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CMON LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1792)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the “**Board**”) of CMON Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 <i>US\$</i>	2018 <i>US\$</i>
Revenue	<i>3</i>	30,460,303	28,207,411
Cost of sales		(15,854,951)	(13,405,569)
Gross profit		14,605,352	14,801,842
Other income	<i>4</i>	198,226	80,232
Other losses, net	<i>5</i>	(206,113)	(25,332)
Selling and distribution expenses		(5,904,295)	(5,747,190)
General and administrative expenses		(6,088,649)	(5,603,191)
Operating profit		2,604,521	3,506,361
Professional service fees in respect of transfer of listing status from GEM to Main Board (“ Transfer of Listing ”)		(2,675,435)	(949,756)
Finance costs	<i>6</i>	(483,370)	(229,650)
(Loss)/profit before income tax		(554,284)	2,326,955
Income tax expense	<i>7</i>	(208,902)	(258,685)
(Loss)/profit for the year attributable to owners of the Company	<i>8</i>	(763,186)	2,068,270

	<i>Notes</i>	2019 <i>US\$</i>	2018 <i>US\$</i>
Other comprehensive loss:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(32,490)</u>	<u>(21,325)</u>
Total other comprehensive loss for the year		<u>(32,490)</u>	<u>(21,325)</u>
(Loss)/profit and total comprehensive (loss)/income for the year attributable to owners of the Company		<u>(795,676)</u>	<u>2,046,945</u>
(Loss)/earnings per share			
Basic and diluted	<i>10</i>	<u>(0.0004)</u>	<u>0.0011</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	<i>Notes</i>	2019 <i>US\$</i>	2018 <i>US\$</i>
Non-current assets			
Property, plant and equipment		14,207,636	12,346,061
Right-of-use assets		120,586	—
Intangible assets		12,506,463	13,128,860
Deposit placed with a life insurance company	<i>11</i>	1,188,890	—
		<u>28,023,575</u>	<u>25,474,921</u>
Current assets			
Inventories		2,010,838	3,567,678
Trade and other receivables	<i>12</i>	1,934,110	1,105,242
Prepayments and deposits	<i>13</i>	6,862,791	4,862,240
Pledged deposit	<i>14</i>	207,622	200,000
Bank and cash balances	<i>14</i>	757,743	2,849,799
		<u>11,773,104</u>	<u>12,584,959</u>
Current liabilities			
Trade payables	<i>15</i>	—	72,385
Accruals and other payables	<i>16</i>	1,672,482	1,088,823
Borrowings	<i>17</i>	6,634,444	3,864,897
Amount due to ultimate holding company		3	3
Income tax payable		276,822	476,327
Contract liabilities		2,930,075	3,691,363
Lease liabilities		28,716	—
		<u>11,542,542</u>	<u>9,193,798</u>
Net current assets		<u>230,562</u>	<u>3,391,161</u>
Total assets less current liabilities		<u>28,254,137</u>	<u>28,866,082</u>

	<i>Notes</i>	2019 <i>US\$</i>	2018 <i>US\$</i>
Non-current liabilities			
Borrowings	17	3,716,220	4,408,357
Lease liabilities		96,006	—
Deferred tax liabilities		2,150,475	1,963,426
		<u>5,962,701</u>	<u>6,371,783</u>
NET ASSETS		<u>22,291,436</u>	<u>22,494,299</u>
Capital and reserves			
Share capital	18	11,700	11,700
Reserves		22,279,736	22,482,599
TOTAL EQUITY		<u>22,291,436</u>	<u>22,494,299</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

CMON Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The address of the registered office is Offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 201 Henderson Road, #07/08-01 Apex @ Henderson, Singapore 159545.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in design, development and sales of board games, miniatures and other hobby products.

The Company was listed on 2 December 2016 on GEM (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company transferred from GEM to the Main Board of the Stock Exchange on 19 November 2019.

Reference to the announcement dated on 1 April 2020, the trading of ordinary shares of the Company on the Stock Exchange has been suspended since 1 April 2020 due to, in the opinion of the directors of the Company (the “**Directors**”), the Company fails to publish the annual results of the Group for the year ended 31 December 2019 within the time limit pursuant to the Listing Rules.

Reference to the announcement dated on 23 June 2020, the Company has been notified by the Stock Exchange of the resumption guidance for the Company including an appropriate investigation (the “**Investigation**”), publishing all outstanding financial results and informing the market all material information for shareholders and investors to appraise the Company’s position.

Reference to the announcement dated on 23 October 2020, the Investigation was completed and investigation report was issued on 14 October 2020.

The consolidated financial statements are presented in United States dollar (“**US\$**”) unless otherwise stated.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

In the current year, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (the “**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

IFRS 16 “Leases”

The Group was initially applied IFRS 16 “Leases” with effect from 1 January 2019 and has taken transitional provisions and methods not to restate comparative information for prior period.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as “operating leases” under IAS 17 “Leases”, resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	1 January 2019 US\$
Increase in right-of-use assets	1,454,644
Increase in lease liabilities	<u>(1,454,644)</u>

The reconciliation of operating lease commitments to lease liabilities as at 1 January 2019 is set out below:

	<i>US\$</i>
Operating lease commitments at 31 December 2018	1,827,933
Less:	
Discounting at 4.25%	(131,612)
Recognition exemption for leases with less than 12 months of lease term at transition	<u>(241,677)</u>
Lease liabilities as at 1 January 2019	<u>1,454,644</u>

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND 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.

The Group’s revenue is analysed as follows:

	2019 US\$	2018 US\$
Sales of products	27,907,043	26,863,849
Shipping income in connection with sale of products	2,325,734	1,088,680
Forfeiture revenue	<u>227,526</u>	<u>254,882</u>
Revenue from contracts with customers	<u>30,460,303</u>	<u>28,207,411</u>

Disaggregation of revenue from contracts with customers:

Geographical markets

	2019 US\$	2018 US\$
North America	17,550,210	21,638,549
Europe	9,097,287	4,553,980
Oceania	765,479	416,832
Asia	2,127,889	1,542,619
South America	908,058	37,231
Africa	11,380	18,200
	<u>30,460,303</u>	<u>28,207,411</u>

For the years ended 31 December 2019 and 2018, all revenue is recognised at a point in time.

No individual customers of the Group contributed more than 10% of the Group's revenue during the years ended 31 December 2019 and 2018.

Sales of products — wholesale

The Group sells a range of board games, miniatures and other hobby products in the wholesale market. Revenue from sale of goods is recognised at a point in time when control of the products has been transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional.

Sales of products — game conventions and online store

The Group sells its products through game conventions and its online store. Revenue from the sale of goods is recognised at a point in time when control of the products has been transferred to customers. Payment of the transaction price is due immediately when the customer purchases the products and takes delivery at game conventions. Advance payments received from customers who place orders on the Group's online store is initially recognised as contract liabilities under IFRS 15.

Sales of products — Kickstarter and crowd-funding platform

The Group launches new products through Kickstarter and crowd-funding platforms. Upon the successful funding of these pre-orders, the Group recognises the total pledged amount, less administrative fees, as contract liabilities under IFRS 15. Revenue is recognised at a point in time when control of the products has been transferred to customers. The products of the pre-orders are normally completed and delivered within one year.

Shipping income

Shipping income is recognised at a point in time during the period when the goods are picked up from the suppliers' factories. The related shipping and handling charges are included in cost of sales.

Forfeiture income

The amounts represent receipts from customers for pre-orders of specific products which were subsequently abandoned by customers and are recognised as revenue.

At 31 December 2019 and 2018, the total non-current assets other than intangible assets were located in the following locations:

	2019 US\$	2018 US\$
Singapore	11,480,829	4,995,474
The People Republic's of China (the "PRC")	2,660,656	5,567,678
North America	139,261	1,714,460
Others	47,476	68,449
	<u>14,328,222</u>	<u>12,346,061</u>

4. OTHER INCOME

	2019 US\$	2018 US\$
Advertising income	30,318	39,448
Royalty income	108,752	35,174
Interest income from deposit placed with a life insurance company	28,135	—
Interest income from pledged deposit	7,622	—
Interest income from bank	801	111
Government subsidies (<i>note</i>)	16,181	—
Other income	6,417	5,499
	<u>198,226</u>	<u>80,232</u>

Note: Government subsidies are awarded to the Group by the government authority. No condition have been applied on such government subsidies from the government authority.

5. OTHER LOSSES, NET

	2019 US\$	2018 US\$
Impairment losses on trade and other receivables, net	(7,052)	(25,332)
Initial recognition loss on measurement of deposit placed with a life insurance company	(279,666)	—
Gain on termination of lease	10,425	—
Waive of trade payables to a supplier	70,180	—
	<u>(206,113)</u>	<u>(25,332)</u>

6. FINANCE COSTS

	2019 US\$	2018 US\$
Interest on lease liabilities	21,870	—
Interest on borrowings	461,500	229,650
	<u>483,370</u>	<u>229,650</u>

7. INCOME TAX EXPENSE

	2019 US\$	2018 US\$
Current tax		
Provision for the year	21,853	149,096
Deferred tax expense	187,049	109,589
	<u>208,902</u>	<u>258,685</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 31 December 2019 and 2018. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2019 and 2018 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018.

Other jurisdictions mainly included the Singapore and the United States. Taxation arising in other jurisdictions of which the Singapore is at 17% (2018: 17%) and United States is at 21% (2018: 21%) is calculated at the rates prevailing in the respective jurisdictions.

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”) and Regulation on Implementation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for the years ended 31 December 2019 and 2018.

8. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2019 US\$	2018 US\$
Cost of inventories recognised as expense	10,547,901	7,592,042
Auditor's remuneration	420,000	220,000
Operating lease expenses	—	543,597
Directors' emoluments	1,258,672	840,151
Staff costs including directors' emoluments		
Salaries, bonus and allowances	2,661,654	2,987,609
Equity-settled share-based payments	592,813	163,363
Retirement benefits scheme contributions	107,075	199,848
	<u>3,361,542</u>	<u>3,350,820</u>
Depreciation of property, plant and equipment	2,103,891	1,765,063
Depreciation of right-of-use assets	129,858	—
Amortisation of intangible assets	<u>2,034,809</u>	<u>1,574,274</u>

9. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2018: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of US\$763,186 (2018: profit attributable to owners of the Company of US\$2,068,270) and the weighted average number of ordinary shares of 1,806,000,000 (2018: 1,806,000,000) in issue during the year.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

11. DEPOSIT PLACED WITH A LIFE INSURANCE COMPANY

	2019 US\$	2018 US\$
Deposit placed with a life insurance company		
— due after one year	<u>1,188,890</u>	<u>—</u>

During the year ended 31 December 2019, the Group entered into life insurance policies with an insurance company to insure two executive directors. Under the policy, the beneficiary and policy holder is the Company and the total insured sum is approximately US\$4,000,000. At inception of the life insurance policy, the Group is granted an insurance premium loan by its banker (note 17) of US\$1,440,421 to place deposit with a life insurance company.

The insurance company will pay the Group a guaranteed interest rate of 4.25% per annum, which is also the effective interest rate for the deposit placed on initial recognition, determined by discounting the estimated future cash receipts through the expected life of the insurance policy of 20 years, excluding the financial effect of surrender charge.

The Directors considered that the possibility of terminating the policy during the 1st to 20th policy year was low and the expected life of the life insurance policy remained unchanged since the initial recognition, accordingly, the difference between the carrying amount of deposit placed with a life insurance company as at inception date and the gross premium paid plus accumulated interest earned and minus the insurance premium charge of the life insurance policy is insignificant.

12. TRADE AND OTHER RECEIVABLES

	2019 US\$	2018 US\$
Trade receivables	1,853,234	1,020,574
Provision for loss allowance	<u>(32,384)</u>	<u>(25,332)</u>
	1,820,850	995,242
Other receivables	<u>113,260</u>	<u>110,000</u>
	<u>1,934,110</u>	<u>1,105,242</u>

The Group's trade receivables are primarily due from its wholesale customers and are all denominated in US\$.

During the years ended 31 December 2019 and 2018, the Group granted credit terms of 0 to 60 days to its customers.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019 US\$	2018 US\$
1–30 days	547,289	489,629
31–90 days	285,111	338,499
91–180 days	—	47,870
181–365 days	988,450	119,244
	<u>1,820,850</u>	<u>995,242</u>

Reconciliation of loss allowance for trade receivables:

	2019 US\$	2018 US\$
At beginning of year	25,332	34,597
Provision of loss allowance, net	7,052	25,332
Written-off	—	(34,597)
At end of year	<u>32,384</u>	<u>25,332</u>

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Within 30 days	Over 30 days past due	Over 90 days past due	Over 180 days past due	Total
At 31 December 2019					
Weighted average expected loss rate	—	—	—	3%	
Receivable amount (US\$)	547,289	285,111	—	1,020,834	1,853,234
Loss allowance (US\$)	—	—	—	32,384	32,384
	Within 30 days	Over 30 days past due	Over 90 days past due	Over 180 days past due	Total
At 31 December 2018					
Weighted average expected loss rate	2%	2%	2%	6%	
Receivable amount (US\$)	499,791	345,525	48,864	126,394	1,020,574
Loss allowance (US\$)	10,162	7,026	994	7,150	25,332

13. PREPAYMENTS AND DEPOSITS

	2019 US\$	2018 US\$
Advances to suppliers	6,163,403	3,749,291
Prepaid royalties and game development costs	524,322	460,505
Other prepayments	97,437	545,843
Deposits	77,629	106,601
	<u>6,862,791</u>	<u>4,862,240</u>

14. PLEDGED DEPOSIT AND BANK AND CASH BALANCES

The Group's pledged deposit represented deposit pledged to bank to secure banking facilities granted to the Group as set out in note 17 to the consolidated financial statements. The deposit is in US\$ and at fixed interest rate of 1.31% p.a..

As at 31 December 2019, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to US\$8,847 (2018: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

15. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice dates, is as follows:

	2019 US\$	2018 US\$
Less than 60 days	—	429
Over 120 days	—	71,956
	<u>—</u>	<u>72,385</u>

16. ACCRUALS AND OTHER PAYABLES

	2019 US\$	2018 US\$
Other payables to a supplier of intellectual property rights	—	624,128
Accruals for professional service fees in respect of transfer of listing status from GEM to Main Board	1,149,903	107,300
Accruals for audit fee	420,000	220,000
Other accrued operating expenses	102,579	137,395
	<u>1,672,482</u>	<u>1,088,823</u>

17. BORROWINGS

	2019 US\$	2018 US\$
Bank borrowings	10,350,664	8,268,223
Bank overdraft	—	5,031
	<u>10,350,664</u>	<u>8,273,254</u>

The borrowings are repayable as follows:

	2019 US\$	2018 US\$
On demand or within one year	6,634,444	3,864,897
In the second year	713,275	579,200
In the third to fifth years, inclusive	768,021	1,017,223
After five years	<u>2,234,924</u>	<u>2,811,934</u>
	10,350,664	8,273,254
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(6,634,444)</u>	<u>(3,864,897)</u>
Amount due for settlement after 12 months	<u>3,716,220</u>	<u>4,408,357</u>

As at 31 December 2019, including in the bank borrowings, trade loans amounting to US\$4,979,845 (2018: US\$3,267,610) mature until 2020 and bear interest at rates at the bank's prevailing 1-month Cost of Funds +3.5% and the London Inter-bank Offered Rate +2.5%.

As at 31 December 2019, including in the trade loans of US\$4,979,845, the amount of US\$4,399,138 (2018: Nil) are secured by an assignment of life insurance and the remaining amount of US\$580,707 (2018: US\$980,197) are secured by first mortgage over the Group's office units, a corporate guarantee from the Company, and a charge over all fixed deposits placed with the bank.

As at 31 December 2019, including in the bank borrowings, universal life insurance loan (the "ULI") amounting to US\$941,325 (2018: Nil) bear interest at rates at one month London Inter-bank Offered Rate (LIBOR) + 0.75%. The principals of the loans are repayable by 84 monthly installments, however, the bank has the ability to demand repayment at any time which will not be affected by the payment schedule.

As at 31 December 2019, the total amount of ULI (2018: Nil) are secured by an assignment of life insurance.

As at 31 December 2019, including in the bank borrowings, the amount of US\$3,119,212 (2018: US\$3,207,462) mature until 2037 and bear interest at rates between 2.38% to 2.78% annually for the first two years and at Singapore Interbank Offered Rate +3% for the remaining tenures. On 20 November 2019, including in the amount of US\$3,119,212, the Company has revised the terms of its bank borrowing amounting to US\$1,642,010, with effect from 1 December 2019, the interest rate shall be fixed at 2.35% for the subsequent two years and at prevailing Enterprise Financing Rate for the remaining tenures.

As at 31 December 2019, the total amount of US\$3,119,212 (2018: US\$3,207,463) are secured by first mortgage over the Group's office units, a corporate guarantee from the Company, and a charge over all fixed deposit placed with the bank.

As at 31 December 2019, including in the bank borrowings, the amount of US\$1,310,282 (2018: US\$1,793,151) mature until 2022 and bear interest at a rate at the bank's prevailing 1-month Cost of Funds +3.5%.

As at 31 December 2019, including in the amount of US\$1,310,282 (2018: US\$1,793,151), the amount of bank borrowings US\$704,314 (2018: US\$976,961) are secured by first mortgage over the Group's office units, a corporate guarantee from the Company, and a charge over all fixed deposit placed with the bank, and the remaining amount of US\$605,968 (2018: US\$816,190) is secured by first debenture fixed and floating charge on the Group's assets and undertakings and corporate guarantees from the Company and its subsidiary.

18. SHARE CAPITAL

	Number of shares of the Company	Share capital US\$
Authorised		
Ordinary share capital of HK\$0.00005 each at 31 December 2019 and 2018	<u>7,600,000,000</u>	<u>49,147</u>
Issued and fully paid		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	<u>1,806,000,000</u>	<u>11,700</u>

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new reclassification of the accounting items was considered to provide a more appropriate presentation to reflect the consolidated financial results and consolidated position of the Group.

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 also started developing and launching mobile games since 2015.

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 physical store located in Singapore and game conventions, both online and physical (where possible), held two to three times a year.

As at the date of this annual results announcement, we offer a total of 93 games, comprising 87 board games, three miniature war games, two mobile games and one computer game.

For the financial year under review, our revenue was approximately US\$30.5 million, increasing from approximately US\$28.2 million for the previous financial year. Loss attributable to shareholders for the financial year under review was approximately US\$0.8 million compared with earnings of approximately US\$2.0 million for the previous financial year. This was mainly due to US\$2.7 million of non-recurring professional service fees in respect of transfer of listing status from GEM to Main Board (the “**Transfer of Listing**”) incurred for the financial year under review compared to US\$0.9 million incurred for the previous financial year.

Long-Term Strategies and Outlook

Our strategy is to achieve long-term growth through geographical diversification and product diversification. We remain focused on 1) expanding into the Asian markets, with plans for our wholly owned Chinese subsidiary to start a combined office and warehouse and also increase headcount in China in 2020, 2) marketing directly to end users and gamers, particularly in China and South East Asia and 3) strengthening our game design capabilities and licensing of good intellectual properties.

We strive to become a leading developer and publisher of quality tabletop games and are optimistic about the growth and development of the tabletop games industry. During the year ended 31 December 2019, we launched six Kickstarter games, namely *Munchkin Dungeon*, *Bloodborne*, *Trudvang Legends*, *Time Machine*, *Zombicide: 2nd Edition* and *Night of the Living Dead: A Zombicide Game*, and raised approximately US\$0.7 million, US\$4.0 million, US\$1.5 million, US\$0.3 million, US\$3.4 million and US\$0.4 million, respectively. In 2020, we planned to launch and have successfully launched games that will not only help us retain a significant number of players, but will also help us attract new players, so we can grow our revenue base and sustain our competitive position, especially games based on existing IPs with a strong following, for example, games based on popular Hollywood movies or comic books. In 2020, we launched three such games

via Kickstarter, namely *Marvel United*, *Ankh: Gods of Egypt* and *CMON Comics: Vol. 1*. We will continue to expand our geographical coverage with an aim to increase market share as we make our games known to more Asian players. In line with our Asian focus, in 2020, we planned to hold and have held at least three online game conventions specifically for the Asian market and we have also held events coinciding with popular sales events such as the Double Eleven event.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately 8.0% from approximately US\$28.2 million for the year ended 31 December 2018 to approximately US\$30.5 million for the year ended 31 December 2019, primarily due to the increase in revenue from board games. Revenue from board games increased by approximately 18.6% from approximately US\$23.3 million for the year ended 31 December 2018 to approximately US\$27.6 million for the year ended 31 December 2019, which was mainly due to the increase in the recognition of board game sales via wholesalers and Kickstarter for the year ended 31 December 2019. During the year ended 31 December 2018, we recognised revenue from board games such as, but not limited to, *Cthulhu: Death May Die*, *HATE*, *Starcadia Quest* and *Zombicide: Invader*. During the year ended 31 December 2019, we recognized revenue from board games such as, but not limited to, *Munchkin Dungeon*, *Blood Rage Digital*, *Project: Elite* and *Time Machine*.

In terms of sales channels, revenue via Kickstarter increased from approximately US\$15.2 million for the year ended 31 December 2018 to approximately US\$16.8 million for the year ended 31 December 2019, which was mainly due to the increase in recognition of sales from 4 Kickstarter games in 2019 compared to 4 Kickstarter games in 2018.

North America and Europe remained as our major markets, with North American and European sales making up approximately 87.5% and 92.8% of our total revenue combined for the years ended 31 December 2019 and 2018 respectively.

The following tables set out breakdowns of our revenue by categories, by sales channels and by geographical markets in absolute amounts and as percentages of our revenue for the years indicated:

By categories

	Year ended 31 December			
	2019		2018	
	US\$	%	US\$	%
Board games	27,583,763	90.6	23,261,711	82.5
Miniatures war games	2,142,132	7.0	4,583,409	16.2
Mobile games	1,669	—	4,007	—
Sub-total	29,727,564	97.6	27,849,127	98.7
Other products	732,739	2.4	358,284	1.3
Total	<u>30,460,303</u>	<u>100</u>	<u>28,207,411</u>	<u>100</u>

By sales channels

	Year ended 31 December			
	2019		2018	
	US\$	%	US\$	%
Direct				
Kickstarter	16,780,577	55.1	15,237,000	54.0
Online store and game conventions	245,348	0.8	1,235,755	4.4
Mobile games	1,668	—	4,007	—
Wholesales	13,432,710	44.1	11,730,649	41.6
Total	<u>30,460,303</u>	<u>100</u>	<u>28,207,411</u>	<u>100</u>

By geographical markets

	Year ended 31 December			
	2019		2018	
	US\$	%	US\$	%
North America	17,550,210	57.6	21,638,549	76.7
Europe	9,097,287	29.9	4,553,980	16.1
Asia	2,127,889	7.0	1,542,619	5.5
Oceania	765,479	2.5	416,832	1.5
South America	908,058	3.0	37,231	0.1
Africa	11,380	—	18,200	0.1
Total	<u>30,460,303</u>	<u>100</u>	<u>28,207,411</u>	<u>100</u>

COST OF SALES

Our cost of sales increased by approximately 18.3% from approximately US\$13.4 million for year ended 31 December 2018 to approximately US\$15.9 million for the year ended 31 December 2019.

The increase was primarily due to the increase in cost of inventories by approximately 38.9% from approximately US\$7.6 million for the year ended 31 December 2018 to approximately US\$10.5 million for the year ended 31 December 2019. Depreciation and amortization increased by approximately 18.1% from approximately US\$2.2 million for the year ended 31 December 2018 to approximately US\$2.6 million for the year ended 31 December 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit decreased by approximately 1.3% from approximately US\$14.8 million for the year ended 31 December 2018 to approximately US\$14.6 million for the year ended 31 December 2019 mainly due to the increase in cost of inventories.

Our gross profit margin decreased by approximately 4.5 percentage points from approximately 52.5% for the year ended 31 December 2018 to approximately 48% for the year ended 31 December 2019 mainly because we sold old inventories in the USA at lower margins.

OTHER INCOME

Other income increased from US\$80,232 for the year ended 31 December 2018 to US\$198,226 for the year ended 31 December 2019, which was mainly due to increase in royalty income received.

EXCHANGE GAIN/LOSSES

We recorded an exchange gain of US\$4,562 for the year ended 31 December 2018 as compared to an exchange loss of US\$53,416 for the year ended 31 December 2019, which resulted from the translation of loan repayments denominated in Singapore dollars, as the US dollar strengthened against the Singapore dollar in 2019.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased from approximately US\$5.7 million for the year ended 31 December 2018 to approximately US\$5.9 million for the year ended 31 December 2019. This was primarily caused by an increase in royalty expenses of US\$300,737 from US\$423,129 for the year ended 31 December 2018 to US\$723,866 for the year ended 31 December 2019 mainly due to the increase in revenue from licensed games.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses increased from approximately US\$5.6 million for the year ended 31 December 2018 to approximately US\$6.1 million for the year ended 31 December 2019. The increase was primarily caused by (i) an increase in the professional service fees incurred for the Transfer of Listing from US\$949,756 for the year ended 31 December 2018 to approximately US\$2.7 million for the year ended 31 December 2019, and (ii) an increase in games development expenses from US\$911,523 for the year ended 31 December 2018 to approximately US\$1.2 million for the year ended 31 December 2019.

FINANCE COSTS

Finance costs increased from US\$229,650 for the year ended 31 December 2018 to US\$483,370 for the year ended 31 December 2019. This was primarily caused by increased finance cost from bank borrowings used to finance operations during the year ended 31 December 2019 plus nominal finance cost for operating leases (in lieu of rent) incurred due to first adoption of IFRS 16.

INCOME TAX EXPENSE

The income tax expense decreased by approximately 19.2% from US\$258,685 for the year ended 31 December 2018 to US\$208,902 for the year ended 31 December 2019, mainly due to the decrease in profit before income tax.

LOSS/PROFIT AND TOTAL COMPREHENSIVE LOSS/INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss/profit and total comprehensive loss/income for the year attributable to equity holders of the Company decreased from a profit of approximately US\$2 million for the year ended 31 December 2018 to a loss of approximately US\$0.8 million for the year ended 31 December 2019 mainly because of the increase in professional service fees incurred for the Transfer of Listing (as mentioned above). Without taking into account such non-recurring professional fees, profit and total comprehensive income for the year attributable to equity holders of the Company for the year ended 31 December 2019 was approximately US\$1.88 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2019, we financed our operations primarily through cash generated from our internally generated funds and bank borrowings. As at 31 December 2018 and 2019, the Group had cash and cash equivalents of approximately US\$2.8 million and US\$757,743, respectively, which were cash at banks and on hand, denominated in United States dollars, Singapore dollars, Chinese renminbi and Hong Kong dollars.

The short-term bank borrowings of the Group increased from approximately US\$3.9 million as at 31 December 2018 to approximately US\$6.6 million as at 31 December 2019. The increase of short-term borrowings was primarily due to an increased in short-term financing from a threshold of US\$2.5 million for the year ended 31 December 2018 to a threshold of US\$4 million for the year ended 31 December 2019. In 2020, we replaced this US\$4 million of short term financing with a more affordable term loan. The long-term borrowing of the Group decreased from approximately US\$4.4 million as at 31 December 2018 to approximately US\$3.7 million as at 31 December 2019.

The long-term bank borrowings as at 31 December 2018 and 31 December 2019 were secured on the property located at 201 Henderson Road #07/08-01, Apex @ Henderson, Singapore 159545 (the “**Headquarters**”) and the property located at 201 Henderson Road #09-23/24, Apex @ Henderson, Singapore 159545 (the “**Property**”), a corporate guarantee from the Company and a charge over all fixed deposits placed with the relevant bank. As at 31 December 2019, the Group’s total bank borrowings of approximately US\$10.3 million consisted of:

- (i) approximately US\$3.1 million which 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 the subsequent years. On 20 November 2019, the Company has revised the terms of its bank borrowing — with respect to Term Loan II, amounting of US\$1,642,010, with effect from 1 December 2019, the interest rate has been fixed at 2.35% for the subsequent two years and at prevailing Enterprise Financing Rate for the remaining tenures; and

- (ii) approximately US\$7.2 million which were denominated in United States dollars, with a tenor of 60 days to 8 years and interests charged at floating rates.

As at 31 December 2019, the Group's borrowings were repayable as follows:

	2019 <i>US\$</i>	2018 <i>US\$</i>
Within 1 year	6,634,444	3,864,897
Between 1 and 2 years	713,275	579,200
Between 2 and 5 years	768,021	1,017,223
Over 5 years	<u>2,234,924</u>	<u>2,811,934</u>
	<u>10,350,664</u>	<u>8,273,254</u>

Going forward, we intend to continue to use external bank borrowings and internally generated funds to fund our working capital, game development activities, acquisition of IPs as well as expansion plans as stated in the prospectus of Company dated 25 November 2016 (the “**Prospectus**”).

TREASURY POLICIES

The proceeds from our sales made through Kickstarter are generally received prior to product delivery, and therefore, we are not exposed to significant credit risk. Our trade receivables are primarily related to sales to wholesalers. We have policies in place to assess and monitor the creditworthiness of our wholesalers. We perform periodic credit evaluation of our wholesalers and will adjust the credit extended to the wholesalers accordingly. Normally we do not require collateral from trade debtors. Management makes a periodic collective assessment as well as an 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 debtors in relation to the relevant receivables.

CAPITAL STRUCTURE

During the year ended 31 December 2019, our 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 FINANCIAL PERFORMANCE

During the year ended 31 December 2019, Kickstarter projects shipped by the Group contributed approximately US\$5.5 million (2018: approximately US\$3.4 million) to the Group's revenue.

During the year ended 31 December 2019, Kickstarter projects which were successfully launched, but not shipped amounted to approximately US\$13.7 million (2018: approximately US\$11.8 million). The shipments of these projects are expected to take place in the second half of 2020.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, the Group had no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

INFORMATION ON EMPLOYEES

As of 31 December 2019, the Group had 49 employees (31 December 2018: 51). Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and/or share options may be granted to eligible staff by reference to the Group's performance as well as the individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident fund contributions) for the year ended 31 December 2019 amounted to approximately US\$3.4 million (2018: approximately US\$3.4 million).

CHARGES ON ASSETS

As at 31 December 2019, the Headquarters and the Property with a total net book value of approximately US\$4.4 million and pledged deposit of US\$207,622 were charged as collateral for the Group's bank borrowings (31 December 2018: approximately US\$4.5 million and US\$200,000, respectively).

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at the date of this annual results announcement, the Group does not have any concrete plan 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 31 December 2019, the Group had short-term and long-term bank borrowings of approximately US\$6.6 million (31 December 2018: approximately US\$3.9 million) and approximately US\$3.7 million (31 December 2018: approximately US\$4.4 million), respectively.

As at 31 December 2019, the gearing ratio of the Group, calculated as total liabilities divided by total assets was approximately 44% (31 December 2018: approximately 40.9%).

EXPOSURE TO FOREIGN EXCHANGE

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (31 December 2018: nil).

COMMITMENTS

Other than operating lease commitments for its leased properties, the Group had no other capital and lease commitments as at 31 December 2018 and 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) 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.

(ii) 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.

(iii) Kickstarter

During the year ended 31 December 2019, most of the Group's bestselling 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 31 December 2019 is set out below:

Strategy	Business objectives for the period from 15 November 2016 to 31 December 2019	Actual business progress for the period from 15 November 2016 to 31 December 2019
Achieve organic growth by developing more high-quality games	- 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") - Develop, launch and deliver at least four new games - Maintain two newly hired in-house game developers	- Continued to develop the games as set out in the Game Pipeline, save for nine delayed or cancelled pipeline games due to less than ideal expected market reaction and demand on the products - Shipped all the Outstanding Kickstarter Projects namely <i>Project: Elite</i> and <i>Blood Rage Digital</i> - Launched and shipped thirteen Kickstarter projects namely <i>A Song of Ice & Fire: Tabletop Miniatures Game</i>, <i>Arcadia Quest: Riders</i>, <i>Cthulhu: Death May Die</i>, <i>HATE</i>, <i>Rising Sun</i>, <i>Starcadia Quest</i>, <i>The World of SMOG: Rise of Moloch</i>, <i>Zombicide: Green Horde</i>, <i>Zombicide: Invader</i>, <i>Project: Elite</i>, <i>Blood Rage Digital</i>, <i>Munchkin Dungeon</i> and <i>Time Machine</i> - Launched 4 Kickstarter projects namely <i>Bloodborne</i>, <i>Trudvang Legends</i>, <i>Zombicide: 2nd Edition</i> and <i>Night of the Living Dead: A Zombicide Game</i> - Maintained the two newly hired in-house game developers

Strategy	Business objectives for the period from 15 November 2016 to 31 December 2019	Actual business progress for the period from 15 November 2016 to 31 December 2019
Further strengthen our sales and marketing capability and broaden reach into new markets	• Maintain six newly hired staff in our sales and marketing team • Reduce the business activities 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 • Explore the new market in Asia Pacific region, namely Japan, Korea, Thailand and Indonesia; and seek for opportunities to expand our business operation	• The Group has successfully maintained at least six staff • The Group has closed its operations in Canada • Moved its warehouse to China from the USA during the second half of 2019 • Continued to promote the Company's products through online advertising and social networking websites • Maintained regular contact with existing wholesalers • Built and maintained contact with existing wholesalers • The Group has set up Foshan CMON Tabletop Games Trading Co., Ltd. in China, which commenced to conduct marketing activities in China in the second half of 2018
Further expansion into the mobile game market	• Develop our second mobile game, <i>Zombicide (mobile)</i> (renamed as <i>Zombicide: Tactics & Shotguns</i>)	• Continued to develop <i>Zombicide (mobile)</i> (renamed as <i>Zombicide: Tactics & Shotguns</i>), which was launched in 2019

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds received by the Company from the placing of 306,000,000 shares at a price of HK\$0.23 per share on GEM of the Stock Exchange (the “**Placing**”), after deducting underwriting commission and professional expenses in relation to the Placing, amounted to approximately HK\$53.8 million.

The remaining net proceeds from the Placing of HK\$1.9 million as at 31 December 2018 were applied in accordance with the uses and in the proportions as stated in the Prospectus. As at 31 December 2019, the net proceeds from the Placing have been fully utilized.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

EXTRAORDINARY GENERAL MEETING

The forthcoming extraordinary general meeting of the Company will be held on Wednesday, 23 December 2020 to receive and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2019 and the reports of the directors and auditor.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the said extraordinary general meeting, the register of members of the Company will be closed from Friday, 18 December 2020 to Wednesday, 23 December 2020 (both days inclusive), during which no transfer of shares will be effected. In order to be eligible to attend and vote at the said extraordinary general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 17 December 2020.

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 14 to the Listing Rules as its own code of corporate governance. Save as disclosed in this annual results announcement, the Company has, to the best knowledge of the Board, complied with all applicable code provisions of the CG Code during the year ended 31 December 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 was re-designated as a joint chief executive officer of the Company with the appointment of Mr. David Doust as joint chief executive officer of the Company on 23 January 2020. 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 on the balance of power and authorisations between the Board and the

management of the Company. Now that Mr. Ng and Mr. David Doust jointly execute the Group's development strategy and manage the Group's business operations, 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 joint chief executive officer is necessary.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the 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 year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 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.

EVENTS OCCURRED AFTER 31 DECEMBER 2019

In around March 2020, PricewaterhouseCoopers, the former auditor of the Company, had identified certain audit issues (the "**Audit Issues**") during their audit works in preparation of the annual financial statements of the Company. The Audit Issues caused a delay in the publication of the annual report and annual results announcement for the year ended 31 December 2019. As such, the trading in the shares of the Company had been suspended since 1 April 2020.

On 18 June 2020, the Company has been notified by the Stock Exchange of the following resumption guidance (the "**Resumption Guidance**") for the Company: (i) conduct an appropriate investigation into the issues raised by the Company's auditors, announce the findings and take appropriate remedial actions; (ii) publish all outstanding financial results and address any audit modifications; and (iii) announce all material information for the Company's shareholders and other investors to appraise the Company's position.

Consequently, an independent investigation committee comprising all current members of the audit committee of the Board was formed on 7 July 2020 (the “**Investigation Committee**”) and Mazars Singapore (“**Mazars**”) was appointed on 6 July 2020 as an independent professional party to conduct an independent investigation (the “**Investigation**”) on the Audit Issues. On 30 September 2020, Mazars issued a draft independent investigation report (the “**Investigation Report**”) containing its findings of the Investigation and internal control recommendations. The Investigation Committee reviewed the draft Investigation Report and agreed with its findings and internal control recommendations in a meeting of the Investigation Committee attended by Mazars on 30 September 2020. The Company has since implemented the internal control recommendations in accordance with the draft Investigation Report in consultation with Mazars. The final Investigation Report was issued on 14 October 2020.

For more details regarding the Audit Issues, the Resumption Guidance, the Investigation, the Investigation Report and the resumption progress, please refer to the announcements of the Company dated 23 June 2020, 30 June 2020, 7 July 2020, 30 September 2020 and 23 October 2020. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

The audit committee (the “**Audit Committee**”) of the Company, which currently comprises three independent non-executive Directors, 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 Group’s audited consolidated financial results and the annual results announcement of the Company for the year ended 31 December 2019.

Subsequent to 31 December 2019 and up to the date of this announcement, the Audit Committee held four meetings and carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee:

- (a) reviewed the financial results of the Group for the year ended 31 December 2019 and the six months ended 30 June 2020 and subsequently presented the reports/announcements to the Board for approval before its subsequent release to Stock Exchange’s website and the Company’s website;
- (b) monitored the Group’s financial controls, internal control and risk management systems;
- (c) reviewed the external auditors’ audit memorandum to the Audit Committee and any material queries or issues raised by the auditor;
- (d) reviewed the remuneration, qualifications and independence of ZHONGHUI ANDA CPA Limited and made recommendation to the Board for their appointment as the new auditor of the Company; and

- (e) reviewed the Resumption Guidance and set up Investigation Committee to investigate the Audit Issues.

For further details in respect of the Audit Issues, please refer to the paragraph headed “Events occurred after 31 December 2019” above.

AUDITOR

Reference is made to the announcement of the Company dated 31 July 2020 in relation to the poll results of the annual general meeting of the Company held on 31 July 2020 (the “AGM”). It was disclosed in the announcement that the reappointment of PricewaterhouseCoopers (the “**Outgoing Auditor**”) as auditor of the Company was not passed at the AGM. Accordingly, PricewaterhouseCoopers has retired as auditor of the Company upon expiration of its term of office at the close of the AGM.

Pursuant to the note under Rule 13.51(4) of the Listing Rules, the Company confirmed that the Outgoing Auditor did not provide any confirmation that there are no matters that need to be brought to the attention of the Shareholders. The reason was because the Outgoing Auditor had identified certain audit issues during their term of service which the Company disclosed in its announcements dated 26 March 2020, 30 June 2020 and 30 September 2020. The Outgoing Auditor was however not re-elected at the AGM and such audit issues remained unresolved at such time.

At the extraordinary general meeting held on 27 August 2020, ZHONGHUI ANDA CPA Limited (“**Zhonghui Anda**”) was appointed as the auditor of the Company for the year ending 31 December 2020 to hold office until the conclusion of the next annual general meeting of the Company. The accompanying financial statements prepared in accordance with International Financial Reporting Standards have been audited by Zhonghui Anda.

SCOPE OF WORK OF ZHONGHUI ANDA CPA 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 related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group’s auditor, Zhonghui Anda, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2019. The work performed by Zhonghui Anda 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 Zhonghui Anda on the preliminary announcement.

PUBLICATION OF THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual report of the Company for the year ended 31 December 2019 will be despatched to the Shareholders and available on the Company's website (<http://cmon.com>) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2020 and will continue to be suspended until the Company fulfills the Resumption Guidance. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By Order of the Board

CMON Limited

Ng Chern Ann

Chairman, Joint Chief Executive Officer and Executive Director

Singapore, 27 November 2020

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. Wong Yu Shan Eugene and Mr. Choy Man.