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CMON LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8278)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF GEM OF 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 of the Stock Exchange (the “Main Board”) and no assurance is given that there will be a liquid market in the securities traded on GEM.

INTERIM RESULTS HIGHLIGHTS

- The revenue increased by approximately US\$0.7 million, or approximately 7.9% from approximately US\$8.9 million for the six months ended 30 June 2017 to approximately US\$9.6 million for the six months ended 30 June 2018.
- Gross profit increased by approximately US\$0.3 million, or approximately 7.0% from approximately US\$4.3 million for the six months ended 30 June 2017 to approximately US\$4.6 million for the six months ended 30 June 2018. During the six months ended 30 June 2018, the gross profit margin was approximately 48.0%.
- During the six months ended 30 June 2018, the loss and total comprehensive loss for the period attributable to equity holders of the Company was US\$80,883, as compared to the profit and total comprehensive profit for the period attributable to equity holders of the Company of US\$122,196 for the six months ended 30 June 2017. Loss per share attributable to equity holders of the Company during the six months ended 30 June 2018 was approximately US\$0.00005.
- Excluding the non-recurring professional service fees in respect of the application for the proposed transfer of listing of the shares of the Company from GEM to Main Board (the “**Proposed Transfer of Listing**”), the profit and total comprehensive profit for the period attributable to equity holders of the Company would be US\$368,291 for the six months ended 30 June 2018.
- As at 30 June 2018, cash and cash equivalents were approximately US\$1.7 million and the gearing ratio, calculated as total liabilities divided by total assets, increased to approximately 47.6%. During the six months ended 30 June 2018, we recorded a positive operating cash flow.
- During the six months ended 30 June 2018, we launched three Kickstarter games, namely *HATE*, *Zombicide: Invader* and *Arcadia Quest: Riders*. We have also shipped the Kickstarter projects namely, *A Song of Ice & Fire: Tabletop Miniatures Games* and *Arcadia Quest: Riders*.

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME For the three months and six months ended 30 June 2018

	Note	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) US\$	2017 (Unaudited) US\$	2018 (Unaudited) US\$	2017 (Unaudited) US\$
Revenue	2, 3	6,879,641	7,402,927	9,550,926	8,882,804
Cost of sales	4	<u>(3,057,130)</u>	<u>(3,314,662)</u>	<u>(4,966,935)</u>	<u>(4,567,032)</u>
Gross profit		3,822,511	4,088,265	4,583,991	4,315,772
Other income		100,253	181,711	316,899	228,551
Exchange gain		27,370	—	17,504	—
Selling and distribution expenses	4	<u>(1,115,347)</u>	<u>(1,056,411)</u>	<u>(1,592,133)</u>	<u>(1,534,403)</u>
General and administrative expenses	4	<u>(1,553,490)</u>	<u>(1,615,826)</u>	<u>(3,275,122)</u>	<u>(2,847,751)</u>
Operating profit		1,281,297	1,597,739	51,139	162,169
Finance costs		<u>(21,398)</u>	<u>(7,490)</u>	<u>(42,038)</u>	<u>(7,490)</u>
Profit before income tax		1,259,899	1,590,249	9,101	154,679
Income tax expense	5	<u>(341,921)</u>	<u>(333,953)</u>	<u>(91,655)</u>	<u>(32,483)</u>
Profit/(loss) for the period attributable to equity holders of the Company		<u>917,978</u>	<u>1,256,296</u>	<u>(82,554)</u>	<u>122,196</u>
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange difference on translation on foreign operations		<u>2,204</u>	<u>—</u>	<u>1,671</u>	<u>—</u>
Other comprehensive income, net of tax		<u>2,204</u>	<u>—</u>	<u>1,671</u>	<u>—</u>
Profit/(loss) and total comprehensive income/(loss) for the period attributable to equity holders of the Company		<u>920,182</u>	<u>1,256,296</u>	<u>(80,883)</u>	<u>122,196</u>
Earnings/(loss) per share attributable to equity holders of the Company during the period					
Basic and diluted	6	<u>0.00051</u>	<u>0.00070</u>	<u>(0.00005)</u>	<u>0.00007</u>

CONDENSED CONSOLIDATED BALANCE SHEETS

		As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	8	11,711,005	11,032,337
Intangible assets	9	12,377,364	11,472,024
		<u>24,088,369</u>	<u>22,504,361</u>
Current assets			
Inventories		7,351,306	4,423,442
Trade and other receivables	10	1,915,623	841,526
Prepayments and deposits		3,075,428	2,398,535
Pledged deposit		200,000	200,000
Cash and cash equivalents		1,739,703	2,850,318
		<u>14,282,060</u>	<u>10,713,821</u>
Total assets		<u><u>38,370,429</u></u>	<u><u>33,218,182</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	11,700	11,700
Share premium	12	12,384,133	12,384,133
Retained earnings		6,942,876	7,025,430
Capital reserves		780,499	780,499
Exchange reserves		677	(994)
		<u>20,119,885</u>	<u>20,200,768</u>
Total equity		<u>20,119,885</u>	<u>20,200,768</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		281,297	281,297
Bank borrowings		4,024,760	3,271,182
		<u>4,306,057</u>	<u>3,552,479</u>

		As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$
Current liabilities			
Trade payables	11	494,061	1,917,091
Bank borrowings		2,424,715	134,774
Accruals and other payables		1,420,143	1,774,894
Contract liabilities		7,545,546	3,265,709
Income tax payable		2,060,019	2,372,464
Amount due to ultimate holding company	13	3	3
		<u>13,944,487</u>	<u>9,464,935</u>
Total liabilities		<u>18,250,544</u>	<u>13,017,414</u>
Total equity and liabilities		<u>38,370,429</u>	<u>33,218,182</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital (Unaudited) US\$	Share premium (Unaudited) US\$	Retained earnings (Unaudited) US\$	Capital reserves (Unaudited) US\$	Exchange reserves (Unaudited) US\$	Total (Unaudited) US\$
At 1 January 2018	11,700	12,384,133	7,025,430	780,499	(994)	20,200,768
Comprehensive income/(loss)						
Loss for the period	—	—	(82,554)	—	—	(82,554)
Other comprehensive income	—	—	—	—	1,671	1,671
Total comprehensive income/(loss)	—	—	(82,554)	—	1,671	(80,883)
At 30 June 2018	<u>11,700</u>	<u>12,384,133</u>	<u>6,942,876</u>	<u>780,499</u>	<u>677</u>	<u>20,119,885</u>
At 1 January 2017	11,700	12,384,133	3,528,811	780,499	—	16,705,143
Comprehensive income						
Profit for the period	—	—	122,196	—	—	122,196
Total comprehensive income	—	—	122,196	—	—	122,196
At 30 June 2017	<u>11,700</u>	<u>12,384,133</u>	<u>3,651,007</u>	<u>780,499</u>	<u>—</u>	<u>16,827,339</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) US\$	2017 (Unaudited) US\$
Net cash generated from/(used in) operating activities	686,534	(1,179,514)
Net cash used in investing activities	(3,265,630)	(4,097,450)
Net cash generated from financing activities	<u>1,468,481</u>	<u>1,549,945</u>
Net decrease in cash and cash equivalents	(1,110,615)	(3,727,019)
Cash and cash equivalents at beginning of the period	<u>2,850,318</u>	<u>6,612,768</u>
Cash and cash equivalents at end of the period	<u><u>1,739,703</u></u>	<u><u>2,885,749</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The preparation of unaudited consolidated results in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In the current period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2017, as described in those consolidated financial statements except for the Group has adopted all the new and revised IFRSs issued, as disclosed below, that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. The application of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

The following standards are relevant to the Group for the first time for the financial year beginning on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfer of Investment Property
IFRIC — Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements Projects	Annual Improvements 2014–2016 cycle

2. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's principal activity is the design, development and sales of board games, miniatures and other hobby products, and it has only one operating segment.

During the three months and six months ended 30 June 2018 and 2017, revenue was earned from customers located in the following geographical areas:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) US\$	(Unaudited) US\$	(Unaudited) US\$	(Unaudited) US\$
North America	3,747,177	4,103,181	5,553,747	4,915,770
Europe	2,098,776	2,678,688	2,876,315	3,189,625
Oceania	378,924	279,603	433,139	343,372
Asia	565,446	259,318	592,260	350,854
South America	79,283	76,123	79,868	75,873
Africa	10,035	6,014	15,597	7,310
	<u>6,879,641</u>	<u>7,402,927</u>	<u>9,550,926</u>	<u>8,882,804</u>

No individual customers of the Group contributed more than 10% of the Group's revenue during the three months and six months ended 30 June 2018 and 2017.

3. REVENUE

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) US\$	(Unaudited) US\$	(Unaudited) US\$	(Unaudited) US\$
Sales of products	6,757,198	6,993,469	9,211,514	8,457,398
Shipping income in connection with sale of products	122,443	409,458	339,412	425,406
	<u>6,879,641</u>	<u>7,402,927</u>	<u>9,550,926</u>	<u>8,882,804</u>

4. EXPENSES BY NATURE

Included in cost of sales, selling and distribution expenses and general and administrative expenses are the following:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Cost of inventories	1,669,667	1,733,447	2,680,440	2,360,246
Shipping and handling charges	815,038	1,215,009	1,135,068	1,500,242
Employee benefit expenses	840,628	1,103,496	1,524,343	2,096,791
Professional service fees in respect of the application for the Proposed Transfer of Listing	343,025	—	449,174	—
Other professional fees	158,757	107,570	233,556	146,507
Merchant account fees	166,108	449,995	305,866	554,267
Royalty expenses	32,335	24,190	45,093	28,354
Marketing expenses	89,762	7,665	215,741	94,035
Depreciation	421,893	248,729	842,613	466,342
Amortisation	440,354	223,564	839,010	434,755
Games development expenses	223,870	91,167	473,841	92,924
Website maintenance fees	77,903	136,486	200,938	190,562
Operating lease rentals	120,120	83,273	266,811	129,994
Travelling expenses	173,272	134,983	379,209	320,386
Provision for doubtful debt	22,872	—	22,872	—
Other expenses	130,363	427,325	219,615	533,781
	<u>5,725,967</u>	<u>5,986,899</u>	<u>9,834,190</u>	<u>8,949,186</u>

Cost of sales for the three months ended 30 June 2018 and 2017 comprise principally cost of inventories, shipping and handling charges, depreciation of US\$197,968 and US\$159,608, amortisation of US\$374,457 and US\$206,598, respectively.

Cost of sales for the six months ended 30 June 2018 and 2017 comprise principally cost of inventories, shipping and handling charges, depreciation of US\$408,643 and US\$305,720, amortisation of US\$742,784 and US\$400,824, respectively.

5. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) US\$	2017 (Unaudited) US\$	2018 (Unaudited) US\$	2017 (Unaudited) US\$
Current income tax expense	<u>341,921</u>	<u>333,953</u>	<u>91,665</u>	<u>32,483</u>

The Group is exempted from taxation in the Cayman Islands and the British Virgin Islands. The companies comprising the Group are subject to the United States of America (“United States”) corporate tax at the rate of 21% and Singapore corporate income tax at the rate of 17%.

No provision for Hong Kong profits tax has been made in the unaudited condensed consolidated financial information as the Company and the Group did not have assessable profit in Hong Kong during the three months and six months ended 30 June 2018 and 2017.

6. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Profit/(loss) for the period attributable to equity holders of the Company (US\$)	917,978	1,256,296	(82,554)	122,196
Weighted average number of ordinary shares in issue	<u>1,806,000,000</u>	<u>1,806,000,000</u>	<u>1,806,000,000</u>	<u>1,806,000,000</u>
Basic earnings/(loss) per share (US\$)	<u>0.00051</u>	<u>0.00070</u>	<u>(0.00005)</u>	<u>0.00007</u>

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the three months and six months ended 30 June 2018 and 2017.

7. INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the three months and six months ended 30 June 2018 (for the three months and six months ended 30 June 2017: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment amounting to approximately US\$1.5 million (for the six months ended 30 June 2017: approximately US\$3.3 million).

9. INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group spent approximately US\$1.7 million on acquisition of intangible assets (for the six months ended 30 June 2017: approximately US\$0.6 million).

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$
Trade receivables	1,973,092	758,437
Less: Allowance for doubtful debt	(57,469)	(34,597)
	1,915,623	723,840
Other receivables	—	117,686
	1,915,623	841,526

During the six months ended 30 June 2018 and the year ended 31 December 2017, the Group granted credit terms of 0 to 60 days and 0 to 30 days to its customers, respectively.

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables by the date on which the respective sales invoices were issued is as follows:

	As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$
Less than 30 days	1,518,136	499,844
30 days to 90 days	439,159	175,424
91 days to 180 days	15,797	33,814
Over 180 days	—	49,355
	1,973,092	758,437

11. TRADE PAYABLES

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 7 to 60 days.

An ageing analysis of trade payables as at 30 June 2018 and 31 December 2017 based on invoice dates is as follows:

	As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$
Less than 60 days	494,061	1,917,091
60 days to 120 days	—	—
	<u>494,061</u>	<u>1,917,091</u>

12. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital US\$	Share premium US\$
Authorised:			
Ordinary share capital of HK\$0.0005 each on 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	<u>7,600,000,000</u>	<u>49,147</u>	<u>—</u>
	Number of shares of the Company	Share capital US\$	Share premium US\$
Issued and fully paid:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	<u>1,806,000,000</u>	<u>11,700</u>	<u>12,384,133</u>

13. RELATED PARTY TRANSACTION

Related parties refer to entities to which the Group has the ability, directly or indirectly, to control or exercise significant influence in making financial and operating decisions, or directors or officers of the Group.

(a) Balances with related party

The Directors are of the view that the following company that had transactions or balances with the Group is a related party:

Name	Relationship with the Group
CMoN Holdings Limited	Ultimate holding company

As at 30 June 2018 and 31 December 2017, the amount due to ultimate holding company was unsecured, interest-free, denominated in US\$ and repayable on demand.

(b) Key management compensation

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Wages and salaries	51,246	62,262	103,274	74,302
Discretionary bonuses	—	—	30,031	251,171
Directors' fees	171,294	163,273	342,588	326,545
Pension costs — defined contribution plans	4,488	11,802	8,976	31,485
	<u>227,028</u>	<u>237,337</u>	<u>484,869</u>	<u>683,503</u>

14. OPERATING LEASE COMMITMENTS

As at 30 June 2018 and 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$
No later than 1 year	550,468	550,468
Later than 1 year and no later than 5 years	<u>1,444,436</u>	<u>1,966,084</u>
	<u>1,994,904</u>	<u>2,516,552</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model and Business Overview

We are a hobby games publisher specialising in developing and publishing mainly tabletop games (including board games and miniature war games). Since 2015, we also had started developing and launching mobile games.

We publish both self-owned games and licensed games, as well as distribute third party tabletop games. We sell our tabletop games mainly through Kickstarter and to wholesalers. We also sell directly to end-users through our own online store and at game conventions.

Long-Term Strategies and Outlook

It is the Group's strategy to achieve long-term growth through product diversification and channel diversification. We plan to refocus our marketing efforts on our end users and the gamers, expand into the largely untapped markets of Asia, particularly China, and further strengthen our game design, licensing and intellectual property creation capabilities. This is in line with our objective to continuously expand our sales and marketing capabilities and to reach out to more gamers and at the same time, publish more high-quality tabletop games and mobile games.

We strive to become a leading developer and publisher of quality games in the hobby game industry and we are optimistic about the growth and development of the tabletop game industry. During the six months ended 30 June 2018, the Group launched three Kickstarter games, namely *HATE*, *Zombicide: Invader* and *Arcadia Quest: Riders* and raised approximately US\$1.5 million, US\$3.4 million and US\$0.3 million, respectively. We also launched a Kickstarter game, namely *Cthulhu: Death May Die* in July 2018 and raised approximately US\$2.4 million. We will continue to launch games that attract and retain a significant number of players so that we can grow our revenue base and sustain our competitive position. Besides, we will continue to strengthen our efforts to expand our geographical coverage with an aim to increase market share and capture more exposure. At present, we are in the midst of setting up a China office to increase our presence in this target market.

On 6 July 2018, the Company submitted a formal application to the Stock Exchange for the Proposed Transfer of Listing pursuant to Chapter 9A and Appendix 28 to the Rules Governing the Listing of Securities on the Stock Exchange. The Directors believe that the Proposed Transfer of Listing will further enhance the profile, brand and product awareness of the Group, which in turn will facilitate the Group to realise its objectives as stated above. Besides, a Main Board listing status will help the Group to explore future possible partnership opportunities with more sizable and reputable targets, which is favourable to the long-term business growth of the Group. Apart from business related advantages, the Proposed Transfer of Listing may also help to strengthen the

shareholders base and value of the Group through improvement in the trading liquidity of the shares of the Company (the “**Shares**”), strengthening of confidence of the existing shareholders of the Company (the “**Shareholders**”) as well as enhancing recognition by potential investors, in particular institutional investors. Therefore, the Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth and business development of the Group and is in the interest of the Company and its Shareholders as a whole.

The Proposed Transfer of Listing is subject to, among others, the Stock Exchange granting the relevant approvals and other conditions set out in the announcement of the Company dated 6 July 2018. Further announcement(s) will be made by the Company to keep the Shareholders informed of the progress of the Proposed Transfer of Listing as and when appropriate.

Financial Review

Revenue

Revenue increased by approximately 7.9% from approximately US\$8.9 million for the six months ended 30 June 2017 to approximately US\$9.6 million for the six months ended 30 June 2018. The increase in revenue was primarily due to the increase in revenue from wholesales sales.

The following table sets out breakdowns of our revenue by sales channels:

	Six months ended 30 June			
	2018 (Unaudited) US\$		2017 (Unaudited) US\$	
		%		%
Direct				
Kickstarter	3,156,427	33.0	4,206,957	47.4
Online store and game conventions	455,250	4.8	488,376	5.5
Mobile games	2,834	—	4,829	0.1
Wholesalers	<u>5,936,415</u>	<u>62.2</u>	<u>4,182,642</u>	<u>47.0</u>
Total	<u><u>9,550,926</u></u>	<u><u>100.0</u></u>	<u><u>8,882,804</u></u>	<u><u>100.0</u></u>

Cost of Sales

Our cost of sales increased by approximately 8.7% from approximately US\$4.6 million for the six months ended 30 June 2017 to approximately US\$5.0 million for the six months ended 30 June 2018, which was primarily due to (i) the increase in cost of inventories by approximately 12.5% from approximately US\$2.4 million for the six months ended 30 June 2017 to approximately US\$2.7 million for the six months ended

30 June 2018, which was a lower increase compared with the increase in revenue as we enjoyed economies of scale resulting from increasing order size and demand for our products for the six months ended 30 June 2018; (ii) the increase in total depreciation and amortisation by approximately 71.4% from approximately US\$0.7 million for the six months ended 30 June 2017 to approximately US\$1.2 million for the six months ended 30 June 2018, which was generally in line with the increase in the scale of our operation and game portfolio; and (iii) the aforementioned increase in cost of inventories and total depreciation and amortisation being netted off by the decrease in shipping and handling charges by approximately 26.7% from approximately US\$1.5 million for the six months ended 30 June 2017 to approximately US\$1.1 million for the six months ended 30 June 2018, which was in line with the decrease in sales from Kickstarter.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018, our gross profit increased from approximately US\$4.3 million for the six months ended 30 June 2017 to approximately US\$4.6 million primarily due to the increase in revenue. Our gross profit margin slightly decreased from approximately 48.6% for the six months ended 30 June 2017 to approximately 48.0% for the six months ended 30 June 2018, which was primarily due to increased wholesale sales with relatively lower gross profit margin than Kickstarter sales.

Other Income

Other income amounted to US\$228,551 and US\$316,899 for the six months ended 30 June 2017 and 2018, respectively, and the increase was primarily related to increase in sales of advertising space on our website.

Selling and Distribution Expenses

Our selling and distribution expenses remained fairly stable at approximately US\$1.6 million for the six months ended 30 June 2018 as compared to approximately US\$1.5 million for the six months ended 30 June 2017.

General and Administrative Expenses

Our general and administrative expenses for the six months ended 30 June 2018 were approximately US\$3.3 million, representing an increase of approximately 17.9% from approximately US\$2.8 million for the six months ended 30 June 2017, which was primarily due to the professional service fees in respect of our application for the Proposed Transfer of Listing of US\$449,174 incurred for the six months ended 30 June 2018.

Income Tax Expenses

Our income tax expenses increased by approximately 182.2% from US\$32,483 for the six months ended 30 June 2017 to US\$91,655 for the six months ended 30 June 2018 mainly because the professional service fees in respect of our application for the Proposed Transfer of Listing incurred for the six months ended 30 June 2018 were non tax-deductible.

Loss and Total Comprehensive Loss for the Period Attributable to Equity Holders of the Company

Our loss and total comprehensive loss for the period attributable to equity holders of the Company was US\$80,883 for the six months ended 30 June 2018 as compared to the profit and total comprehensive profit for the period attributable to equity holders of the Company of US\$122,196 for the six months ended 30 June 2017. The turnaround from profit to loss was mainly due to the professional service fees in respect of our application for the Proposed Transfer of Listing incurred and the increase in income tax expenses for the six months ended 30 June 2018 as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2018, we financed our operations primarily through cash generated from our internally generated funds, the net proceeds received from the placing of 306,000,000 Shares with nominal value of HK\$0.00005 each at a price of HK\$0.23 per Share on the GEM of the Stock Exchange (the “**Placing**”) and bank borrowings.

As at 30 June 2018, the Group was offered committed banking facilities amounting to approximately US\$5.4 million (31 December 2017: approximately US\$3.4 million). As at 30 June 2018, the Group’s total bank borrowings were approximately US\$6.4 million (31 December 2017: approximately US\$3.4 million), of which (i) approximately US\$3.3 million were denominated in Singapore dollars, with a tenor of 20 years and interests charged at fixed rates from drawdown date till the end of the second year from the respective dates of the banking facility letters and at floating rates for subsequent years; and (ii) approximately US\$3.1 million were denominated in United States dollars, with a tenor of 120 days to 4 years and interests charged at floating rates. Bank borrowings of approximately US\$4.9 million were secured by the Group’s properties in Singapore, a corporate guarantee from the Company and a charge over all fixed deposits placed with the relevant bank. As at 30 June 2018, the Group’s borrowings were repayable as follows:

	As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$
Within 1 year	2,424,715	134,774
Between 1 and 2 years	370,251	116,312
Between 2 and 5 years	851,660	252,191
Over 5 years	2,802,849	2,902,679
Total	6,449,475	3,405,956

As at 30 June 2018 and 31 December 2017, we had total cash and cash equivalents and pledged deposit of approximately US\$1.9 million and US\$3.1 million, respectively, which were cash at banks and on hand, denominated in United States dollars, Canadian dollars, Singapore dollars, Hong Kong dollars and Euro.

Going forward, we intend to use our capital to fund our working capital, game development activities, acquisition of intellectual properties as well as the expansion plans as stated in the prospectus of the Company dated 25 November 2016 (the “**Prospectus**”).

TREASURY POLICIES

The proceeds from the Group’s sales made through Kickstarter are generally received prior to product delivery and therefore the Group does not expose to significant credit risk. The Group’s trade receivables are primarily related to sales to wholesalers. We have policies in place to assess and monitor the credit worthiness of our wholesalers. The Group performs periodic credit evaluation on our wholesalers and will adjust the credit extended to the wholesalers accordingly. Normally the Group does not require collaterals from trade debtors. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the trade debtors and whether there are any disputes with the relevant debtors.

CAPITAL STRUCTURE

As at 30 June 2018, the Group’s capital structure consisted of bank borrowings, capital and reserves attributable to equity holders of the Company, comprising share capital, share premium, retained earnings, capital reserves and other reserves.

NEW GAMES AND THEIR IMPACT ON THE FINANCIAL PERFORMANCE

During the six months ended 30 June 2018, the Group shipped two Kickstarter board games, namely *A Song of Ice & Fire: Tabletop Miniatures Game* and *Arcadia Quest: Riders*, which raised approximately US\$1.7 million and approximately US\$0.3 million respectively. Other than *Arcadia Quest: Riders*, we also launched two Kickstarter games, namely, *HATE* and *Zombicide: Invader* and raised approximately US\$1.5 million and US\$3.4 million, respectively.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2018, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

INFORMATION ON EMPLOYEES

As at 30 June 2018, the Group had 67 employees (30 June 2017: 77). Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and/or 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 fund contributions) for the six months ended 30 June 2018 amounted to approximately US\$1.5 million (for the six months ended 30 June 2017: approximately US\$2.1 million).

CHARGES ON ASSETS

As at 30 June 2018, properties with net book value of approximately US\$4.5 million and pledged deposit of US\$200,000 were charged as collateral for bank borrowings.

FUTURE PLAN FOR MATERIAL INVESTMENTS

As at the date of this interim results announcement, the Group does not have concrete plans for material investments. However, as stated in the Prospectus, we intend to increase our market share by adding more high quality games into our portfolio through title acquisition or licensing. We also intend to consider and explore game developers, publishers and European-based distributors as potential strategic acquisition and licensing targets in the future. We intend to finance our expansion plans primarily through internally generated funds and external borrowings.

GEARING RATIO

As at 30 June 2018, the Group had short-term and long-term bank borrowings of approximately US\$2.4 million and approximately US\$4.0 million, respectively (31 December 2017: US\$134,774 and approximately US\$3.3 million).

As at 30 June 2018, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 47.6% (31 December 2017: approximately 39.2%).

EXPOSURE TO FOREIGN EXCHANGE

The Group mainly operates in the United States and Singapore with the majority of its transactions denominated and settled in US dollars. The Group currently does not have a foreign currency hedging policy. However, the Group will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency risk should the need arise.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

COMMITMENTS

Other than operating lease commitments for our leased properties, we had no other capital and lease commitments as at 30 June 2018. As at 30 June 2018, the Group's operating lease commitments were approximately US\$2.0 million (31 December 2017: approximately US\$2.5 million).

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are of the view that the Group is exposed to the following key risks and uncertainties:

Outsourced manufacturers

The Group relies on a limited number of outsourced manufacturers for the production of tabletop games. To manage this risk, the Group has a practice of maintaining a good working relationship with the outsourced manufacturers by, amongst others, creating goodwill and honouring payments. Besides, the Group will explore and develop business relationship with other suitable outsourced manufacturers and suppliers as part of the contingency planning.

Loss of key personnel

The Group relies to a significant extent on the executive Directors and certain key senior management. In view of this, we provide a remuneration package that rewards their performance and ties to the Group's results in order to retain our employees. Besides, the Group has implemented controls to minimise the potential loss of key personnel, such as ensuring the executive Directors and certain key senior management do not take the same flight in their air travels. The Group is also developing and training potential new management members.

Kickstarter

During the six months ended 30 June 2018, most of the Group's best selling tabletop games were launched on Kickstarter. To manage this risk, the Group has identified alternative internet crowd funding platforms for game launching in the event the Group is unable to continue launching games on Kickstarter. Besides, the Group is enhancing its in-house capability to launch tabletop games on its own website if required.

COMPARISON BETWEEN EXPECTED IMPLEMENTATION PLANS WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the implementation plans as set out in the Prospectus with the Group’s actual business progress for the period from 15 November 2016, being the latest practicable date as defined in the Prospectus, to 30 June 2018 is set out below:

Strategy	Business objectives for the period from 15 November 2016 to 30 June 2018	Actual business progress for the period from 15 November 2016 to 30 June 2018
Achieve organic growth by developing more high-quality games	<ul style="list-style-type: none"> <li data-bbox="464 583 932 1055">• Develop, launch and deliver the games as set out in the paragraph headed “Business — Game Pipeline” in the Prospectus (the “Game Pipeline”) and fulfil the outstanding Kickstarter projects which products have not yet been shipped as at 15 November 2016 (the “Outstanding Kickstarter Projects”) <li data-bbox="464 1608 932 1681">• Maintained the two newly hired in-house game developers 	<ul style="list-style-type: none"> <li data-bbox="962 583 1441 853">• Continued to develop the games as set out in the Game Pipeline, save as nine pipeline games which launch was either delayed or cancelled after assessing the expected market reaction and demand on the products <li data-bbox="962 895 1441 1123">• Shipped all the Outstanding Kickstarter Projects namely <i>Arcadia Quest: Inferno</i>, <i>Masmorra: Dungeons of Arcadia</i>, <i>Rum & Bones: Second Tide</i> and <i>Massive Darkness</i> <li data-bbox="962 1166 1441 1559">• Launched and shipped five Kickstarter projects namely <i>Rising Sun</i>, <i>Zombicide: Green Horde</i>, <i>The World of SMOG: Rise of Moloch</i>, <i>A Song of Ice & Fire: Tabletop Miniatures Game</i> and <i>Arcadia Quest: Riders</i>; and launched two Kickstarter games, namely, <i>HATE</i> and <i>Zombicide: Invader</i> <li data-bbox="962 1608 1441 1681">• Maintained two newly hired in-house game developers

Strategy	Business objectives for the period from 15 November 2016 to 30 June 2018	Actual business progress for the period from 15 November 2016 to 30 June 2018
Further strengthen our sales and marketing capability and broaden reach into new markets	<ul style="list-style-type: none"> • Maintain seven newly hired staff in our sales and marketing team • Set up and maintain the existing sales office in Canada • Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements and cooperation with online game websites • Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships 	<ul style="list-style-type: none"> • The Group has successfully maintained five staff • The Group has set up its sales office in Canada, which commenced operation in October 2017 • Continued to promote the Company's products through online advertising and social networking websites • Maintained regular contact with existing wholesalers • Initiated contact with five new wholesalers
Further expansion into the mobile game market	<ul style="list-style-type: none"> • Develop our second mobile game, <i>Zombicide (mobile)</i> 	<ul style="list-style-type: none"> • Continued to develop <i>Zombicide (mobile)</i>, which is expected to be launched in 2018

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds received by the Company from the Placing, after deducting underwriting commission and professional expenses in relation to the Placing, amounted to approximately HK\$53.8 million, which were higher than the estimated net proceeds of approximately HK\$49.3 million as disclosed in the Prospectus due to lower than expected listing expenses.

During the period from 15 November 2016, being the latest practicable date as defined in the Prospectus, to 30 June 2018, the Group has utilised approximately HK\$42.4 million of the net proceeds as follows:

	Adjusted use of proceeds in the proportion as stated in the Prospectus from 15 November 2016 to 30 June 2018 HK\$ million	Actual use of proceeds up to 30 June 2018 HK\$ million
Developing high-quality tabletop games	19.5	19.5
Strengthening sales and marketing capability and broadening reach into new markets	13.7	9.7
Expanding into the mobile game market	1.6	—
Pursuing acquisition and licensing opportunities	8.6	8.3
Working capital and other general corporate purposes	4.9	4.9
	<hr/>	<hr/>
Total	<u>48.3</u>	<u>42.4</u>

As the mobile app development costs incurred during the period from 15 November 2016 to 30 June 2018 for *Zombicide (mobile)* have been recharged to a business partner which has agreed (contractually) to pay for such development costs in return for a future revenue sharing arrangement, no net proceeds have been used for expanding into the mobile game market during the period. We currently plan to utilise such portion of the net proceeds for marketing *Zombicide (mobile)* when it launches.

Besides, the Group has applied approximately HK\$8.3 million of the net proceeds for the acquisition of the intellectual properties of *The Others: 7 Sins*, *The Grizzled* and *The World of SMOG*, respectively, during the period from 15 November 2016 to 30 June 2018.

The Directors intend to continue to apply the remaining net proceeds of approximately HK\$5.9 million from the Placing in accordance with the uses and in the proportions as stated in the Prospectus.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save as disclosed in this interim results announcement, the Company has complied with all applicable code provisions of the CG Code during the six months ended 30 June 2018. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals. Mr. Ng Chern Ann is currently the chairman and chief executive officer of the Company (the “**Chief Executive Officer**”). In view of Mr. Ng being one of the founders of the Group, and his responsibilities in corporate strategic planning and overall business development, the Board believes that it is in the interests of both the Group and the Shareholders to have Mr. Ng taking up both roles for effective management and business development. The Board also meets regularly on a quarterly basis to review the operations of the Group led by Mr. Ng. Accordingly, the Board believes that this arrangement will not impact the balance of power and authorisations between the Board and the management of the Company. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the chairman and the Chief Executive Officer is necessary.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings during the six months ended 30 June 2018.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2018.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee comprises three members, namely Mr. Tan Lip-Keat (chairman), Mr. Chong Pheng and Mr. Seow Chow Loong Iain, all of them are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 and this interim results announcement. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

CHANGES TO DIRECTORS’ INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company’s compliance adviser, China Galaxy International Securities (Hong Kong) Co., Limited (“**China Galaxy**”), neither China Galaxy nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and controlling Shareholders and their respective close associates as referred to in Rule 11.04 of the GEM Listing Rules (except for the compliance adviser and acting as a joint sponsor in respect of our application for the Proposed Transfer of Listing as at the date of this interim results announcement).

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2018, none of the Directors, controlling Shareholders or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLICATION OF THE INTERIM RESULTS AND 2018 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://cmon.com>), and the 2018 interim report containing all the information required by the GEM Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
CMON Limited
Ng Chern Ann
*Chairman, Chief Executive Officer
and Executive Director*

Singapore, 10 August 2018

As at the date of this announcement, the executive Directors are Mr. Ng Chern Ann, Mr. David Doust and Mr. Koh Zheng Kai; the non-executive Director is Mr. Frederick Chua Oon Kian; and the independent non-executive Directors are Mr. Chong Pheng, Mr. Tan Lip-Keat and Mr. Seow Chow Loong Iain.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at <http://cmon.com>.