	4.34
– Identifying business partners to produce game-related merchandise	0.2	–	0.2	–	0.4	0.4
– Acquisition of additional computer and related hardware and game design software	–	0.4	–	0.4	0.8	0.8
– Marketing and promotion of our existing licensed games and self/co-developed games	1.5	1.5	1.5	2.33	6.83	6.83
– Pursue strategic alliances and acquisition opportunities	0.7	0.7	0.7	0.63	2.73	2.73
– Working capital and other general corporate purposes	0.6	0.6	0.6	0.67	2.47	2.47
Total	<u>6.0</u>	<u>6.2</u>	<u>6.0</u>	<u>7.4</u>	<u>25.6</u>	<u>25.6</u>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and the industry.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on Listing Date. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During the year ended 31 December 2017, we did not have any bank borrowings. As at 31 December 2017, we had cash and cash equivalents of approximately HK\$42.5 million (31 December 2016: approximately HK\$76.2 million), which were cash at banks and on hand. No banking facility has been arranged by our Group during the year ended 31 December 2017.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed herein, there was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2017.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2017, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any concrete plan for material investments or capital assets as at 31 December 2017.

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.

BORROWING AND GEARING RATIO

During the year ended 31 December 2017, we did not have any short-term or long-term bank borrowings.

As at 31 December 2017, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was approximately 26.0% (31 December 2016: approximately 18.4%).

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 monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement.

CHARGE ON GROUP ASSETS

As at 31 December 2017, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2016: Nil).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

COMMITMENTS

Our contract commitments mainly involve leases of office properties and acquisition of intangible assets. As at 31 December 2017, the Group's operating leases were approximately HK\$2.7 million (31 December 2016: approximately HK\$4.7 million) and capital commitments for acquisition of intangible assets were approximately HK\$4.0 million (31 December 2016: approximately HK\$7.2 million).

INFORMATION ON EMPLOYEES

As at 31 December 2017, the Group had 82 employees (31 December 2016: 82) 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, allowances and mandatory provident funds contributions of the Directors) for the year ended 31 December 2017 amounted to approximately HK\$21.1 million (31 December 2016: approximately HK\$22.4 million). The dedication and hard work of the Group's staff during the year ended 31 December 2017 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 2017, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme.

FUTURE PROSPECTS

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.

In order to increase our market share in the mobile game industry, we plan to expand our business through both organic growth and strategic 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.

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. During the year ended 31 December 2017, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard Dealings**”). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings throughout the year under review. Further the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

NON-COMPETITION UNDERTAKINGS

Each of Ms. Wong Pui Yain, Mr. Wong Kiam Seng and Mr. Sze Yan Ngai (together called, the “**Covenanting Shareholders**”) have confirmed to the Company of their respective due compliance with the terms of the Deed of Non-Competition since the Listing Date and up to the date of this announcement.

Our independent non-executive Directors have reviewed compliance of the Deed of Non-Competition and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced since the Listing Date and up to the date of this announcement.

During the year ended 31 December 2017, the Board had not received any written confirmation from any of our Directors in respect of interest in any business (other than our Group) which is or is likely to be directly or indirectly in competition with our business.

DONATION

Charitable donations made by the Group during the year ended 31 December 2017 amounted to approximately HK\$0.1 million (31 December 2016: approximately HK\$0.1 million).

INTERESTS OF THE COMPLIANCE ADVISOR

As confirmed by the Group's compliance advisor, Innovax Capital Limited (the “**Compliance Advisor**”), save as the compliance adviser agreement entered into between the Company and the Compliance Advisor dated 18 December 2015, none of the Compliance Advisor 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

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 2017 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. Iu Tak Meng Teddy, our independent non-executive Director, and other members include 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 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 or related financial management expertise.

The Group's consolidated financial statements for the Year 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 comply with applicable accounting standards, GEM Listing Rules and the Hong Kong Companies Ordinance and adequate disclosures have been made. The consolidated financial statements of the Group have been agreed by the auditor of the Group.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the “AGM”) is scheduled to be held on Wednesday, 16 May 2018. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 11 May 2018 to Wednesday, 16 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10 May 2018.

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

Hong Kong, 23 March 2018

As at the date of this announcement, the executive Directors are Mr. Sze Yan Ngai and Mr. Lam Kin Fai; the non-executive Director is Ms. Wong Pui Yain; 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 GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.gameone.com.hk.