



GAMEONE HOLDINGS LIMITED

智傲控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8282)

**ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2016**

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.

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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 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 2016 (the “Year”) together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	5	79,612	118,181
Cost of services rendered		<u>(53,525)</u>	<u>(64,982)</u>
Gross profit		26,087	53,199
Other income	5	209	1,526
Selling expenses		(14,319)	(17,368)
Administrative expenses		(19,908)	(27,440)
Other expenses		<u>(1,981)</u>	<u>(2,501)</u>
(Loss)/profit before income tax	6	(9,912)	7,416
Income tax credit/(expense)	7	<u>1,100</u>	<u>(4,318)</u>
(Loss)/profit for the year		<u>(8,812)</u>	<u>3,098</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>(206)</u>	<u>623</u>
Other comprehensive income for the year		<u>(206)</u>	<u>623</u>
Total comprehensive income for the year		<u>(9,018)</u>	<u>3,721</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME– CONTINUED**

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss)/profit attributable to:			
Owners of the Company		(8,808)	3,098
Non-controlling interests		<u>(4)</u>	<u>–</u>
		<u>(8,812)</u>	<u>3,098</u>
Total comprehensive income attributable to:			
Owners of the Company		(9,014)	3,721
Non-controlling interests		<u>(4)</u>	<u>–</u>
		<u>(9,018)</u>	<u>3,721</u>
		2016 <i>HK\$</i>	2015 <i>HK\$</i>
(Losses)/earnings per share	9		
– Basic and Diluted		<u>(0.06)</u>	<u>0.03</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,601	2,237
Intangible assets		15,006	20,679
		<hr/> 18,607	<hr/> 22,916
Current assets			
Inventories		38	156
Trade receivables	<i>10</i>	5,528	7,003
Prepayments, deposits and other receivables	<i>11</i>	9,731	13,625
Amount due from a related company		–	1,000
Amounts due from non-controlling shareholders of a subsidiary		344	–
Tax recoverable		644	–
Cash at banks and on hand		76,209	45,545
		<hr/> 92,494	<hr/> 67,329
Current liabilities			
Trade payables	<i>12</i>	3,460	3,458
Accrued expenses and other payables	<i>13</i>	4,618	15,378
Deferred income	<i>13</i>	11,891	10,449
Amount due to a related company		216	459
Provision for taxation		–	3,581
		<hr/> 20,185	<hr/> 33,325
Net current assets		<hr/> 72,309	<hr/> 34,004
Total assets less current liabilities		<hr/> 90,916	<hr/> 56,920
Non-current liabilities			
Deferred taxation		242	272
		<hr/> 90,674	<hr/> 56,648
Net assets		<hr/> 90,674	<hr/> 56,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED*As at 31 December 2016*

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY			
Share capital	<i>14</i>	1,600	85
Reserves		88,678	56,563
Equity attributable to the Company's owners		90,278	56,648
Non-controlling interests		396	–
Total equity		90,674	56,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

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 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 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – CONTINUED

(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.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ 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 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 pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

3. REORGANISATION, BASIS OF PRESENTATION AND BASIS OF PREPARATION

(a) 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.

3. REORGANISATION, BASIS OF PRESENTATION AND BASIS OF PREPARATION – CONTINUED

(a) Reorganisation and basis of presentation – continued

The consideration for the transfer of Onegameshow 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 Onegameshow 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 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 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 2015 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.

(b) 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 the GEM of The Stock Exchange of Hong Kong Limited.

(c) Basis of measurements

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

(d) 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
By country/region		
Hong Kong (place of domicile)	73,027	108,078
Taiwan	6,580	9,895
Others	5	208
	<u>79,612</u>	<u>118,181</u>

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.

5. REVENUE AND OTHER INCOME

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Game operation income	76,359	113,610
Game publishing income	2,067	2,895
Royalty income	56	208
License fee income	1,130	1,468
	<u>79,612</u>	<u>118,181</u>
Other income		
Interest income	10	2
Gain on disposal of property, plant and equipment	7	–
Gain on disposal of a subsidiary	–	944
Other income	192	580
	<u>209</u>	<u>1,526</u>
	<u>79,821</u>	<u>119,707</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2016	2015
	HK\$'000	HK\$'000
<i>Under cost of services rendered:</i>		
Cost of inventories recognised as expenses	148	130
Amortisation of intangible assets	8,219	7,560
Royalty expenses	15,617	25,040
<i>Under administrative expenses:</i>		
Auditor's remuneration	728	717
Exchange losses	87	67
Operating lease charges	2,537	2,202
Listing expenses	816	15,997
<i>Under other expenses:</i>		
Impairment on intangible assets	1,905	2,479
Written off of inventories	27	–
Written off of prepayments and receivables (note 10)	46	22
Depreciation of property, plant and equipment:		
– Under cost of services rendered	1,336	1,198
– Under administrative expenses	306	155
	1,642	1,353
Staff costs excluding directors' remuneration:		
– Salaries and allowances	15,453	12,707
– Contributions on defined contribution retirement plan	1,103	1,188
– Discretionary bonuses	1,139	600
	17,695	14,495

According to HKAS 38, research and development costs should comprise all expenditure that is directly attributable to research or development activities. As the development teams of the Group not only handle research and development aspects, the cost of research and development were included in the relevant expenses items, including depreciation of approximately \$3,000 and \$38,000 and salaries of approximately \$4,993,000 and \$3,877,000 for the two years ended 31 December 2016 and 2015 respectively.

7. INCOME TAX (CREDIT)/EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax-Hong Kong Profits Tax		
– Tax for the year	206	4,210
– Over provision in prior years	<u>(1,276)</u>	<u>–</u>
	(1,070)	4,210
Current tax-PRC Tax		
– Tax for the year	<u>–</u>	<u>–</u>
	(1,070)	4,210
Deferred tax	<u>(30)</u>	<u>108</u>
Income tax (credit)/expense	<u>(1,100)</u>	<u>4,318</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 profits 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 profits in the PRC for the year.

Reconciliation between income tax (credit)/expense and accounting (loss)/profit at applicable tax rate is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss)/profit before income tax	<u>(9,912)</u>	<u>7,416</u>
Tax on profit before income tax, calculated at rates applicable to profits in the tax jurisdictions concerned	(1,858)	1,048
Tax effect of non-deductible expenses	153	3,157
Tax effect of non-taxable revenue	(2)	(234)
Tax effect of tax losses not recognised	1,870	545
Tax effect of deductible temporary differences not recognised	13	(68)
Over provision in prior years	(1,276)	–
Others	<u>–</u>	<u>(130)</u>
Income tax (credit)/expense	<u>(1,100)</u>	<u>4,318</u>

8. DIVIDENDS

No dividends have been paid or declared by the Company or any of the subsidiaries during the year (2015: Nil).

9. (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per share is based on the loss attributable to the owners of the Company and on the basis of the weighted average number of 158,688,525 ordinary shares in issue.

For the year 2015, 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 2016 (2015: Nil) as there was no potential dilutive ordinary share in existence.

10. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<u>5,528</u>	<u>7,003</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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Not more than 30 days	5,109	6,804
30-60 days	275	132
Over 60 days	<u>144</u>	<u>67</u>
	<u>5,528</u>	<u>7,003</u>

10. TRADE RECEIVABLES – CONTINUED

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	5,211	6,798
Not more than 30 days	173	159
30-60 days	84	16
Over 60 days	60	30
	<hr/> 5,528 <hr/>	<hr/> 7,003 <hr/>

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 2016, the Group has written off trade receivables of HK\$46,000 (2015: HK\$22,000) directly to the profit or loss for the year (note 6). None of the trade receivables as at 31 December 2016 (2015: 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Prepayments	8,635	12,723
Deposits	809	569
Other receivables	287	333
	<hr/> 9,731 <hr/>	<hr/> 13,625 <hr/>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accrued expenses	3,097	12,375
Other payables	1,275	2,070
Receipt in advance	246	933
	<u>4,618</u>	<u>15,378</u>
Deferred income	<u>11,891</u>	<u>10,449</u>
	<u>16,509</u>	<u>25,827</u>

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

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 divided into 1,000,000,000 ordinary shares of HK\$0.01 each by creation of an additional 997,000,000 ordinary shares.

14. SHARE CAPITAL – CONTINUED

Issued and fully paid

	2016 Number	2016 HK\$'000	2015 Number	2015 HK\$'000
Ordinary shares				
At beginning of year	8,534,007	85	1	–
Issued shares upon group reorganisation	–	–	8,534,006	85
Capitalisation issue (<i>note (a)</i>)	111,465,993	1,115	–	–
Issued shares under placing (<i>note (b)</i>)	40,000,000	400	–	–
	<u>160,000,000</u>	<u>1,600</u>	<u>8,534,007</u>	<u>85</u>
At ending of year	<u>160,000,000</u>	<u>1,600</u>	<u>8,534,007</u>	<u>85</u>

Notes:

- (a) Pursuant to the written resolution of the shareholders passed on 23 December 2015, the Directors were authorised to capitalise the amount of HK\$1,114,659 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 111,465,993 shares for allotment and issue to the then existing shareholders of the Company, each ranking *pari passu* in all respects with the then existing issued shares. On 13 January 2016, the Company allotted and issued such shares as aforesaid and gave effect to the capitalisation issue.
- (b) On 13 January 2016, the Company issued 40,000,000 shares pursuant to the Company's listing on the GEM of the Stock Exchange by way of placing at a price of HK\$1.25 per share.

15. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Royalty expenses paid to:			
Suzhou Snail Digital Technology Company Limited	<i>(i)</i>	5,049	1,542
Game publishing income received from:			
Nineyou Information Technology (Shanghai) Limited ("NITS")	<i>(ii)</i>	–	254
Advertising expenses paid to:			
Innovation Power	<i>(iii)</i>	–	2,306
Gain on disposal of a subsidiary, ongameshow to Mr. Sze	<i>(iv)</i>	<u>–</u>	<u>944</u>

15. RELATED PARTY TRANSACTIONS – CONTINUED

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 publishing income was received from NITS, is subsidiary of Nineyou International Limited during the year up to 27 August 2015, for sales of game. The game publishing income was determined and agreed by both parties.
- (iii) 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.
- (iv) 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

	2016 <i>HK\$'000</i>	2015 HK\$'000
Total remuneration of directors and other members of key management during the year was as follows:		
Fees, salaries and staff welfare benefits	4,099	3,218
Discretionary bonus	2,752	–
	<u>6,851</u>	<u>3,218</u>
Total short-term employee benefits		
	<u>6,851</u>	<u>3,218</u>
Defined contribution plans (post employment benefits)	107	125
	<u>6,958</u>	<u>3,343</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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 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 2016, the Group recorded a net loss of approximately HK\$8.8 million as compared to a net profit of approximately HK\$3.1 million for the same period in 2015. The Directors are of the view that the downturn experienced by the Group during the year ended 31 December 2016 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 and consolidate market position and enhance marketing efforts.

Our new mobile game development license

During the year ended 31 December 2016, we have entered into mobile game development license contracts with Culturecom Holdings Limited (“Culturecom”; stock code: 343.HK) and SNK ASIA CO., LIMITED (formerly known as SNK PLAYMORE H.K. CO., LIMITED), a subsidiary of SNK CORPORATION (formerly known as SNK PLAYMORE CORPORATION) (“Japan SNK”), whereby the Group is granted licence for mobile games development rights for “Oriental Heroes” of Culturecom and “The King of Fighters (KOF’95, KOF’96 and KOF’97)” of Japan SNK, respectively.

We are licensed by Culturecom 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 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 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 decreased by approximately 32.7% from approximately HK\$118.2 million for the year ended 31 December 2015 to approximately HK\$79.6 million for the year ended 31 December 2016, primarily attributable to the combined effect of (i) an approximately HK\$18.8 million decrease in our game operation income from its licensed mobile games primarily due to the relatively lower revenue contribution from the product launch during the year ended 31 December 2016, in contrast with the significant increase in revenue recorded in the corresponding period last year as a result of the launch of Demi-Gods and Semi-Devils 3D* (天龍八部3D) in February 2015; (ii) an approximately HK\$0.8 million decrease in our game publishing income from mobile games and online PC games; (iii) an approximately HK\$8.1 million decrease in our game operation income from our online PC games for the year ended 31 December 2016; and (iv) an approximately HK\$10.0 million decrease in our game operation income from our self-developed mobile games for the year ended 31 December 2016.

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			
	2016		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Game operation income				
– Self/co-developed games	14,096	17.7	23,830	20.2
– Licensed games	62,263	78.2	89,780	76.0
Game publishing income				
– Games for publishing	2,067	2.6	2,895	2.4
Income from game operation and publishing	78,426	98.5	116,505	98.6
Royalty income	56	0.1	208	0.2
License fee income	1,130	1.4	1,468	1.2
Total	79,612	100	118,181	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			
	2016		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Mobile games	68,609	86.2	97,639	82.6
Online PC games	9,739	12.2	18,508	15.7
Web games	78	0.1	358	0.3
Income from game operation and publishing	78,426	98.5	116,505	98.6
Royalty income	56	0.1	208	0.2
License fee income	1,130	1.4	1,468	1.2
Total	79,612	100	118,181	100.0

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 2016 was approximately HK\$53.5 million, representing a decrease of approximately 17.7% from approximately HK\$65.0 million for the corresponding period in 2015, primarily attributable to the combined effect of (i) an approximately HK\$9.4 million decrease in royalty expenses primarily resulted from a decrease in our game operation income from our licensed games for the year ended 31 December 2016; (ii) an approximately HK\$1.7 million increase in staff cost primarily resulted from an increase of basic salary and distribution of discretionary bonus to our staff; (iii) an approximately HK\$0.7 million increase in amortization of its intangible assets; and (iv) an approximately HK\$4.6 million decrease in channel fee paid during the year ended 31 December 2016.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2016 was approximately HK\$26.1 million, representing a decrease of approximately 50.9% from approximately HK\$53.2 million for the corresponding period in 2015, primarily due to a decrease in the Group's game operation income from the Group's licensed games and self-developed games, offsetting by a decrease in the Group's cost of services rendered. The Group's gross profit margin for the year ended 31 December 2016 was approximately 32.8%, representing a decrease of approximately 12.2 percentage points compared to approximately 45.0% for the corresponding period in 2015. The decrease in the Group's gross profit margin was primarily due to the decrease in revenue from licensed games and partly due to the increase in fixed cost of services rendered, such as staff cost and amortization of its intangible assets.

Selling expenses

The Group's selling expenses for the year ended 31 December 2016 were approximately HK\$14.3 million, representing a decrease of approximately 17.8% from approximately HK\$17.4 million for the corresponding period in 2015, primarily attributable to approximately HK\$2.9 million decrease in marketing and promotion costs as a result of relatively lower marketing and promotion expense for the introduction of new games for the year ended 31 December 2016.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2016 were approximately HK\$19.9 million, representing a decrease of approximately 27.4% from approximately HK\$27.4 million for the corresponding period in 2015, primarily attributable to the combined effect of (i) an approximately HK\$15.2 million decrease in listing expenses for the services rendered by professional parties for the listing process; (ii) an approximately HK\$2.4 million increase in listing-related expenses including the increase in company secretary fees, compliance advisory fees and other professional fees incurred after the Listing; and (iii) an approximately HK\$4.4 million increase in staff costs due to the increase in basic salary and distribution of discretionary bonus to our staff during the year ended 31 December 2016.

Loss for the year

The Group recorded a loss for the year ended 31 December 2016 of approximately HK\$8.8 million as compared with a profit of approximately HK\$3.1 million for the corresponding period in 2015, primarily attributable to the combined effect of (i) an approximately HK\$27.1 million decrease in the gross profit for year ended 31 December 2016 primarily attributable to a decrease in the Group's revenue contributed by the Group's game operation income from the Group's licensed games and self-developed games; (ii) an approximately HK\$3.1 million decrease in the selling expenses primarily attributable to relatively lower marketing and promotion costs for game promotion; (iii) an approximately HK\$7.5 million decrease in the administrative expenses primarily attributable to the decrease of listing expenses for the services rendered by professional parties for the listing process; and (iv) the recognition of impairment loss on the intangible assets of certain mobile games of the Group in an amount of approximately HK\$1.9 million due to the write-down of license fees paid for certain mobile 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 with actual business progress for the year ended 31 December 2016.

Business objectives for the period from 13 January 2016 to 31 December 2016 as stated in the Prospectus

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

- securing additional licensed games

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

Actual business progress for the period from 13 January 2016 to 31 December 2016

We had settled the fees payable to secure the license for the mobile games Dachen Wushuang (大神無雙) and Dan-Dan Tangs (彈彈堂s).

– We have secured the license for the mobile games Jagged Martial Arts (鐵血武林), RED (超時空三國志) and Hero Castle (英雄之城).

– We have secured the development rights for the mobile game Line Walker (使徒行者), "The King of Fighters (KOF'95, KOF'96 and KOF'97) and "Licensed Oriental Heroes AR" (正牌龍虎門AR).

We have increased the spending on promotion Age of Wushu (Mobile) (九陰真經手機板), Hero Castle (英雄之城) and Jagged Martial Arts (鐵血武林).

We invested in GO Studio Limited, a Hong Kong company primarily engaged in mobile games development with GPS positioning and AR technique, in September 2016.

We produced T-shirt and gift box packing of Warlocks (魔法軍團Z) and The Legend of Gods (封神紀) for Ani-Com & Games Hong Kong 2016.

We have commenced to develop a number of self-developed games such as Licensed Oriental Heroes AR (正牌龍虎門AR) and City Legend GO (都市傳說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 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				Total (HK\$ Million)	Actual use of proceeds Up to 31 December 2016 (HK\$ Million)
	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)		
Proceeds from the Listing						
– Securing additional licensed mobile games	2.0	2.0	2.0	2.03	8.03	3.4
– Continue to secure development rights for popular literatures, comics and animations	1.0	1.0	1.0	1.34	4.34	2.0
– Identifying business partners to produce game-related merchandise	0.2	–	0.2	–	0.4	0.2
– Acquisition of additional computer and related hardware and game design software	–	0.4	–	0.4	0.8	0.4
– Marketing and promotion of our existing licensed games and self/co-developed games	1.5	1.5	1.5	2.33	6.83	3.0
– Pursue strategic alliances and acquisition opportunities	0.7	0.7	0.7	0.63	2.73	0.1
– Working capital and other general corporate purposes	0.6	0.6	0.6	0.67	2.47	1.2
Total	6.0	6.2	6.0	7.4	25.6	10.3

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 Date of Listing. There has been no change in the capital structure of the Group since the Date of Listing 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 2016, we did not have any bank borrowings. As at 31 December 2016, we had cash and cash equivalents of approximately HK\$76.2 million (31 December 2015: approximately HK\$45.5 million), which were cash at banks and on hand. No banking facility has been arranged by our Group during the year ended 31 December 2016.

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 2016.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2016, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets as at 31 December 2016.

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 arises.

BORROWING AND GEARING RATIO

During the year ended 31 December 2016, we did not have any short-term or long-term bank borrowings.

As at 31 December 2016, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was approximately 18.4% (31 December 2015: approximately 37.2%).

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.

CHARGE ON GROUP ASSETS

As at 31 December 2016, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2015: Nil).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

COMMITMENTS

Our contract commitments mainly involve leases of office properties and acquisition of intangible assets. As at 31 December 2016, the Group's operating leases were approximately HK\$4.7 million (31 December 2015: approximately HK\$1.8 million) and capital commitments for acquisition of intangible assets were approximately HK\$7.2 million (31 December 2015: approximately HK\$1.9 million).

INFORMATION ON EMPLOYEES

As at 31 December 2016, the Group had 82 employees (31 December 2015: 87) 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 2016 amounted to approximately HK\$22.4 million (31 December 2015: approximately HK\$16.3 million). The dedication and hard work of the Group's staff during the year ended 31 December 2016 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 2016, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

OTHER INFORMATION

FUTURE PROSPECTS

We will continue to expand our game portfolio through procuring more high-quality licensed games and 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.

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.

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 period from 13 January 2016 (the “Listing Date”) to 31 December 2016, 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 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 (the “Code of Conduct”). Based on specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code of Conduct and there was no event of non-compliance from the Listing Date up to 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during year ended 31 December 2016.

DONATION

Charitable donations made by the Group during the year ended 31 December 2016 amounted to approximately HK\$0.1 million (31 December 2015: 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 close 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 (2015: 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 2016 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 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.

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 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, Thursday, 23 March 2017

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 "Latest Company Announcements" page of the GEM website at 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>.