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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 2021**

**ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of CMON Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

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

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>US\$</i>	2020 <i>US\$</i>
<b>Revenue</b>	3	<b>37,786,352</b>	25,138,861
Cost of sales		<u><b>(23,299,951)</b></u>	<u>(15,788,422)</u>
<b>Gross profit</b>		<b>14,486,401</b>	9,350,439
Other income	4	<b>169,313</b>	327,383
Other gains/(losses), net	5	<b>143,614</b>	(2,187,612)
Selling and distribution expenses		<b>(5,950,717)</b>	(5,212,155)
General and administrative expenses		<u><b>(7,743,895)</b></u>	<u>(6,761,112)</u>
<b>Operating profit/(loss)</b>		<b>1,104,716</b>	(4,483,057)
Finance costs	6	<u><b>(288,410)</b></u>	<u>(364,263)</u>
<b>Profit/(loss) before income tax</b>		<b>816,306</b>	(4,847,320)
Income tax expense	7	<u><b>(395,220)</b></u>	<u>(56,557)</u>
<b>Profit/(loss) for the year attributable to owners of the Company</b>	8	<u><b>421,086</b></u>	<u>(4,903,877)</u>
<b>Other comprehensive loss:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u><b>(4,022)</b></u>	<u>(3,595)</u>
<b>Total other comprehensive loss for the year</b>		<u><b>(4,022)</b></u>	<u>(3,595)</u>
<b>Total comprehensive profit/(loss) for the year attributable to owners of the Company</b>		<u><b>417,064</b></u>	<u>(4,907,472)</u>
<b>Earnings/(loss) per share</b>	10		
Basic and diluted		<u><b>0.0002</b></u>	<u>(0.0027)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <i>US\$</i>	2020 <i>US\$</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>17,204,642</b>	13,995,457
Right-of-use assets		<b>358,564</b>	422,290
Intangible assets		<b>10,682,672</b>	11,135,964
Deposit placed with a life insurance company	<i>11</i>	<b>199,400</b>	—
		<u><b>28,445,278</b></u>	<u>25,553,711</u>
<b>Current assets</b>			
Inventories		<b>1,401,512</b>	818,288
Trade and other receivables	<i>12</i>	<b>276,801</b>	1,421,562
Prepayments and deposits	<i>13</i>	<b>3,389,970</b>	5,850,679
Pledged deposit	<i>14</i>	—	208,675
Bank and cash balances	<i>14</i>	<b>3,090,120</b>	509,585
		<u><b>8,158,403</b></u>	<u>8,808,789</u>
<b>Current liabilities</b>			
Trade payables	<i>15</i>	—	32,599
Accruals and other payables	<i>16</i>	<b>427,459</b>	497,801
Borrowings	<i>17</i>	<b>3,216,344</b>	2,360,417
Amount due to ultimate holding company		<b>3</b>	3
Income tax payable		<b>43,051</b>	201,700
Contract liabilities		<b>6,919,605</b>	4,659,227
Lease liabilities		<b>105,031</b>	87,863
		<u><b>10,711,493</b></u>	<u>7,839,610</u>
<b>Net current (liabilities)/assets</b>		<u><b>(2,553,090)</b></u>	<u>969,179</u>
<b>Total assets less current liabilities</b>		<u><b>25,892,188</b></u>	<u>26,522,890</u>

	<i>Notes</i>	<b>2021</b> <i>US\$</i>	2020 <i>US\$</i>
<b>Non-current liabilities</b>			
Borrowings	<i>17</i>	<b>5,094,193</b>	6,483,002
Lease liabilities		<b>306,767</b>	377,211
Deferred tax liabilities		<b>2,394,887</b>	2,039,928
		<u><b>7,795,847</b></u>	<u>8,900,141</u>
<b>NET ASSETS</b>		<u><b>18,096,341</b></u>	<u>17,622,749</u>
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>11,700</b>	11,700
Reserves		<b>18,084,641</b>	17,611,049
<b>TOTAL EQUITY</b>		<u><b>18,096,341</b></u>	<u>17,622,749</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

### 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 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 2021. 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.

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:

	2021 US\$	2020 US\$
Sales of products	34,621,241	23,087,475
Shipping income in connection with sale of products	3,091,731	2,030,264
Forfeiture revenue	73,380	21,122
	<u>37,786,352</u>	<u>25,138,861</u>

Disaggregation of revenue from contracts with customers:

#### Geographical markets

	2021 US\$	2020 US\$
North and South America	26,751,866	13,535,307
Europe	7,136,225	8,432,728
Asia	3,846,068	2,529,515
Oceania	52,193	641,311
	<u>37,786,352</u>	<u>25,138,861</u>

Revenue from one customer of the Group represents approximately US\$5,446,962 (2020: US\$3,759,845) of the Group's total revenue during the year ended 31 December 2021.

For the years ended 31 December 2021 and 2020, all revenue is recognised at a point in time (For the details of revenue recognition of the following sales activities, please referred to the below paragraphs).

#### 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 2021 and 2020, the total non-current assets other than intangible assets were located in the following locations:

	2021 <i>US\$</i>	2020 <i>US\$</i>
Singapore	14,646,229	11,810,596
The People Republic's of China (the "PRC")	2,893,909	2,520,659
North and South America	23,068	57,196
Others	—	29,296
	<u>17,563,206</u>	<u>14,417,747</u>

#### 4. OTHER INCOME

	2021 US\$	2020 US\$
Advertising income	2,127	2,294
Royalty income	82,269	116,830
Interest income from deposit placed with a life insurance company	—	32,413
Interest income from pledged deposit	—	1,053
Interest income from bank	346	207
Government subsidies ( <i>note</i> )	76,735	173,436
Other income	7,836	1,150
	<u>169,313</u>	<u>327,383</u>

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

#### 5. OTHER GAIN/(LOSSES), NET

	2021 US\$	2020 US\$
Waiver of bank loans	143,614	—
Reversal of impairment losses on trade and other receivables, net	—	31,144
Gain on early termination of lease	—	5,991
Written-off of intangible assets	—	(390,621)
Impairment losses on property, plant and equipment	—	(1,004,528)
Impairment losses on intangible assets	—	(799,287)
Impairment losses on right-of-use assets	—	(30,311)
	<u>143,614</u>	<u>(2,187,612)</u>

#### 6. FINANCE COSTS

	2021 US\$	2020 US\$
Interest on lease liabilities	16,182	11,137
Interest on borrowings	272,228	353,126
	<u>288,410</u>	<u>364,263</u>



## 7. INCOME TAX EXPENSE

	2021 <i>US\$</i>	2020 <i>US\$</i>
Current tax		
Provision for the year	—	7,118
Under-provision in prior years	<u>40,261</u>	<u>159,986</u>
	<u>40,261</u>	<u>167,104</u>
Deferred tax expense	<u>354,959</u>	<u>(110,547)</u>
	<u><u>395,220</u></u>	<u><u>56,557</u></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 2021 and 2020. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

Other jurisdictions mainly included Singapore and the United States. Taxation arising in other jurisdictions of which Singapore is at 17% (2020: 17%) and the United States is at 21% (2020: 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 2021 and 2020.

## 8. PROFIT/(LOSS) FOR THE YEAR

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

	2021 <i>US\$</i>	2020 <i>US\$</i>
Cost of inventories	14,957,703	10,558,405
Shipping and handling charges	5,597,692	2,121,481
Employee benefit expenses	3,157,702	2,965,332
Auditor’s remuneration	195,000	195,000
Other professional fees	879,630	580,859
Merchant account fee	1,353,792	1,349,846
Royalty expenses	1,615,539	1,140,882
Marketing expenses	530,725	322,769
Depreciation of property, plant and equipment	2,417,532	2,486,636
Depreciation of right-of-use assets	100,900	69,333
Amortisation of intangible assets	1,949,223	2,276,156
Game development expenses	2,768,405	1,852,063
Travelling expenses	110,014	187,179
Other expenses	<u>1,360,706</u>	<u>1,265,126</u>

## 9. DIVIDENDS

The Directors do not recommend any payment of dividends for the years ended 31 December 2021 (2020: nil).

## 10. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of US\$421,086 (2020: loss for the year attributable to owners of the Company of US\$4,903,877) and the weighted average number of ordinary shares of 1,806,000,000 (2020: 1,806,000,000) in issue during the year.

### Diluted earnings/(loss) per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2021 and 2020.

## 11. DEPOSIT PLACED WITH A LIFE INSURANCE COMPANY

	2021 <i>US\$</i>	2020 <i>US\$</i>
Deposit placed with a life insurance company	<u>199,400</u>	<u>—</u>

During the year ended 31 December 2021, the Group entered into life insurance policies with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is the Company and the total insured sum is approximately US\$200,000. The deposits placed with a life insurance company was pledged to a bank for credit facilities granted to the Group (note 17).

The insurance company will pay the Group a guaranteed interest rate of 3.5% 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 79 years, excluding the financial effect of surrender charge.

The Directors considered that the possibility of terminating the policy during the 1st to 79th 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

	2021 <i>US\$</i>	2020 <i>US\$</i>
Trade receivables	168,041	1,312,802
Provision for loss allowance	<u>(1,240)</u>	<u>(1,240)</u>
	<b>166,801</b>	1,311,562
Other receivables	<u>110,000</u>	<u>110,000</u>
	<b><u>276,801</u></b>	<b><u>1,421,562</u></b>

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

During the years ended 31 December 2021 and 2020, the Group granted credit terms of 0 to 30 days to its customers.

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

	2021 <i>US\$</i>	2020 <i>US\$</i>
1–30 days	96,978	610,280
31–90 days	57,600	12,691
91–180 days	7,400	7,169
181–365 days	4,823	128,832
Over 365 days	<u>—</u>	<u>552,590</u>
	<b><u>166,801</u></b>	<b><u>1,311,562</u></b>

Reconciliation of loss allowance for trade receivables:

	2021 <i>US\$</i>	2020 <i>US\$</i>
At beginning of year	1,240	32,384
Reversal of loss allowance, net	<u>—</u>	<u>(31,144)</u>
At end of year	<b><u>1,240</u></b>	<b><u>1,240</u></b>

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.

	<b>Within 30 days</b>	<b>Over 30 days past due</b>	<b>Over 90 days past due</b>	<b>Over 180 days past due</b>	<b>Total</b>
<b>At 31 December 2021</b>					
Weighted average expected loss rate	—	—	—	<b>20.5%</b>	
Receivable amount (US\$)	<b>96,978</b>	<b>57,600</b>	<b>7,400</b>	<b>6,063</b>	<b>168,041</b>
Loss allowance (US\$)	—	—	—	<b>1,240</b>	<b>1,240</b>
	Within 30 days	Over 30 days past due	Over 90 days past due	Over 180 days past due	Total
<b>At 31 December 2020</b>					
Weighted average expected loss rate	—	—	—	0.2%	
Receivable amount (US\$)	610,280	12,691	7,169	682,662	1,312,802
Loss allowance (US\$)	—	—	—	1,240	1,240

### 13. PREPAYMENTS AND DEPOSITS

	<b>2021</b>	2020
	<b>US\$</b>	US\$
Advances to suppliers	<b>2,720,023</b>	5,600,538
Prepaid royalties and game development costs	<b>570,808</b>	156,965
Other prepayments	<b>567</b>	7,663
Deposits	<b>98,572</b>	85,513
	<b><u>3,389,970</u></b>	<u>5,850,679</u>

#### 14. PLEDGED DEPOSIT AND BANK AND CASH BALANCES

The Group's pledged deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 17 to the consolidated financial statements. The deposits are in US\$ and at fixed interest rate of 1.31% p.a. as at 31 December 2020. During the year ended 31 December 2021, pledged deposits were released from bank.

As at 31 December 2021, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to US\$498,878 (2020: US\$2,094). 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:

	2021 <i>US\$</i>	2020 <i>US\$</i>
Less than 60 days	—	32,599

#### 16. ACCRUALS AND OTHER PAYABLES

	2021 <i>US\$</i>	2020 <i>US\$</i>
Accruals for audit fee	195,000	195,000
Other accrued operating expenses	232,459	302,801
	<u>427,459</u>	<u>497,801</u>

## 17. BORROWINGS

	2021 US\$	2020 US\$
Bank borrowings	<u>8,310,537</u>	<u>8,843,419</u>

The borrowings are repayable as follows:

	2021 US\$	2020 US\$
On demand or within one year	3,216,344	2,360,417
In the second year	1,131,164	1,295,755
In the third to fifth years, inclusive	1,862,759	2,650,191
After five years	<u>2,100,270</u>	<u>2,537,056</u>
	8,310,537	8,843,419
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(3,216,344)</u>	<u>(2,360,417)</u>
Amount due for settlement after 12 months	<u>5,094,193</u>	<u>6,483,002</u>

As at 31 December 2021, including in the bank borrowings, trade loans amounting to US\$1,868,286 will mature in 2022, bear interest rates at the bank's prevailing 1-month Cost of Funds +2.5%, and are secured by a corporate guarantee from the Company and its subsidiary, first fixed and floating charge over the Group's assets and undertakings, and an assignment of life insurance (note 11).

As at 31 December 2021, including in the bank borrowings, the amount of US\$3,000,694 will mature in 2037, bears interest rate ranging from 2.35% to 2.45% annually for the subsequent one year and at prevailing enterprise financing rate for the remaining tenures and are secured by first mortgage over the Group's office units and a corporate guarantee from the Company.

As at 31 December 2021, including in the bank borrowings, the amount of US\$247,103 will mature in 2022 and bears interest rate at the bank's prevailing 1-month Cost of Funds +3.5%. Including in the amount of US\$247,103, the amount of bank borrowings US\$104,711 are secured by first mortgage over the Group's office units and a corporate guarantee from the Company, and the remaining amount of US\$142,392 is secured by first debenture fixed and floating charge on the Group's assets and undertakings, corporate guarantees from the Company and its subsidiary, and an assignment of life insurance (note 11).

As at 31 December 2021, including in the bank borrowings, the amount of US\$3,194,454 will mature in 2025, bears interest at 3% per annum and secured by corporate guarantees from the Company and its subsidiary.

As at 31 December 2020, including in the bank borrowings, trade loans amounting to US\$988,849 will mature in 2021, bear interest rates at the bank's prevailing 1-month Cost of Funds +3.5%, and 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 2020, including in the bank borrowings, the amount of US\$3,137,306 will mature in 2037, bears interest rate ranging from 2.35% to 2.45% annually for the subsequent one year and at prevailing enterprise financing rate for the remaining tenures and is 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 2020, including in the bank borrowings, the amount of US\$790,595 will mature in 2022 and bears interest rate at the bank's prevailing 1-month Cost of Funds +3.5%. Including in the amount of US\$790,595, the amount of US\$411,171 in bank borrowings is 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, and the remaining amount of US\$379,424 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.

As at 31 December 2020, including in the bank borrowings, the amount of US\$3,783,055 will mature in 2025, bears interest rate at 3% per annum and secured by corporate guarantees from the Company and its subsidiary.

As at 31 December 2020, including in the bank borrowings, the amount of US\$143,614 will mature in 2022 and bears interest rate at 1% per annum.

## 18. SHARE CAPITAL

	<b>Number of shares of the Company</b>	<b>Share capital US\$</b>
<b>Authorised</b>		
Ordinary share capital of HK\$0.00005 each at 31 December 2021 and 2020	<u>7,600,000,000</u>	<u>49,147</u>
<b>Issued and fully paid</b>		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<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.

## 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 online stores, a physical store located in Singapore and through 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 107 games, comprising 101 board games, three miniature war games, two mobile games and one computer game.

For the financial year under review, our revenue was approximately US\$37.8 million, increasing from approximately US\$25.1 million for the previous financial year. Profit and total comprehensive income for the year attributable to equity holders of the Company was approximately US\$0.4 million compared with a loss of approximately US\$4.9 million for the year ended 31 December 2020. As stated in the annual results announcement of the Company dated 26 March 2021, profitability for the year ended 31 December 2020 was depressed mainly due to the COVID-19 pandemic as China was in lockdown during the first quarter of 2020 and since the Group's contract manufacturers are mostly based in China, the Group was unable to produce or ship its games to customers. Sales in the third and fourth quarters of 2020 and throughout 2021 have recovered significantly, with sales for the year ended 31 December 2021 increasing 24% even when compared to sales for the year ended 31 December 2019, the financial year before the COVID-19 pandemic. One key contributing factor to this significant increase is that the Group's sales to wholesalers have grown substantially for the year ended 31 December 2021.

During the financial year under review, we launched four Kickstarter games, namely *CMON Presents: The Animation Collection*, *Zombicide: Undead or Alive*, *Marvel United: X-Men* and *Masters of the Universe: The Board Game*, and raised approximately US\$0.7 million, US\$3.3 million, US\$5.9 million and US\$2.0 million, respectively.

### 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 wholesale markets, (2) marketing directly to end users and gamers, particularly in China and (3) strengthening our game design capabilities and licensing of good intellectual properties ("IPs").



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. In 2022, we plan to launch new games not only using our own IPs, but also games based on other popular IPs such as *Cyberpunk 2077*. In January 2022, we successfully launched a game based on a combination of licensed and self-owned IPs: *Marvel Zombies — A Zombicide Game*, raising US\$9.0 million on Kickstarter. Such games 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. We will also continue to expand our geographical coverage with an aim to increase market share as we make our games known to more Asian players, especially in China.

## FINANCIAL REVIEW

### Revenue

Our revenue increased by approximately 50.3% to approximately US\$37.8 million for the year ended 31 December 2021 from approximately US\$25.1 million for the year ended 31 December 2020, primarily due to the increase in the recognition of wholesale sales. Revenue from wholesale sales increased by approximately 137.0% to US\$20.1 million for the year ended 31 December 2021 from approximately US\$8.5 million for the year ended 31 December 2020. During the year ended 31 December 2021, we recognized revenue from board games such as, but not limited to, *Massive Darkness 2: Hellscape* and *Marvel United: X-Men*.

In terms of sales channels, revenue via Kickstarter increased to approximately US\$17.4 million for the year ended 31 December 2021 from approximately US\$16.5 million for the year ended 31 December 2020, which was mainly due to the increase in recognition of sales of four Kickstarter projects in 2021 compared to three Kickstarter projects in 2020.

North America and Europe remained as our major markets, with North American and European sales making up approximately 89.6% and 87.4% of our total revenue combined for the year ended 31 December 2021 and 31 December 2020 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			
	2021		2020	
	US\$	%	US\$	%
Board games	31,625,027	83.7	21,949,075	87.3
Miniatures war games	3,622,023	9.6	1,842,993	7.3
Mobile games	426	—	711	—
Sub-total	35,247,476	93.3	23,792,779	94.6
Other products	2,538,876	6.7	1,346,082	5.4
Total	<u>37,786,352</u>	<u>100</u>	<u>25,138,861</u>	<u>100</u>

***By sales channels***

	Year ended 31 December			
	2021		2020	
	US\$	%	US\$	%
Direct				
Kickstarter	17,430,690	46.2	16,542,380	65.8
Online store and game conventions	245,242	0.6	110,114	0.4
Mobile games	426	—	711	—
Wholesales	20,109,994	53.2	8,485,656	33.8
Total	<u>37,786,352</u>	<u>100</u>	<u>25,138,861</u>	<u>100</u>

## ***By geographical markets***

	Year ended 31 December			
	2021		2020	
	US\$	%	US\$	%
North and South America	26,751,866	70.8	13,535,307	53.8
Europe	7,136,225	18.8	8,432,728	33.5
Asia	3,846,068	10.2	2,529,515	10.1
Oceania	52,193	0.2	641,311	2.6
Total	<u>37,786,352</u>	<u>100</u>	<u>25,138,861</u>	<u>100</u>

### **COST OF SALES**

Our cost of sales increased by approximately 47.6% to approximately US\$23.3 million for year ended 31 December 2021 from approximately US\$15.8 million for the year ended 31 December 2020. There was a sharp increase in shipping and handling costs during 2021 that affected entire industries globally but was mitigated by a lower increase in the cost of inventories as compared to the increase in sales during the financial year under review.

### **GROSS PROFIT AND GROSS PROFIT MARGIN**

Our gross profit increased by approximately 54.9% to approximately US\$14.5 million for the year ended 31 December 2021 from approximately US\$9.4 million for the year ended 31 December 2020 and gross profit margin increased by approximately 1.1 percentage points to approximately 38.3% for the year ended 31 December 2021 from approximately 37.2% for the year ended 31 December 2020. Gross profit increased mainly due to the increase in sales while gross profit margin improved slightly due to economies of scale in manufacturing.

### **OTHER INCOME**

Other income decreased to US\$169,313 for the year ended 31 December 2021 from US\$327,383 for the year ended 31 December 2020, which was mainly due to decrease in COVID-19 pandemic related government grants and royalty income.

### **EXCHANGE LOSSES**

We recorded an exchange loss of US\$190,732 for the year ended 31 December 2020 as compared to US\$593 for the year ended 31 December 2021, which resulted from the operating activities.

## **SELLING AND DISTRIBUTION EXPENSES**

Our selling and distribution expenses increased to approximately US\$6.0 million for the year ended 31 December 2021 from approximately US\$5.2 million for the year ended 31 December 2020. This was primarily caused by an increase in royalty expenses as we recognized more sales for licensed games.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

Our general and administrative expenses increased to approximately US\$7.7 million for the year ended 31 December 2021 from approximately US\$6.8 million for the year ended 31 December 2020. The increase was primarily caused by an increase in game development expenses, from approximately US\$1.9 million for the year ended 31 December 2020 to approximately US\$2.8 million for the year ended 31 December 2021.

## **FINANCE COSTS**

Finance costs decreased to US\$288,410 for the year ended 31 December 2021 from US\$364,263 for the year ended 31 December 2020. This was primarily caused by decreased finance cost from reduced bank borrowings.

## **INCOME TAX EXPENSE**

Income tax expense increased to US\$395,220 for the year ended 31 December 2021 from US\$56,557 for the year ended 31 December 2020, mainly due to the increase in deferred tax expense.

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

As a result of all the above-mentioned matters, profit/loss and total comprehensive income/loss for the year attributable to equity holders of the Company increased to a profit of approximately US\$0.4 million for the year ended 31 December 2021 from a loss of approximately US\$4.9 million for the year ended 31 December 2020. Throughout 2021, our Group's sales have recovered beyond pre-COVID levels. This was the major reason for the Group recording a profit attributable to equity holders of the Company for the year ended 31 December 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 December 2021, we financed our operations primarily through cash generated from our internally generated funds and bank borrowings. As at 31 December 2021 and 2020, the Group had cash and cash equivalents of approximately US\$3.1 million and US\$509,585 respectively, which were cash at banks and on hand, denominated in United States dollars, Singapore dollars and Chinese Renminbi.

The short-term bank borrowings of the Group increased to approximately US\$3.2 million as at 31 December 2021 from approximately US\$2.4 million as at 31 December 2020.

The long-term borrowings of the Group decreased to approximately US\$5.1 million as at 31 December 2021 from approximately US\$6.5 million as at 31 December 2020.

The long-term bank borrowings as at 31 December 2021 and 31 December 2020 were mainly 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 2021, the Group’s total bank borrowings of approximately US\$8.3 million consisted of:

- (i) approximately US\$6.2 million which were denominated in Singapore dollars, including two term loans, amounting to US\$3.0 million with a tenor of 20 years and interests charged at fixed rates from drawdown date until the end of the second year from the respective dates of the banking facility letters and at floating rates for the subsequent years. In May 2020, the Company revised the terms of its bank borrowing — with respect to DBS Term Loan amounting to US\$3.2 million, with tenor of 5 years, interest would be charged at floating rate with effect from 1 May 2020; and
- (ii) approximately US\$2.1 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 2021 and 2020, the Group’s borrowings were repayable as follows:

	<b>2021</b>	2020
	<i>US\$</i>	<i>US\$</i>
Within 1 year	<b>3,216,344</b>	2,360,417
Between 1 and 2 years	<b>1,131,164</b>	1,295,755
Between 2 and 5 years	<b>1,862,759</b>	2,650,191
Over 5 years	<b>2,100,270</b>	2,537,056
	<b><u>8,310,537</u></b>	<b><u>8,843,419</u></b>

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 collaterals 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 2021, 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 2021, Kickstarter projects shipped by the Group contributed approximately US\$17.4 million (2020: approximately US\$16.9 million) to the Group's revenue.

During the year ended 31 December 2021, Kickstarter projects which were successfully launched, but not shipped amounted to approximately US\$6.9 million (2020: approximately US\$14.3 million). The shipments of these projects are expected to take place in the first half of 2022.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 31 December 2021, the Group had no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

## **INFORMATION ON EMPLOYEES**

As of 31 December 2021, the Group had 65 employees (31 December 2020: 50). 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 2021 amounted to approximately US\$3.2 million (2020: approximately US\$3.2 million).

## **CHARGES ON ASSETS**

As at 31 December 2021, the Headquarters and the Property with a total net book value of approximately US\$3.9 million and deposit pledged with a life insurance company of US\$199,400 were charged as collateral for the Group's bank borrowings (31 December 2020: approximately US\$4.0 million and US\$208,675, 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 2021, the Group had short-term and long-term bank borrowings of approximately US\$3.2 million (31 December 2020: approximately US\$2.4 million) and approximately US\$5.1 million (31 December 2020: approximately US\$6.5 million), respectively.

As at 31 December 2021, the gearing ratio of the Group, calculated as total liabilities divided by total assets was approximately 50.6% (31 December 2020: approximately 48.7%).

## **EXPOSURE TO FOREIGN EXCHANGE**

The Group mainly operates in China, Singapore and United States with most 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 2021, the Group did not have any significant contingent liabilities (31 December 2020: nil).

## **COMMITMENTS**

The Group had no capital commitments as at 31 December 2020 and 2021.

## **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 2021, 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.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).



## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders of the Company (the “**Shareholders**”) to attend and vote at the annual general meeting of the Company to be held on Friday, 27 May 2022 (the “**AGM**”), the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (both days inclusive), during which no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar 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 Monday, 23 May 2022.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “**Stock Exchange**”) (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 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision C.2.1 (previously 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 a 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 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 MODEL CODE BY DIRECTIONS IN SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of 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 2021.

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

During the year ended 31 December 2021, 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 2021, 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.

## **AUDIT COMMITTEE AND REVIEW OF THE ANNUAL RESULTS**

The audit committee of the Company 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 for the year ended 31 December 2021.

## **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 2021 as set out in this annual results announcement have been agreed by the auditor of the Company, Zhonghui ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by Zhonghui ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zhonghui ANDA CPA Limited on this annual results 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 2021 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](http://www.hkexnews.hk)) in due course.

By Order of the Board

**CMON Limited**

**Ng Chern Ann**

*Chairman, Joint Chief Executive Officer and Executive Director*

Singapore, 29 March 2022

*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. Wong Yu Shan Eugene, Mr. Choy Man and Mr. Leung Yuk Hung Paul.*