

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



GAMEONE HOLDINGS LIMITED

智傲控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8282)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*This announcement, for which the directors (the “**Directors**”) of Gameone Holdings Limited (the “**Company**”) together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020, together with the audited comparative figures for the preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	51,304	80,180
Cost of services rendered		<u>(40,571)</u>	<u>(57,113)</u>
Gross profit		10,733	23,067
Other income	5	3,411	3,430
Selling expenses		(10,973)	(14,525)
Administrative expenses		(11,114)	(12,722)
Other expenses		(2,078)	(1,092)
Finance cost	6	(49)	(121)
Loss before income tax	6	(10,070)	(1,963)
Income tax credit	7	<u>–</u>	<u>–</u>
Loss for the year		<u>(10,070)</u>	<u>(1,963)</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of financial statements of foreign operations		<u>(1,016)</u>	<u>(256)</u>
Other comprehensive income for the year		<u>(1,016)</u>	<u>(256)</u>
Total comprehensive income for the year		<u>(11,086)</u>	<u>(2,219)</u>
Loss for the year attributable to:			
Owners of the Company		(10,070)	(1,863)
Non-controlling interests		<u>–</u>	<u>(100)</u>
		<u>(10,070)</u>	<u>(1,963)</u>
Total comprehensive income attributable to:			
Owners of the Company		(11,086)	(2,119)
Non-controlling interests		<u>–</u>	<u>(100)</u>
		<u>(11,086)</u>	<u>(2,219)</u>
		2020	2019
		HK\$	HK\$
Losses per share	9		
– Basic and Diluted		<u>(0.06)</u>	<u>(0.01)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		316	653
Intangible assets		2,858	4,850
Right-of-use assets		2,358	1,302
		<u>5,532</u>	<u>6,805</u>
Current assets			
Trade receivables	<i>10</i>	3,558	3,127
Prepayments, deposits and other receivables	<i>11</i>	6,514	7,548
Cash at banks and on hand		38,158	44,981
		<u>48,230</u>	<u>55,656</u>
Current liabilities			
Trade payables	<i>12</i>	1,800	2,038
Accrued expenses and other payables	<i>13</i>	4,726	5,346
Contract liabilities	<i>13</i>	10,771	8,535
Tax payable		77	77
Lease liabilities		1,340	1,328
		<u>18,714</u>	<u>17,324</u>
Net current assets		<u>29,516</u>	<u>38,332</u>
Total assets less current liabilities		<u>35,048</u>	<u>45,137</u>
Non-current liabilities			
Deferred taxation		–	–
Lease liabilities		997	–
Net assets		<u>34,051</u>	<u>45,137</u>
EQUITY			
Share capital		1,600	1,600
Reserves		32,451	43,537
Equity attributable to the Company's owners		34,051	45,137
Non-controlling interests		–	–
Total equity		<u>34,051</u>	<u>45,137</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

Gameone Holdings Limited was incorporated in Cayman Islands with limited liability under the Companies Law of Cayman Islands on 14 April 2010. The Company's registered office is located at PO Box 309, Uglan House, Grand Cayman, KY1-1104 Cayman Islands. The Company's principal place of business is located at Unit No.07, 5/F, Workingberg Commercial Building, Nos.41-47 Marble Road, Hong Kong.

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

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2020

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Revised Conceptual Framework for Financial Reporting	

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7-Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 16 – Covid -19- Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

Revised Conceptual Framework for Financial Reporting

Conceptual Framework for Financial Reporting 2018 (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard.

(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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Annual Improvements to HKFRSs 2018-2020 Cycle	HKFRS 9 “Financial Instruments” ²
Annual Improvements to HKFRSs 2018-2020 Cycle	Illustrative Examples accompanying HKFRS16 “Leases” ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for business combination for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to HKFRS 2018–2020 Cycle – HKFRS 9 “Financial Instruments”

The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Annual Improvements to HKFRS 2018–2020 Cycle – Illustrative Examples accompanying HKFRS 16 “Leases”

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group’s financial performance and financial position.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the provisions 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 GEM of the Stock Exchange.

(b) Basis of measurements

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

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

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

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

Geographical information

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

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
By country/region		
Hong Kong (place of domicile)	44,811	70,187
Taiwan	6,493	9,920
Others	—	73
	<u>51,304</u>	<u>80,180</u>

Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
By country/region		
Hong Kong (place of domicile)	5,499	6,710
Taiwan	33	95
	<u>5,532</u>	<u>6,805</u>

Information about major customers

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

5. REVENUE AND OTHER INCOME

Disaggregation of revenue from contracts with the customers by type categories and other income are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Game operation income	49,921	78,438
Game publishing income	685	921
Royalty income	98	424
License fee income	600	397
	<u>51,304</u>	<u>80,180</u>
Other income		
Interest income	264	384
Government grants	2,624	–
Other income	523	3,046
	<u>3,411</u>	<u>3,430</u>
	<u>54,715</u>	<u>83,610</u>

6. LOSS BEFORE INCOME TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Under cost of services rendered:</i>		
Amortisation of intangible assets	2,199	4,558
Royalty expenses	11,690	17,210
Services charged by game distribution channels	11,721	19,670
<i>Under administrative expenses:</i>		
Auditor's remuneration	449	606
Exchange gain, net	(206)	(3)
Lease payments not included in the measurement of lease liabilities	194	161
Depreciation of right-of-use assets	1,642	1,850
<i>Under finance cost:</i>		
Interest expenses on lease liabilities	49	121
<i>Under other expenses:</i>		
Impairment on intangible assets	2,078	1,032
Depreciation of property, plant and equipment:		
– Under cost of services rendered	394	746
– Under administrative expenses	249	517
	643	1,263
Staff costs excluding directors' remuneration:		
– Salaries and allowances	13,883	16,031
– Contributions on defined contribution retirement plan	613	931
	14,496	16,962

7. INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax-Hong Kong Profits Tax		
– Tax for the year	–	–
– Over provision in prior years	–	–
	<hr/>	<hr/>
Current tax-PRC Tax		
– Tax for the year	–	–
	<hr/>	<hr/>
Deferred tax	–	–
	<hr/>	<hr/>
Income tax credit	–	–
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before income tax	(10,070)	(1,963)
	<hr/> <hr/>	<hr/> <hr/>
Tax on loss before income tax, calculated at rates applicable to profits in the tax jurisdictions concerned	(933)	(230)
Tax effect of non-deductible expenses	334	326
Tax effect of non-taxable revenue	(466)	(17)
Utilisation of tax losses previously not recognised	1,065	(79)
	<hr/>	<hr/>
Income tax credit	–	–
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

No dividends have been paid or declared by the Company or any of the subsidiaries during the year (2019: Nil).

9. LOSSES PER SHARE

The calculation of basic losses per share is based on the loss attributable to the owners of the Company and on the basis of the weighted average number of 160,000,000 ordinary shares (2019: 160,000,000 ordinary shares) in issue.

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

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 December 2020 (2019: same).

10. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<u>3,558</u>	<u>3,127</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 invoice date, as of the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not more than 30 days	3,293	2,950
30-60 days	256	153
Over 60 days	<u>9</u>	<u>24</u>
	<u>3,558</u>	<u>3,127</u>

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. During the year ended 31 December 2020, the Group has no written off trade receivables (2019: Nil) directly to the profit or loss for the year. The expected credit loss rate on trade receivables was assessed to be minimal and no provision was made for the year.

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments	5,699	6,545
Deposits	534	564
Other receivables	281	439
	<u>6,514</u>	<u>7,548</u>

12. TRADE PAYABLES

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

13. ACCRUED EXPENSES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued expenses	3,330	3,736
Other payables	1,396	1,610
	<u>4,726</u>	<u>5,346</u>

CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Receipt in advance	1,595	320
Deferred income	9,176	8,215
	<u>10,771</u>	<u>8,535</u>

Typical payment terms which impact on the amount of contract liabilities are as follows:

Receipt in advance represents the advance received from licensee.

Deferred income represents the unamortised portion of income received in respect of in-game virtual items paid by Paying Players.

Movements in contract liabilities

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 January	8,535	11,674
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(8,535)	(11,674)
Increase in contract liabilities as a result of receipts unamortised portion of income received in respect of in-game virtual items paid by Paying Players and prepaid royalty by licensee	10,771	8,535
Balance at 31 December	<u>10,771</u>	<u>8,535</u>

Unsatisfied long-term license contract

The following table shows unsatisfied performance obligations resulting from long-term fixed price license contract.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate amount of the transaction price allocated to long-term license contract that are partially or fully unsatisfied as at 31 December	<u>1,237</u>	<u>–</u>

The directors expects that approximately 33% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue during the next reporting year (HK\$550,000) and that approximately 33% (HK\$550,000) will be recognised as revenue in the 2022 financial year. The remaining approximately 8% (HK\$137,000) will be recognised in the 2023 financial year. The amount disclosed above does not include variable consideration which is constrained.

All other license contract and deferred income for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contract is not disclosed.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

The outbreak of the novel Coronavirus 2019 since the beginning of 2020 is a fluid and challenging situation faced by all the industries of Hong Kong and even worldwide. In the financial year ended 31 December 2020, the Group recorded a net loss of approximately HK\$10.1 million as compared to a net loss of approximately HK\$2.0 million for the same period in 2019. Such increase in net loss of the Group during this year was mainly attributable to the decrease in revenue arising from the Group's licensed mobile games and self/co-developed games by approximately 36.0% as compared to the same period in 2019 and the recognition of impairment losses on the intangible assets as at 31 December 2020.

In order to increase our market share in the mobile game industry, we plan to expand our business through both organic growth and strategic partnerships. We intend to selectively invest in or enter into strategic partnerships with complementary game developers, development teams, other game operators and distributors in order to broaden the scope, spectrum and reach of our games, particularly mobile games. The Board will closely monitor the performance of the Group and the Group will continue to pursue the key business strategies to expand its gaming portfolio through introducing more high-quality licensed games with a focus on mobile games, to consolidate market position and to enhance marketing efforts.

OUR NEWLY LICENSED MOBILE GAMES

The Group has entered into an exclusive agency agreement with Beijing Crazy Sports Management Company Limited* (北京瘋狂體育產業管理有限公司) (under V1 Group Limited (Stock Code: 82)), and Shanghai Stararray Information Technology Co., Ltd.* (上海陣星信息科技有限公司) in March 2021, to obtain the operational right of a mobile game named “ACE SOCCER (球場風雲)” in Hong Kong, Macau and Taiwan. The game is expected to be launched in the second quarter of 2021.

In February 2021, the Group has entered into a cooperation agreement with Linekong Interactive Group Co., Ltd. (Stock Code: 8267), to obtain the right of operation of “Dawn Awakening (黎明覺醒)” in Hong Kong, Macau and Taiwan. The game is expected to be launched in the first quarter of 2021.

* it is a direct transliteration of its Chinese name

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group recognizes the importance of risk management practices. Thus, it endeavors its best to mitigate its exposure to operating and financial risks in an effective and efficient manner.

The principal risks, challenges and uncertainties faced by the Group include: (i) the mobile game industry is highly competitive; (ii) the game industry is subject to rapid technological changes which may render our games obsolete or unattractive to our users; (iii) we may not be able to extend licenses for our existing licensed games or introduce new licensed games, which will materially and adversely affect our revenue; and (iv) we rely on key personnel and our business may be severely disrupted if we lose the services of our key executives and employees.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK\$51.3 million for the year ended 31 December 2020 representing a decrease of approximately 36.0% from approximately HK\$80.2 million for the corresponding period in 2019, which was primarily attributable to the decrease in the Group's game operation income of licensed games and self/co-developed games, and the delay in launching new games.

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			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Game operation income				
– Self/co-developed games	14,183	27.6	19,195	23.9
– Licensed games	35,738	69.7	59,243	73.9
Game publishing income				
– Games for publishing	685	1.3	921	1.2
Income from game operation and publishing	50,606	98.6	79,359	99.0
Royalty income	98	0.2	424	0.5
License fee income	600	1.2	397	0.5
Total	51,304	100.0	80,180	100.0

We offered our games in two forms: mobile games or online PC 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			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Mobile games	43,870	85.5	72,279	90.1
Online PC games	6,736	13.1	7,080	8.9
Income from game operation and publishing	50,606	98.6	79,359	99.0
Royalty income	98	0.2	424	0.5
License fee income	600	1.2	397	0.5
Total	51,304	100.0	80,180	100.0

Cost of services rendered

The Group's cost of services rendered for the year ended 31 December 2020 was approximately HK\$40.6 million, representing a decrease of approximately 28.9% from approximately HK\$57.1 million for the corresponding period in 2019, which was primarily attributable to the combined effect of (i) an approximately HK\$8.0 million decrease in channel fees; (ii) an approximately HK\$5.5 million decrease in royalty expenses; and (iii) an approximately HK\$2.4 million decrease in amortization of intangible assets during the year ended 31 December 2020.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2020 was approximately HK\$10.7 million, representing a decrease of approximately 53.7% from approximately HK\$23.1 million for the year ended 31 December 2019, primarily due to a decrease in the Group's game operation income from the licensed mobile games and self/co-developed games. The Group's gross profit margin for the year ended 31 December 2020 was approximately 20.9%, representing a decrease of approximately 7.9 percentage points compared to the gross profit margin of approximately 28.8% for the year ended 31 December 2019.

Selling expenses

The Group's selling expenses for the year ended 31 December 2020 were approximately HK\$11.0 million, representing a decrease of approximately 24.1% from approximately HK\$14.5 million for the corresponding period in 2019, primarily attributable to a decrease in advertising and promotion expenses.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2020 were approximately HK\$11.1 million, representing a decrease of approximately 12.6% from approximately HK\$12.7 million for the year ended 31 December 2019, primarily attributable to the decrease in staff cost, legal and professional fees and overseas travelling expenses.

Other expenses

The Group's other expenses were approximately HK\$2.1 million for the year ended 31 December 2020 representing an increase of approximately 90.9% from approximately HK\$1.1 million for the corresponding period in 2019, which was mainly attributable to the recognition of impairment loss on the intangible assets of certain games of the Group for the year ended 31 December 2020 due to the write-down of license fees paid for certain games of the Group which failed to achieve the expected performance level.

Loss for the year

The Group recorded a loss for the year ended 31 December 2020 of approximately HK\$10.1 million as compared with a loss of approximately HK\$2.0 million for the corresponding period in 2019, which was primarily attributable to (i) an approximately HK\$12.4 million decrease in the gross profit for the year ended 31 December 2020 due to a decrease in the Group's revenue contributed by the Group's game operation income from the Group's licensed mobile games and self/co-developed games; and (ii) the recognition of impairment loss on the intangible assets of certain games of the Group for the year ended 31 December 2020 due to the write-down of license fees paid for certain games of the Group which failed to achieve the expected performance level.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 13 January 2016 (the "**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2020, the Company's issued share capital was HK\$1.6 million and the number of its issued ordinary shares was 160,000,000 of HK\$0.01 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During the year ended 31 December 2020, we did not have any bank borrowings. As at 31 December 2020, we had cash and cash equivalents of approximately HK\$38.2 million (31 December 2019: approximately HK\$45.0 million), which were cash at banks and on hand. No banking facility has been arranged by our Group during the year ended 31 December 2020.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed herein, there was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2020.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2020, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any concrete plan for material investments or capital assets as at 31 December 2020.

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 United States dollar, Japanese Yen or Renminbi. These are not the functional currencies of our principal subsidiaries to which these transactions related. We currently do not have a foreign currency hedging policy. However, we monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

BORROWING AND GEARING RATIO

During the year ended 31 December 2020, we did not have any short-term or long-term bank borrowings.

As at 31 December 2020, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was approximately 36.7% (31 December 2019: approximately 27.7%).

TREASURY POLICIES

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

CHARGE ON GROUP ASSETS

As at 31 December 2020, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

COMMITMENTS

Our contract commitments mainly involve acquisition of intangible assets. As at 31 December 2020, the Group's capital commitments for acquisition of intangible assets were approximately HK\$1.0 million (31 December 2019: approximately HK\$1.0 million)

INFORMATION ON EMPLOYEES

As at 31 December 2020, the Group had 53 employees (31 December 2019: 60) working in Hong Kong and Taiwan. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration, allowances and mandatory provident funds contributions of the Directors) for the year ended 31 December 2020 amounted to approximately HK\$17.5 million (31 December 2019: approximately HK\$20.0 million). The dedication and hard work of the Group's staff during the year ended 31 December 2020 are generally appreciated and recognized.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the “**Share Option Scheme**”) conditionally approved and adopted by written resolutions of the then shareholders of the Company (the “**Shareholders**”) on 23 December 2015.

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to the employees (whether full-time or part-time employee) and the person who is an officer of any members of the Group or any affiliates, the person who is seconded to work for any member of the Group or any affiliates, the consultant, agent, representative, adviser, customer, contractor of the Group or any affiliates and other selected participants; and to promote the long term financial success of the Group by aligning the interests of option holders to Shareholders.

(b) The participants of the Share Option Scheme

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, the Board may offer to grant an option to the employees (whether full-time or part-time employee) and the person who is an officer of any members of the Group or any affiliates, the person who is seconded to work for any member of the Group or any affiliates, the consultant, agent, representative, adviser, customer, contractor of the Group or any affiliates and other selected participants.

(c) Maximum number of shares available for issue

The limit on the number of shares of the Company (the “**Shares**”) which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option 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 “**Overriding Limit**”).

In addition to the Overriding Limit and prior to the approval of a Refreshed Mandate Limit below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue on the Listing Date. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

The Company may by ordinary resolutions of the Shareholders refresh the mandate limit provided the Company shall issue a circular containing such information as required by the GEM Listing Rules to Shareholders before such approval is sought. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed (the “**Refreshed Mandate Limit**”) must not exceed 10% of the Shares in issue as at the date of approval of the Refreshed Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with any of the schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

The Company has refreshed the Share Option Scheme mandate limit at the annual general meeting held on 8 May 2020, representing 20% of the total number of the issued Shares on the same date (i.e. a total of 32,000,000 Shares).

(d) Maximum entitlement of each participants

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each Qualifying Grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by Shareholders in general meeting with the relevant Qualifying Grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the GEM Listing Rules to Shareholders.

(e) Acceptance and payment on acceptance of option offer

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 the Board may specify in writing).

HK\$1 is payable by the grantee to the Company on acceptance of the option offer.

(f) Option period

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 Share Option Scheme, a period of 10 years from the date of the granting of the option).

(g) Subscription price

The subscription price in respect of any particular option shall be such price as 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.

For more details of the principal terms of the Share Option Scheme, please refer to the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

For the year ended 31 December 2020, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Share Option Scheme.

FUTURE PROSPECTS

Nowadays, competition in the game industry is intense in Hong Kong and Taiwan. We compete with other game developers, operators and publishers of online PC games and mobile games in Hong Kong and Taiwan. We also face competition from emerging mobile game developers, operators and publishers, as well as some traditional online PC game companies that are entering the mobile game market. Some of our existing and potential competitors have significantly greater financial, technological and marketing resources, larger player base, stronger relationship with industry participants (such as game developers), a larger and more diverse game portfolio, and stronger mobile game development experience and resources than us. We further compete with other entertainment or leisure time activities which divert our target customers' time and attention.

While we compete with a wide spectrum of existing and potential competitors, we rely primarily on our abilities to self/co-develop and/or license games that are attractive to game players and fulfil the demands and expectation of game players. This would in turn depend on our advertising efforts, the stability of our game operation systems, and in particular, whether we can secure development rights or licensed games that are based on popular literatures, comics and animations. Benefiting from over ten years of experience in game development, operation and publishing in the Hong Kong market, as well as possessing a number of development rights based on popular literatures, comics and animations, we believe that we can differentiate from our competitors in the future.

We have secured rights to turn various popular literatures, comics and animations, including, “My Date with a Vampire” (我和殭屍有個約會), “Dragon and Tiger Gate” (龍虎門), “Teddy Boy” (古惑仔), “Fengshenji” (封神紀), and “The Ravages of Time” (火鳳燎原) into games. We believe that we can leverage on the critical mass of the captive readership, to maximize market recognition and receptiveness at reduced marketing costs, and attract readers of these popular literatures, comics and animations, to try and play these games.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2020, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules (the “**Required Standard Dealings**”). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings throughout the year under review. Further the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

NON-COMPETITION UNDERTAKINGS

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

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

During the year ended 31 December 2020, the Board had not received any written confirmation from any of our Directors in respect of interest in any business (other than our Group) which is or is likely to be directly or indirectly in competition with our business.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

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

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

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

The Group's consolidated financial statements for the year ended 31 December 2020 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 2020 comply with applicable accounting standards, GEM Listing Rules and the Hong Kong Companies Ordinance and adequate disclosures have been made. The consolidated financial statements of the Group have been agreed by the auditor of the Group.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Monday, 10 May 2021 (the “AGM”). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 5 May 2021 to Monday, 10 May 2021, 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 branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 4 May 2021.

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

Hong Kong, 25 March 2021

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

This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.gameone.com.hk.