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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 2022**

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

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

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>US\$</i>	2021 <i>US\$</i>
Revenue	<i>3</i>	45,337,007	37,786,352
Cost of sales		<u>(26,920,837)</u>	<u>(23,299,951)</u>
Gross profit		18,416,170	14,486,401
Other income	<i>4</i>	138,628	169,313
Other gains, net	<i>5</i>	—	143,614
Changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(112,000)	—
Selling and distribution expenses		(7,841,939)	(5,950,717)
General and administrative expenses		<u>(9,254,962)</u>	<u>(7,743,895)</u>
Operating profit		1,345,897	1,104,716
Finance costs	<i>6</i>	<u>(342,911)</u>	<u>(288,410)</u>
Profit before income tax		1,002,986	816,306
Income tax expense	<i>7</i>	<u>(492,885)</u>	<u>(395,220)</u>
Profit for the year	<i>8</i>	<u>510,101</u>	<u>421,086</u>
Other comprehensive income/(loss):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>1,252</u>	<u>(4,022)</u>
Total other comprehensive income/(loss) for the year		<u>1,252</u>	<u>(4,022)</u>
Total comprehensive income for the year		<u>511,353</u>	<u>417,064</u>

	<i>Note</i>	2022 <i>US\$</i>	2021 <i>US\$</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		579,571	421,086
Non-controlling interests		(69,470)	—
		<u>510,101</u>	<u>421,086</u>
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		585,731	417,064
Non-controlling interests		(74,378)	—
		<u>511,353</u>	<u>417,064</u>
Earnings per share			
Basic and diluted	<i>10</i>	<u>0.0003</u>	<u>0.0002</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 US\$	2021 <i>US\$</i>
Non-current assets			
Property, plant and equipment		19,484,939	17,204,642
Right-of-use assets		235,582	358,564
Intangible assets		9,804,094	10,682,672
Deposit placed with a life insurance company		199,400	199,400
Financial assets at FVTPL		168,000	—
		<u>29,892,015</u>	<u>28,445,278</u>
Current assets			
Inventories		2,519,611	1,401,512
Trade and other receivables	<i>11</i>	47,092	276,801
Prepayments and deposits	<i>12</i>	1,321,083	3,389,970
Bank and cash balances	<i>13</i>	3,899,006	3,090,120
		<u>7,786,792</u>	<u>8,158,403</u>
Current liabilities			
Accruals and other payables	<i>14</i>	204,521	427,459
Borrowings	<i>15</i>	3,399,639	3,216,344
Amount due to ultimate holding company		3	3
Amount due to a related party		47,310	—
Income tax payable		43,052	43,051
Contract liabilities		8,260,943	6,919,605
Lease liabilities		105,385	105,031
		<u>12,060,853</u>	<u>10,711,493</u>
Net current liabilities		<u>(4,274,061)</u>	<u>(2,553,090)</u>
Total assets less current liabilities		<u>25,617,954</u>	<u>25,892,188</u>

	<i>Notes</i>	2022 <i>US\$</i>	2021 <i>US\$</i>
Non-current liabilities			
Borrowings	<i>15</i>	3,937,972	5,094,193
Lease liabilities		176,785	306,767
Deferred tax liabilities		2,887,772	2,394,887
		<u>7,002,529</u>	<u>7,795,847</u>
NET ASSETS		<u>18,615,425</u>	<u>18,096,341</u>
Capital and reserves			
Share capital	<i>16</i>	11,700	11,700
Reserves		18,670,372	18,084,641
		<u>18,682,072</u>	<u>18,096,341</u>
Equity attributable to owners of the Company		18,682,072	18,096,341
Non-controlling interests		(66,647)	—
		<u>18,615,425</u>	<u>18,096,341</u>
TOTAL EQUITY		<u>18,615,425</u>	<u>18,096,341</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2022. 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:

	2022 US\$	2021 US\$
Sales of products	41,318,303	34,621,241
Shipping income in connection with sales of products	4,018,704	3,091,731
Forfeiture revenue	—	73,380
	<u>45,337,007</u>	<u>37,786,352</u>

Disaggregation of revenue from contracts with customers:

Geographical markets

	2022 US\$	2021 US\$
North and South America	23,337,052	26,751,866
Europe	14,745,380	7,136,225
Asia	5,946,765	3,846,068
Oceania	1,307,810	52,193
	<u>45,337,007</u>	<u>37,786,352</u>

Revenue from one customer of the Group represents approximately US\$7,079,799 (2021: US\$5,446,962) of the Group's total revenue during the year ended 31 December 2022.

For the years ended 31 December 2022 and 2021, all revenue is recognised at a point in time (For the details of revenue recognition of the following sales activities, please refer 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 sales of products 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 products 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 sales of products 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 products 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 2022 and 2021, the total non-current assets other than intangible assets, financial assets at FVTPL and deposit placed with a life insurance company were located in the following locations:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Singapore	17,438,667	13,948,019
The People Republic's of China (the "PRC")	2,281,854	3,599,403
North America	—	15,784
	<u>19,720,521</u>	<u>17,563,206</u>

4. OTHER INCOME

	2022 US\$	2021 US\$
Advertising income	1,573	2,127
Royalty income	100,434	82,269
Interest income from bank	243	346
Government subsidies (<i>note</i>)	28,813	76,735
Other income	7,565	7,836
	<u>138,628</u>	<u>169,313</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, NET

	2022 US\$	2021 US\$
Waiver of bank loans	—	143,614
	<u>—</u>	<u>143,614</u>

6. FINANCE COSTS

	2022 US\$	2021 US\$
Interest on lease liabilities	12,223	16,182
Interest on borrowings	330,688	272,228
	<u>342,911</u>	<u>288,410</u>

7. INCOME TAX EXPENSE

	2022 <i>US\$</i>	2021 <i>US\$</i>
Current tax		
Under-provision in prior years	—	40,261
Deferred tax	<u>492,885</u>	<u>354,959</u>
	<u>492,885</u>	<u>395,220</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 2022 and 2021. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2022 and 2021 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2022 and 2021.

Other jurisdictions mainly included Singapore and the United States. Taxation arising in other jurisdictions of which Singapore is at 17% (2021: 17%) and the United States is at 21% (2021: 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 2022 and 2021.

8. PROFIT FOR THE YEAR

The Group’s profit for the year is stated after charging the following:

	2022 <i>US\$</i>	2021 <i>US\$</i>
Cost of inventories	17,440,611	14,957,703
Shipping and handling charges	6,519,847	5,597,692
Employee benefit expenses	3,887,310	3,157,702
Auditor’s remuneration	195,000	195,000
Merchant account fee	1,506,421	1,353,792
Royalty expenses	2,544,374	1,615,539
Marketing expenses	901,818	530,725
Depreciation of property, plant and equipment	2,985,547	2,417,532
Depreciation of right-of-use assets	96,792	100,900
Amortisation of intangible assets	2,079,955	1,949,223
Game development expenses	<u>3,668,242</u>	<u>2,768,405</u>

9. DIVIDENDS

The Directors do not recommend any payment of dividends for the year ended 31 December 2022 (2021: nil).

10. EARNINGS PER SHARE

Basic earnings 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\$579,571 (2021: US\$421,086) and the weighted average number of ordinary shares of 1,806,000,000 (2021: 1,806,000,000) in issue during the year.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>US\$</i>	2021 <i>US\$</i>
Trade receivables	1,240	168,041
Provision for loss allowance	<u>(1,240)</u>	<u>(1,240)</u>
	—	166,801
Other receivables	<u>47,092</u>	<u>110,000</u>
	<u><u>47,092</u></u>	<u><u>276,801</u></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 2022 and 2021, 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:

	2022 <i>US\$</i>	2021 <i>US\$</i>
1–30 days	—	96,978
31–90 days	—	57,600
91–180 days	—	7,400
181–365 days	<u>—</u>	<u>4,823</u>
	<u><u>—</u></u>	<u><u>166,801</u></u>

Reconciliation of loss allowance for trade receivables:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
At beginning and end of year	<u>1,240</u>	<u>1,240</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 2022					
Weighted average expected loss rate	—	—	—	100%	
Receivable amount (US\$)	—	—	—	1,240	1,240
Loss allowance (US\$)	—	—	—	1,240	1,240
	Within 30 days	Over 30 days past due	Over 90 days past due	Over 180 days past due	Total
At 31 December 2021					
Weighted average expected loss rate	—	—	—	20.5%	
Receivable amount (US\$)	96,978	57,600	7,400	6,063	168,041
Loss allowance (US\$)	—	—	—	1,240	1,240

12. PREPAYMENTS AND DEPOSITS

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Advances to suppliers	592,198	2,720,023
Prepaid royalties and game development costs	626,937	570,808
Other prepayments	1,777	567
Deposits	<u>100,171</u>	<u>98,572</u>
	<u>1,321,083</u>	<u>3,389,970</u>

13. BANK AND CASH BALANCES

As at 31 December 2022, the bank and cash balances of the Group denominated in Renminbi (“RMB”) amounted to US\$145,596 (2021: US\$498,878). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

14. ACCRUALS AND OTHER PAYABLES

	2022 US\$	2021 US\$
Accruals for audit fee	125,000	195,000
Other accrued operating expenses	79,521	232,459
	<u>204,521</u>	<u>427,459</u>

15. BORROWINGS

	2022 US\$	2021 US\$
Bank borrowings	<u>7,337,611</u>	<u>8,310,537</u>

The borrowings are repayable as follows:

	2022 US\$	2021 US\$
On demand or within one year	3,399,639	3,216,344
In the second year	1,081,768	1,131,164
In the third to fifth years, inclusive	933,844	1,862,759
After five years	1,922,360	2,100,270
	7,337,611	8,310,537
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(3,399,639)</u>	<u>(3,216,344)</u>
Amount due for settlement after 12 months	<u>3,937,972</u>	<u>5,094,193</u>

As at 31 December 2022, including in the bank borrowings, trade loans amounting to US\$2,346,597 (2021: US\$1,868,286) will mature in 2023, bear interest rates at the bank's prevailing 1-month Cost of Funds +2.5% (2021: 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.

As at 31 December 2022, including in the bank borrowings, the amount of US\$2,829,863 (2021: US\$3,000,694) will mature in 2037, bears interest rate ranging from 5.03% to 5.08% (2021: 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 and a corporate guarantee from the Company.

As at 31 December 2022, including in the bank borrowings, the amount of US\$2,161,151 (2021: US\$3,194,454) will mature in 2025, bears interest at 3% (2021: 3%) per annum and is secured by corporate guarantees from the Company and its subsidiary.

As at 31 December 2022, including in the bank borrowings, the amount of US\$247,103 had been matured 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 is secured by a 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 a first debenture fixed and a floating charge on the Group's assets and undertakings, corporate guarantees from the Company and its subsidiary, and an assignment of life insurance. During the year ended 31 December 2022, the principal amount of US\$247,103 and the accrued interests were fully repaid.

16. SHARE CAPITAL

	Number of shares of the Company	Share capital US\$
Authorised		
Ordinary share capital of HK\$0.00005 each at 31 December 2022 and 2021	<u>7,600,000,000</u>	<u>49,147</u>
Issued and fully paid		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<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 and through game conventions, both online and physical (where possible), held two to three times a year. We also had a physical store in Singapore, but in early 2023, management decided to close it as sales were insignificant compared to other sales channels and retail customer traffic did not increase post-COVID-19.

As at the date of this annual results announcement, we offer a total of 125 games, comprising 119 board games, three miniature war games, two mobile games and one computer game.

For the financial year under review, our revenue was approximately US\$45.3 million, increasing from approximately US\$37.8 million for the previous financial year. Profit and total comprehensive income for the year attributable to equity holders of the Company was approximately US\$0.6 million, increasing from approximately US\$0.4 million for the year ended 31 December 2021. The increase in profit was mainly due to the increase in sales and higher gross profit margin.

During the financial year under review, we launched five Kickstarter games, namely *Marvel Zombies — A Zombicide Game*, *Cyberpunk 2077: Gangs of Night City — The Board Game*, *Dune: War for Arrakis*, *Household* and *Cthulhu: Death May Die — Fear of the Unknown*, and raised approximately US\$8.9 million, US\$0.9 million, US\$1.3 million, US\$0.4 million and US\$3.4 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 (during the year, we expanded into the Thai and Japanese markets); (2) marketing directly to end users and gamers, particularly in China, through a Chinese crowdfunding platform; 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 2023, we plan to launch new games not only using our own IPs, but also games based on other popular IPs such as *Song of Ice & Fire* and *God Of War*. 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. In a good start to the new year, in February 2023, we successfully launched a game based on a licensed IP: *Marvel United Multiverse*, raising approximately US\$4.7 million on Kickstarter.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately 20.0% to approximately US\$45.3 million for the year ended 31 December 2022 from approximately US\$37.8 million for the year ended 31 December 2021, primarily due to the increase in the recognition of Kickstarter sales.

Revenue from wholesale sales decreased by approximately 1.6% to US\$19.8 million for the year ended 31 December 2022 from approximately US\$20.1 million for the year ended 31 December 2021. During the year ended 31 December 2022, we recognized revenue from board games such as, but not limited to, *Marvel Zombies — A Zombicide Game* and *Masters of the Universe: The Board Game*.

Revenue via Kickstarter increased to approximately US\$25.1 million for the year ended 31 December 2022 from approximately US\$17.4 million for the year ended 31 December 2021, which was mainly due to the increase in recognition of sales of five Kickstarter projects in 2022 compared to four Kickstarter projects in 2021.

North America and Europe remained as our major markets, with North American and European sales making up approximately 84.0% and 89.6% of our total revenue combined for the year ended 31 December 2022 and 31 December 2021 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			
	2022		2021	
	US\$	%	US\$	%
Board games	39,220,920	86.5	31,625,027	83.7
Miniatures war games	2,515,682	5.6	3,622,023	9.6
Mobile games	283,651	0.6	426	—
Sub-total	42,020,253	92.7	35,247,476	93.3
Other products	3,316,754	7.3	2,538,876	6.7
Total	<u>45,337,007</u>	<u>100</u>	<u>37,786,352</u>	<u>100</u>

By sales channels

	Year ended 31 December			
	2022		2021	
	US\$	%	US\$	%
Direct				
Kickstarter	25,135,142	55.4	17,430,690	46.2
Online store and game conventions	129,219	0.3	245,242	0.6
Mobile games	283,651	0.6	426	—
Wholesales	19,788,995	43.7	20,109,994	53.2
Total	<u>45,337,007</u>	<u>100</u>	<u>37,786,352</u>	<u>100</u>

By geographical markets

	Year ended 31 December			
	2022		2021	
	US\$	%	US\$	%
North and South America	23,337,052	51.5	26,751,866	70.8
Europe	14,745,380	32.5	7,136,225	18.8
Asia	5,946,765	13.1	3,846,068	10.2
Oceania	1,307,810	2.9	52,193	0.2
Total	<u>45,337,007</u>	<u>100</u>	<u>37,786,352</u>	<u>100</u>

COST OF SALES

Our cost of sales increased by approximately 15.5% to approximately US\$26.9 million for the year ended 31 December 2022 from approximately US\$23.3 million for the year ended 31 December 2021, mainly due to the increase in cost of inventory and shipping and handling cost.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit increased by approximately 27.1% to approximately US\$18.4 million for the year ended 31 December 2022 from approximately US\$14.5 million for the year ended 31 December 2021 and gross profit margin increased by approximately 2.3 percentage points to approximately 40.6% for the year ended 31 December 2022 from approximately 38.3% for the year ended 31 December 2021. 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\$138,628 for the year ended 31 December 2022 from US\$169,313 for the year ended 31 December 2021, which was mainly due to the decrease in COVID-19 pandemic related government grants.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased to approximately US\$7.8 million for the year ended 31 December 2022 from approximately US\$6.0 million for the year ended 31 December 2021. 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\$9.3 million for the year ended 31 December 2022 from approximately US\$7.7 million for the year ended 31 December 2021. The increase was primarily caused by an increase in game development expenses to approximately US\$3.7 million for the year ended 31 December 2022 from approximately US\$2.8 million for the year ended 31 December 2021.

FINANCE COSTS

Finance costs increased to US\$342,911 for the year ended 31 December 2022 from US\$288,410 for the year ended 31 December 2021. This was primarily caused by increased finance cost from increased interest rate.

INCOME TAX EXPENSE

Income tax expense increased to US\$492,885 for the year ended 31 December 2022 from US\$395,220 for the year ended 31 December 2021, mainly due to the increase in deferred tax expense.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of all the above-mentioned matters, profit and total comprehensive income for the year attributable to owners of the Company increased to approximately US\$0.6 million for the year ended 31 December 2022 from approximately US\$0.4 million for the year ended 31 December 2021. Apart from increasing sales, another reason for the Group increasing its profit attributable to owners of the Company for the year ended 31 December 2022 was because of a decrease in shipping costs.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2022, we financed our operations primarily through cash generated from our internally generated funds and bank borrowings. As at 31 December 2022 and 2021, the Group had cash and cash equivalents of approximately US\$3.9 million and US\$3.1 million 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\$3.4 million as at 31 December 2022 from approximately US\$3.2 million as at 31 December 2021.

The long-term borrowings of the Group decreased to approximately US\$3.9 million as at 31 December 2022 from approximately US\$5.1 million as at 31 December 2021.

The long-term bank borrowings as at 31 December 2022 and 31 December 2021 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 2022, the Group’s total bank borrowings of approximately US\$7.3 million consisted of:

- (i) approximately US\$5.0 million which were denominated in Singapore dollars, including two term loans, amounting to US\$2.8 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\$2.2 million, with tenor of 5 years, interest would be charged at floating rate with effect from 1 May 2020; and
- (ii) approximately US\$2.3 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 2022 and 2021, the Group’s borrowings were repayable as follows:

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Within 1 year	3,399,639	3,216,344
Between 1 and 2 years	1,081,768	1,131,164
Between 2 and 5 years	933,844	1,862,759
Over 5 years	1,922,360	2,100,270
	<u>7,337,611</u>	<u>8,310,537</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 the 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 2022, 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 2022, Kickstarter projects shipped by the Group contributed approximately US\$25.1 million (2021: approximately US\$17.4 million) to the Group's revenue.

During the year ended 31 December 2022, Kickstarter projects which were successfully launched but not shipped amounted to approximately US\$7.8 million (2021: approximately US\$6.9 million). The shipments of these projects are expected to take place in the first half of 2023.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, the Group had no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

INFORMATION ON EMPLOYEES

As at 31 December 2022, the Group had 78 employees (31 December 2021: 65). 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 2022 amounted to approximately US\$3.9 million (2021: approximately US\$3.2 million).

CHARGES ON ASSETS

As at 31 December 2022, the Headquarters and the Property with a total net book value of approximately US\$3.8 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 2021: approximately US\$3.9 million and US\$199,400, 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 will also continue to consider and explore the potential of game developers, publishers and European-based distributors as 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 2022, the Group had short-term and long-term bank borrowings of approximately US\$3.4 million (31 December 2021: approximately US\$3.2 million) and approximately US\$3.9 million (31 December 2021: approximately US\$5.1 million), respectively.

As at 31 December 2022, the gearing ratio of the Group, calculated as total liabilities divided by total assets was approximately 50.6% (31 December 2021: approximately 50.6%).

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 2022, the Group did not have any significant contingent liabilities (31 December 2021: nil).

COMMITMENTS

The Group had no capital commitments as at 31 December 2021 and 2022.

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 2022, 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 2022 (2021: 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 Tuesday, 23 May 2023 (the “**AGM**”), the register of members of the Company will be closed from Thursday, 18 May 2023 to Tuesday, 23 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 17 May 2023.

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 Limited (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 2022. 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 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, 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 2022, 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 2022.

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 2022 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 2022. 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 2022 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.

By Order of the Board

CMON Limited

Ng Chern Ann

Chairman, Joint Chief Executive Officer and Executive Director

Singapore, 30 March 2023

As at the date of this announcement, the executive Directors are Mr. Ng Chern Ann, Mr. David Doust, Mr. David Preti 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.