



gameone

Gameone Holdings Limited

智傲控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8282

2015

Annual Report



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This report, 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 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.

# CONTENTS

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Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	6
Biographical Details of the Directors and Senior Management	13
Corporate Governance Report	17
Directors' Report	25
Summary of Financial Information	33
Independent Auditor's Report	34
Consolidated Statement of Profit or Loss and Other Comprehensive Income	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Cash Flows	39
Notes to the Consolidated Financial Statements	40

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Sze Yan Ngai (Chairman)  
Mr. Lam Kin Fai (Chief executive officer)

#### Non-executive Directors

Ms. Wong Pui Yin  
Mr. Hong Ming Sang

#### Independent Non-executive Directors

Mr. Yung Kai Tai  
Dr. Fung Ying Him Anthony  
Mr. Lu Tak Meng Teddy

### BOARD COMMITTEES

#### Audit Committee

Mr. Lu Tak Meng Teddy (Chairman)  
Mr. Yung Kai Tai  
Dr. Fung Ying Him Anthony

#### Remuneration Committee

Mr. Yung Kai Tai (Chairman)  
Dr. Fung Ying Him Anthony  
Mr. Lu Tak Meng Teddy

#### Nomination Committee

Mr. Sze Yan Ngai (Chairman)  
Mr. Yung Kai Tai  
Dr. Fung Ying Him Anthony  
Mr. Lu Tak Meng Teddy

### AUDITORS

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### LEGAL ADVISERS AS TO HONG KONG LAW

Mayer Brown JSM  
16th-19th Floors, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman KY1-1102  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## CORPORATE INFORMATION

### COMPANY SECRETARY

Mr. Chan Man Kay

### AUTHORISED REPRESENTATIVES

Mr. Lam Kin Fai

Mr. Chan Man Kay

### COMPLIANCE OFFICER

Mr. Sze Yan Ngai

### REGISTERED OFFICE

Maples Corporate Services Limited

PO Box 309, Uglan House

Grand Cayman, KY1-1104

Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 21/F

North Point Industrial Building

No. 499 King's Road

North Point

Hong Kong

### COMPLIANCE ADVISER

Innovax Capital Limited

Room 2002, 20/F

Chinachem Century Tower

178 Gloucester Road, Wan Chai

Hong Kong

### PRINCIPAL BANKS

Hang Seng Bank

China Merchants Bank

The Shanghai Commercial & Savings Bank, Ltd.

### GEM STOCK CODE

8282

### COMPANY WEBSITE

[www.gameone.com.hk](http://www.gameone.com.hk)

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of the Company, I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

### OVERVIEW

This year was a fruitful year for the Group. The Company became a listed company on the GEM of the Stock Exchange on 13 January 2016 (the "Listing"), and raised net proceeds of approximately HK\$25.6 million. The Listing greatly promoted the Group's brand in Hong Kong as well as provided the Group with a readily accessible capital platform for the Group's future business development.

During the year, the Group has achieved a record high turnover of approximately HK\$118.2 million representing a growth of 50.2% as compare with the year ended 31 December 2014 of approximately HK\$78.7 million while the profit attributable to owners of the Company amounted to approximately HK\$3.1 million. Excluding the approximately HK\$16.0 million of one-off expenses in relation to the Listing, the profit of the Group would have been approximately HK\$19.1 million. Basic earnings per share was HK3 cents after deduction of the Listing expenses.

### FUTURE PROSPECTS

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

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

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

## CHAIRMAN'S STATEMENT

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

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

### APPRECIATION

On behalf of the Board, I would like to express my gratitude towards the support and advice of our shareholders and business partners, for their recognition of the Company's direction and strategies of development, as well as the devotion and enthusiasm of our staff in all scopes of tasks. They all helped us to drive the Company towards perfection. We, the Board and all the Company's staff, will continue to dedicate ourselves to refine our services to maximize the returns for our shareholders.

**Sze Yan Ngai**

*Chairman and Executive Director*

Hong Kong, 22 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

We are an integrated game developer, operator and publisher focusing in the market of Hong Kong and Taiwan. We operate and publish our self/co-developed and licensed games in Hong Kong and Taiwan primarily through our game distribution platforms as well as other third-party distribution platforms. We collect payments from players either through third-party distribution platforms such as Apple Store and Google Play, third-party payment vendors, which includes 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. Since the establishment of our predecessor group in 1999, we have participated in the game industry of Hong Kong for over ten years.

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

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

## INDUSTRY REVIEW

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

## OUR GAMES

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### FINANCIAL REVIEW

#### Revenue

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

#### *Revenue by game ownership and forms*

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

### Cost of services rendered

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

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

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

### Other income

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

### Selling expenses

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

### Administrative expenses

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

### Other expenses

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

### Income tax expense

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Profit for the year

Our net profit decreased by approximately 55.7% from approximately HK\$7.0 million for the year ended 31 December 2014 to approximately HK\$3.1 million for the year ended 31 December 2015, primarily attributable to the combined effect of (i) a HK\$19.1 million increase in our gross profit for the year ended 31 December 2015 primarily attributable to an increase in our revenue contributed by our game operation income from our licensed games; (ii) a HK\$4.1 million increase in our selling expenses primarily attributable to more marketing and promotion costs for game promotion; and (iii) a HK\$16.0 million increase in our administrative expenses primarily attributable to the recognition of listing expenses for the year ended 31 December 2015.

### BUSINESS OBJECTIVES

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

### USE OF PROCEEDS FROM THE PLACING OF SHARES

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

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

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

### LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### BORROWING AND GEARING RATIO

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

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

### TREASURY POLICIES

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

### CAPITAL STRUCTURE

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

### FOREIGN EXCHANGE EXPOSURE

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

### CHARGE ON GROUP ASSETS

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

### CONTINGENT LIABILITIES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMMITMENTS

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

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

### DONATIONS

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

### INFORMATION ON EMPLOYEES

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

### SHARE OPTION SCHEME

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

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

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

### EXECUTIVE DIRECTORS

**Mr. Sze Yan Ngai**, aged 49, was appointed as our Director on 14 April 2010, re-designated as an executive Director and appointed as the chairman of our Board on 30 September 2015. Mr. Sze is primarily responsible for our Group's overall strategic planning and overseeing the general management of our Group. He joined the predecessor of our Group, Gameone Interactive.com Inc., in April 2000 and had worked as the chief executive officer from January 2003 to November 2013. Mr. Sze is also directors of certain subsidiaries of our Group. Mr. Sze has over 10 years of experience in game operation and development and game magazine publication industry. Mr. Sze is the elder brother of Ms. Sze Ling Ling, the Chief Operation Officer of our Group.

Mr. Sze is one of the founders of Hong Kong Game Industry Association, which was established in 2004. From August 2009 to July 2011, he was a member of the Vetting Committee of the Create Smart Initiative which was established by the Hong Kong Government to provide financial support to initiatives that are conducive to the development and promotion of creative industries in Hong Kong. He is also the founding member of Hong Kong Novel Association. Mr. Sze was elected as the "1st Hong Kong Digital Entertainment Industry Person of the Year" by the Hong Kong Digital Entertainment Association in 2007.

**Mr. Lam Kin Fai**, aged 31, was appointed as our executive Director on 30 September 2015. He is the Chief Technical Officer and the Chief Executive Officer of our Group. He is mainly responsible for supervision of technical matters related to game development, and the game design and operation of games. He has about 9 years of experience in the game development industry.

Mr. Lam obtained a degree of Bachelor of Engineering in Computer Engineering from The University of Hong Kong in December 2006. He joined our Group in May 2006 and since then he served the position of Game Programmer of Gameone Online Entertainment Limited, responsible for developing MMORPG game system and client end program from May 2006 to December 2008, R&D team Manager of Gameone Online Entertainment Limited, responsible for supervising game development and programming matters from December 2008 to December 2009 and Technical Director of Gameone Online Technology Limited, responsible for leading R&D teams to develop games in different platforms, liaising with other business partners on out-sourcing projects, leading technical support team for server maintenance and developing certain mobile games from December 2009 to present.

### NON-EXECUTIVE DIRECTORS

**Ms. Wong Pui Yain**, aged 37, was appointed as our non-executive Director on 30 September 2015. She is mainly responsible for supervision of compliance, corporate governance and business development.

Ms. Wong graduated from University of Western Australia in March 2000 with degree of Bachelor of Economics. She is experienced in hotel management and is one of the founders of Irving Management Limited (now known as JIA Hong Kong Operations Limited) which operates the JIA Bontique Hotel in Hong Kong since 2004. Ms. Wong was awarded "Innovative Entrepreneur of the Year 2006" by Hong Kong's City Junior Chamber in 2006. She was also named on the list of "Asia's Best Young Entrepreneurs 2008" by Businessweek in 2008 and the "Women of Our Time" by South China Morning Post in 2013.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

**Mr. Hong Ming Sang**, aged 46, was appointed as our non-executive Director on 2 October 2015. He is mainly responsible for the overall strategic planning and business development. He has over 10 years of experience in the game industry. Mr. Hong joined our Group in November 2013 and assumed the role as the chief executive officer of Gameone Group (HK) in November 2013, only responsible for assisting our Company in making initial contact with owners/developers of Japanese games. Mr. Hong resigned as chief executive officer of Gameone Group (HK) in November 2015. Mr. Hong is currently an independent non-executive Director of Guru Online (Holdings) Limited (Stock Code: 8121).

Mr. Hong graduated from The University of Hong Kong in Hong Kong, with a degree of Bachelor of Arts in December 1992. He obtained a diploma in marketing and international business from The Chinese University of Hong Kong in Hong Kong, in October 1997. In June 2007, Mr. Hong co-founded Asia HD Association Limited, a non-profit making organization on the promotion of high-definition technology development in Hong Kong, and has been one of its directors since then. From September 2011 to November 2013, Mr. Hong was one of the directors of Sony Computer Entertainment Hong Kong Limited, a video game company.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yung Kai Tai**, aged 64, was appointed as our independent non-executive Director on 23 December 2015. He is responsible for supervising and providing independent judgment to our Board. Mr. Yung obtained a Bachelor of Science degree and a Master of Business Administration, both from the Chinese University of Hong Kong in October 1973 and October 1986 respectively. Mr. Yung also completed a Certificate of Delivery Information Services by Harvard University Graduate School of Business Administration in July 1997. Before his retirement in May 2011, Mr. Yung was the General Manager of Information Technology Industry Development Division of the Hong Kong Productivity Council. Mr. Yung acts as the Chairman of the Hong Kong Game Industry Association, the Vice-President of the Hong Kong Software Industry Association and is a council member of the Hong Kong Association for the Advancement of Science and Technology. Mr. Yung was also elected as Distinguished Fellow member of the Hong Kong Computer Society in September 1998 and the representative of the Information Technology Sub-sector in the Election Committee in the year 2006. Mr. Yung is currently an independent non-executive director of ETS Group Limited (Stock Code: 8031).

**Dr. Fung Ying Him Anthony**, aged 46, was appointed as our independent non-executive Director on 23 December 2015. He is responsible for supervising and providing independent judgment to our Board. Dr. Fung obtained a Bachelor of Social Science from The Chinese University of Hong Kong in Hong Kong in July 1992. He also obtained a Master of Art and a Doctor of Philosophy, both from University of Minnesota, the United States in May 1995 and September 1998 respectively.

Dr. Fung is the school director and professor of the School of Journalism and Communication of The Chinese University of Hong Kong. He is also the associate director of Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong and a Pearl River Chair Professor at Jinan University at Guangzhou, PRC. His research interests and teaching focus on popular culture and cultural studies, popular music, gender and youth identity, cultural industries and policy, and new media studies. He published widely in international journals, and authored and edited more than ten Chinese and English books.



## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Dr. Fung was a specialist of Hong Kong Council for Accreditation of Academic & Vocational Qualifications and is a co-opt member of Pneumoconiosis Compensation Fund Board. Dr. Fung was a member of Citizens Advisory Committee on Community Relations of Independent Commission Against Corruption from December 2007 to December 2013.

**Mr. Iu Tak Meng Teddy**, aged 53, was appointed as our independent non-executive Director on 23 December 2015. He is responsible for supervising and providing independent judgment to our Board.

Mr. Iu obtained a Diploma in Management Studies from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1990 and then obtained a Master of Science in Information Systems and a Master of Science in Accountancy both from The Hong Kong Polytechnic University in October 1995 and November 2002 respectively. He has been a fellow member of the Chartered Institute of Management Accountants since March 1995 and the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since June 1997. He has also been a fellow of The Hong Kong Institute of Directors since October 2012. He has been a member of the Canadian Institute of Mining, Metallurgy and Petroleum since February 2012, The Australasian Institute of Mining and Metallurgy since August 2013. He has been a fellow of The Geological Society of London since November 2013. Mr. Iu was granted the designation of Chartered Global Management Accountant by the Chartered Institute of Management Accountants in January 2012.

Mr. Iu was a part-time visiting lecturer at the Department of Accountancy (now part of the School of Accounting and Finance) of The Hong Kong Polytechnic University from February to May 2000, September 2000 to December 2000 and January to May 2001. From April 2001 to January 2002, Mr. Iu worked as EDP Manager for Asia Pacific Operations for Moulinex Far East Limited.

Mr. Iu was a council member from June 1994 to June 2004 and served as the President of the council from June 2001 to June 2002 of the Hong Kong Division of the Chartered Institute of Management Accountants. He was also a member of the Solicitors Disciplinary Tribunal Panel from July 2003 to July 2009.

### SENIOR MANAGEMENT

**Ms. Sze Ling Ling**, aged 46, was appointed as the Chief Operation Officer of our Group on 23 December 2015. She is mainly responsible for the overall sales and marketing of our Group. Ms. Sze joined the predecessor company of our Group Gameone Interactive.com Inc. in November 2004. Ms. Sze had over 10 years of experience in game operation company and marketing acquired through our Group. Ms. Sze is the younger sister of Mr. Sze Yan Ngai, the chairman and executive Director of our Group.

**Ms. Leung Pui Ching Connie**, aged 31, was appointed as the System Technical Director of our Group on 23 December 2015. She is mainly responsible for assessing technical risk and mitigation plan, establishing standards and procedures to track and measure project's progression, overseeing technical design documentation process for correctness and timeliness and evaluating development implementation on design and task thoroughness. Ms. Leung had over 7 years of experience in game development. Ms. Leung obtained the degree of Bachelor of Science in Creative Technologies from Coventry University, United Kingdom in October 2008 and the degree of Master of Science in Multimedia and Entertainment Technology from The Hong Kong Polytechnic University in November 2010.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Leung worked for The Hong Kong Polytechnic University as Research Assistant from September 2010 to August 2011, responsible for creating and managing E-learning platforms. She then joined Gameone Group Limited in August 2011 as Web Developer, responsible for developing and managing secure online payment system, preparing menus and documents for software and game developers, building the application platform interfaces for the game server to communicate with payment system and monitoring and optimizing the performance of databases. She was then promoted to System Technical Manager in June 2013, responsible for coordinating with management in developing business strategic plans and operating policies, managing project planning, staffing and schedule and collaborating with management on application development, enhancement and deployment activities.

**Mr. Tsai Hsiang Jen**, aged 40, was appointed as Operation Director (Taiwan) of our Group on 23 December 2015. He is mainly responsible for marketing strategy and leading the operation team in Taiwan. Mr. Tsai has over 13 years of experience in game operation. Mr. Tsai graduated in Ging Chung Business College, Taiwan, major in information management, in June 2001.

Prior to joining our Group, Mr. Tsai had worked for Softstar Entertainment Inc. from March 2004 to December 2005, JSDWAY Digital Technology Co., Ltd. from March 2006 to April 2009. In April 2009, he joined USERJOY Technology Co., Ltd. until February 2011. Mr. Tsai joined our Group in March 2011 as Director of Operations, mainly responsible for marketing strategy and leading the operation team in Taiwan.

**Ms. Li On Lei**, aged 38, was appointed as the financial controller of our Group in June 2015. She is primarily responsible for the handling and overseeing financial reporting, financial planning and reviewing internal control of our Group. Ms. Li graduated from Leeds Metropolitan University with a Bachelor of Arts (Hons) Degree in Accounting and Finance in June 2003. Prior to joining our Group, Ms. Li has worked in the Audit and Assurance Department of an international accounting firm from July 2004 to May 2015 and her last position was senior manager. Ms. Li is a member of The Association of Chartered Certified Accountants.

**Mr. Chan Man Kay**, aged 35, was appointed as the Company Secretary of our Group on 4 September 2015. Mr. Chan has obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 2002 and a Master of Arts degree in Operations and Supply Chain Management from City University of Hong Kong in November 2008. Mr. Chan was qualified as a certified public accountant in Hong Kong in January 2007. Mr. Chan has obtained an Advanced Diploma in Management Accounting awarded by the Chartered Institute of Management Accountants in September 2003. He was admitted as the fellow member of the Association of Chartered Certified Accountants in February 2011, an associate member of the Chartered Institute of Management Accountants in November 2006, a member of the Hong Kong Securities Institute in February 2006 and a certified International Investment Analysts awarded by Certified International Investment Analyst in May 2005. Mr. Chan has 12 years of experience in accounting, corporate governance and corporate finance. Mr. Chan worked for Evolution Securities Asia Limited (formerly known as Watterson Asia Limited) from January 2003 to December 2010 and his last position was associate director. He has worked for TC Capital Asia Limited from December 2010 to October 2015 and his last position was director of corporate finance. He is currently a director of corporate finance in Frontpage Capital Limited. He is also currently the company secretary of Pak Wing Group (Holdings) Limited (Stock Code: 8316) and Clear Lift Holdings Limited (Stock Code: 1341).

## INTRODUCTION

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

## CORPORATE GOVERNANCE PRACTICE

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

## DIRECTORS’ SECURITIES TRANSACTIONS

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

## BOARD OF DIRECTORS

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

# CORPORATE GOVERNANCE REPORT

## Composition

The composition of the Board from the Listing Date up to the date of this annual report is set out as follows:

### Executive Directors

Mr. Sze Yan Ngai (Chairman)	(appointed on 14 April 2010)
Mr. Lam Kin Fai (CEO)	(appointed on 30 September 2015)

### Non-executive Directors

Ms. Wong Pui Yin	(appointed on 30 September 2015)
Mr. Hong Ming Sang	(appointed on 2 October 2015)

### Independent non-executive Directors

Mr. Yung Kai Tai	(appointed on 23 December 2015)
Dr. Fung Ying Him Anthony	(appointed on 23 December 2015)
Mr. Lu Tak Meng Teddy	(appointed on 23 December 2015)

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 13 to 16 of this annual report.

In compliance with rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

With the various experience of both the executive Directors, the non-executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the directors have a balance of skills and experience for the business of the Group.

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company on 23 December 2015 and we signed letters of appointment with each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with our executive Directors and the letter of appointment with each of our non-executive Directors are for an initial term of three years commencing from 23 December 2015. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from 23 December 2015. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

## CORPORATE GOVERNANCE REPORT

According to our articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Each of Mr. Sze Yan Ngai, Mr. Lam Kin Fai, Ms. Wong Pui Yain, Mr. Hong Ming Sang, Mr. Yung Kai Tai, Dr. Fung Ying Him Anthony and Mr. Lu Tak Meng Teddy will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 27 April 2016 pursuant to article 16.18 of our articles of association. Mr. Sze Yan Ngai, Mr. Lam Kin Fai, Ms. Wong Pui Yain, Mr. Hong Ming Sang, Mr. Yung Kai Tai, Dr. Fung Ying Him Anthony and Mr. Lu Tak Meng Teddy, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed election of Mr. Sze Yan Ngai and Mr. Lam Kin Fai as executive Directors, Ms. Wong Pui Yain and Mr. Hong Ming Sang as non-executive Directors, and Mr. Yung Kai Tai, Dr. Fung Ying Him Anthony and Mr. Lu Tak Meng Teddy as independent non-executive Directors, all for a term commencing from the date of the annual general meeting which approves their appointments and ending at the conclusion of the 2018 annual general meeting of the Company to be held in 2019.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Sze Yan Ngai was the Chairman of the Board throughout the year. Mr. Lam Kin Fai is our chief executive officer of the Company.

### DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are aware of the requirement under the code provision A.6.5 of the Code regarding continuous professional development. During the year ended 31 December 2015, all the Directors had attended the training session regarding director's duty which was conducted by the Hong Kong legal advisors to the Company of the Listing.

Below is a summary of the training the Directors had received during the year ended 31 December 2015:

<b>Name of Directors</b>	<b>Type of trainings</b>
Mr. Sze Yan Ngai	A & B
Mr. Lam Kin Fai	A & B
Ms. Wong Pui Yain	A & B
Mr. Hong Ming Sang	A & B
Mr. Yung Kai Tai	A & B
Dr. Fung Ying Him Anthony	A & B
Mr. Lu Tak Meng Teddy	A & B

A: attended director's training

B: reading training materials relating to corporate governance practices, relevant legal and regulatory requirements, and director's duties and responsibilities etc.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEE

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM's website [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.gameone.com.hk](http://www.gameone.com.hk). All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report.

### Remuneration Committee

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

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 December 2015.

### Nomination Committee

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

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

## CORPORATE GOVERNANCE REPORT

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

### Audit Committee

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Our Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

As our Company was first listed on GEM on 13 January 2016, only one Board meeting was held on 23 December 2015 (before the Listing Date) during the year ended 31 December 2015. The individual attendance record of the Board meeting are set out as follows:

	<b>Number of Board Meetings attended/eligible to attend</b>
<i>Executive Directors:</i>	
Mr. Sze Yan Ngai	1/1
Mr. Lam Kin Fai	1/1
<i>Non-executive Directors:</i>	
Ms. Wong Pui Yain	1/1
Mr. Hong Ming Sang	1/1
<i>Independent non-executive Directors:</i>	
Mr. Yung Kai Tai	1/1
Dr. Fung Ying Him Anthony	1/1
Mr. Lu Tak Meng Teddy	1/1

Other than the Shareholder's resolution passed on 23 December 2015, for the year ended 31 December 2015, no general meeting was held.

### COMPANY SECRETARY

During the period from the Listing Date to the date of this annual report, the company secretary of the Company had confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.



## INDEPENDENT AUDITORS' REMUNERATION

BDO Limited is appointed as the external auditor of the Company. The fee paid or payable in respect of audit services amounted to HK\$700,000 for the year ended 31 December 2015.

Non-audit services provided to the Group during the year mainly represented the reporting accountant's work in connection with the Listing provided by BDO Limited of approximately HK\$1,676,000 and internal control reviews conducted by BDO Financial Services Limited of approximately HK\$361,000.

## SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 12.3 of the articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROLS AND RISK ASSESSMENT

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. In addition to internal controls reviews carried by internal staff of the Group, a review of internal controls systems of different operations was conducted by an independent external risk advisory firm (the "Firm") to ensure the effective and adequate internal controls system. The annual reports from the Firm was presented to the Board and reviewed by the audit committee.

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 31 December 2015. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 December 2015.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (I) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the GEM website "www.hkgem.com" and the Company's website at "www.gameone.com.hk";
- (II) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (III) corporate information is made available on the Company's website;
- (IV) annual and special general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (V) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year ended 31 December 2015, there is no significant change in the Company's memorandum and articles of association.

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Gameone Holdings Limited (the "Company") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

## CORPORATE REORGANIZATION

The Company was incorporated with limited liability in the Cayman Islands on 14 April 2010. The companies now comprising the Group underwent a reorganization ("Reorganization") to rationalize the structure of the Group in preparation for the placing of the shares of the Company on GEM of the Stock Exchange. Pursuant to the Reorganization, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganization are set out in the section headed "History, Reorganization and Structure of our Group" to the Prospectus. The shares of the Company were listed on the GEM of the Stock Exchange by way of Placing with effect from 13 January 2016.

## PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability in the Cayman Island. The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries are engaged in development, operation and publishing of mobile games, online PC games and web games in Hong Kong and Taiwan. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to the profit from operations by principal activities and geographical area of operations for the year ended 31 December 2015 is set out in note 7 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 36 to 82. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Wednesday, 27 April 2016 (the "2016 AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 26 April 2016 to Wednesday, 27 April 2016, 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 Monday, 25 April 2016.

# DIRECTORS' REPORT

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements and the Prospectus dated 31 December 2015, is set out on page 33 in this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS SCHEME

Details of the Company's share capital and share option schemes are set out in notes 25 and 27 to the financial statements, respectively.

## RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 26 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Save as disclosed in note 28 to the financial statements no related party transaction were conducted by the Group during the year ended 31 December 2015.

As the Shares were listed on GEM since 13 January 2016, no connected transaction under Chapter 20 of the GEM Listing Rules were conducted during the year ended 31 December 2015.

## DISTRIBUTABLE RESERVES

The Company has no distributable reserves as at 31 December 2015.

## MAJOR CUSTOMERS AND SUPPLIERS

Customer is defined to mean paying user who purchases in-game currency, in-game virtual items or premium features. If a paying user made a payment in our games on two publishing platforms or two different games, the paying user would be counted as two unique paying users and so on and so forth. Furthermore, the Company only has access to the total sum of the payments made by paying user through third-party distribution platform, such as Apple Store and Google Play, without further breakdown. Customer also includes (a) third-party game operators whom we licensed our games for them to publish in other geographic regions in consideration of license fees and royalties; (b) game developers/operators whom we provided payment collection and/or publishing services in return for service fees.

During the year ended 31 December 2015, so far as the Company is aware, the revenue attributable to our five largest customers accounted for less than 30% of our revenue for the year. Purchases from the Group's five largest suppliers accounted for approximately 64.8% of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately 24.8%.

None of the Directors of the Company, or any of his close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

## DIRECTORS

The Directors of the Company (the "Board") during the year and up to the date of this report were as follows:

### Executive Directors

Mr. Sze Yan Ngai (Chairman)	(appointed on 14 April 2010)
Mr. Lam Kin Fai	(appointed on 30 September 2015)

### Non-executive Directors

Ms. Wong Pui Yain	(appointed on 30 September 2015)
Mr. Hong Ming Sang	(appointed on 2 October 2015)

### Independent non-executive Directors

Mr. Yung Kai Tai	(appointed on 23 December 2015)
Dr. Fung Ying Him Anthony	(appointed on 23 December 2015)
Mr. Lu Tak Meng Teddy	(appointed on 23 December 2015)

In accordance with our articles of association, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

## DIRECTORS' REPORT

### PERMITTED INDEMNITY PROVISION

Every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 16 of the annual report.

### EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 13 to the financial statements.

### EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of our Group and general market conditions.

Our remuneration committee will meet once for each year to discuss remuneration related matters (including the remuneration of Directors and Senior Management) and review the remuneration policy of the Group. It has been decided that remuneration committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management.

### RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2015 are set out in note 5.13(ii) to the financial statement.

### DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 28 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### MANAGEMENT CONTRACTS

As at 31 December 2015, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

## 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.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below and the share option scheme disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2015, 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	31,248,722	19.53%

#### 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, of the issued share capital of PC Investment Limited. By virtue of the SFO, Ms. Wong is deemed to be interested in the 66,787,235 shares in which PC Investment Limited ("PCIL") is interested.
- (2) Mr. Sze Yan Ngai is the sole shareholder of Right One Global Limited ("Right One") which holds 21,874,107 shares. In addition, Mr. Sze holds 70% of the shares in the entire issued share capital of Gameone Holdings Limited ("Gameone (BVI)") holding 9,374,615 shares. By virtue of the SFO, Mr. Sze is deemed to be interested in the shares in which Right One and Gameone (BVI) are interested.

## DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2015, 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 December 2015, 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%
PC Investment Limited ( <i>Note 2</i> )	Beneficial owner	66,787,235	41.74%
PC Asia Limited ( <i>Note 2</i> )	Interest of controlled corporation	66,787,235	41.74%
Right One ( <i>Note 3</i> )	Beneficial owner	21,874,107	13.67%
Nineyou International Limited ( <i>Note 4</i> )	Beneficial owner	18,367,182	11.48%
Heartland Investment Limited	Interest of controlled corporation	18,367,182	11.48%
Gameone (BVI)	Beneficial owner	9,374,615	5.86%

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 Limited ("PC Asia Nominees") as to 1%. PC Asia Nominees is beneficially owned by PC Asia.



- (3) Mr. Sze is the sole shareholder of Right One which holds 21,874,107 Shares. In addition, Mr. Sze holds 70% of the entire issued share capital of Gameone (BVI), which in turn holds 9,374,615 Shares. By virtue of the SFO, Mr. Sze is deemed to be interested in the Shares in which Right One and Gameone (BVI) are interested.
- (4) Based on the information provided by Nineyou International Limited ("NYIL"), NYIL is beneficially owned by Heartland Investment Limited as to approximately 44.443%, Wollerton Investments Pte. Ltd. as to approximately 18.958%, Fair Gold International Limited as to approximately 15.612%, Everstar Overseas Holding Ltd. as to approximately 10.036%, Star Fortune Overseas Holding Limited as to approximately 8% and Hongxin International Holdings Limited as to approximately 2.951%, all of whom are Independent Third Parties.

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

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

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

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

### **USE OF PROCEEDS FROM LISTING**

The net proceeds from the Listing (after deducting the underwriting fees, capitalized professional service fees and related expenses) amounted to approximately HK\$25.6 million, which will be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

### **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 24 of this annual report.

### **SUFFICIENCY OF PUBLIC FLOAT**

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

## DIRECTORS' REPORT

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing and annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

### INDEPENDENT AUDITOR

The financial statements of the Company for the year ended 31 December 2015 were audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

**Mr. Sze Yan Ngai**  
*Chairman*

Hong Kong, 22 March 2016

## SUMMARY OF FINANCIAL INFORMATION

### For the year ended 31 December

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Total revenue	118,181	78,668	68,833
Profit/(Loss) before income tax	7,416	10,070	(8,564)
Profit/(Loss) for the year	3,098	7,040	(9,591)
Total comprehensive income/(expense) for the year	3,721	7,684	(9,754)
Total assets	90,245	70,279	66,007
Total liabilities	33,597	20,352	22,599
Total equity and liabilities	90,245	70,279	66,007
Net current assets	34,004	30,045	28,844
Total assets less current liabilities	56,920	50,091	43,529

# INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## **To the shareholders of Gameone Holdings Limited** (incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Gameone Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 82, which comprise the consolidated statement of financial position as at 31 December 2015, and 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 for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

Certified Public Accountants

Tsui Ka Che, Norman

Practising Certificate number P05057

Hong Kong, 22 March 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	8	<b>118,181</b>	78,668
Cost of services rendered		<u>(64,982)</u>	<u>(44,539)</u>
<b>Gross profit</b>		<b>53,199</b>	34,129
Other income	8	<b>1,526</b>	1,176
Selling expenses		<b>(17,368)</b>	(13,272)
Administrative expenses		<b>(27,440)</b>	(11,347)
Other expenses		<b>(2,501)</b>	(616)
<b>Profit before income tax</b>	9	<b>7,416</b>	10,070
Income tax expense	10	<b>(4,318)</b>	(3,030)
<b>Profit for the year</b>		<b>3,098</b>	7,040
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of financial statements of foreign operations		<b>623</b>	644
<b>Other comprehensive income for the year</b>		<b>623</b>	644
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>3,721</b>	7,684
		<b>2015</b>	2014
		<b>HK\$</b>	HK\$
<b>Earnings per share</b>	12		
– Basic and Diluted		<b>0.03</b>	0.06

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,237	1,970
Intangible assets	15	20,679	18,076
		<u>22,916</u>	<u>20,046</u>
<b>Current assets</b>			
Inventories	18	156	290
Trade receivables	19	7,003	7,264
Prepayments, deposits and other receivables	20	13,625	5,066
Amount due from a related company	23	1,000	—
Cash at banks and in hand		45,545	37,613
		<u>67,329</u>	<u>50,233</u>
<b>Current liabilities</b>			
Trade payables	21	3,458	1,963
Accrued expenses and other payables	22	15,378	5,534
Deferred income	22	10,449	12,037
Amounts due to related companies	23	459	222
Provision for taxation		3,581	432
		<u>33,325</u>	<u>20,188</u>
<b>Net current assets</b>		<u>34,004</u>	<u>30,045</u>
<b>Total assets less current liabilities</b>		<u>56,920</u>	<u>50,091</u>
<b>Non-current liabilities</b>			
Deferred taxation	24	272	164
<b>Net assets</b>		<u>56,648</u>	<u>49,927</u>
<b>EQUITY</b>			
Equity attributable to the Company's owners			
Share capital	25	85	—
Reserves	26	56,563	49,927
<b>Total equity</b>		<u>56,648</u>	<u>49,927</u>

On behalf of the Board

**Sze Yan Ngai**  
Director

**Lam Kin Fai**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital HK\$'000	Capital reserve* HK\$'000 (Note 26)	Other reserve* HK\$'000 (Note 26)	Translation reserve* HK\$'000	Accumulated losses* HK\$'000	Total equity HK\$'000
<b>At 1 January 2014</b>	—	646	67,897	441	(26,741)	42,243
Profit for the year	—	—	—	—	7,040	7,040
Exchange difference on translation of financial statements of foreign operation	—	—	—	644	—	644
Other comprehensive income for the year	—	—	—	644	—	644
Total comprehensive income for the year	—	—	—	644	7,040	7,684
<b>At 31 December 2014 and 1 January 2015</b>	—	646	67,897	1,085	(19,701)	49,927
Profit for the year	—	—	—	—	3,098	3,098
Exchange difference on translation of financial statements of foreign operations	—	—	—	623	—	623
Other comprehensive income for the year	—	—	—	623	—	623
Total comprehensive income for the year	—	—	—	623	3,098	3,721
Issuance of Pre-IPO ordinary shares of Gameone Inc	—	20	2,980	—	—	3,000
Issue of shares upon group reorganisation (note 25)	85	(666)	581	—	—	—
<b>At 31 December 2015</b>	<b>85</b>	<b>—</b>	<b>71,458</b>	<b>1,708</b>	<b>(16,603)</b>	<b>56,648</b>

\* The total of these balances represents "Reserves" in the consolidated statement of financial position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		7,416	10,070
Adjustments for:			
Depreciation of property, plant and equipment	9	1,353	1,975
Amortisation of intangible assets	9	7,560	5,172
Written off of prepayment and receivables	9	22	75
Exchange difference, net		162	44
Bank interest income	8	(2)	(7)
Gain on disposal of a subsidiary	8	(944)	—
Loss on disposal of property, plant and equipment	9	—	172
Impairment on intangible assets	9	2,479	368
<i>Operating profit before working capital changes</i>		<b>18,046</b>	17,869
Decrease in inventories		133	109
Decrease in trade receivables		187	1,371
Increase in prepayments, deposits and other receivables		(8,568)	(736)
Increase/(decrease) in trade payables		1,524	(1,873)
Increase/(decrease) in accrued expenses and other payables		9,896	(673)
Increase/(decrease) in amounts due to related companies		237	(334)
(Decrease)/increase in deferred income		(1,552)	287
<i>Cash generated from operations</i>		<b>19,903</b>	16,020
Income tax paid		(1,061)	(1,765)
<i>Net cash generated from operating activities</i>		<b>18,842</b>	14,255
<b>Cash flows from investing activities</b>			
Payments for acquisition of intangible assets		(12,642)	(11,672)
Purchase of property, plant and equipment		(1,630)	(1,437)
Disposal of subsidiary, net of cash disposed of	17	(388)	—
Repayment from a related company		1,304	—
Advance to a related company		(1,000)	—
Interest received		2	7
<i>Net cash used in investing activities</i>		<b>(14,354)</b>	(13,102)
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of pre-IPO ordinary shares of the subsidiary		3,000	—
<i>Net cash generated from financing activities</i>		<b>3,000</b>	—
<b>Net increase in cash and cash equivalents</b>		<b>7,488</b>	1,153
<b>Cash and cash equivalents at beginning of year</b>		<b>37,613</b>	36,521
<b>Effect of foreign exchange rates changes</b>		<b>444</b>	(61)
<b>Cash and cash equivalents at end of year</b>		<b>45,545</b>	37,613
<b>Analysis of balances of cash and cash equivalents</b>			
Cash at banks and in hand		45,545	37,613

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 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.

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

1 Effective for annual periods beginning on or after 1 January 2016

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

3 Effective for annual periods beginning on or after a date to be determined

#### Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

#### Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

#### HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary’s main purpose is to provide services that relate to the investment entity’s investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

#### HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

### (c) New Companies Ordinance provisions relating to the preparation of financial statements

The disclosure requirements of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in this financial year.

The Directors consider that there will be no impact on the Company’s financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 3. REORGANISATION AND BASIS OF PRESENTATION

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

The Directors considered that onegameshow.com Limited ("Onegameshow") 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, Onegameshow was disposed of on 25 September 2015 as part of the Reorganisation. Results of Onegameshow has been consolidated into these consolidated financial statements up to the date of disposal and inter-company transactions have been eliminated on consolidation up to the date of disposal.

The consideration for the transfer of 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. Details of the disposal are disclosed in note 17 to these consolidated financial statements.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 4. 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 which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

### (b) Basis of measurements

The financial statements have been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies set out below.

### (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.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 5.2 below). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

### 5.3 Property, plant and equipment

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

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

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

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

Leasehold improvements	5 years, or over the term of leases, whichever is shorter
Furniture, fixtures and office equipment	5 years
Computers	3-5 years
Motor vehicle	3 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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



## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.4 Intangible assets

#### *(i) Acquired intangible assets*

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their estimated useful lives as follows. The amortisation expense is recognised in profit or loss and included in cost of service rendered.

Game licenses 2-4 years, or over the term of licenses

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

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

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

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

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

#### *(iii) Impairment of intangible assets*

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for non-financial assets in note 5.5).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.5 Impairment of non-financial assets

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

- property, plant and equipment; and
- intangible assets;

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### 5.6 Financial instruments

#### *(i) Financial assets*

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

The Group classifies its financial assets as loans and receivables.

#### *Loans and receivables*

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

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.6 Financial instruments *(continued)*

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

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

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

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

#### *(iii) Financial liabilities*

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

##### Financial liabilities at amortised cost

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

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

#### *(iv) Effective interest method*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.6 Financial instruments *(continued)*

#### *(v) Equity instruments*

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

#### *(vi) Derecognition*

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

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

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

### 5.7 Inventories

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

### 5.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and as short-term highly liquid investments with original maturities of three months or less which are readily convertible into known amounts of cash and which are subject to an insignificant risks of changes in value.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.9 Revenue and other income recognition

The Group is principally engaged in the development, operation, publishing and distribution of online and mobile games.

The Group recognises revenue when it is probable that future economic benefits will flow to the Group, specific criteria have been met for each of the Group's revenue streams as described below and the revenue can be reliably measured. Revenue is recorded at the fair value of consideration received or receivable, net of any sale tax and discounts.

#### *(i) Operations of online and mobile games*

The Group operates both self-developed games and games licensed from third party game developers. The Group's games are free to play. Players can purchase game credits which are virtual currency for acquisition of in-game virtual items or purchase those in-game virtual items directly for better in-game experience. The Group sells prepaid game credits and in-game virtual items through its own game platform (the "GO Platform") and cooperation with various third party game distribution platforms and payment channels. These game distribution platforms include major online application stores (such as Apple Inc.'s App Store and Google Play installed in mobile telecommunications devices).

The Group has evaluated the respective roles and responsibilities of the Group, third-party game developers, third-party distribution platforms, third-party payment channels and third-party prepaid game credit distributors in the delivery of game experiences to the Paying Players ("Paying Players") in determining if the Group is acting as principal or as an agent in the arrangement, and therefore if the Group's revenue from such arrangement should be reported on a gross or net basis, by assessing various factors, including but not limited to whether the Group (i) has the primary responsibility in the arrangement and (ii) has latitude in establishing the selling prices.

The Group takes primary responsibilities in the delivery of game experiences to the Paying Players, including the marketing and promotion, determining distribution and payment channels, hosting game servers and providing customer services. In addition, the Group also controls game and service specifications and pricing of the in-game virtual items. Therefore, the Group considers itself the principal in the delivery of game experience to the Paying Players as the Group has exposure to the significant risks and rewards associated with the operations of the games and thus records revenues on a gross basis. Payment to third-party game developers and service charges by third-party distribution platforms and third-party payment channels are recorded as cost of revenue.

As the Group has determined that it is the principal in the delivery of game experience to the Paying Players, the Paying Players are identified by the Group to be its customers. Accordingly the Group considers the actual price paid by the Paying Players to be the gross amount of revenue. In determining the gross amount of revenue generated from operations of the Group's games, the Group makes estimates of the discounts given to the Paying Players by the third-party distribution platforms and third-party prepaid game credit distributors based on available information and recorded such discounts as a deduction of revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.9 Revenue and other income recognition *(continued)*

#### *(i) Operations of online and mobile games (continued)*

Paying Players purchase the game credits through the GO Platform and third-party distribution platforms' charging systems or through the Paying Players' accounts maintained with third party payment channels, or charging from the prepaid game credits they purchased. Third-party distribution platforms and third party payment channels collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms entered into between the Group and the third-party distribution platforms or third party payment channels.

Upon the sales of game credits or in-game virtual items, the Group typically has an implied obligation to provide the services which enable the game credits or in-game virtual items to be displayed, used or converted into other in-game virtual currencies / items in the games. As a result, the proceeds received from sales of game credits or in-game virtual items are initially recorded as deferred revenue in current liabilities. The attributable portion of the deferred revenue relating to values of the game credits consumed and in-game virtual items converted are immediately or ratably recognised as revenue only when the services are rendered to the respective Paying Players.

For the purposes of determining when services have been provided to the respective Paying Players, the Group has determined the following:

Consumable in-game virtual items represent items that are extinguished after consumption by a specific game player action. The Paying Players will not continue to benefit from the in-game virtual items thereafter. Revenue is recognised (as a release from deferred revenue) when the items are consumed and the related services are rendered.

Durable in-game virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised ratably over the average life of durable in-game virtual items for the applicable game, which the Group makes best estimates to be average playing period of Paying Players ("Player Relationship Period").

The Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, the Group estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group mainly considers the Paying Players' spending and consumption behavior in estimating the Player Relationship Period.

If the Group does not have the ability to differentiate revenue attributable to durable in-game virtual items from consumable in-game virtual items for a specific game, the Group recognises revenue for that game ratably over the Player Relationship Period.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.9 Revenue and other income recognition *(continued)*

#### *(ii) Game publishing services*

The Group provides publishing services through cooperation with other third party game developers or operators. The Group publishes these games on its own GO Platform.

The Group's game publishing revenue is pre-determined according to the relevant terms of the agreements entered into between the Group and the third party game developers or operators. The games published on the GO Platform are hosted, maintained, operated and updated independently by the third party game developers or operators. The Group mainly provides the Paying Players with access to the GO Platform and limited after-sales basic support to the Paying Players.

The Group has evaluated and determined that it is not the primary obligor in the services rendered and is therefore, acting as an agent in publishing these games. Accordingly, the Group recognises its revenue, net of the portion of sharing of revenue with the third party game developers or operators when the Paying Players purchase the game credits for the relevant games.

#### *(iii) Licensing and royalty income*

The Group licenses online and mobile games and other intellectual rights to third parties. Any fixed upfront licensing fee is recognised on a straight-line basis over the period of the license agreement. Royalty income from the licensing arrangements is recognised in accordance with the terms of agreements.

#### *(iv) Promotion and management fee income*

Promotion income and management fee income are recognised when the relevant services are rendered.

#### *(v) Interest income*

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.10 Accounting for income tax

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

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

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

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

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

### 5.11 Foreign currency

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.11 Foreign currency *(continued)*

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

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

### 5.12 Leasing

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

#### *As lessee*

Assets held under finance leases are initially recognised as assets at fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.13 Employee benefits

#### *(i) Bonus*

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

#### *(ii) Defined contribution retirement plan*

Defined contribution plans are pension plans under which the Group pays fixed contributions into a separate entity.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Employees of the Group's subsidiary companies in China are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiary companies contribute funds which are calculated on certain percentage of the payroll to the schemes to fund the retirement benefits of the employees. Contributions to the schemes vest immediately.

A branch of a subsidiary company of the Group in Taiwan has a defined contribution scheme governed by the Taiwan Labor Pension Act. Under the scheme, a branch of a subsidiary company of the Group in Taiwan contributes monthly to the Bureau of Labour Insurance on certain percentage of the payroll of the employees who choose to participate in the scheme. Contributions to the scheme vest immediately.

#### *(iii) Short-term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.14 Provisions and contingent liabilities

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

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

### 5.15 Related parties

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third party and the other party is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 5.15 Related parties *(continued)*

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 5.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are determined following the Group's line of business.

The measurement policies the Group uses for reporting segment results under HKFRS "8 Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### Estimates of the Player Relationship Period

As described in Note 5.9, the Group recognises revenue from durable virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

### Recognition of deferred income

Revenue from game operation income is recognised based on the usage of the relevant game credits. Income received in respect of unutilised game credits arising from unused game credits are recognised as deferred income. Game operation income received is net of discounts given to certain distribution channels. In respect of the amount of deferred income arising from unutilised game credits, management's estimation is required in determining the average sales value of these unutilised game credits as discounts given are different for different sales channels.

### Revenue deferred of certain games

As mentioned in Note 5.9, in the case the Group does not possess relevant data and information to differentiate revenues attributable to consumable and durable in-game virtual items of a specific games, revenues from both consumable and durable in-game items are deferred and recognised ratably over the expected Player Relationship Period of the specific game.

### Impairment of non-financial assets

The Group assesses whether there are indicators of impairment for non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

### Impairment of receivables

Management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and debtors, past default experience and the current market conditions. Management reassesses the impairment at the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 7. SEGMENT INFORMATION

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

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

### Geographical information

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 8. REVENUE AND OTHER INCOME

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

	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>		
Game operation income	113,610	74,589
Game publishing income	2,895	2,610
Royalty income	208	1,054
License fee income	1,468	415
	<u>118,181</u>	<u>78,668</u>
<b>Other income</b>		
Interest income	2	7
Promotion income	—	117
Exchange gain	—	680
Gain on disposal of a subsidiary (note 17)	944	—
Other income	580	372
	<u>1,526</u>	<u>1,176</u>
	<u><u>119,707</u></u>	<u><u>79,844</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 10. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current tax – Hong Kong Profits Tax		
– Tax for the year	4,210	2,450
– Underprovision in prior years	—	516
	<u>4,210</u>	<u>2,966</u>
Current tax – PRC Tax		
– Tax for the year	—	21
	<u>4,210</u>	<u>2,987</u>
Deferred tax (note 24)	108	43
Income tax expense	<u><u>4,318</u></u>	<u><u>3,030</u></u>

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 11. DIVIDENDS

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

## 12. EARNINGS PER SHARE

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

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

## 13. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES

### Directors' remuneration

The aggregate amounts of remuneration paid and payable to Directors of the Company for the year are as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement plans HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>					
<i>Executive Directors:</i>					
Sze Yan Ngai	—	904	—	18	922
Lam Kin Fai	—	473	—	18	491
<i>Non-executive Directors:</i>					
Wong Pui Yain	—	—	—	—	—
Hong Ming Sang	—	343	—	18	361
<i>Independent Non-executive Directors:</i>					
Yung Kai Tai	—	—	—	—	—
Fung Ying Him Anthony	—	—	—	—	—
Lu Tak Meng Teddy	—	—	—	—	—
	—	1,720	—	54	1,774

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 13. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES (continued)

### Directors' remuneration (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement plans HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>					
<i>Executive Directors:</i>					
Sze Yan Ngai	—	824	800	17	1,641

Except for Mr. Sze Yan Ngai, the other Directors of the Group were appointed in 2015. Mr. Lam Kin Fai was appointed as executive Director on 30 September 2015. The non-executive Directors, Ms. Wong Pui Yain and Mr. Hong Ming Sang, were appointed on 30 September 2015 and 2 October 2015 respectively. All independent non-executive Directors were appointed on 23 December 2015.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

### Five highest paid individuals

Of the five highest paid individuals with the highest emoluments in the Group, three were Directors of the Company, Mr. Sze, Mr. Lam Kin Fai and Mr. Hong Ming Sang (2014: Mr Sze only), whose remuneration is reflected in the analysis presented above for the year. Details of remuneration of the remaining two individuals for the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	670	1,458
Discretionary bonus	—	200
Retirement benefits – defined contribution plans	34	64
<b>Total</b>	<b>704</b>	<b>1,722</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 13. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES *(continued)*

### Five highest paid individuals *(continued)*

The remuneration paid to each of the above individuals for the year fell within the following bands:

	<b>2015</b>	Number of the individuals 2014
Nil-HK\$1,000,000	<u>2</u>	<u>4</u>

No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

### Senior management's emoluments

The emoluments paid or payable to members of senior management for the year fell within the following bands:

	<b>2015</b>	Number of the individuals 2014
Nil-HK\$1,000,000	<u>1</u>	<u>3</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Computers HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>					
Opening net carrying amount	—	86	1,869	15	1,970
Additions	120	100	1,410	—	1,630
Depreciation	(12)	(51)	(1,275)	(15)	(1,353)
Disposal	—	—	—	—	—
Derecognition upon disposal of a subsidiary	—	—	(10)	—	(10)
Exchange adjustment	—	—	—	—	—
Closing net carrying amount	<u>108</u>	<u>135</u>	<u>1,994</u>	<u>—</u>	<u>2,237</u>
<b>As at 31 December 2015</b>					
Cost	276	419	15,012	701	16,408
Accumulated depreciation	<u>(168)</u>	<u>(284)</u>	<u>(13,018)</u>	<u>(701)</u>	<u>(14,171)</u>
Net carrying amount	<u>108</u>	<u>135</u>	<u>1,994</u>	<u>—</u>	<u>2,237</u>
<b>Year ended 31 December 2014</b>					
Opening net carrying amount	191	222	2,133	195	2,741
Additions	—	21	1,416	—	1,437
Depreciation	(78)	(102)	(1,615)	(180)	(1,975)
Disposal	(113)	(59)	—	—	(172)
Derecognition upon disposal of a subsidiary	—	—	(25)	—	(25)
Exchange adjustment	—	4	(40)	—	(36)
Closing net carrying amount	<u>—</u>	<u>86</u>	<u>1,869</u>	<u>15</u>	<u>1,970</u>
<b>As at 31 December 2014</b>					
Cost	156	342	15,040	701	16,239
Accumulated depreciation	<u>(156)</u>	<u>(256)</u>	<u>(13,171)</u>	<u>(686)</u>	<u>(14,269)</u>
Net carrying amount	<u>—</u>	<u>86</u>	<u>1,869</u>	<u>15</u>	<u>1,970</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 15. INTANGIBLE ASSETS

	HK\$'000
<b>Year ended 31 December 2015</b>	
Opening net carrying amount	18,076
Additions	12,642
Amortisation	(7,560)
Impairment	(2,479)
Closing net carrying amount	<u>20,679</u>
<b>As at 31 December 2015</b>	
Cost	56,122
Accumulated amortisation	<u>(35,443)</u>
Closing net carrying amount	<u>20,679</u>
<b>Year ended 31 December 2014</b>	
Opening net carrying amount	11,944
Additions	11,672
Amortisation	(5,172)
Impairment	(368)
Closing net carrying amount	<u>18,076</u>
<b>As at 31 December 2014</b>	
Cost	45,959
Accumulated amortisation	<u>(27,883)</u>
Closing net carrying amount	<u>18,076</u>

The intangible assets represented licenses with finite useful life.

For the year ended 31 December 2015, an impairment loss of approximately HK\$2,479,000 (2014: HK\$368,000) (note 9) was recognised, which represented the write-down of license fee paid for certain games operated by the Group to the recoverable amounts as a result of number of paying players of certain games launched not achieving expected level. The impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income as other expenses. The recoverable amounts have been determined with reference to the value-in-use calculations based on cash flow projections from approved budgets covering a period of three years which is the expected useful life of these games estimated by the management. Budgeted gross margin is determined based on the past performance on similar games and management's expectations for market development. The discount rate used is pre-tax rate of approximately 11% (2014: 13%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 16. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	17	5,362	—
<b>Current assets</b>			
Cash in hand		—	—
<b>Current liabilities</b>			
Amount due to a fellow subsidiary		5	—
<b>Net current liabilities</b>			
		(5)	—
<b>Net assets</b>			
		5,357	—
<b>EQUITY</b>			
Share capital	25	85	—
Reserves	26	5,272	—
<b>Total equity</b>			
		5,357	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 17. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2015 are as follows:

Name	Place of incorporation/ operation and principal activity	Description of shares held	Effective interest held by the Company	Principal activities
<i>Interests held directly</i>				
Gameone Inc. ("GI")	The British Virgin Islands ("BVI")	Ordinary Shares	100%	Investment holding
<i>Interests held indirectly</i>				
Gameone.com Inc.	BVI	Ordinary Shares	100%	Investment holding
Gameone Agency Limited	BVI	Ordinary Shares	100%	Investment holding
G9 Entertainment Limited	BVI	Ordinary Shares	100%	Investment holding
Gameone Online Technology Limited	Hong Kong	Ordinary Shares	100%	Development of online and mobile games
Gameone Group Limited	Hong Kong	Ordinary Shares	100%	Investment holding, development, operation, publishing and distribution of online and mobile games
漫遊移動科技(深圳)有限公司 ("漫遊移動科技")	PRC	Paid-up Capital	100%	Development of online games

On 25 September 2015, the Group disposed of its subsidiary, Onegameshow, which is engaged in the Non-core Business. The net liabilities of Onegameshow at the date of disposal were as follows:

	2015 HK\$'000
Prepayments, deposits and other receivables	5
Cash at banks and in hand	388
Accrued expenses and other payables	(1,337)
Net liabilities	(944)
Gain on disposal of a subsidiary included in profit for the year in the consolidated statement of profit or loss and other comprehensive income	944
Total consideration satisfied by cash*	—

\* The consideration was HK\$1 and was settled on the date of disposal.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 18. INVENTORIES

The inventories were carried at lower of cost and net realisable value and represent principally game credits cards and game packs which are to be utilised in the ordinary course of operations.

## 19. TRADE RECEIVABLES

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

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

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

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

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

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

Trade receivables that were neither past due nor impaired and that were past due but not impaired related to a number of trade debtors that the Group had continuing business relationships with these parties including transactions and settlements from these parties in general, in the opinion of the Directors, has no indication of default. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

### 19. TRADE RECEIVABLES (continued)

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. During the year ended 31 December 2015, the Group has written off trade receivables of HK\$22,000 (2014: HK\$75,000) directly to the profit or loss for the year (note 9). None of the trade receivables as at 31 December 2015 (2014: Nil) have been identified by the Group as having an impairment issue.

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

### 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

### 21. TRADE PAYABLES

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 23. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

### (a) Amount due from a related company

	Notes	2015 HK\$'000	2014 HK\$'000
Onegameshow.com Limited	(i)	<u>1,000</u>	<u>—</u>

(i) The balance is non-trade in nature, unsecured, interest-free and repayable on demand.

### (b) Amounts due to related companies

	Notes	2015 HK\$'000	2014 HK\$'000
Nineyou International Limited ("NYIL")	(i)	—	80
Nineyou Information Technology (Shanghai) Limited ("NITS")	(ii)	—	142
Suzhou Snail Digital Technology Company Limited	(iii)	<u>459</u>	<u>—</u>
		<u>459</u>	<u>222</u>

(i) The company is a shareholder of the Company. The amount related to game publishing services provided by the Group. It was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

(ii) NITS was a subsidiary of NYIL during the year up to 27 August 2015. The amount related to game operation of the Group. It was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

(iii) Its subsidiary, Snail Digital (HK) Limited, is a shareholder of the Company. The amount related to game operation of the Group. It was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 24. DEFERRED TAXATION

Details of deferred tax liabilities recognised and movements thereon during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
<b><u>Accelerated tax depreciation</u></b>		
At beginning of year	164	121
Charge for the year (note 10)	<u>108</u>	<u>43</u>
At ending of year	<u><u>272</u></u>	<u><u>164</u></u>

As at 31 December 2015, the Taiwan branch has unused tax losses of approximately HK\$9,694,000 (2014: HK\$10,153,000) available for offset against future taxable profits in Taiwan. No deferred tax assets have been recognised in respect of these tax losses due to the unpredictability of future profit streams. These tax losses can be carried forward for a period of 10 years.

As at 31 December 2015, a subsidiary in Hong Kong has unused tax losses of approximately HK\$13,119,000 (2014: HK\$13,681,000) available for offset against future taxable profits. No deferred tax assets have been recognised in respect of these tax losses due to unpredictability of future profit streams. These tax losses have no expiry date under current legislation.

## 25. SHARE CAPITAL

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

### Authorised share capital

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

### Issued and fully paid

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 26. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements.

Details of the movements on the Company's reserves are as follow:

	<b>Other reserve</b>	<b>Accumulated losses</b>	<b>Total reserve</b>
	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2014, 31 December 2014 and 1 January 2015</b>	—	—	—
Loss for the year	—	(4)	(4)
Reserve arisen upon Reorganisation	5,276	—	5,276
<b>At 31 December 2015</b>	<u>5,276</u>	<u>(4)</u>	<u>5,272</u>

### *Capital reserve*

Capital reserve represented the nominal value of the share capital of Gameone Inc. It was eliminated upon the completion of the Reorganisation on 23 December 2015.

### *Other reserve*

Other reserve of the Group mainly represented the differences between

- a. the investment cost and the carrying amounts of net assets of a former subsidiary acquired by the Group during a reorganisation in 2010 and consideration paid in respect of share repurchase by Gameone Inc. in April 2012; and
- b. the nominal value of the share capital and share premium of Gameone Inc. and the nominal value of the shares issued by the Company in acquiring Gameone Inc. upon the completion of the Reorganisation on 23 December 2015.

Other reserve of the Company represented the differences between the carrying amounts of the net assets of Gameone Inc. and the nominal value of the shares issued by the Company in acquiring Gameone Inc. upon the completion of the Reorganisation on 23 December 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 27. SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was conditionally adopted by the Company on 23 December 2015.

The Scheme is effective for a period of 10 years commencing on the listing date of the Company. Under the Scheme, the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer shall remain open for acceptance by the Qualifying Grantee concerned for a period of 28 days from the date of the offer (or such period as Board may specify in writing). HK\$1 is payable by the grantee to Company on acceptance of the option offer.

The period as the Board may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the granting of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue immediately following the completion of the Capitalization Issue and the Placing. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. At 31 December 2015, there were no outstanding options granted under the Scheme. Share options do not confer rights to the holders to dividends or to vote at shareholders’ meetings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 28. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

(b) Compensation of key management personnel

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

### 29. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 28, no transactions, arrangements or contracts of significance to which the holding company or any of the subsidiaries was a party and in which a Director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

### 30. OPERATING LEASE COMMITMENTS

Future minimum lease payments under a non-cancellable operating lease in respect of rented premise are payable as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,727</b>	1,755
In the second to fifth years	<b>119</b>	1,264
	<b><u>1,846</u></b>	<u>3,019</u>

The Group leased certain premises under operating leases. The leases run for an initial period of two to three years, with an option to renew the lease terms at the expiry dates or at dates mutually agreed between the Group and the respective landlords. None of the leases include contingent rentals.

### 31. CAPITAL COMMITMENTS

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for		
– Acquisition of intangible assets	<b><u>1,893</u></b>	<u>3,429</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 32. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

The following shows the carrying amounts of financial assets and liabilities:

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>		
Loans and receivables:		
Trade receivables	7,003	7,264
Deposits	569	560
Amount due from a related company	1,000	—
Cash at banks and in hand	45,545	37,613
	<u>54,117</u>	<u>45,437</u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
Trade payables	3,458	1,963
Accrued expenses and other payables	15,378	5,534
Amounts due to related companies	459	222
	<u>19,295</u>	<u>7,719</u>

Due to their short term nature, the carrying amount of the above items approximates fair value.

## 33. FINANCIAL RISK MANAGEMENT

Exposures to interest rate, credit, liquidity and foreign currency risks arise in the normal course of the Group's business. The management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. As the Group's exposure to market risk is kept to minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 33. FINANCIAL RISK MANAGEMENT *(continued)*

### 33.1 Foreign currency risk

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. The Group's 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 the Group's major entities to which these transactions related. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As the Group does not have significant exposure to foreign currency risk, the Group's income and operating cash flows are substantially independent of changes in foreign currency exchange rates.

### 33.2 Interest rate risk

The Group does not have any interest-bearing borrowings. The Group's exposure to changes in interest rates primarily arises from bank deposits. The Group currently does not have any interest rate hedging policy. However, the Directors monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Directors are of the opinion that the sensitivity of the Group's profit for the year to the reasonably possible change in interest rates in the next twelve months is low.

### 33.3 Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The Group is exposed to credit risk in respect of its trade receivables, other receivables, amount due from a related company and bank balances.

The Group monitors the trade receivables on an ongoing basis and only trades with creditworthy parties. The credit risk on liquid funds is low because the counterparties are major banks with high credit-ratings. The Group is subject to concentration of credit risk since majority of its trade receivables are due from a limited number of distributors through which it earns its online game revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 33. FINANCIAL RISK MANAGEMENT (continued)

### 33.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of accrued expenses and other payables, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group during the year and are considered by the Directors to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at the reporting date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in installments, each installment is allocated to the earliest period in which the Group is committed to pay.

#### As at 31 December 2015

	Within 3 months or on demand HK\$'000	More than 3 months but less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Trade payables	3,458	—	—	3,458	3,458
Accrued expenses and other payables	15,378	—	—	15,378	15,378
Amount due to a related company	459	—	—	459	459
	<u>19,295</u>	<u>—</u>	<u>—</u>	<u>19,295</u>	<u>19,295</u>

#### As at 31 December 2014

	Within 3 months or on demand HK\$'000	More than 3 months but less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Trade payables	1,963	—	—	1,963	1,963
Accrued expenses and other payables	5,534	—	—	5,534	5,534
Amounts due to related companies	222	—	—	222	222
	<u>7,719</u>	<u>—</u>	<u>—</u>	<u>7,719</u>	<u>7,719</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

## 33. FINANCIAL RISK MANAGEMENT *(continued)*

### 33.4 Liquidity risk *(continued)*

The Group's policy is to monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long term.

## 34. CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 December 2015 amounted to approximately HK\$56,648,000 (2014: HK\$49,927,000), which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

## 35. SUBSEQUENT EVENTS

The Company's shares were listed on the GEM of the Stock Exchange on 13 January 2016. A share option scheme (the "Scheme") was conditionally adopted by the Company on 23 December 2015. Details of the Scheme are set out in note 27.

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