



# CMON Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8278

## THIRD QUARTERLY REPORT

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# 2019

## 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 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.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.*

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

*This report, in both English and Chinese versions, is available on the Company's website at <http://cmon.com> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Ng Chern Ann  
*(Chairman and Chief Executive Officer)*  
 Mr. David Doust  
 Mr. Koh Zheng Kai

#### Non-executive Director

Mr. Frederick Chua Oon Kian

#### Independent Non-executive Directors

Mr. Chong Pheng  
 Mr. Tan Lip-Keat  
 Mr. Seow Chow Loong Iain

#### Audit Committee

Mr. Tan Lip-Keat *(Chairman)*  
 Mr. Chong Pheng  
 Mr. Seow Chow Loong Iain

#### Remuneration Committee

Mr. Chong Pheng *(Chairman)*  
 Mr. Tan Lip-Keat  
 Mr. Seow Chow Loong Iain

#### Nomination Committee

Mr. Seow Chow Loong Iain *(Chairman)*  
 Mr. Chong Pheng  
 Mr. Tan Lip-Keat

### AUTHORISED REPRESENTATIVES

Ms. Ng Sau Mei  
 Mr. Koh Zheng Kai

### JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei  
 Mr. Koh Zheng Kai

### COMPLIANCE OFFICER

Mr. Ng Chern Ann

### LEGAL ADVISER

Stephenson Harwood  
 18th Floor, United Centre  
 95 Queensway  
 Hong Kong  
 (Solicitors of Hong Kong)

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
 22/F, Prince's Building  
 Central, Hong Kong

### REGISTERED OFFICE

Offices of Conyers Trust Company  
 (Cayman) Limited  
 Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman KY1-1111  
 Cayman Islands

**HEADQUARTERS AND  
PRINCIPAL PLACE OF  
BUSINESS**

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Singapore 159545

**REGISTERED PLACE OF  
BUSINESS IN HONG KONG**

18th Floor, United Centre  
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**PRINCIPAL SHARE REGISTRAR  
AND TRANSFER OFFICE IN  
THE CAYMAN ISLANDS**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
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Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER  
OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PRINCIPAL BANKER**

Development Bank of Singapore  
(DBS Bank)  
Marina Bay Financial Centre Branch  
12 Marina Boulevard Level 40  
Marina Bay Financial Centre Tower 3  
Singapore 018982

**COMPANY'S WEBSITE**

<http://cmon.com>

**STOCK CODE**

8278

**DATE OF LISTING**

2 December 2016

The board of Directors (the “Board”) presents the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		(Unaudited) US\$	(Unaudited) US\$	(Unaudited) US\$	(Unaudited) US\$
Revenue	2	<b>6,119,171</b>	2,282,450	<b>18,939,181</b>	11,833,376
Cost of sales	3	<b>(2,370,152)</b>	(2,153,356)	<b>(9,319,112)</b>	(7,120,291)
Gross profit		<b>3,749,019</b>	129,094	<b>9,620,069</b>	4,713,085
Other (expenses)/income		<b>18,844</b>	(182,719)	<b>255,378</b>	134,180
Other (loss)/gain		<b>62,784</b>	(95,427)	<b>(235,059)</b>	(77,923)
Selling and distribution expenses	3	<b>(1,292,366)</b>	(1,943,244)	<b>(3,508,843)</b>	(3,535,377)
Professional service fee in respect of the application for the proposed transfer of listing of the shares of the Company from GEM to the Main Board (the “Proposed Transfer of Listing”)	3	<b>(97,756)</b>	(163,596)	<b>(1,151,302)</b>	(612,770)
General and administrative expenses	3	<b>(1,635,778)</b>	(1,781,857)	<b>(4,987,320)</b>	(4,607,805)
<b>Operating (loss)/profit</b>		<b>804,747</b>	(4,037,749)	<b>(7,078)</b>	(3,986,610)
Finance costs		<b>(111,774)</b>	(90,892)	<b>(381,999)</b>	(132,930)
<b>(Loss)/profit before income tax</b>		<b>692,973</b>	(4,128,641)	<b>(389,077)</b>	(4,119,540)
Income tax credit/(expense)	5	—	91,655	<b>(65,563)</b>	—
<b>(Loss)/profit for the period attributable to equity holders of the Company</b>		<b>692,973</b>	(4,036,986)	<b>(454,640)</b>	(4,119,540)
<b>Other comprehensive income</b>					
Items that may be reclassified to profit or loss					
Exchange difference on translation on foreign operations		—	1,141	<b>(2,349)</b>	2,812
<b>Other comprehensive income, net of tax</b>		—	1,141	<b>(2,349)</b>	2,812
<b>(Loss)/profit and total comprehensive (loss)/income for the period attributable to equity holders of the Company</b>		<b>692,973</b>	(4,035,845)	<b>(456,989)</b>	(4,116,728)
<b>(Loss)/earnings per share attributable to equity holders of the Company during the period</b>					
Basic and diluted	6	<b>0.0004</b>	(0.0022)	<b>(0.0002)</b>	(0.0023)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Share capital (Unaudited) US\$	Share premium (Unaudited) US\$	Retained earnings (Unaudited) US\$	Capital reserve (Unaudited) US\$	Share-based compensation reserves (Unaudited) US\$	Exchange reserves (Unaudited) US\$	Total (Unaudited) US\$
At 1 January 2019	11,700	12,384,133	9,176,923	780,499	163,363	(22,319)	22,494,299
<b>Comprehensive loss</b>							
Loss for the period	—	—	(454,640)	—	—	—	(454,640)
Other comprehensive income	—	—	—	—	297,624	(2,349)	295,275
<b>Total comprehensive loss</b>	—	—	(454,640)	—	297,624	(2,349)	(159,365)
At 30 September 2019	11,700	12,384,133	8,722,283	780,499	460,987	(24,668)	22,334,934
At 1 January 2018	11,700	12,384,133	7,025,430	780,499	—	(994)	20,200,768
<b>Comprehensive loss</b>							
Loss for the period	—	—	(4,119,540)	—	—	—	(4,119,540)
Other comprehensive income	—	—	—	—	—	2,812	2,812
<b>Total comprehensive income</b>	—	—	(4,119,540)	—	—	2,812	(4,116,728)
At 30 September 2018	11,700	12,384,133	2,905,890	780,499	—	1,818	16,084,040

## NOTES TO THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

### 1. BASIS OF PREPARATION

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.

#### (a) Application of new and amendments to IFRSs

In the current period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2018, as described in those consolidated financial statements except for the following new and amendments to IFRSs issued by the IFRSs that are adopted for the first time for the current accounting period of the Group:

IFRS 16	Leases
IFRIC-int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to 2015-2017 cycle

#### ***Adoption of IFRS 16***

The Group has changed its accounting policies following the adoption of IFRS 16 on 1 January 2019.

The Group leases office under non-cancellable operating leases expiring within 5 years. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

A lease is recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that is based on an index or a rate;

- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

A lease is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of a right-to-use asset shall be included in profit and loss when the item is derecognized (unless IFRS 16 Leases requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

## **(b) New standards and amendments to standards issued but not effective**

New standards and amendments to standards are the same as those followed in the preparation of the Group's annual report for the year ended 31 December 2018 which have not come into effect for the financial year beginning 1 January 2019 and have not been early adopted by the Group in preparing the unaudited consolidated financial statements. None of these is expected to have a significant effect on the unaudited consolidated financial statements of the Group based on the preliminary assessment made by management.

## 2. REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Sales of products	<b>6,057,256</b>	2,202,950	<b>16,664,673</b>	11,414,464
Shipping income in connection with sales of products	<b>61,915</b>	79,500	<b>2,274,508</b>	418,912
	<b>6,119,171</b>	2,282,450	<b>18,939,181</b>	11,833,376

## 3. EXPENSES BY NATURE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Cost of inventories	<b>1,102,257</b>	981,165	<b>5,490,591</b>	3,661,605
Shipping and handling charges	<b>531,888</b>	363,236	<b>1,818,461</b>	1,498,304
Employee benefit expenses	<b>686,849</b>	982,609	<b>2,324,627</b>	2,506,952
Share option expense	<b>96,675</b>	—	<b>297,624</b>	—
Professional service fee in respect of the Proposed Transfer of Listing	<b>97,756</b>	163,596	<b>1,151,302</b>	612,770
Other professional fees	<b>132,535</b>	432,195	<b>258,431</b>	665,751
Merchant account fees	<b>245,438</b>	688,105	<b>467,753</b>	993,971
Royalty expenses	<b>294,008</b>	16,902	<b>581,186</b>	61,995
Marketing expenses	<b>264,813</b>	352,236	<b>842,468</b>	567,977
Depreciation	<b>457,289</b>	444,356	<b>1,659,244</b>	1,286,969
Amortisation	<b>619,350</b>	411,892	<b>1,613,634</b>	1,250,902
Games development expenses	<b>485,514</b>	195,221	<b>1,089,619</b>	669,062
Website maintenance fees	<b>71,612</b>	44,971	<b>216,279</b>	245,909
Operating lease rentals	—	145,672	—	412,483
Travelling expenses	<b>199,825</b>	330,929	<b>558,138</b>	710,138
Loss allowance	—	—	<b>66,162</b>	22,872
Bad debt written off	—	200,000	<b>35,759</b>	200,000
Other expenses	<b>110,243</b>	288,968	<b>495,301</b>	508,583
	<b>5,396,052</b>	6,042,053	<b>18,966,578</b>	15,876,243

Cost of sales for the three months ended 30 September 2019 and 2018 comprise principally cost of inventories, shipping and handling charges, depreciation of US\$186,328 and US\$202,108, amortisation of US\$549,679 and US\$406,847 respectively.

Cost of sales for the nine months ended 30 September 2019 and 2018 comprise principally cost of inventories, shipping and handling charges, depreciation of US\$577,850 and US\$610,751, amortisation of US\$1,432,210 and US\$1,149,631 respectively.

#### 4. OTHER (LOSS)/GAIN

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Exchange (loss)/gain	<b>62,784</b>	(95,427)	<b>37,652</b>	(77,923)
Loss on investments in insurance contracts	—	—	<b>(272,711)</b>	—
	<b>62,784</b>	(95,427)	<b>(235,059)</b>	(77,923)

#### 5. INCOME TAX (CREDIT)/EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Current income tax (credit)/ expenses	—	(91,655)	<b>65,563</b>	—

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 income tax at the rate of 17%.

## 6. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
(Loss)/profit for the period attributable to equity holders of the Company (US\$)	<b>692,973</b>	(4,036,986)	<b>(454,640)</b>	(4,119,540)
Weighted average number of ordinary shares in issue	<b>1,823,000,000</b>	1,806,000,000	<b>1,823,000,000</b>	1,806,000,000
Basic (loss)/earnings per share (US\$)	<b>0.0004</b>	(0.0022)	<b>(0.0002)</b>	(0.0023)

The board of directors of CMON Limited announced that, on 25 September 2019, the Company granted a total of 17,000,000 share options to an employee of the Company in lieu of cash bonuses.

Diluted gain/(loss) per share is the same as the basic loss per share as the additional share option offered by the Company has an immaterial effect on the diluted loss per share.

## 7. DIVIDEND

The Board did not declare the payment of any dividend for the three months and nine months ended 30 September 2019 (for the three months and nine months ended 30 September 2018: Nil).

## 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). We have also started developing and launching mobile games since 2015. In 2018, we launched our first computer game.

We publish both self-owned games and licensed games. We also 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. Our strategy going forward is three pronged — refocusing our marketing efforts on our end users and gamers, expanding into the largely untapped markets of Asia, particularly China, and strengthening our game design, licensing of 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, to 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 games industry. We launched two Kickstarter games, namely *Munchkin Dungeon* and *Bloodborne: The Board Game*, which raised US\$701,618 and US\$4,013,731 of funds respectively. We also launched two Kickstarter games in the recent quarter, namely *Trundvang Legends* and *CMON Time Machine*, and raised US\$1,492,714 and US\$296,056 of funds respectively. 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. In order to increase our presence in China, we have set up a wholly-owned subsidiary in China which has already commenced operation since October 2018.

On 6 July 2018, the Company submitted a formal application to the Stock Exchange for the Proposed Transfer of Listing (the “**Application**”) 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. As the process has taken more than six months since the submission in July 2018, the Application had automatically lapsed in January 2019. On 4 April 2019 and 18 October 2019, the Company made re-submissions of the Application in accordance with the published rules and guidelines of the Stock Exchange for the renewal of the Application. On 8 November 2019, an approval-in-principle was granted by the Stock Exchange for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (stock code: 8278) will be 18 November 2019. Dealings in the Shares on the Main Board (stock code: 1792) will commence at 9:00 a.m. on 19 November 2019. All pre-conditions for the Proposed Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares as at the date of this report.

## Financial Review

### Revenue

Revenue increased by approximately 60.0% from nearly US\$11.8 million for the nine months ended 30 September 2018 to about US\$18.9 million for the nine months ended 30 September 2019. 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:

	Nine months ended 30 September			
	2019 (Unaudited) US\$		2018 (Unaudited) US\$	
		%		%
<b>Direct</b>				
Kickstarter	<b>2,008,604</b>	<b>10.6</b>	3,388,428	28.7
Online store and game conventions	<b>89,025</b>	<b>0.5</b>	782,741	6.6
Mobile games	<b>1,055</b>	<b>—</b>	3,422	—
<b>Wholesalers</b>	<b>16,840,497</b>	<b>88.9</b>	7,658,785	64.7
Total	<b>18,939,181</b>	<b>100</b>	11,833,376	100

### Cost of Sales

Our cost of sales increased by approximately 30.9% from nearly US\$7.1 million for the nine months ended 30 September 2018 to about US\$9.3 million for the nine months ended 30 September 2019, which was primarily due to the increase in cost of inventories by approximately 50.0% from approximately US\$3.7 million for the nine months ended 30 September 2018 to approximately US\$5.5 million for the nine months ended 30 September 2019 and the increase in shipping and handling charges by approximately 21.4% from approximately US\$1.5 million for the nine months ended 30 September 2018 to approximately US\$1.8 million for the nine months ended 30 September 2019, both of which were generally in line with the increase in our revenue; netted off by the decrease in total depreciation and amortization by approximately 19.2% from approximately US\$1.8 million for the nine months ended 30 September 2018 to approximately US\$2.0 million for the nine months ended 30 September 2019, which was generally in line with the increase in the scale of our operation and game portfolio.

### ***Gross Profit and Gross Profit Margin***

For the nine months ended 30 September 2019, our gross profit increased from approximately US\$4.7 million for the nine months ended 30 September 2018 to approximately US\$9.6 million primarily due to the increase in revenue. Our gross profit margin increased from approximately 39.8% for the nine months ended 30 September 2018 to approximately 50.8% for the nine months ended 30 September 2019, which was primarily due to the significant increase in revenue.

### ***Other Income***

Other income increased from US\$134,180 for the nine months ended 30 September 2018 to US\$225,378 for the nine months ended 30 September 2019, which was mainly due to the adjustments to write off long outstanding suppliers.

### ***Selling and Distribution Expenses***

Selling and distribution expenses amounted to approximately US\$3.5 million for both the nine months ended 30 September 2018 and 2019, which was primarily due to the costs of marketing and related business activities maintained constant.

### ***Professional Fee Related to Proposed Transfer of Listing***

The professional service fees in respect of our application for the Proposed Transfer of Listing were US\$1.2 million for the nine months ended 30 September 2019, which increased approximately 87.9% in comparison to the nine months ended 30 September 2018 of US\$0.6 million.

### ***General and Administrative Expenses***

Our general and administrative expenses increased from approximately US\$4.6 million for the nine months ended 30 September 2018 to approximately US\$5.0 million for the nine months ended 30 September 2019, which was primarily due to the increase in games development expenses of approximately US\$0.4 million.

### ***Finance costs***

Finance costs increased from US\$132,930 for the nine months ended 30 September 2018 to US\$381,999 for the nine months ended 30 September 2019. It was primarily due to the increase in finance costs from new bank borrowings and trade financing for general corporate funding requirements.

***Income Tax Expense***

Our income tax expenses for the nine months ended 30 September 2019 and 2018 were US\$65,563 and nil respectively, mainly due to the shift from loss-making position of last year to a slightly profitable position in recent nine months period, excluding the professional service fees in respect of our application for the Proposed Transfer of Listing incurred for the nine months ended 30 September 2019 which 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 were approximately US\$0.5 million for the nine months ended 30 September 2019 as compared to the loss and total comprehensive loss for the period attributable to equity holders of the Company of US\$4.1 million for the nine months ended 30 September 2018, which was mainly due to the increase in revenue and gross profit margin.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (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 quarterly report, the Company has, to the best knowledge of the Board, complied with all applicable code provisions of the CG Code during the nine months ended 30 September 2019. 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 separate 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 operation 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 by Directors in Securities Transaction**

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 nine months ended 30 September 2019.

## **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 consolidated results of the Group for the nine months ended 30 September 2019 and this quarterly report. The Audit Committee is of the opinion that the unaudited consolidated results of the Group for the nine months ended 30 September 2019 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

## **Purchase, Sale or Redemption of Listed Securities of the Company**

During the nine months ended 30 September 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity/Nature of Interest	Number of Underlying Shares (unlisted and physically settled equity derivatives) Interested <sup>(4)</sup>	Total Number of Shares and Underlying Shares Interested	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Ng Chern Ann <sup>(1)</sup> ("Mr. Ng")	Interest in controlled corporation/interest of a party to an agreement/beneficial owner	31,000,000	901,248,078	Long	49.90
David Doust <sup>(2)</sup> ("Mr. Doust")	Interest in controlled corporation/interest of a party to an agreement/beneficial owner	31,000,000	901,248,078	Long	49.90
Frederick Chua Oon Kian <sup>(3)</sup> ("Mr. Chua")	Interest in controlled corporation/beneficial owner	5,580,000	328,249,232	Long	18.18
Koh Zheng Kai	Beneficial owner	5,800,000	5,800,000	Long	0.32
Chong Pheng	Beneficial owner	5,580,000	5,580,000	Long	0.31
Seow Chow Loong Iain	Beneficial owner	5,580,000	5,580,000	Long	0.31
Tan Lip-Keat	Beneficial owner	5,580,000	5,580,000	Long	0.31

*Notes:*

- (1) The issued share capital of Cangsome Limited ("**CA SPV**") is wholly owned by Mr. Ng. CA SPV is beneficially interested in 609,173,654 Shares whereas Mr. Ng is beneficially interested in 15,500,000 share options of the Company ("**Share Options**"). Pursuant to the acting-in-concert arrangement, Mr. Ng is deemed to be interested in the Shares held by CA SPV and Dakkon Holdings Limited ("**DD SPV**") and 15,500,000 Share Options held by Mr. Doust by virtue of the SFO.
- (2) The issued share capital of DD SPV is wholly owned by Mr. Doust. DD SPV is beneficially interested in 261,074,424 Shares whereas Mr. Doust is beneficially interested in 15,500,000 Share Options. Pursuant to the acting-in-concert arrangement, Mr. Doust is deemed to be interested in the Shares held by DD SPV and CA SPV and 15,500,000 Share Options held by and Mr. Ng by virtue of the SFO.
- (3) Magic Carpet Pre-IPO Fund ("**Magic Carpet**") is a private equity investment fund managed by Quantum Asset Management Pte. Ltd. ("**Quantum Asset**") on a discretionary basis. Quantum Asset holds the only issued ordinary share of Magic Carpet and the preference shares in the capital of Magic Carpet are held by investors. Mr. Chua, our non-executive Director, beneficially owns approximately 99.99% of the issued share capital of Quantum Asset and is therefore deemed to be interested in the Shares held by Quantum Asset by virtue of the SFO. Mr. Chua is a director of Magic Carpet.
- (4) The interests in the underlying Shares represent interests in Share Option granted to the respective Directors to subscribe for Shares.

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name</b>	<b>Capacity/ Nature of Interest</b>	<b>Total Number of Shares Interested</b>	<b>Long/Short Position</b>	<b>Approximate Percentage of Shareholding in the Company (%)</b>
CA SPV <sup>(1)</sup>	Beneficial owner/ interest of a party to an agreement	901,248,078	Long	49.90
DD SPV <sup>(1)</sup>	Beneficial owner/ interest of a party to an agreement	901,248,078	Long	49.90
Quantum Asset <sup>(2)</sup>	Interest in controlled corporation	322,669,232	Long	17.87
Magic Carpet <sup>(2)</sup>	Beneficial owner	322,669,232	Long	17.87
David Preti <sup>(3)</sup> ("Mr. Preti")	Interest in controlled corporation/ beneficial owner	131,533,076	Long	7.28
Magumaki Limited <sup>(3)</sup> ("DP SPV")	Beneficial owner	116,033,076	Long	6.42

*Notes:*

- (1) The issued share capital of CA SPV is wholly owned by Mr. Ng, and the issued share capital of DD SPV is wholly owned by Mr. Doust. Pursuant to the acting-in-concert arrangement, Mr. Ng and Mr. Doust are deemed to be interested in the Shares held by CA SPV and DD SPV. Mr. Ng is an executive Director and the sole director of CA SPV. Mr. Doust is an executive Director and the sole director of DD SPV. As at 30 September 2019, CA SPV was beneficially interested in 609,173,654 Shares; DD SPV was beneficially interested in 261,074,424 Shares; and each of Mr. Ng and Mr. Doust was beneficially interested in 15,500,000 Share Options.
- (2) Magic Carpet is a private equity investment fund managed by Quantum Asset on a fully discretionary basis. Quantum Asset holds the only issued ordinary share of Magic Carpet and the preference shares in the capital of Magic Carpet are held by high net worth investors. Mr. Chua, our non-executive Director, beneficially owns approximately 99.99% of the issued share capital of Quantum Asset and is therefore deemed to be interested in the Shares held by Quantum Asset by virtue of the SFO. Mr. Chua is a director of Magic Carpet.
- (3) The issued share capital of DP SPV is wholly owned by Mr. Preti. Therefore, Mr. Preti is deemed to be interested in the Shares held by DP SPV by virtue of the SFO. As at 30 September 2019, Mr. Preti was beneficially interested in 15,500,000 Share Options.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## **Share Option Scheme**

In order to incentivise and/or to recognise and acknowledge the contributions that eligible persons have made or may make to our Group, the Company adopted the share option scheme pursuant to written resolutions of the Shareholders passed on 17 November 2016 (the **"Share Option Scheme"**).

- i. The participants can be any employee (whether full time or part-time employee) of the Group including any executive Directors, non-executive Directors and independent non-executive Directors, advisors and consultants of the Group.
- ii. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 180,600,000 Shares, representing 10% of the total number of Shares in issue as at 30 September 2019.

- iii. No option shall be granted to any eligible person under the Share Option Scheme if any further grant of options 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 and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue unless such further grant has been separately approved by Shareholders in general meeting in accordance with the GEM Listing Rules and with such grantee and his close associates (or associates if he is a connected person) abstained from voting.
- iv. An offer of grant of an option shall remain open for acceptance by an eligible person for a period of not less than 21 days from the date on which the offer was issued or the date on which the conditions (if any) for the offer are satisfied, provided that such date shall not be more than 10 years after the date of adoption of the Share Option Scheme.
- v. A consideration of HK\$1.00 is payable to the Company by the eligible person for each acceptance of grant of option(s) and such consideration is not refundable.
- vi. The exercise price in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (3) the nominal value of a Share on the date of grant.
- vii. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, subject to early termination by the Company in general meeting or by the Board, and the remaining life of this scheme is around 7 years.

On 13 August 2018, a total of 74,620,000 Share Options had been granted to certain Directors and employees of the Company with exercise price of HK\$0.232 per Share. In addition, on 25 September 2019, a total of 17,000,000 Share Options had been granted to an employee of the Company with exercise price of HK\$0.112 per Share. None of the Share Options had been exercised, cancelled or lapsed as at 30 September 2019. For details of the Share Options granted under the Share Option Scheme, please refer to the Company's announcements dated 13 August 2018 and 25 September 2019.

## **Directors' Rights to Acquire Shares or Debentures**

Save as otherwise disclosed in this quarterly report, at no time during the nine months ended 30 September 2019 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## **Directors' and Controlling Shareholders' Interests in Competing Business**

For the nine months ended 30 September 2019, 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.

On behalf of the Board

**CMON Limited**

**Ng Chern Ann**

*Chairman, Chief Executive Officer  
and Executive Director*

Singapore, 14 November 2019

*As at the date of this quarterly report, 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.*