

First Quarterly Report 2017



gameone

Gameone Holdings Limited
智傲控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8282



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 report, for which the directors (the “**Directors**”) of Gameone Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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 report 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 report misleading.*

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Notes	Three months ended 31 March	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	17,148	25,370
Cost of services rendered		(10,325)	(15,879)
Gross profit		6,823	9,491
Other income	4	45	20
Selling expenses		(4,617)	(3,270)
Administrative expenses		(4,208)	(4,210)
(Loss)/profit before income tax		(1,957)	2,031
Income tax expense	5	-	(550)
(Loss)/profit for the period		(1,957)	1,481
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		(401)	(240)
Other comprehensive income for the period		(401)	(240)
Total comprehensive income for the period		(2,358)	1,241
(Loss)/profit for the period attributable to:			
Owners of the Company		(1,957)	1,481
Non-controlling interests		-	-
		(1,957)	1,481
Total comprehensive income attributable to:			
Owners of the Company		(2,358)	1,241
Non-controlling interests		-	-
		(2,358)	1,241
		HK\$	HK\$
(Loss)/earnings per share	7		
- Basic and Diluted		(0.01)	0.01

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
(Unaudited)							
At 1 January 2016	85	–	71,458	1,708	(16,603)	–	56,648
Profit for the period	–	–	–	–	1,481	–	1,481
Exchange difference on translation of financial statements of foreign operations	–	–	–	(240)	–	–	(240)
Other comprehensive income for the period	–	–	–	(240)	–	–	(240)
Total comprehensive income for the period	–	–	–	(240)	1,481	–	1,241
Issue of shares under placing	400	49,600	–	–	–	–	50,000
Capitalization issue	1,115	(1,115)	–	–	–	–	–
Share issue expenses	–	(7,356)	–	–	–	–	(7,356)
At 31 March 2016	<u>1,600</u>	<u>41,129</u>	<u>71,458</u>	<u>1,468</u>	<u>(15,122)</u>	<u>–</u>	<u>100,533</u>
(Unaudited)							
At 1 January 2017	1,600	41,129	71,458	1,502	(25,411)	396	90,674
Loss for the period	–	–	–	–	(1,957)	–	(1,957)
Exchange difference on translation of financial statements of foreign operations	–	–	–	(401)	–	–	(401)
Other comprehensive income for the period	–	–	–	(401)	–	–	(401)
Total comprehensive income for the period	–	–	–	(401)	(1,957)	–	(2,358)
At 31 March 2017	<u>1,600</u>	<u>41,129</u>	<u>71,458</u>	<u>1,101</u>	<u>(27,368)</u>	<u>396</u>	<u>88,316</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 14 April 2010. The Company's registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The Company's principal place of business is located at Room 1808-9, 18/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The Company's shares (the "Shares") have been listed on the GEM of the Stock Exchange since 13 January 2016 (the "Date of Listing").

The principal activity of the Company is investment holding. The principal activities of the Group are development, operation, publishing and distribution of online and mobile games in Hong Kong and Taiwan.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are consistent with those adopted in the Group's audited annual report dated 23 March 2017 (the "2016 Annual Report"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 31 March 2017 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 March 2017.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

3. SEGMENT INFORMATION

Geographical information

By country/region

Hong Kong (place of domicile)
Taiwan
Others

Three months ended 31 March	
2017 HK\$'000	2016 HK\$'000
14,913	23,764
2,185	1,606
50	–
17,148	25,370

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 respective periods.

4. REVENUE AND OTHER INCOME

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

Revenue

Game operation income
Game publishing income
Royalty income
License fee income

Other income

Interest income
Other income

Three months ended 31 March	
2017 HK\$'000	2016 HK\$'000
15,613	24,092
1,395	971
11	–
129	307
17,148	25,370
2	2
43	18
45	20
17,193	25,390

5. INCOME TAX EXPENSE

	Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Current tax – Hong Kong Profits Tax	–	550

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 respective periods.

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 the respective periods.

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

6. DIVIDENDS

No dividends have been paid or declared by the Company or any of the subsidiaries during the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

7. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic (loss)/earnings per share		
(Loss)/Profit for the period attributable to owners of the Company	<u>(1,957)</u>	<u>1,481</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	<u>160,000,000</u>	<u>154,725,275</u>

For the three months ended 31 March 2017 and 2016, the calculation of basic (loss)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the period.

No diluted (loss)/earnings per share is calculated for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil) as there was no potential dilutive ordinary share in existence.

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 three months ended 31 March 2017, the Group recorded a net loss of approximately HK\$2.0 million as compared to a net profit of approximately HK\$1.5 million for the same period in 2016. The Directors are of the view that the downturn experienced by the Group during the three months ended 31 March 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 and consolidate market position and enhance marketing efforts.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 32.7% from approximately HK\$25.4 million for the three months ended 31 March 2016 to approximately HK\$17.1 million for the three months ended 31 March 2017, primarily attributable to HK\$8.0 million decrease in our game operation income from our licensed mobile games namely Demi Gods and Semi Devils 3D (天龍八部3D) and Age of Wu Shu (Mobile) (九陰真經手機版).

Cost of services rendered

The Group's cost of services rendered for the three months ended 31 March 2017 was approximately HK\$10.3 million, representing a decrease of approximately 35.2% from approximately HK\$15.9 million for the corresponding period in 2016, primarily attributable to the combined effect of (i) an approximately HK\$1.6 million decrease in channel fees; (ii) an approximately HK\$2.8 million decrease in royalty expenses primarily resulted from a decrease in our game operation income from our licensed games for the three months ended 31 March 2017; and (iii) a HK\$0.9 million decrease in amortization of our intangible assets during the three months ended 31 March 2017.

Gross profit and gross profit margin

The Group's gross profit for the three months ended 31 March 2017 was approximately HK\$6.8 million, representing a decrease of approximately 28.4% from approximately HK\$9.5 million for the three months ended 31 March 2016, primarily due to a decrease in our game operation income from our licensed mobile games.

The Group's gross profit margin for the three months ended 31 March 2017 was approximately 39.8%, representing slightly increase of approximately 2.4 percentage points compared to approximately 37.4% for the three months ended 31 March 2016. The increase in the Group's gross profit margin was primarily due to the decreased in amortization of our intangible assets.

Selling expenses

The Group's selling expenses for the three months ended 31 March 2017 were approximately HK\$4.6 million, representing an increase of approximately 39.4% from approximately HK\$3.3 million for the corresponding period in 2016, primarily attributable to an approximately HK\$1.7 million increase in promotion and advertising expenses for the new self/co-developed mobile game, Warlocks Z (魔法軍團Z), which was launched in the first quarter of 2017.

Administrative expenses

The Group's administrative expenses for the three months ended 31 March 2017 were approximately HK\$4.2 million as well as the corresponding period in 2016.

Loss for the period

The Group recorded a loss for the three months ended 31 March 2017 of approximately HK\$2.0 million as compared with a profit of approximately HK\$1.5 million for the corresponding period in 2016, primarily attributable to the combined effect of (i) an approximately HK\$2.7 million decrease in the gross profit for three months ended 31 March 2017 primarily attributable to a decrease in the Group's revenue contributed by the Group's game operation income from the Group's licensed mobile games; and (ii) an approximately HK\$1.7 million increase in promotion and advertising expenses for the new self/co-developed mobile game, Warlocks Z (魔法軍團Z), which was launched in the first quarter of 2017.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares and underlying Shares

Name of Director/ chief executive	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding
Ms. Wong Pui Yain (<i>note 1</i>)	Interest of controlled corporation	66,787,235	41.74%
Mr. Sze Yan Ngai (Chairman) (<i>note 2</i>)	Interest of controlled corporation/ Beneficial owner/Interest of spouse	28,444,337	17.78%

Notes:

- (1) Ms. Wong Pui Yain ("Ms. Wong") holds 50% of the issued share capital of PC Asia Limited ("PC Asia"), which directly holds 99% and indirectly holds 1%, through PC Asia Nominees Limited ("PC Asia Nominees"), of the issued share capital of PC Investment Limited ("PCIL"). By virtue of the SFO, Ms. Wong is deemed to be interested in the 66,787,235 Shares in which PCIL is interested.
- (2) Mr. Sze Yan Ngai ("Mr. Sze") and Ms. Chan Lai Chu ("Mrs. Sze") hold 50% of the issued share capital of Right One Global Limited ("Right One") respectively, which holds 21,874,107 Shares. In addition, Mr. Sze and Mrs. Sze hold 6,562,230 Shares and 8,000 Shares of the Company respectively. Mrs. Sze is the spouse of Mr. Sze. By virtue of the SFO, Mr. Sze is deemed to be interested in the Shares in which Right One and Mrs. Sze are interested.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as at 31 March 2017, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name of shareholders	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in our Company
Mr. Wong Kiam Seng (<i>note 1</i>)	Interest of controlled corporation	66,787,235	41.74%
PCIL (<i>note 2</i>)	Beneficial owner	66,787,235	41.74%
PC Asia (<i>note 2</i>)	Interest of controlled corporation	66,787,235	41.74%
Mrs. Sze (<i>note 3</i>)	Interest of controlled corporation/ Beneficial owner/Interest of spouse	28,444,337	17.78%
Right One (<i>note 4</i>)	Beneficial owner	21,874,107	13.67%
Nineyou International Limited (<i>note 5</i>)	Beneficial owner	18,367,182	11.48%
New Horizon Capital, L.P. (<i>note 5</i>)	Interest of controlled corporation	18,367,182	11.48%
Heartland Investment Limited (<i>note 5</i>)	Interest of controlled corporation	18,367,182	11.48%

Notes:

- (1) PC Asia is beneficially owned by Ms. Wong as to 50% and Mr. Wong Kiam Seng ("Mr. Wong") as to 50%. Mr. Wong is the father of Ms. Wong.
- (2) PCIL is beneficially owned by PC Asia as to 99% and PC Asia Nominees as to 1%. PC Asia Nominees is beneficially owned by PC Asia.

- (3) Mr. Sze and Mrs. Sze hold 50% of the issued share capital of Right One respectively, which holds 21,874,107 Shares. In addition, Mr. Sze and Mrs. Sze hold 6,562,230 Shares and 8,000 Shares of the Company respectively. Mrs. Sze is the spouse of Mr. Sze. By virtue of the SFO, Mrs. Sze is deemed to be interested in the Shares in which Right One and Mr. Sze are interested.
- (4) Right One is beneficially owned by Mr. Sze as to 50% and Mrs. Sze as to 50%.
- (5) Based on the information provided by Nineyou International Limited (“NYIL”), NYIL is beneficially owned by Heartland Investment Limited as to approximately 44.44%, Wollerton Investments Pte. Ltd. as to approximately 18.96%, Fair Gold International Limited as to approximately 15.61%, Everstar Overseas Holding Ltd. as to approximately 10.04%, Star Fortune Overseas Holding Limited as to approximately 8.0% and Hongxin International Holdings Limited as to approximately 2.95%, all of whom are independent third parties. Wollerton Investments Pte. Ltd. is owned as to approximately 82.36% by Heartland Investment Limited. Heartland Investment Limited is wholly owned by New Horizon Capital, L.P. which is also an independent third party.

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 the three months ended 31 March 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the three months ended 31 March 2017, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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 during the three months ended 31 March 2017.

INTERESTS OF THE COMPLIANCE ADVISER

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

CORPORATE GOVERNANCE PRACTICE

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

AUDIT COMMITTEE

The audit committee of the Company reviewed the unaudited condensed consolidated results of the Group for the three months ended 31 March 2017 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, Monday, 8 May 2017

As at the date of this report, 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.