



CMON Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8278

ANNUAL REPORT

2016





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

This report, in both English and Chinese versions, is available on the Company’s website at <http://cmon.com>.



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BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Frederick Chua Oon Kian

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Ms. Ng Sau Mei
Mr. Koh Zheng Kai

JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei
Mr. Koh Zheng Kai

COMPLIANCE OFFICER

Mr. Ng Chern Ann

LEGAL ADVISER

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

AUDITOR

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

COMPLIANCE ADVISER

China Galaxy International Securities (Hong Kong) Co., Limited
Units 3501-7, 3513-14, 35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

15 Teo Hong Road #03-01
Singapore 088328

REGISTERED PLACE OF BUSINESS IN HONG KONG

18th Floor, United Centre
95 Queensway, Hong Kong



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

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

COMPANY'S WEBSITE

<http://cmon.com>

STOCK CODE

8278

DATE OF LISTING

2 December 2016



CHAIRMAN'S STATEMENT

Dear Shareholders,

2016 was a great year for CMON Limited. We successfully concluded our listing on the GEM of the Stock Exchange on 2 December 2016 (the “**Listing**”), a big task accomplished with a small but dedicated team. In addition, in 2016, we achieved revenue growth of approximately 22.1% to approximately US\$21.0 million and profit before income tax (not including one-off listing expenses) growth of approximately 5.3% to approximately US\$4.9 million.

In terms of management, we recruited two highly talented and respected veterans in the tabletop games industry, namely, Mr. Jules Vautour and Ms. Roumpini Nikolopoulou, as part of our senior management team, to lead our sales and marketing teams respectively.

STRATEGY

Our strategy going forward is three pronged — growing our market share in our existing stronghold markets of the United States of America (“**United States**”) and Europe, expanding into the largely untapped markets of South America and Asia, and strengthening our game design, licensing and intellectual property (“**IP(s)**”) creation capabilities. This is in line with our objective to continuously publish more high-quality tabletop games and mobile games and expand our sales and marketing capabilities.

To that end, we have moved into a new 85,800 square foot facility in Georgia, United States in March 2017, representing an approximately 17.5% increase in available space to support our United States operations. We have brought on board Mr. Carl Briere to spearhead our European sales and will soon expand our Singapore operations to further penetrate the Asian market. In Brazil, we appointed Mr. Galapogos Jogos to begin active distribution of our games to the largest tabletop games market in Latin America.

On the game design front, I am pleased to report that luminaries like Mr. Eric Lang (designer of our hit titles *Blood Rage*, *The Others: 7 Sins* and *Arcadia Quest*, as well as many other award winning titles for other companies), Mr. Mike McVey (the artistic director behind many of our fantastic miniatures) and Mr. Karl Kopinski (celebrated game artist) have joined us, or will be joining us in the coming months. This represents quite a coup for CMON — we have secured their considerable skills exclusively for ourselves, and we expect great things to follow.

Relatively new territory for us, we are releasing titles licensed from major IP holders, such as Sony (*Bloodborne* card game) and Paramount (*Godfather: Corleone's Empire* board game) and expect this segment to grow in its contribution to our top and bottom line. We are actively pursuing more licenses and will update you as things develop.

KICKSTARTER AND CROWDFUNDING

We started off 2017 with a bang, with over US\$1 million raised on Kickstarter from *World of Smog: Rise of Moloch* launched on 2 February 2017, and have some big releases lined up, including *Rising Sun*, the follow up to *Blood Rage* and *Zombicide Black Plague 2*. According to analysis by ICO partners⁽¹⁾, tabletop games in general have grown considerably on Kickstarter, with total amount pledged for successful tabletop game projects increased from approximately US\$85.3 million in 2015 to approximately US\$100.6 million in 2016, representing approximately 17.9% year-on-year growth. Kickstarter and crowdfunding tabletop games in general look to have another promising year in 2017, and we are and will continue to be a significant player in this market.

APPRECIATION

On behalf of the board of Directors of CMON (the “**Board**”), I would like to express our appreciation to the great team at CMON for their amazing work and talent that has gotten us here in such a short time. We have been facing, and will continue to face a business environment full of challenges. However, with clear strategic priorities backed by a team of talented and dedicated staff, we expect great things in the coming months and years, and the bright future for CMON.

Best regards,
Ng Chern Ann
Chairman and Chief Executive Officer
CMON Limited

¹ <http://icopartners.com/2017/01/kickstarter-2016-deep-dive-games-category/>

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 launch mobile games.

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

As at 31 December 2016, we had offered a total of 43 games, comprising 39 board games, three miniature war games and one mobile game. Five of our board games, namely *Rum & Bones: Second Tide*, *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia*, *XenoShyft: Dreadmire* and *The Others: 7 Sins*, launched on Kickstarter were shipped during the year ended 31 December 2016. Another Kickstarter game launched during the year ended 31 December 2016, namely *Massive Darkness*, is expected to be shipped in the second quarter of 2017.

LONG-TERM STRATEGIES AND OUTLOOK

It is the Group's strategy to achieve long-term growth through product diversification and channel diversification. Our strategy going forward is three pronged — growing our market share in our existing stronghold markets of the United States and Europe, expanding into the largely untapped markets of South America and Asia, and strengthening our game design, licensing and IP creation capabilities. This is in line with our objective to continuously publish more high-quality tabletop games and mobile games and expand our sales and marketing capabilities.

We strive to become a leading developer and publisher of quality games in the hobby game industry and we are optimistic about the growth and development of the tabletop game industry. We will continue to launch games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position. Besides, we will continue to expand our wholesale network as well as geographical coverage with an aim to increase market share and capture more exposure.

We achieved a remarkable milestone by the Listing. The proceeds raised have strengthened our capital and provided fundings to us to further expand and develop our business in accordance with the strategies as stated in the prospectus of the Company dated 25 November 2016 (the "**Prospectus**"). We will continue to strengthen our core business and explore new opportunities in order to maximise the value of the Company and its shareholders.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately 22.1% from approximately US\$17.2 million for the year ended 31 December 2015 to approximately US\$21.0 million for the year ended 31 December 2016, primarily due to the increase in revenue from board games. For board games, revenue increased by approximately 29.7% from approximately US\$15.8 million for the year ended 31 December 2015 to approximately US\$20.5 million for the year ended 31 December 2016, primarily because of the recognition of sales from board games launched since the second half of 2015, including *Rum & Bones: Second Tide*, *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia*, *XenoShyft: Dreadmire* and *The Others: 7 Sins*.

Revenue via Kickstarter increased from approximately US\$9.5 million for the year ended 31 December 2015 to approximately US\$11.5 million for the year ended 31 December 2016, mainly due to shipment of Kickstarter projects including *Rum & Bones: Second Tide*, *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia*, *XenoShyft: Dreamire* and *The Others: 7 Sins* in 2016.

North America and Europe remain our major markets, with North American and European sales making up approximately 92.4% of our total revenue combined for the year ended 31 December 2016, rising from approximately 91.6% for the year ended 31 December 2015. This was mainly due to the effort of our new sales director, who has recently joined us in March 2016 and has very strong working relationship with our United States wholesalers. In January 2017, we hired a new sales personnel who is responsible for our European sales.

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			
	2016		2015	
	US\$	%	US\$	%
Board games	20,485,617	97.7	15,842,513	92.2
Miniatures war games	188,991	0.9	675,261	3.9
Mobile games	23,501	0.1	22,211	0.1
Sub-total	20,698,109	98.7	16,539,985	96.2
Other products	266,026	1.3	645,370	3.8
Total	20,964,135	100.0	17,185,355	100.0

By sales channels

	Year ended 31 December			
	2016		2015	
	US\$	%	US\$	%
Direct				
Kickstarter	11,468,346	54.7	9,522,481	55.4
Online store and game conventions	848,312	4.1	781,904	4.6
Mobile games	23,501	0.1	22,211	0.1
Wholesalers	8,623,976	41.1	6,858,759	39.9
Total	20,964,135	100.0	17,185,355	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

By geographical markets

	Year ended 31 December			
	2016		2015	
	US\$	%	US\$	%
North America	11,546,173	55.1	8,322,373	48.5
Europe	7,829,071	37.3	7,413,299	43.1
Oceania	794,214	3.8	896,926	5.2
Asia	626,047	3.0	336,074	2.0
South America	152,212	0.7	191,683	1.1
Africa	16,418	0.1	25,000	0.1
Total	<u>20,964,135</u>	<u>100.0</u>	<u>17,185,355</u>	<u>100.0</u>

COST OF SALES

Our cost of sales increased by approximately 22.6% from approximately US\$8.4 million for the year ended 31 December 2015 to approximately US\$10.3 million for the year ended 31 December 2016 primarily due to an increase in cost of inventories by approximately 30.9% from approximately US\$5.5 million for the year ended 31 December 2015 to approximately US\$7.2 million for the year ended 31 December 2016 and this increase was in line with the increase in our revenue. The increase in cost of inventories was offset by an approximately 9.1% decrease in shipping and handling costs charged to cost of sales from approximately US\$2.2 million for the year ended 31 December 2015 to approximately US\$2.0 million for the year ended 31 December 2016, which was mainly due to the temporary change in delivery logistics for our sales to wholesalers in the United States in the first four months in 2016 resulting in the relevant shipping and handling costs being accounted as selling and distribution expenses.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit increased by approximately 21.6% from approximately US\$8.8 million for the year ended 31 December 2015 to approximately US\$10.7 million for the year ended 31 December 2016 mainly due to the growth in revenue. Our gross profit margin remained fairly stable at approximately 51.1% for the year ended 31 December 2016 as compared to approximately 51.3% for the year ended 31 December 2015.

OTHER INCOME

Other income amounted to US\$57,330 and US\$219,602 for the years ended 31 December 2015 and 2016, respectively, and the increase was primarily related to mobile app development costs being recharged to a business partner which has agreed (contractually) to pay for such development costs in return for a future revenue sharing arrangement.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses for the year ended 31 December 2016 were approximately US\$2.3 million, representing an increase of approximately 35.3% from approximately US\$1.7 million for the year ended 31 December 2015. This was primarily due to a one-off shipping expense incurred during the first four months in 2016 as we conducted a trial to ship to United States wholesale customers directly from our outsourced manufacturer in China. Marketing and related travelling expenses also increased as we increased our presence at conventions and customer visits by sales team.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses for the year ended 31 December 2016 were approximately US\$6.7 million, representing an increase of approximately 48.9% from approximately US\$4.5 million for the year ended 31 December 2015. Such increase was primarily due to an increase in professional service fees in respect of our Listing application on the GEM of the Stock Exchange from approximately US\$2.0 million for the year ended 31 December 2015 to approximately US\$3.1 million for the year ended 31 December 2016, and an increase in employee benefit expenses from approximately US\$1.7 million for the year ended 31 December 2015 to approximately US\$2.3 million for the year ended 31 December 2016, primarily due to an increase in headcount resulting from business expansion.

INCOME TAX EXPENSE

Despite an approximately 29.6% decrease in profit before income tax for the year ended 31 December 2016 from the year ended 31 December 2015, our income tax expense increased by approximately 2.0% from US\$842,989 for the year ended 31 December 2015 to US\$860,158 for the year ended 31 December 2016. This was mainly because professional service fees incurred in respect of our Listing application are non tax-deductible, and such expenses increased from approximately US\$2.0 million for the year ended 31 December 2015 to approximately US\$3.1 million for the year ended 31 December 2016.

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

Our profit and total comprehensive income for the year attributable to equity holders of the Company decreased by approximately 44.4% from approximately US\$1.8 million for the year ended 31 December 2015 to approximately US\$1.0 million for the year ended 31 December 2016 mainly due to the increase in professional service fees in respect of our Listing application as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2016 (the “**Reporting Period**”), we financed our operations primarily through cash generated from our internally generated funds and the net proceeds received from the placing of 306,000,000 shares with nominal value of HK\$0.00005 each (the “**Share(s)**”) at a price of HK\$0.23 per Share on the GEM of the Stock Exchange (the “**Placing**”). During the year ended 31 December 2016, we did not have any bank borrowings. As at 31 December 2015 and 2016, we had cash and cash equivalents of approximately US\$2.6 million and US\$6.6 million, respectively, which were cash at banks and on hand, denominated in US\$, Hong Kong dollars (2016 only) and Singapore dollars. No banking facility has been arranged by the Group during the year ended 31 December 2016. Going forward, we intend to use our capital to fund our working capital, game development activities, acquisition of IP as well as the expansion plans as stated in the Prospectus.

TREASURY POLICIES

The Group’s sales made through Kickstarter for which sales proceeds are generally received prior to product delivery do not expose the Group to significant credit risk. The Group’s trade receivables are primarily related to sales to wholesalers. We have policies in place to assess and monitor the credit worthiness of our wholesalers. The Group performs periodic credit evaluation of our customers and will adjust the credit extended to the customers accordingly. Normally the Group does not require collaterals

MANAGEMENT DISCUSSION AND ANALYSIS

from trade debtors. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the trade debtors and whether there are any disputes with the relevant debtors.

CAPITAL STRUCTURE

During the year ended 31 December 2016, the capital structure of the Group consisted of capital and reserves attributable to equity holders of the Company, comprising share capital, share premium, retained earnings and capital reserves. The Group did not raise any external borrowings or other capital in the form of convertible bonds, loan capital, debenture or other financial instruments of similar nature.

NEW GAMES AND THEIR IMPACT ON THE FINANCIAL PERFORMANCE

During the year ended 31 December 2016, the Group shipped five Kickstarter board games of which two, namely *The Others: 7 Sins* and *Arcadia Quest: Inferno*, were launched in 2015 and three, namely *XenoShyft: Dreadmire*, *Masmorra: Dungeons of Arcadia* and *Rum & Bones: Second Tide*, were launched in 2016. These five Kickstarter games raised approximately US\$5.5 million via the Kickstarter platform in total, all of which was realised as revenue of the Group during the year ended 31 December 2016. We also launched *Massive Darkness* via Kickstarter in July 2016, raising almost approximately US\$3.6 million and the shipping of which is expected to take place in the second quarter of 2017.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2016, the Group acquired the IP of *The Others: 7 Sins* for US\$895,000.

During the year ended 31 December 2016, the Group had no material acquisitions and disposals of subsidiaries.

INFORMATION ON EMPLOYEES

As at 31 December 2016, the Group had 47 employees (31 December 2015: 29). Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and/or share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident fund contributions) for the year ended 31 December 2016 amounted to approximately US\$2.3 million (2015: approximately US\$1.7 million).

CHARGES ON ASSETS

As at 31 December 2016, no asset of the Group was charged or pledged as a security for bank borrowing or any other financing facilities (31 December 2015: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at the date of this annual report, 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 acquisitions and licensing targets in the future. We intend to continue to finance our expansion plans primarily through cash generated from our internally generated funds and the net proceeds from the Placing.

GEARING RATIO

During the year ended 31 December 2016, we did not have any short-term or long-term bank borrowings.

As at 31 December 2016, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 35.1% (31 December 2015: approximately 48.1%).

EXPOSURE TO FOREIGN EXCHANGE

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

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

COMMITMENTS

Other than operating lease commitments for our leased properties, we had no other capital and lease commitments as at 31 December 2015 and 2016. As at 31 December 2016, the Group's operating lease commitments were approximately US\$1.6 million (31 December 2015: approximately US\$2.1 million).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Outsourced manufacturers

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

Loss of key personnel

The Group relies to a significant extent on the executive Directors and certain key senior management. In view of this, the Group has implemented controls to minimise the potential loss of key personnel, such as ensuring the executive Directors and certain key senior management do not take the same flight in their air travels. The Group is also developing and training potential new management members.

Kickstarter

During the year ended 31 December 2016, most of the Group's 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 2016 is set out below:

Strategy	Business objectives for the period from 15 November 2016 to 31 December 2016	Actual business progress for the period from 15 November 2016 to 31 December 2016
Achieve organic growth by developing more high-quality games	<ul style="list-style-type: none"> 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 Maintain two newly hired in-house game developers 	<ul style="list-style-type: none"> Continued to develop the games as set out in the Game Pipeline Shipped three outstanding Kickstarter projects namely <i>Arcadia Quest: Inferno</i>, <i>Masmorra: Dungeons of Arcadia</i> and <i>Rum & Bones: Second Tide</i>
Further strengthen our sales and marketing capability and broaden reach into new markets	<ul style="list-style-type: none"> Maintain four newly hired staff in our sales and marketing team Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements and cooperation with online game websites Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships 	<ul style="list-style-type: none"> Maintained the two newly hired in-house game developers One newly hired staff resigned during the period and the Group has successfully hired a new staff in January 2017 Continued to promote the Company's products through online advertising and social networking websites Maintained regular contact with existing wholesalers
Further expansion into the mobile game market	<ul style="list-style-type: none"> Develop our second mobile game, <i>Zombicide (mobile)</i> 	<ul style="list-style-type: none"> Continued to develop <i>Zombicide (mobile)</i>, which is expected to launch in 2017

USE OF NET PROCEEDS FROM THE PLACING

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

During the period from 15 November 2016, being the Latest Practicable Date as defined in the Prospectus, to 31 December 2016, the Group has utilised approximately HK\$16.4 million of the net proceeds as follows:

	Use of proceeds as stated in the Prospectus HK\$ million	Actual use of proceeds HK\$ million
Developing high-quality tabletop games	9.2	8.2
Strengthening sales and marketing capability and broadening reach into new markets	1.0	0.2
Expanding into the mobile game market	0.5	Minimal

Besides, the Group has applied approximately HK\$4.0 million of the net proceeds for the acquisition of the IP of *The Others: 7 Sins* and approximately HK\$4.0 million for working capital and other general corporate purposes, respectively, during the period from 15 November 2016 to 31 December 2016.

The Directors intend to continue to apply the remaining net proceeds from the Placing in accordance with the uses and in the proportions as stated in the Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ng Chern Ann (黃成安), aged 42, is an executive director, chairman and chief executive officer of our Group. Mr. Ng is primarily responsible for developing ideas for new games, corporate strategic planning and overall business development of our Group. Mr. Ng also oversees sales, marketing and logistic for our global operations.

Prior to founding our Group in September 2009, Mr. Ng co-founded Razer (Asia Pacific) Pte. Ltd. ("**Razer**"), a company engaged in the business of designing and manufacturing gaming peripherals, including mice, keyboards and laptops, in December 2003. From April 2005 to August 2006, Mr. Ng was the chief executive officer of Razer, where he was responsible for commencing its business operations. From September 2006 to May 2008, Mr. Ng was the chief technology officer of Razer, where he was responsible for sourcing for new technology, managing technical abilities, conceptualising new products and creating various inventions which were patented. Mr. Ng left Razer in May 2008 and since then, Mr. Ng has mainly devoted his time and resources in setting up, developing and overseeing the business of our Group.

Mr. Ng graduated from the University of Birmingham, United Kingdom with a Bachelor of Laws degree in July 2001, and was admitted to be an advocate and solicitor of the Supreme Court in Singapore in May 2003.

Mr. David Doust (建邦), aged 53, is an executive director of our Group and the president of CMON Inc. Mr. Doust oversees sales, marketing and logistics for our United States operations. Mr. Doust is a serial entrepreneur as he was a director of Fishworld Aquariums, Inc. from 1988 to 1992; a director of Doust Corporation from 1988 to 1994; and a director of Atlantis Pets, Inc. from 1991 to 1993. Mr. Doust also has over 10 years of experience in the gaming industry. He registered and operated the website www.coolminiornot.com in 2001. He also founded and served as an officer of Dark Age Games, Inc. in 2002 and published a miniature war game, *Dark Age*, in the same year. In 2009, he became a shareholder of CoolMiniOrNot Inc. and worked as a distributor and publisher of tabletop games.

Mr. Doust graduated from the University of Miami, United States, with a Bachelor in Business Administration degree in May 1987.

Mr. Koh Zheng Kai (許政開), aged 37, is an executive director and financial controller of our Group. Mr. Koh has over 10 years of experience in accounting and finance. Mr. Koh joined our Group in October 2014 and is primarily responsible for the accounting and tax management of our Group. Prior to joining our Group, Mr. Koh has held various positions in areas relating to accounting, finance and company secretarial work. He worked as an audit graduate assistant and associate at KPMG Singapore from 2004 to 2005, and as an assurance staff at Ernst & Young Houston, United States from 2005 to 2006. Thereafter, he joined KPMG Financial Services New York, United States as an audit associate from 2006 to 2008. From 2008 to 2010 he worked as a financial analyst at Investment Technology Group Inc., an independent execution broker and research provider listed on the NASDAQ Stock Market (NASDAQ: ITG). From 2011 to 2014, Mr. Koh worked in Opes Services Pte. Ltd., a company based in Singapore founded by Mr. Koh, which provides tax, accounting and secretarial services.

Mr. Koh passed the Association of Chartered Certified Accountants examination in June 2004. He is currently a member of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) and was admitted as a member in September 2011. Mr. Koh graduated with a Bachelor degree in Science in Applied Accounting from Oxford Brookes University in association with the Association of Chartered Certified Accountants in January 2007 through distance learning.

NON-EXECUTIVE DIRECTOR

Mr. Frederick Chua Oon Kian (蔡穩健), aged 51, is a non-executive director of our Group. Mr. Chua is the director and chief executive officer of Quantum Asset Management Pte. Ltd., a company providing fund management services to high net worth individuals and institutional investors since March 2004. He has also participated in various pre-IPO investments in companies that were successfully listed on both the Stock Exchange and the Singapore Exchange Securities Trading Limited.

Mr. Chua graduated from Indiana University, United States, with a Bachelor of Arts degree in December 1990.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Pheng (鍾平), aged 51, is an independent non-executive director of our Group. He has been an independent director of CDW Holdings Limited (SP: CDW), a company listed on the Singapore Exchange Securities Trading Limited, since May 2012. He has been a director of Zhong Xing Venture Pte Ltd since 2007, the owner and a director of Blue Forest Echo Pte Ltd since 2009, and a director of Share Taxi Pte. Ltd. since 2015. From 2011 to 2014, he was director of sales and vice president of Microlight Sensors Pte Ltd. He was also a director of Eurock Limited from 2007 to 2011.

Mr. Chong completed the regular course and obtained his academic accomplishment which is equivalent to the degree of Bachelor of Engineering (Electrical Engineering), at the National Defense Academy, Japan in March 1989; and obtained the Degree of Master of Science from Cranfield University, the United Kingdom in July 1995. He completed the Command and General Staff Course from the Japan Ground Self Defense Force Staff College in July 1999. He also obtained a graduate diploma in Organisation Learning at Civil Service College, Singapore in May 2003.

Mr. Tan Lip-Keat, aged 43, is an independent non-executive director of our Group. He is currently the finance manager and company secretary of Amneal Pharmaceuticals Pty Ltd in Australia since March 2014. Prior to that he held various positions in the Bristol-Myers Squibb Group, as the finance director (Malaysia & Singapore, Hong Kong) of Mead Johnson Nutrition, the senior finance manager (Asia Pacific Region) of Mead Johnson Nutrition, the senior financial planning manager (Malaysia & Singapore) of Mead Johnson Nutrition and finance controller (Vietnam) of Mead Johnson Nutrition from January 2006 to June 2013, where he was responsible for the finance lead for Asia Pacific projects and make key expansion decisions for the finance function of the Asia Pacific region. Also, he was the financial accountant of Bristol-Myers Squibb Pharmaceutical from April 2004 to December 2005. Prior to joining the Bristol-Myers Squibb Group, Mr. Tan was the financial accountant of Mayne Group from June 2002 to April 2004.

Mr. Tan graduated with a Bachelor of Commerce (Accounting & Finance) degree from Monash University, Melbourne, Australia in April 1998. He became a certified practicing accountant in Australia in August 2001, and currently holds the status of fellow certified practising accountant of CPA Australia.

Mr. Seow Chow Loong Iain (蕭兆隆), aged 51, is an independent non-executive director of our Group. Mr. Seow is currently the senior legal counsel of Shangri-la Asia Limited where he manages and renders in-house legal services for the Shangri-la Group since November 2011. Prior to that, Mr. Seow was a partner, and of counsel in the litigation group in Jones Day in Hong Kong, from September 2001 to November 2007. From March 1994 to August 2001, he was an associate solicitor in the litigation group at Baker McKenzie, Hong Kong. Also, he was an advocate and solicitor in Khattar Wong & Partners in Singapore from January 1993 to February 1994.

Mr. Seow graduated from King's College London with a Bachelor of Laws degree with second class honours (Upper Division) in August 1990. He was called to the degree of an Utter Barrister by the Honorable Society of Gray's Inn in November 1991, admitted to be an advocate and solicitor of the Supreme Court of Singapore in January 1993, admitted as solicitor of England & Wales in May 1995, and he is currently a solicitor of the High Court of Hong Kong.

Note:

Each of the Directors does not have any relationship with other Directors and any member of our senior management.

SENIOR MANAGEMENT

Mr. David Preti, aged 47, is our creative director and is primarily responsible for overseeing game development and production. Mr. Preti has over nine years of experience in the gaming industry. Since 2007, Mr. Preti has been a director and shareholder of Dustgame Limited, a board game publisher. Since 2012, Mr. Preti has been a director and shareholder of Guillotine Games. He had also been engaged by Galapagos Jogos, a gaming company in Brazil since 2012, which he had begun a consulting position. Mr. Preti also has over 10 years of experience in re-insurance. He worked as a senior underwriter of Partner Reinsurance Europe SE from 2003 to February 2016.

Mr Preti graduated with a Bachelor in History degree from the University of Genua in June 2001.

Mr. Jules Vautour, age 43, is our sales director. He is responsible for overseeing the commercial and logistics activity and North American board game sales of our Group. From May 2009 to August 2012, Mr. Vautour was a Canadian National Sales representative with ILO307 Inc.. From August 2012 to December 2015, Mr. Vautour held the position of sales director at Asmodee, where he was responsible for the sales of Asmodee games, and all the studios it represented in the United States, including Days of Wonder.

Mr. Vautour attended Montmorency College from 1992 to 1993.

Ms. Roumpini Nikolopoulou, aged 47, is our marketing director. She is responsible for promoting the products of our Group. Prior to joining our Group, from 1995 to 1998, she was a product manager with Sony Europe Limited. From 2009 to 2016, Ms. Nikolopoulou was the director of marketing of Asmodee, where she was responsible for the marketing of Asmodee games and all the studios it represented in the United States, including Days of Wonder and its digital presence on social media for 2015.

Ms. Nikolopoulou graduated with a Bachelor of Science in Business Administration/Marketing degree from the University of Akron, Ohio, United States in December 1992, and a Master of Business Administration degree from the University of Akron, Ohio, United States, in December 1993.

JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei (伍秀薇), aged 39, is one of the joint company secretaries of our Company. Ms. Ng Sau Mei is a manager of KCS Hong Kong Limited and is responsible for provision of corporate secretarial services to listed company clients. She has professional and in-house experience in the company secretarial field as she has worked for various companies that are listed on the Main Board of the Stock Exchange. Ms. Ng Sau Mei currently serves as the joint company secretary for various public listed companies in Hong Kong, including COSCO SHIPPING Development Co., Ltd. (stock code: 2866), Tian Ge Interactive Holdings Limited (stock code: 1980), Ourgame International Holdings Limited (stock code: 6899) and Niraku GC Holdings, Inc. (stock code: 1245).

Ms. Ng Sau Mei obtained a Bachelor's Degree in Laws from City University of Hong Kong in November 2001 and was qualified as an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the UK in September 2007.

Mr. Koh Zheng Kai (許政開) is one of our joint company secretaries. For more information on Mr. Koh's qualifications and experience, please see the sub-section headed "Executive Directors" above.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 June 2015.

In preparing for the Listing, the Group has undergone the corporate reorganisation arrangements (details of which were disclosed in the paragraph headed “History and Corporate Structure — Reorganisation” in the Prospectus) and the Company became the holding company of the subsidiaries comprising the Group upon completion of the corporate reorganisation arrangements on 16 July 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in design, development and sales of board games, miniature war games and other hobby products. Details of the principal activities of the Group during the year ended 31 December 2016 are set out in Note 29 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on page 50 of this annual report.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: US\$1.6 million).

BUSINESS MODEL AND BUSINESS OVERVIEW

The business model and business overview of the Group are set out under the section headed “Management Discussion and Analysis” on page 6 of this annual report.

LONG-TERM STRATEGIES AND OUTLOOK

The long-term strategies and outlook of the Group are set out under section headed “Management Discussion and Analysis” on page 6 of this annual report.

FINANCIAL PERFORMANCE AND PRINCIPAL RISKS

A fair review of the Group’s business and analysis of the Group’s performance for the year ended 31 December 2016, as well as a description of the principal risks and uncertainties the Group is facing can be found in the section headed “Chairman’s Statement” on page 5 and “Management Discussion and Analysis” on page 6 of this annual report.

ENVIRONMENTAL POLICY

The Group is committed to providing an environmental friendly environment and atmosphere within the Group. We conduct our business in a manner that balances the environment and economic needs.

The Group has taken the following environmental protection measures:

— Reduce the use of papers

The Group encourages its staff to utilise emails and other online communication platforms for internal and external communication, thereby reducing the need for travelling, energy consumption and carbon emission. The Group adopts e-filing using online storage, thereby reducing unnecessary printing and photocopying. The Group also promotes double-sided printing and copying, and the use of recycled paper.

— Reduce electricity consumption after office hour

The Group encourages staff to reduce energy consumption by switching off lightings, air-conditioners and other electrical appliances when not in use.

— Incorporate environmental friendly consideration during product design and production

The Group encourages its designers to incorporate environmental friendly consideration during product design stage and works closely with the outsourced manufacturers to minimise product waste.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s operations are mainly carried out by the Company’s subsidiaries in the United States and Singapore while the Company itself is listed on the GEM of the Stock Exchange. The establishment and operations accordingly shall comply with relevant laws and regulations in the United States, Singapore and Hong Kong. During the year ended 31 December 2016 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in the United States, Singapore and Hong Kong.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

We maintained a good working relationship with our employees and we did not experience any labour disputes for our operations during the year ended 31 December 2016. For training and development, our employees in the United States are briefed with the relevant workplace safety rules. We also train all our employees with basic office protocol.

Customers and suppliers

Major Customers

For the year ended 31 December 2016, the Group's sales to its five largest customers accounted for less than 30% of the Group's total revenue. Our five largest customers were wholesalers based in the United States and Europe. We do not enter into any long-term agreements with our wholesalers, who usually place their orders depending on their respective business requirements via purchase orders.

Major Suppliers

For the year ended 31 December 2016, the Group's five largest suppliers accounted for approximately 93.8% (2015: approximately 93.7%) of the Group's total purchases and our single largest supplier accounted for approximately 44.1% (2015: approximately 44.3%) of the Group's total purchases. Our five largest suppliers were outsourced manufacturers based in the PRC, miniature producers, game designers and toy manufacturers. Costs are determined with reference to quotations agreed between the Group and the suppliers on a project to project basis.

As at 31 December 2016, none of the Directors or any of their close associates or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any interest in the Group's five largest suppliers.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last three financial years is set out on page 94 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in Note 13 to the consolidated financial statements.

CAPITAL AND RESERVES

Details of movements in the share capital, share premium, retained earnings and capital reserves of the Group during the year ended 31 December 2016 are set out on page 51 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to equity holders amounted to approximately US\$10.9 million (31 December 2015: approximately US\$6.9 million).

BANK LOANS AND OTHER BORROWINGS

The Group did not have any bank loans and borrowings during the year ended 31 December 2016.

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this annual report are:

Executive Directors

Mr. Ng Chern Ann (Chairman and Chief Executive Officer)
Mr. David Doust (*appointed as executive Director on 27 September 2016*)
Mr. Koh Zheng Kai

Non-executive Director

Mr. Frederick Chua Oon Kian

Independent Non-executive Directors

Mr. Chong Pheng (*appointed as independent non-executive Director on 17 November 2016*)
Mr. Tan Lip-Keat (*appointed as independent non-executive Director on 17 November 2016*)
Mr. Seow Chow Loong Iain (*appointed as independent non-executive Director on 17 November 2016*)

In accordance with article 84 of the articles of association of the Company (the “**Articles of Association**”), one-third of the Directors shall retire by rotation, and being eligible for re-election at the annual general meeting of the Company.

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and any Director appointed by the Board as an addition to the existing Board shall hold office until the first general meeting of the Company and the next following annual general meeting of the Company, respectively. Each of them shall then be eligible for re-election.

Accordingly, Mr. Ng. Chern Ann, Mr. David Doust, Mr. Chong Pheng, Mr. Tan Lip-Keat and Mr. Seow Chow Loong Iain shall hold office until the forthcoming annual general meeting of the Company to be held on 5 May 2017 (the “**AGM**”). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular of the Company dated 30 March 2017.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 14 to 16 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the period from 2 December 2016 (the “**Listing Date**”) to 31 December 2016 (the “**Relevant Period**”) and remain so as of the date of this annual report.

Mr. Chong Pheng, Mr. Tan Lip-Keat and Mr. Seow Chow Loong Iain, who have served the Board as independent non-executive Directors since 17 November 2016, have each made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board is satisfied that, taking into account, inter alia, the valuable independent judgement, advice and objective views contributed by Mr. Chong, Mr. Tan and Mr. Seow, all of them are of such character, integrity and experience commensurate with office of independent non-executive Directors. The Board is not aware of any circumstance that might influence the independence of Mr. Chong, Mr. Tan and Mr. Seow.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, provided that either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

None of the Directors has a service agreement or a letter of appointment which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director nor any entity connected with them had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during and as at the end of the Relevant Period and up to the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Relevant Period and up to the date of this annual report.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. Details of the emoluments of the Directors and five highest paid individuals during the year ended 31 December 2016 are set out in Note 22 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 2.18 and Note 21 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/short Position	Approximate Percentage of Shareholding in the Company (%)
Ng Chern Ann ⁽¹⁾ ("Mr. Ng")	Interest in controlled corporation/ interest of a party to an agreement	870,248,078	Long	48.19%
David Doust ⁽²⁾ ("Mr. Doust")	Interest in controlled corporation/ interest of a party to an agreement	870,248,078	Long	48.19%
Frederick Chua Oon Kian ⁽³⁾ ("Mr. Chua")	Interest in controlled corporation	322,669,232	Long	17.87%

Notes:

- (1) The issued share capital of Cangsome Limited ("CA SPV") is wholly owned by Mr. Ng. Pursuant to the acting-in-concert arrangement, Mr. Ng and Mr. Doust are deemed to be interested in the Shares held by CA SPV and Dakkon Holdings Limited ("DD SPV"), which is wholly owned by Mr. Doust. Mr. Ng is an executive Director and the sole director of CA SPV.
- (2) The issued share capital of DD SPV is wholly owned by Mr. Doust. Pursuant to the acting-in-concert arrangement, Mr. Doust and Mr. Ng are deemed to be interested in the Shares held by DD SPV and CA SPV. Mr. Doust is an executive Director and the sole director of DD SPV.
- (3) Magic Carpet Pre-IPO Fund ("Magic Carpet") is a private equity investment fund managed by Quantum Asset Management Pte. Ltd. ("Quantum Asset") on a fully discretionary basis. Quantum Asset holds the only issued ordinary share of Magic Carpet and the preference shares in the capital of Magic Carpet are held by high net worth investors. Mr. Chua, our non-executive Director, beneficially owns approximately 99.99% of the issued share capital of Quantum Asset and is therefore deemed to be interested in the Shares held by Quantum Asset by virtue of the SFO. Mr. Chua is a director of Magic Carpet.

Save as disclosed above, as at 31 December 2016, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
CA SPV ⁽¹⁾	Beneficial interest/interest of a party to an agreement	870,248,078	Long	48.19%
DD SPV ⁽¹⁾	Beneficial interest/interest of a party to an agreement	870,248,078	Long	48.19%
Quantum Asset ⁽²⁾	Interest in controlled corporation	322,669,232	Long	17.87%
Magic Carpet ⁽²⁾	Beneficial interest	322,669,232	Long	17.87%
David Preti ⁽³⁾ ("Mr. Preti")	Interest in controlled corporation	116,033,076	Long	6.42%
Magumaki Limited ⁽³⁾ ("DP SPV")	Beneficial interest	116,033,076	Long	6.42%

Notes:

- (1) The issued share capital of CA SPV is wholly owned by Mr. Ng, and the issued share capital of DD SPV is wholly owned by Mr. Doust. Pursuant to the acting-in-concert arrangement, Mr. Ng and Mr. Doust are deemed to be interested in the Shares held by CA SPV and DD SPV. Mr. Ng is an executive Director and the sole director of CA SPV. Mr. Doust is an executive Director and the sole director of DD SPV. As at 31 December 2016, CA SPV was beneficially interested in 609,173,654 Shares and DD SPV was beneficially interested in 261,074,424 Shares.
- (2) Magic Carpet is a private equity investment fund managed by Quantum Asset on a fully discretionary basis. Quantum Asset holds the only issued ordinary share of Magic Carpet and the preference shares in the capital of Magic Carpet are held by high net worth investors. Mr. Chua, our non-executive Director, beneficially owns approximately 99.99% of the issued share capital of Quantum Asset and is therefore deemed to be interested in the Shares held by Quantum Asset by virtue of the SFO. Mr. Chua is a director of Magic Carpet.
- (3) The issued share capital of DP SPV is wholly owned by Mr. Preti. Therefore, Mr. Preti is deemed to be interested in the Shares held by DP SPV by virtue of the SFO.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

REPORT OF DIRECTORS

- (i) The participants can be any employee of (whether full time or part-time employee) the Group including any executive Directors, non-executive Directors and independent non-executive Directors, advisors and consultants of the Group.
- (ii) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 180,600,000 Shares, representing 10.00% of the total number of Shares in issue as at the date of this annual report. From the date of the adoption of the Share Option Scheme and as at 31 December 2016, no option had been granted pursuant to the Share Option Scheme.
- (iii) No option shall be granted to any eligible person under the Share Option Scheme if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue unless such further grant has been separately approved by Shareholders in general meeting in accordance with the GEM Listing Rules and with such grantee and his close associates (or associates if he is a connected person) abstained from voting.
- (iv) An offer of grant of an option shall remain open for acceptance by an eligible person for a period of not less than five business days from the date on which the offer was issued, provided that such date shall not be more than 10 years after the date of adoption of the Share Option Scheme.
- (v) A consideration of HK\$1.00 is payable to the Company by the eligible person for each acceptance of grant of option(s) and such consideration is not refundable.
- (vi) The exercise price in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (3) the nominal value of a Share on the date of grant.
- (vii) The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, subject to early termination by the Company in general meeting or by the Board, and the remaining life of this scheme is around 9 years and 8 months.

More principal terms of the Share Option Scheme are set forth under the paragraph headed "Statutory and General Information — Further Information about Directors, Management, Staff and Experts — 3. Share Option Scheme" in Appendix IV to the Prospectus.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company did not have any share option scheme and there was no equity-linked agreement that would or might result in the Company issuing Shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing Shares, entered into by the Company during the Reporting Period or subsisted as at 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Relevant Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

Pursuant to the deed of non-competition dated 17 November 2016 (the “**Deed of Non-competition**”) entered into by Mr. Ng, Mr. Doust, CA SPV and DD SPV (collectively, the “**Controlling Shareholders**”), each of our Controlling Shareholders had severally, irrevocably and unconditionally confirmed that neither of them nor any of their respective close associates is currently interested or engaged or having or holding any right or interests, directly or indirectly in (whether as a shareholder, director, partner, agent or otherwise and whether for profit reward or otherwise) any business, project or business opportunity which is or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group in the United States, Singapore and any other country or jurisdiction to which the Group provides such products and services and/or in which any member of the Group carries on business (the “**Restricted Activity**”) otherwise than through the Group. In addition, the Controlling Shareholders jointly and severally, irrevocably and unconditionally undertook that as long as any of them holds any Shares, each of them shall not, and shall procure that their respective close associates (other than any member of the Group) and/or companies controlled by them (other than any member of the Group) shall not, directly or indirectly, among other things, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest in the Restricted Activity. The Controlling Shareholders also granted the Company options for new business opportunities related to the Restricted Activity. For details of the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders” in the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Deed of Non-competition during the Relevant Period for disclosure in this annual report.

The independent non-executive Directors have reviewed the Deed of Non-competition and based on the information and confirmations provided by or obtained from the Controlling Shareholders, they were satisfied that the Controlling Shareholders have duly complied with the Deed of Non-competition during the Relevant Period.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2016, none of the Directors 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.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group had not entered into any connected transactions nor continuing connected transactions which are required to be disclosed in this annual report pursuant to the GEM Listing Rules.

Related party transactions of the Group are disclosed in Note 27 to the consolidated financial statements. They did not constitute connected transactions or continuing connected transactions of the Company, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DONATIONS

During the year ended 31 December 2016, the charitable and other donations made by the Group amounted to US\$83,871.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2016, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director for the time being shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by him as a Director about the execution of the duties or supposed duties of his office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to the said Director.

The Company has taken out and maintained insurance in respect of legal action brought against the Directors.

AUDIT COMMITTEE

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 2016.

CORPORATE GOVERNANCE AND COMPLIANCE OFFICER

The Group is committed to maintaining high standards of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 39 of this annual report.

The compliance officer of the Company is Mr. Ng Chern Ann, whose biographical details are set out on page 14 of this annual report.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, China Galaxy International Securities (Hong Kong) Co., Limited ("**China Galaxy**"), neither China Galaxy nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and Controlling Shareholders and their respective close associates as referred to in Rule 11.04 of the GEM Listing Rules (except for the compliance adviser service provided by China Galaxy as at the date of this annual report).

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the Relevant Period and as at the latest practicable date prior to the issue of this annual report.

AUDITOR

PricewaterhouseCoopers was appointed as the auditor of the Company (the "Auditor") for the year ended 31 December 2016. The accompanying financial statements prepared in accordance with International Financial Reporting Standards have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Auditor for the year ending 31 December 2017 will be proposed at the AGM.

On behalf of the Board

Ng Chern Ann

Chairman and Chief Executive Officer

Singapore, 22 March 2017

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the Relevant Period (being the period from the Listing Date to 31 December 2016).

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: US\$1.6 million).

CORPORATE GOVERNANCE PRACTICE

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

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Mr. Ng Chern Ann is currently the chairman and chief executive officer of the Company (the “**Chief Executive Officer**”). In view of Mr. Ng being one of the founders of the Group, and his responsibilities in corporate strategic planning and overall business development, the Board believes that it is in the interests of both the Group and the Shareholders to have Mr. Ng taking up both roles for effective management and business development. The Board also meets regularly on a quarterly basis to review the operations 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. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the chairman and the Chief Executive Officer is necessary.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group’s strategic decisions and monitoring the Group’s business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the Audit Committee, the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) (together, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

During the Reporting Period, all Directors had carried out duties in good faith and in compliance with applicable laws and regulations, and had acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the end of the Reporting Period and the date of this annual report, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:

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

Non-executive Director:

Mr. Frederick Chua Oon Kian

Independent Non-executive Directors:

Mr. Chong Pheng

Mr. Tan Lip-Keat

Mr. Seow Chow Loong Iain

The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

During the Relevant Period, the Board has met at all times the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 5.05A of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity from various perspectives. The board diversity policy is summarised below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, age, gender, ethnicity, language skills and length of service, etc.
2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate.
3. Appointments of the Directors should be made based on merits and the contributions that the individual is expected to bring to the Board, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.
4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

Save as disclosed in the Directors' biographies set out in the section headed “Directors and Senior Management” in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors and the chief executive of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the Company, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Group's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also provides regular updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge his/her duties.

Directors are encouraged to participate in continuous professional development seminars and programmes to develop and refresh their knowledge and skills. The joint company secretaries of the Company have from time to time updated and provided the Directors with written training materials relating to the roles, functions and duties of a director of a listed issuer on the GEM of the Stock Exchange.

According to the information provided by the Directors, a summary of trainings received by the Directors throughout the year ended 31 December 2016 is as follows:

Directors	Nature of Continuous Professional Development Programmes (Notes)
<i>Executive Directors:</i>	
Mr. Ng Chern Ann	B, C
Mr. David Doust	B, C
Mr. Koh Zheng Kai	A, B, C
<i>Non-executive Director:</i>	
Mr. Frederick Chua Oon Kian	B, C
<i>Independent Non-executive Directors:</i>	
Mr. Chong Pheng	B, C
Mr. Tan Lip-Keat	B, C
Mr. Seow Chow Loong Iain	B, C

Notes:

- A: Attending seminars, meetings, forums and/or briefings
- B: Attending trainings relevant to the Company's Listing conducted by lawyers
- C: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances and codes

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

Mr. Ng Chern Ann is currently the chairman and Chief Executive Officer. In view of Mr. Ng being one of the founders of the Group, and his responsibilities in corporate strategic planning and overall business development, the Board believes that it is in the interests of both the Group and the Shareholders to have Mr. Ng taking up both roles for effective management and business development. The Board also meets regularly on a quarterly basis to review the operations of the Group led by Mr. Ng. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorisations between the Board and the management of the Company. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the chairman and the Chief Executive Officer is necessary.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has signed a service agreement with the Company for an initial term of three years commencing from the Listing Date on 2 December 2016 until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, provided that either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board Committees members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the relevant Board Committees prior to the meeting. Minutes of the meetings are kept by the joint company secretaries with copies circulated to all Directors or the relevant Board Committees members for information and records.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient details about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors or the Board Committees members. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors or the Board Committees members for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings and the Board Committees members are open for inspection by Directors.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2016, no general meeting was held. During the same period, two Board meetings were held. The attendance of each Director at these meetings is set out in the table below:

Directors	Board Meeting(s) Attended/Held	General Meeting(s) Attended/Held
<i>Executive Directors:</i>		
Mr. Ng Chern Ann	2/2	Not applicable
Mr. David Doust (appointed as executive Director on 27 September 2016)	1/1	Not applicable
Mr. Koh Zheng Kai	2/2	Not applicable
<i>Non-executive Director:</i>		
Mr. Frederick Chua Oon Kian	2/2	Not applicable
<i>Independent Non-executive Directors:</i>		
Mr. Chong Pheng (appointed as independent non-executive Director on 17 November 2016)	1/1	Not applicable
Mr. Tan Lip-Keat (appointed as independent non-executive Director on 17 November 2016)	1/1	Not applicable
Mr. Seow Chow Loong Iain (appointed as independent non-executive Director on 17 November 2016)	1/1	Not applicable

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

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

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors are provided with sufficient resources to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transaction entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;
- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;

- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, namely Mr. Tan Lip-Keat (chairman), Mr. Chong Pheng and Mr. Seow Chow Loong Iain, all of them are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

1. to review the relationship with the Auditor by reference to the work performed by the Auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditor;
2. to review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the Auditor before submission to the Board; and
3. to review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on 2 December 2016, no meeting was held by the Audit Committee during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the date of this annual report, one meeting of the Audit Committee was held with all the members attended in which the Audit Committee:

- reviewed the final results of the Group for the year ended 31 December 2016 as well as the audit report prepared by the Auditor relating to accounting issues and major findings in course of audit; and
- reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

The Company will comply with the CG Code to hold at least four meetings of the Audit Committee annually for the year ending 31 December 2017 onwards.

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Seow Chow Loong Iain (chairman), Mr. Chong Pheng, and Mr. Tan Lip-Keat, all of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the Chief Executive Officer.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on 2 December 2016, no meeting was held by the Nomination Committee during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the date of this annual report, one meeting of the Nomination Committee was held with all the members attended in which the Nomination Committee assessed the independence of independent non-executive Directors and considered the re-appointment of the retiring Directors.

The Company will comply with the CG Code to hold at least one meeting of the Nomination Committee annually for the year 2017 onwards.

Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. On 17 November 2016, the Board adopted a board diversity policy, a summary of which is set out on page 29 of this annual report.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Chong Pheng (chairman), Mr. Tan Lip-Keat and Mr. Seow Chow Loong Iain, all of them are independent non-executive Directors.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board, and assess performance of executive Directors and the terms of their service agreements;
3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of non-executive Director(s);
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
8. to ensure that no Director or any of his/her associates (as defined in the GEM Listing Rules) is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on 2 December 2016, no meeting was held by the Remuneration Committee during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the date of this annual report, one meeting of the Remuneration Committee was held with all the members attended in which the Remuneration Committee discussed and reviewed the remuneration packages for Directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Remuneration of Directors and Senior Management

Particulars of the remuneration of the Directors and the five highest paid individuals for the year ended 31 December 2016 are set out in Note 22 to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended 31 December 2016 by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to HK\$1,000,000	3

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with quarterly updates on the Group's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the independent auditor's report on pages 43 to 47 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee;
- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and
- The financial controller reports to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

During the Relevant Period, major works performed by the management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that might impact on the Group's performance, assessing and evaluating the identified risks according to their likely impacts and the likelihood of occurrence, formulating and implementing measures, controls and response plans to manage and mitigate such risks;
- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an on-going basis and reported to the Audit Committee regarding the status of the systems;
- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were given to all major risks identified;
- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and
- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place.

The Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit department within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness. During the Reporting Period, the Company has engaged an independent third party (the "**Internal Control Consultant**") to assist the Company in reviewing the design and effectiveness of certain financial reporting related internal control of the Company. After implementing the recommendations in response to the deficiencies identified during the review, the Board is satisfied with the effectiveness and adequacy of the internal control system of the Group. The Company has engaged the Internal Control Consultant to conduct an internal control review in 2017 to ensure the internal control system remains effective and adequate.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor's relation, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangements to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee reviewed such arrangements regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

As of the date of this annual report, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Company. The review included works such as (i) review of reports submitted by heads of operation units or departments and the management regarding the implementation of the risk management and internal control systems; (ii) periodic discussions with the management and senior executives regarding the effectiveness of the risk management and internal control systems. Such discussions included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions; (iii) evaluation on the scope and quality of management's on-going monitoring of the risk management and internal control systems; and (iv) made recommendations to the Board and the management on the scope and quality of the management's on-going monitoring of the risk management and internal control systems.

On the basis of the aforesaid, the Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Company, and accordingly the Company considers the systems are effective and adequate.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2016 was approximately as follows:

Type of Services	Amount US\$
Audit services	209,000
Service for acting as reporting accountant for the Listing	430,000
Non-audit services related to internal control review	<u>48,000</u>
Total	<u>687,000</u>

JOINT COMPANY SECRETARIES

Mr. Koh Zheng Kai (“**Mr. Koh**”), the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the GEM Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Sau Mei (“**Ms. Ng**”), senior manager of TMF Hong Kong Limited (a company secretarial service provider), as the other joint company secretary to assist Mr. Koh in discharging his duties as company secretary of the Company. The primary corporate contact person of the Company is Mr. Koh.

For the year ended 31 December 2016, each of Mr. Koh and Ms. Ng had undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 5.15 of the GEM Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group’s business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which enables Shareholders and investors to make informed investment decisions.

The general meetings of the Company provide opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of each of the Board Committees will attend the general meetings to answer Shareholders’ questions. The Auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders’ communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at <http://cmon.com>, where up-to-date information on the Company’s business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or any one of the joint company secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 15 Teo Hong Road #03-01 Singapore 088328 or at kai@cmon.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company have been amended and restated with effect from the Listing Date, the latest version of which are available from the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

Environmental Policies

The Group is committed to provide environmental friendly environment and atmosphere within the Group. It conducts its business in a manner that balances the environment and economic needs. Having made all reasonable enquiries, the Group has complied in material respects with the relevant environmental laws and regulations that have a significant impact on the business and operations of the Group during the Reporting Period.

The Group has taken the following environmental protection measures:

- *Reduce the use of papers*

The Group encourages its staff to utilise emails and other online communication services for internal and external communication, thus reducing the need for travelling, reducing energy consumption and carbon emission. The Group also adopts e-filing using online storage, thus reducing unnecessary printing and photocopying. The Group also promotes double-sided printing and copying, and the use of recycled paper.

- *Turn off all lights in the offices after the office hour*

The Group encourages staff to reduce energy consumption by switching off lightings and electrical appliances when not in use.

- *Incorporate environmental friendly consideration during product design and production*

The Group encourages its designers to incorporate environmental friendly consideration into the products during product design stage and works closely with the outsourced manufacturers to minimise the product waste.

B. SOCIAL

1. Employment and Labour Practices

The Group has complied with all the applicable employment and labour laws and regulations during the Reporting Period, in particular:

Employment

The Group had a total number of 47 employees as of 31 December 2016 (2015: 29).

Employee's Age Distribution

	20–30	30–40	40–50	50–60
2015	24%	51%	19%	6%
2016	17%	59%	14%	10%

Employee's Gender Distribution

	Females	Males
2015	32%	68%
2016	31%	69%

In accordance with the requirements of the laws where the Group operates, the Group provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund, basic medical insurance, work injury insurance, etc. Staff is entitled to day-off on public holidays, wedding leave, funeral leave and maternity leave.

The Group strives to provide a work environment with equal opportunities and promote anti-discrimination. The Group recruits and promotes staff based on experience and performance.

On top of basic salaries, discretionary bonus and/or share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements and guidelines are implemented to ensure working environments are healthy and safe. The Group plans to provide health and safety communications for employees to present relevant information and raise awareness of occupational health and safety issues.

Development and Training

The Group believes that employees are valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, employees' professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organises staff-friendly activities for employees. This provides communication opportunities among staff, which are vital to promote staff relationship.

Labour Standards

Every year, the Group conducts at least one surprise audit on its outsourced manufacturers to ensure that no child and forced labour are used. The Group also engages reputable manufacturers.

2. Operating Practices

The Group has complied with all the applicable laws and regulations in relation to operation, product responsibility and anti-corruption during the Reporting Period, in particular:

Outsourced Manufacturers

The Group uses strict review criteria for selection of suppliers. Where applicable, suppliers must hold government approved licences. Strengthen evaluation is conducted on any suppliers for the initial provision of merchandise. Such evaluation shall be in compliance with standards regarding product safety, performance of suppliers, business reputation, sustainability and corporate social responsibility. The Group will conduct irregular review on the continued suppliers, including making an inspection tour to the production workshops of the suppliers.

Product Responsibility

All products produced by the Group undergo relevant safety tests with appropriate safety labels affixed on packaging.

Anti-corruption

The Group commits to manage all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All Directors and employees must, according to the laws where the Group operates, report potential bribery, extortion, fraud and money laundering to relevant authorities.

Community Investment

The Group donated HK\$650,000 to the Hong Kong Community Chest for the year ended 31 December 2016. The Group will continue to look out for opportunities to contribute to society and communities where the Group operates.



羅兵咸永道

To the Shareholders of **CMON Limited**
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of CMON Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 48 to 93, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT

Key audit matters identified in our audit are summarised as follows:

- Estimates of useful lives of “art, painting and sculpts” and “displays, moulds and tools”
- Estimates of useful lives of intellectual properties rights

Key audit matter

Estimates of useful lives of “art, painting and sculpts” and “displays, moulds and tools”

Refer to Note 6 to the consolidated financial statements.

As at 31 December 2016, the carrying amounts of “art, painting and sculpts” and “displays, moulds and tools” are US\$1.9 million and US\$1.8 million respectively. These assets represented 97% of the Group’s total property, plant and equipment.

Management determines the estimated useful lives of “art, painting and sculpts” as 10 years and that of “displays, moulds and tools” as 5 years with reference to actual useful lives, including the wear and tear, of assets of similar attributes. Management applies judgements on the estimated useful lives after considering the historical and management’s forecasted sales and profit margin of the game products produced by these assets, their product life cycles, industry trends as well as the estimated useful lives of these assets with similar attributes adopted by other companies in the same industry.

We determined this to be a key audit matter due to the magnitude of these assets and the significant judgements made by management in development of the forecasts of future sales and profit margin to determine the estimated useful lives of these assets.

How our audit addressed the Key Audit Matter

We understood and evaluated the design and implementation of key management controls over the estimation of useful lives and the identification of impairment indicators of these assets. We assessed the estimation made by management in respect of their useful lives, as well as whether there are any impairment indicators through discussion with management.

Our procedures performed, on selected samples of “art, painting and sculpts” and “displays, moulds and tools”, included:

- observing the physical existence and working condition of these assets;
- assessing management’s forecasts of future sales and profit margin of the game products which were reviewed and approved by the Board of Directors, by considering the past performance of the game products produced by these assets or assets of similar attributes of the Group, and the sales trend of similar game products in the industry; and
- comparing the estimated useful lives of these assets with those adopted by other companies in the same industry with similar attributes.

Based upon the above, we were satisfied that management’s estimates and judgements on the estimates of useful lives of these assets were supported by the available evidence.

Key audit matter
Estimates of useful lives of intellectual properties rights

Refer to Note 7 to the consolidated financial statements.

As at 31 December 2016, the carrying values of intellectual properties rights ("IPs") amounted to US\$5.8 million with useful lives ranging from 10 to 20 years. The IPs represented 76% of the total intangible assets.

Management determines the estimated useful lives of the IPs after considering the industry trends of similar game products produced under these IPs, the business plans on how to utilise the IPs (including the product life cycles, the feasibility to develop further series of products under the IPs and the possibility to launch products using different entertainment platforms), the historical and management's forecasted sales and profit margins of the game products produced under the IPs, as well as comparing the estimated useful lives of the IPs adopted by other companies in the same industry and with similar attributes.

We determined this to be a key audit matter due to the magnitude of these assets and the significant judgements made by management in developing the business plans and the forecasts of future sales and profit margins to determine the estimated useful lives of the IPs.

How our audit addressed the Key Audit Matter

We understood and evaluated the design and implementation of key management controls over the estimation of useful lives and the identification of impairment indicators of the IPs. We assessed the estimation made by management in respect of the useful lives of the IPs, as well as whether there are any impairment indicators through discussion with management.

Our procedures performed, on selected samples of IPs, included:

- assessing management's forecasts of future sales and profit margin of the game products produced under these IPs which were reviewed and approved by the Board of Directors, by considering the past performance of the game products produced under these IPs or IPs of similar attributes of the Group, and the sales trend of similar game products in the industry;
- comparing the estimated useful lives of the IPs adopted by other companies in the same industry with similar attributes and life cycles; and
- discussing with management as to their business plans and assessing their ability and feasibility to develop further series of game products under these IPs and to launch game products using different entertainment platforms.

Based upon the above, we were satisfied that management's estimates and judgements on the estimates of useful lives of these assets were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Wang Hay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 US\$	2015 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,787,396	2,754,108
Intangible assets	7	7,576,596	5,747,175
Deferred income tax assets	15	—	13,311
		<u>11,363,992</u>	<u>8,514,594</u>
Current assets			
Inventories	9	3,660,247	2,304,335
Trade receivables	10	2,192,927	785,888
Prepayments and deposits	11	1,896,905	2,028,400
Amount due from a shareholder	14	—	4,716
Amount due from a related company	14	—	266,459
Income tax recoverable		32,000	32,000
Cash and cash equivalents	12	6,612,768	2,628,967
		<u>14,394,847</u>	<u>8,050,765</u>
Total assets		<u>25,758,839</u>	<u>16,565,359</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	11,700	9,700
Share premium	13	12,384,133	5,290,300
Retained earnings		3,528,811	2,511,191
Capital reserves	24	780,499	780,499
Total equity		<u>16,705,143</u>	<u>8,591,690</u>

The notes on pages 53 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 US\$	2015 US\$
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	265,722	138,625
		<u>265,722</u>	<u>138,625</u>
Current liabilities			
Trade payables	16	1,062,005	545,059
Accruals and other payables	17	1,173,549	1,289,521
Amount due to ultimate holding company	14	3	112,501
Income tax payable		2,043,195	1,423,455
Deferred revenue	18	4,509,222	4,464,508
		<u>8,787,974</u>	<u>7,835,044</u>
Total liabilities		<u>9,053,696</u>	<u>7,973,669</u>
Total equity and liabilities		<u>25,758,839</u>	<u>16,565,359</u>

The notes on pages 53 to 93 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 48 to 93 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf.

Ng Chern Ann
Director

Koh Zheng Kai
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 US\$	2015 US\$
Revenue	5, 19	20,964,135	17,185,355
Cost of sales	20	(10,259,875)	(8,377,238)
Gross profit		10,704,260	8,808,117
Other income		219,602	57,330
Selling and distribution expenses	20	(2,317,478)	(1,710,562)
General and administrative expenses			
— Professional service fees in respect of listing preparation	20	(3,052,277)	(2,011,190)
— Others	20	(3,676,329)	(2,474,611)
		(6,728,606)	(4,485,801)
Profit before income tax		1,877,778	2,669,084
Income tax expense	23	(860,158)	(842,989)
Profit and total comprehensive income for the year attributable to equity holders of the Company		1,017,620	1,826,095
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic and diluted	26	0.0007	0.0013

The notes on pages 53 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Note	Share capital US\$	Share premium US\$	Retained earnings US\$	Capital reserves US\$	Total US\$	
At 1 January 2016	9,700	5,290,300	2,511,191	780,499	8,591,690	
Comprehensive income						
Profit for the year	—	—	1,017,620	—	1,017,620	
Total comprehensive income	—	—	1,017,620	—	1,017,620	
Transactions with owners						
Issues of shares under placing	13	2,000	9,071,982	—	—	9,073,982
Share issue expenses	13	—	(1,978,149)	—	—	(1,978,149)
Total transactions with owners		2,000	7,093,833	—	—	7,095,833
At 31 December 2016	11,700	12,384,133	3,528,811	780,499	16,705,143	
At 1 January 2015	—	—	2,158,969	914,500	3,073,469	
Comprehensive income						
Profit for the year	—	—	1,826,095	—	1,826,095	
Total comprehensive income	—	—	1,826,095	—	1,826,095	
Transactions with owners						
Issues of new shares	13	9,700	5,290,300	—	—	5,300,000
Distribution to shareholders	2.2.3	—	—	126,127	(134,000)	(7,873)
Effect of reorganisation	2.2.2(h)	—	—	—	(1)	(1)
Dividends	25	—	—	(1,600,000)	—	(1,600,000)
Total transactions with owners		9,700	5,290,300	(1,473,873)	(134,001)	3,692,126
At 31 December 2015	9,700	5,290,300	2,511,191	780,499	8,591,690	

The notes on pages 53 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 US\$	2015 US\$
Cash flow from operating activities		
Profit before income tax	1,877,778	2,669,084
Adjustments for:		
— Depreciation	696,330	445,916
— Amortisation	566,860	378,395
	<u>3,140,968</u>	<u>3,493,395</u>
Changes in working capital:		
— Trade receivables	(1,407,039)	(195,934)
— Inventories	(1,355,912)	(652,719)
— Prepayments and deposits	131,495	(1,258,525)
— Trade payables	516,946	251,633
— Amount due from a shareholder	4,716	(4,716)
— Amount due from a related company	266,459	(110,344)
— Accruals and other payables	584,028	439,500
— Deferred revenue	44,714	2,899,527
	<u>1,926,375</u>	<u>4,861,817</u>
Cash generated from operations	1,926,375	4,861,817
Income tax paid	(100,010)	(57,321)
	<u>1,826,365</u>	<u>4,804,496</u>
Net cash generated from operating activities	<u>1,826,365</u>	<u>4,804,496</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,729,618)	(1,667,684)
Acquisition of intangible assets	(3,096,281)	(2,183,970)
	<u>(4,825,899)</u>	<u>(3,851,654)</u>
Net cash used in investing activities	<u>(4,825,899)</u>	<u>(3,851,654)</u>
Cash flows from financing activities		
Proceeds from issuance of shares	9,073,982	—
Payment of professional service fees in respect of issuing equity	(1,978,149)	(349,933)
Amount due to ultimate holding company	(112,498)	1,800,000
Amount due to a shareholder	—	(9,385)
Dividend paid	—	(1,487,500)
Distribution to shareholders (Note 2.2.3)	—	(7,333)
	<u>6,983,335</u>	<u>(54,151)</u>
Net cash from/(used in) financial activities	<u>6,983,335</u>	<u>(54,151)</u>
Net increase in cash and cash equivalents	<u>3,983,801</u>	<u>898,691</u>
Cash and cash equivalents at beginning of the year	<u>2,628,967</u>	<u>1,730,276</u>
Cash and cash equivalents at end of the year	<u>6,612,768</u>	<u>2,628,967</u>

The notes on pages 53 to 93 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

CMON Limited (the “**Company**”) was incorporated in the Cayman Islands on 16 June 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Singapore.

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 “**Business**”). The Group has operations in Singapore and the United States of America (“**USA**”).

The Company was listed on 2 December 2016 on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These financial statements are presented in United States dollars (“**US\$**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The following standards that are relevant to the Group for the first time for the financial year beginning on or after 1 January 2016:

IAS 1 (Amendment)	Disclosure initiative
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
IAS 16 and IAS 41 (Amendment)	Agriculture: bearer plants
IAS 27 (Amendment)	Equity method in separate financial statements
IFRS 10, IFRS 12 and IAS 28 (Amendment)	Investment entities: applying the consolidation exception
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
Annual Improvements Project	Annual improvements 2012–2014 cycle

The adoption of the above amendments and interpretations to standards has no significant impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017, but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IAS 7 (Amendment)	Statement of cash flows: disclosure initiative	1 January 2017
IAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

IAS 7 (Amendment) "Statement of cash flows: disclosure initiative" has been issued by IASB introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's disclosure initiative, which continues to explore how financial statement disclosure can be improved. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2017.

IAS 12 (Amendment) "Recognition of deferred tax assets for unrealised losses" has been issued by IASB on the recognition of deferred tax assets for unrealised losses which clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2017.

IFRS 2 (Amendment) "Classification and measurement of share-based payment transactions" has been issued by IASB. These amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modification from cash-settled awards to equity-settled awards. It also introduces an exception to the principles in IFRS 2 that requires an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2018.

IFRS 9 "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

IFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a “three stage” approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the years ended 31 December 2016 and 2015, all of the Group’s financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of IFRS 9 is not expected to result in any significant impact on the Group’s financial position and results of operations.

IFRS 10 and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associate or joint venture” has been issued by IASB. The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The new standard is not expected to be applied by the Group until the effective date is determined.

IFRS 15 “Revenue from contracts with customers” — This new standard replaces the previous revenue standards: IAS 18 “Revenue” and IAS 11 “Construction contracts”, and the related interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group has two major revenue streams, namely the sales of products and provision of shipping services, the performance obligations of which are substantially completed at the same point of time as the respective revenue from these two revenue streams is currently recognised in accordance with Note 2.20. Management has performed a preliminary assessment and expects that the implementation of the IFRS 15 would not result in any significant impact on the Group’s financial position and results of operations. Meanwhile, there will be additional disclosure requirements under IFRS 15 upon its adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

IFRS 16 “Leases” — The Group is a lessee of its offices and warehouses which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.22. The Group’s future operating lease commitments, which are not reflected in the consolidated balance sheets, are set out in Note 28. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheets. Instead, all long-term leases must be recognised in the balance sheets in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments currently disclosed in Note 28. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019.

2.2 Development of the Business and Reorganisation

2.2.1 Development of the Business

Prior to the incorporation of the companies now comprising the Group, the Business was conducted by CoolMiniOrNot Inc., a corporation incorporated in the State of Delaware, USA on 18 September 2009 which was 50% owned by Mr. Ng Chern Ann (“**Mr. Ng**”) and 50% by Mr. David Doust (“**Mr. Doust**”), who are collectively referred to hereinafter as the “Controlling Shareholders”.

2.2.2 Reorganisation

In preparation for the listing of shares of the Company on the GEM of the Stock Exchange, the Company underwent a reorganisation of the corporate and shareholder structure with the major steps undertaken to effect the reorganisation as follows:

- (a) CMON Pte Ltd. was incorporated in Singapore on 2 January 2014. Two ordinary shares of S\$1.00 each were allotted and issued on the date of incorporation to Ms. Yuh Ling Tan (“**Ms. Tan**”), the wife of Mr. Ng. Ms. Tan held the shares on behalf of Mr. Ng pursuant to a nominee arrangement.
- (b) CMoN Holdings Limited was incorporated in the Cayman Islands on 11 June 2014. Two ordinary shares of US\$0.10 each were allotted and issued on the date of incorporation. Each of Mr. Ng and Mr. Doust held one ordinary share as the registered shareholder of CMoN Holdings Limited.
- (c) CMON Productions Limited was incorporated in the British Virgin Islands (the “**BVI**”) on 11 June 2014. 1 ordinary share of US\$1.00 was allotted and issued on the date of incorporation to CMON Holdings Limited.
- (d) Pursuant to an investment agreement dated 17 June 2014 and a supplemental agreement dated 15 July 2015 entered into between CMoN Holdings Limited, Mr. Ng, Mr. Doust and an investor, on 31 January 2015 CMoN Holdings Limited issued redeemable convertible bonds with a principal amount of US\$5,300,000 to the investor who was granted with the rights to exchange the redeemable convertible bonds for ordinary shares of the Company. The proceeds were contributed by CMoN Holdings Limited to the Company as capital injection in 2015 as described in Note (k) below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Development of the Business and Reorganisation (Continued)

2.2.2 Reorganisation (Continued)

- (e) CMON Global Limited was incorporated in the Cayman Islands on 18 September 2014. 1 ordinary share of US\$1.00 was allotted and issued on the date of incorporation. Mr. Ng held the ordinary share as the registered shareholder of CMON Global Limited.
- (f) CMON Inc. was incorporated in the State of Delaware on 6 October 2014. 1 share at no par value was allotted and issued on the date of incorporation to CMON Global Limited.
- (g) The Company was incorporated in the Cayman Islands on 16 June 2015. 10,000 ordinary shares of HK\$0.0001 each were allotted and issued on the date of incorporation to CMoN Holdings Limited.
- (h) On 15 July 2015, the Company acquired the entire issued share capital of CMON Productions Limited from CMoN Holdings Limited for a consideration of US\$1.00.
- (i) On 15 July 2015, Mr. Ng transferred the entire issued share capital of CMON Global Limited to CMON Productions Limited as part of the consideration for the issue of new ordinary shares by CMoN Holdings Limited to Mr. Ng as described in Note (l) below.
- (j) On 15 July 2015, Ms. Tan transferred the entire issued share capital of CMON Pte Ltd. to CMON Global Limited as part of the consideration for the issue of new ordinary shares by CMoN Holdings Limited to Mr. Ng as described in Note (l) below.
- (k) On 16 July 2015, CMoN Holdings Limited entered into deeds of debt assignment with the Company, CMON Pte Ltd. and CMON Global Limited respectively pursuant to which the debts owed by CMON Pte Ltd. and CMON Global Limited to CMoN Holdings Limited totalling US\$5,300,000 were capitalised by the issue of 749,990,000 ordinary shares of HK\$0.0001 each by the Company to CMoN Holdings Limited.
- (l) On 16 July 2015, CMoN Holdings Limited issued new ordinary shares with equity interests of 52.5%, 22.5% and 25% to Mr. Ng, Mr. Doust and certain consultants who helped in the expansion of the business, respectively.
- (m) On 31 October 2016, a subdivision of each issued and unissued ordinary share with a nominal value of HK\$0.0001 each into 2 ordinary shares of HK\$0.00005 each was effected.

2.2.3 Reorganisation of the business and operating structure

Since 2014 when the companies now comprising the Group were gradually incorporated, the new business of the Business was conducted through these companies, whereas CoolMiniOrNot Inc. continued in operation to process the outstanding sales commitments but not new business. Management decided that CoolMiniOrNot Inc. will not be included in the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Development of the Business and Reorganisation (Continued)

2.2.3 Reorganisation of the business and operating structure (Continued)

On 15 July 2015, CMON Inc., CoolMiniOrNot Inc. and each of Mr. Ng and Mr. Doust entered into rights assignment agreements pursuant to which all registered trademarks, domain names and other intellectual property rights, and all titles, rights owned by each of Mr. Ng and Mr. Doust and physical embodiments of the materials created by CoolMiniOrNot Inc. relating to the intellectual properties owned by each of Mr. Ng and Mr. Doust were transferred to the Group. In addition, as stipulated in the above rights assignment agreements, CMON Inc. and CoolMiniOrNot Inc. entered into an asset purchase agreement and bill of sale on 18 June 2015 pursuant to which CoolMiniOrNot Inc. sold its remaining inventories and office equipment to CMON Inc. at their carrying values amounting to US\$240,751.

On 15 July 2015, CMON Productions Limited and CoolMiniOrNot Inc. entered into novation agreements with certain third parties pursuant to which the rights and obligations under the content authoring agreement and publishing agreements entered into between CoolMiniOrNot Inc. and these third parties were novated to CMON Productions Limited.

As of 15 July 2015, the balance sheet position of CoolMiniOrNot Inc. after the transfer of all its relevant assets and liabilities to the respective group entities is as follows:

	US\$
ASSETS	
Current assets	
Other receivables	241,548
Cash and cash equivalents	7,333
	<hr/>
Total assets	248,881
	<hr/>
EQUITY	
Capital and reserves attributable to equity holders of the Company	
Share capital	134,000
Accumulated losses	(126,127)
	<hr/>
Total equity	7,873
	<hr/>
LIABILITIES	
Current liabilities	
Accruals and payables	84,893
Amount due to a related company	156,115
	<hr/>
Total liabilities	241,008
	<hr/>
Total equity and liabilities	248,881
	<hr/>

The assets and liabilities of CoolMiniOrNot Inc. are no longer included in the Group's consolidated financial statements from 15 July 2015 onwards, and the exclusion of the above assets and liabilities on 15 July 2015 is regarded as a distribution to shareholders. CoolMiniOrNot Inc. is not involved in the Business subsequent to that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US\$, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values over their estimated useful lives, as follows:

Displays, moulds and tools	5 years
Art, painting and sculpts	10 years
Furniture and fixtures	5 years
Computer equipment	5 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) *Product development costs*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (directly attributable to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- (i) it is technically feasible to complete the developing/developed product so that it will be available for use or sale;
- (ii) management intends to complete the developing/developed product and use or sell it;
- (iii) the Group is able to use or sell the developing/developed product;
- (iv) it can be demonstrated how the developing/developed product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the developing/developed product are available; and
- (vi) the expenditure attributable to the developing/developed product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and are stated at historical cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of each intangible asset over their estimated useful lives of 5 to 10 years since the products are launched.

(b) *Intellectual property rights and licences*

Separately acquired intellectual property rights and licences are initially recognised at historical cost. Intellectual property rights and licences acquired in a business combination are recognised at fair value at the acquisition date. Intellectual property rights and licences have finite useful lives and are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of intellectual property rights and licences over their estimated useful lives of 10 to 20 years since their respective years of launch.

(c) *Acquired computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of 3 to 5 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("**cash-generating units**"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables mainly comprise cash and cash equivalents, trade receivables, deposits, amount due from a shareholder and amount due from a related company.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, that is the date on which the Group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transactions costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or its subsidiaries, or the counterparty.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “**loss event**”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed by the Group in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of merchandise includes all expenditures including material cost and shipping cost in bringing the inventory to its present location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Inside basis differences (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(i) *Pension obligations*

The Group participates in certain defined contribution retirement benefit plans which are available to all relevant employees. The plans are generally funded through payments to schemes established by trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The contributions are recognised as employee benefit expenses when they are due. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

(ii) *Bonus plan*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the period end date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered or products supplied, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of products

Sales to customers who pre-order such products through an internet based crowd funding platform are recognised upon delivery of products to the carriers and the titles have been passed to customers according to the terms of the pre-order contracts with these customers.

Sales to wholesale and other customers are recognised when products are shipped and the titles have been passed to customers.

(ii) Shipping income

Shipping income are recognised when the products are shipped to customers, the timing of which generally coincides with when the revenue from sales of products is recognised. The related shipping and handling charges are included in cost of sales.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Deferred revenue

Deferred revenue represents prepaid amounts received from customers who pre-order the Group's products of specific projects on an internet based crowd funding platform. The projects are expected to be completed and the products of the projects to be delivered within one year. Deferred revenue is recognised in profit or loss in accordance with the revenue recognition policy as set out in Note 2.20. Deferred revenue attributable to orders which have been prepaid but subsequently abandoned by customers is recognised as revenue when the Group expects that it no longer has any contractual or constructive obligations to fulfil the orders from those customers.

2.22 Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders or directors, as appropriate.

2.24 Share-based payment transactions

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures the goods or services received, and the corresponding increase in equity, indirectly, with reference to the fair value of the equity instruments granted.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*

The Group operates in the United States and Singapore with the majority of its transactions denominated and settled in US\$, management are of the opinion that the Group's exposure to changes in exchange rates of foreign currencies is relatively insignificant. The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

The carrying amount of cash and cash equivalents, trade receivables, deposits, amount due from a shareholder and amount due from a related company included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's cash at banks are deposited in major financial institutions located in Singapore and the United States, which management believes are of high credit quality. Management does not expect any losses arising from non-performance by these counterparties.

The Group's sales made through an internet based crowd funding platform for which sales proceeds are generally received prior to product delivery do not expose the Group to significant credit risk. The Group's trade receivables are primarily related to sales to wholesale customers. The Group has policies in place to ensure that products are sold to wholesale customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the trade debtors and whether there are any disputes with the relevant debtors.

(c) *Liquidity risk*

Prudent liquidity management implies maintaining sufficient cash and bank balances. The Group's primary cash requirements have been the settlement to suppliers and payment of operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and bank balances to meet its liquidity requirements in the short and long term.

The Group's financial liabilities as at 31 December 2016 and 2015 were all due for settlement contractually within 12 months with their respective contractual undiscounted cash flows approximated their carrying amounts due to the short maturities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year US\$
At 31 December 2016	
Trade payables	1,062,005
Accruals and other payables	1,173,549
Amount due to ultimate holdings company	3
At 31 December 2015	
Trade payables	545,059
Accruals and other payables	1,289,521
Amount due to ultimate holding company	112,501

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) *Cash flow and fair value interest-rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not have any significant interest bearing financial assets or liabilities except for cash at banks, details of which are disclosed in Note 12. Accordingly, the directors believe that the Group's exposure to the cash flow interest rate risk is relatively insignificant. The Group does not have any significant financial assets or financial liabilities which would expose it to fair value interest rate risk.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt or obtain funding from shareholders and potential investors.

The Group did not raise any external borrowings as at 31 December 2016 and 2015.

3.3 Fair value estimation

As at 31 December 2016 and 2015, the Group did not have any financial assets or financial liabilities in the balance sheet that is measured at fair value.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade receivables and deposits, amounts due from a shareholder and a related company and its current financial liabilities including trade and other payables and amounts due to a shareholder and ultimate holding company approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, or presentation of the consolidated financial statements within the next financial year are discussed below.

(a) *Impairment and useful lives of property, plant and equipment and intangible assets*

Management determines the estimated useful lives and related depreciation or amortisation charges for the Group's property, plant and equipment including displays, moulds and tools, art, painting and sculpts, and its intangible assets including product development costs and intellectual property rights. Such estimations were made by reference to the actual useful lives of assets of similar attributes, and the sales performance of the relevant games as regard to product development costs and intellectual property rights. In the past, no significant differences between estimated and actual useful lives have been identified.

Management will revise the depreciation and amortisation charge where useful lives are different from those previously estimated, or it will write-off or write-down obsolete assets related to the games that have been discontinued to publish or whenever events or circumstances indicate that the carrying value may not be recoverable.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. In the past, changes in such estimations were primarily in response to changes in business performance which affected the expected economic benefits to be derived from the related assets. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss. Historically, there have been no significant impairment indicators in relation to the Group's property, plant and equipment and intangible assets and accordingly, there have been no significant under/over-provision of impairment on these assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period based on the above methodology consistently which has resulted in changes in the assessed net realisable value over time. There have been no significant shortfall in these estimates against actual results.

(c) *Estimation of provision for impairment of receivables and prepayments*

The Group makes provision for impairment of receivables and prepayments based on an assessment of the collectability of receivables and realisability of prepayments, taking into account the debtors' financial conditions, any recent settlement plan committed by the debtors, and their status of settlement historically and subsequent to period end. Provisions for impairment are applied to receivables and prepayments where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates and the changes in the estimated provision in the past were mainly caused by changes in the above factors underlying the provision assessment. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and prepayments and doubtful debt expense in the period in which such estimate is changed. There have been no significant shortfall in these estimates against actual results.

(d) *Income taxes*

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due and with reference to the applicable tax regulations in the respective jurisdictions. Changes in provision for income taxes in the past, if any, were mainly caused by changes in the relevant tax regulations or other circumstantial changes of the Group's business transactions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Historically, the Group did not have any significant over/under-provision in relation to income taxes.

5 SEGMENT INFORMATION

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

During the year, revenue is earned from customers located in the following geographic areas:

	2016	2015
	US\$	US\$
North America	11,546,173	8,322,373
Europe	7,829,071	7,413,299
Oceania	794,214	896,926
Asia	626,047	336,074
South America	152,212	191,683
Africa	16,418	25,000
	<u>20,964,135</u>	<u>17,185,355</u>

No individual customers of the Group contributed more than 10% of the Group's revenue during the years ended 31 December 2016 and 2015.

At 31 December 2016 and 2015, the total non-current assets other than intangible assets and deferred income tax assets located in the USA were US\$2,015,950 and US\$1,328,692, respectively, and the total non-current assets other than intangible assets and deferred income tax assets located in other locations (mainly in Mainland China) were US\$1,771,446 and US\$1,425,416, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

	Art, painting & sculptures US\$	Computer equipment US\$	Displays, moulds & tools US\$	Furniture & fixtures US\$	Motor vehicles US\$	Total US\$
At 1 January 2015						
Cost	706,049	41,103	1,187,698	34,003	—	1,968,853
Accumulated depreciation	(111,594)	(14,987)	(292,257)	(17,675)	—	(436,513)
Net book amount	<u>594,455</u>	<u>26,116</u>	<u>895,441</u>	<u>16,328</u>	<u>—</u>	<u>1,532,340</u>
Year ended 31 December 2015						
Opening net book amount	594,455	26,116	895,441	16,328	—	1,532,340
Additions	773,128	26,642	853,784	3,453	10,677	1,667,684
Depreciation (Note 20)	(104,176)	(10,366)	(323,809)	(6,972)	(593)	(445,916)
Closing net book amount	<u>1,263,407</u>	<u>42,392</u>	<u>1,425,416</u>	<u>12,809</u>	<u>10,084</u>	<u>2,754,108</u>
At 31 December 2015 and 1 January 2016						
Cost	1,479,177	67,745	2,041,482	37,456	10,677	3,636,537
Accumulated depreciation	(215,770)	(25,353)	(616,066)	(24,647)	(593)	(882,429)
Net book amount	<u>1,263,407</u>	<u>42,392</u>	<u>1,425,416</u>	<u>12,809</u>	<u>10,084</u>	<u>2,754,108</u>
Year ended 31 December 2016						
Opening net book amount	<u>1,263,407</u>	<u>42,392</u>	<u>1,425,416</u>	<u>12,809</u>	<u>10,084</u>	<u>2,754,108</u>
Additions	837,995	50,542	822,637	18,444	—	1,729,618
Depreciation (Note 20)	(185,525)	(17,919)	(480,398)	(8,929)	(3,559)	(696,330)
Closing net book amount	<u>1,915,877</u>	<u>75,015</u>	<u>1,767,655</u>	<u>22,324</u>	<u>6,525</u>	<u>3,787,396</u>
At 31 December 2016						
Cost	2,317,172	118,287	2,864,119	55,900	10,677	5,366,155
Accumulated depreciation	(401,295)	(43,272)	(1,096,464)	(33,576)	(4,152)	(1,578,759)
Net book amount	<u>1,915,877</u>	<u>75,015</u>	<u>1,767,655</u>	<u>22,324</u>	<u>6,525</u>	<u>3,787,396</u>

During the year, depreciation is included in profit or loss as follows:

	2016 US\$	2015 US\$
Cost of sales	480,398	323,809
General and administrative expenses	215,932	122,107
	<u>696,330</u>	<u>445,916</u>

7 INTANGIBLE ASSETS

	Intellectual property rights US\$	Product development costs US\$	Computer software US\$	Total US\$
Year ended 31 December 2016				
Opening net book amount	5,206,770	385,392	155,013	5,747,175
Additions	946,537	1,274,234	175,510	2,396,281
Amortisation (Note 20)	(358,890)	(150,551)	(57,419)	(566,860)
Closing net book amount	<u>5,794,417</u>	<u>1,509,075</u>	<u>273,104</u>	<u>7,576,596</u>
At 31 December 2016				
Cost	6,762,540	1,719,803	373,143	8,855,486
Accumulated amortisation	(968,123)	(210,728)	(100,039)	(1,278,890)
Net book amount	<u>5,794,417</u>	<u>1,509,075</u>	<u>273,104</u>	<u>7,576,596</u>
Year ended 31 December 2015				
Opening net book amount	4,853,638	—	12,257	4,865,895
Additions	653,244	445,569	160,862	1,259,675
Amortisation (Note 20)	(300,112)	(60,177)	(18,106)	(378,395)
Closing net book amount	<u>5,206,770</u>	<u>385,392</u>	<u>155,013</u>	<u>5,747,175</u>
At 31 December 2015				
Cost	5,816,003	445,569	197,633	6,459,205
Accumulated amortisation	(609,233)	(60,177)	(42,620)	(712,030)
Net book amount	<u>5,206,770</u>	<u>385,392</u>	<u>155,013</u>	<u>5,747,175</u>

During the year, amortisation is included in profit or loss as follows:

	2016 US\$	2015 US\$
Cost of sales	509,441	360,289
General and administrative expenses	57,419	18,106
	<u>566,860</u>	<u>378,395</u>

8 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	2016	2015
	US\$	US\$
Assets included in the consolidated balance sheets		
Trade receivables	2,192,927	785,888
Deposits	89,922	38,987
Cash and cash equivalents	6,612,768	2,628,967
Amount due from a shareholder	—	4,716
Amount due from a related company	—	266,459
	<u>8,895,617</u>	<u>3,725,017</u>
Financial liabilities at amortised cost		
	2016	2015
	US\$	US\$
Trade payables	1,062,005	545,059
Accruals and other payables	1,173,549	1,289,521
Amount due to ultimate holding company	3	112,501
	<u>2,235,557</u>	<u>1,947,081</u>

9 INVENTORIES

	2016	2015
	US\$	US\$
Trading merchandise	<u>3,660,247</u>	<u>2,304,335</u>

As at 31 December 2016 and 2015, there was no write down of inventories.

10 TRADE RECEIVABLES

	2016	2015
	US\$	US\$
Trade receivables	<u>2,192,927</u>	<u>785,888</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 2016 and 2015, the Group granted credit terms of 0 to 30 days to its customers.

10 TRADE RECEIVABLES (CONTINUED)

At 31 December 2016 and 2015, the ageing analysis of trade receivables by the date on which the respective sales invoices were issued is as follows:

	2016 US\$	2015 US\$
Less than 30 days	1,119,414	544,727
30 days to 90 days	675,841	105,559
91 days to 180 days	297,736	114,459
Over 180 days	99,936	21,143
	<u>2,192,927</u>	<u>785,888</u>

As of 31 December 2016 and 2015, trade receivables of US\$1,073,513 and US\$241,141, respectively, were past due but not impaired. These relate to a number of independent customers with no history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2016 US\$	2015 US\$
Less than 30 days	354,242	75,652
30 days to 90 days	619,335	144,346
More than 90 days	99,936	21,143
	<u>1,073,513</u>	<u>241,141</u>

As at 31 December 2016 and 2015, there were no trade receivables which were past due and impaired and no collaterals have been received from customers.

11 PREPAYMENTS AND DEPOSITS

	2016 US\$	2015 US\$
Prepayments for professional fees in respect of listing preparation	—	924,053
Advances to suppliers	638,673	343,093
Prepaid royalties and game development costs	1,109,468	500,000
Other prepayments	58,842	222,267
Deposits	89,922	38,987
	<u>1,896,905</u>	<u>2,028,400</u>
Total		

12 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	2016 US\$	2015 US\$
Cash at banks	6,596,888	2,627,353
Cash on hand	15,880	1,614
Total cash and cash equivalents	<u>6,612,768</u>	<u>2,628,967</u>

The Group's cash and cash equivalents are denominated in the following currencies:

	<u>As at 31 December</u>	
	2016 US\$	2015 US\$
US\$	1,425,581	2,622,541
Hong Kong dollars ("HK\$")	5,158,107	—
Singapore dollars ("SG\$")	29,080	6,426
	<u>6,612,768</u>	<u>2,628,967</u>

(b) Major non-cash transactions in relation to consolidated statement of cash flows

During the year ended 31 December 2015, the Group entered into deeds of debt assignment with CMoN Holdings Limited pursuant to which the amount due to CMoN Holdings Limited amounting to US\$5,300,000 was capitalised by issue of ordinary shares to CMoN Holdings Limited.

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital US\$	Share premium US\$
Authorised:			
Ordinary share capital of HK\$0.0001 each on 16 June 2015 (the date of incorporation of the Company) and as at 31 December 2015	3,800,000,000	49,147	—
Sub-division of shares	3,800,000,000	—	—
At 31 December 2016	7,600,000,000	49,147	—
Issued and fully paid:			
At 1 January 2015	—	—	—
Issue of shares at date of incorporation of the Company	10,000	—	—
Issue of shares pursuant to the reorganisation	749,990,000	9,700	5,290,300
At 31 December 2015 and 1 January 2016	750,000,000	9,700	5,290,300
At 1 January 2016	750,000,000	9,700	5,290,300
Sub-division of shares (Note a)	750,000,000	—	—
Issued shares under placing (Note b)	306,000,000	2,000	9,071,982
Share issue expenses	—	—	(1,978,149)
At 31 December 2016	1,806,000,000	11,700	12,384,133

Notes:

- (a) On 31 October 2016, the Company undertook a sub-division of 750,000,000 ordinary shares into 1,500,000,000 ordinary shares on the basis of every 1 share into 2 shares.
- (b) On 2 December 2016, the company issued 306,000,000 shares pursuant to the Company's listing on the GEM of the Stock Exchange by way of placing at a price of HK\$0.23 per share.

14 BALANCES WITH A SHAREHOLDER, ULTIMATE HOLDING COMPANY AND A RELATED COMPANY

Amount due from a shareholder

The balance with a shareholder is unsecured, interest-free, repayable on demand and denominated in US\$. The maximum outstanding balance was US\$61,541 and has been fully repaid during the year ended 31 December 2016.

Amount due to ultimate holding company

As at 31 December 2016 and 2015, the amount due to ultimate holding company was unsecured, interest-free, denominated in US\$ and repayable on demand.

Amount due from a related company

As at 31 December 2015, the amount due from a related company was unsecured, interest-free, denominated in US\$ and repayable on demand. The maximum outstanding balance was US\$266,459 and has been fully repaid during the year ended 31 December 2016.

15 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the consolidated balance sheets are, after appropriate offsetting, as follows:

	2016 US\$	2015 US\$
Deferred income tax assets		
— To be recovered after one year	<u>—</u>	<u>13,311</u>
Deferred income tax liabilities		
— To be settled within one year	<u>(146,507)</u>	<u>(47,700)</u>
— To be settled after one year	<u>(119,215)</u>	<u>(90,925)</u>
	<u>(265,722)</u>	<u>(138,625)</u>

The movement in net deferred income tax is as follows:

	2016 US\$	2015 US\$
At beginning of year	<u>(125,314)</u>	<u>(17,357)</u>
Charged to profit or loss (Note 23)	<u>(140,408)</u>	<u>(107,957)</u>
At end of year	<u>(265,722)</u>	<u>(125,314)</u>

15 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred tax assets and liabilities prior to offsetting of balances within the same taxation jurisdiction is as follows:

Deferred income tax assets	Tax losses US\$	Deferred revenue US\$	Total US\$
At 1 January 2016	132,360	—	132,360
Charged to profit or loss	(116,353)	—	(116,353)
At 31 December 2016	<u>16,007</u>	<u>—</u>	<u>16,007</u>
At 1 January 2015	242,662	63,673	306,335
Exclusion of a former group entity (Note (a))	(148,817)	—	(148,817)
Credited/(charged) to profit or loss	38,515	(63,673)	(25,158)
At 31 December 2015	<u>132,360</u>	<u>—</u>	<u>132,360</u>

Deferred income tax liabilities	Accelerated tax depreciation US\$
At 1 January 2016	(257,674)
Charged to profit or loss	(24,055)
At 31 December 2016	<u>(281,729)</u>
At 1 January 2015	(323,692)
Exclusion of a former group entity (Note (a))	148,817
Charged to profit or loss	(82,799)
At 31 December 2015	<u>(257,674)</u>

Note a:

As disclosed in Note 2.2.3, the assets and liabilities of CoolMiniOrNot Inc. are no longer included in the Group's consolidated financial statements from 16 July 2015 onwards.

16 TRADE PAYABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE PAYABLES (CONTINUED)

An ageing analysis of trade payables as at the balance sheet dates based on invoice dates is as follows:

	2016	2015
	US\$	US\$
Less than 60 days	913,385	447,812
60 days to 120 days	148,620	97,247
	<u>1,062,005</u>	<u>545,059</u>

The carrying amounts approximate their fair value due to their short-term maturities.

Trade payables are denominated in the following currencies:

	2016	2015
	US\$	US\$
US\$	1,049,037	523,595
Euro	12,968	21,464
	<u>1,062,005</u>	<u>545,059</u>

17 ACCRUALS AND OTHER PAYABLES

	2016	2015
	US\$	US\$
Other payable to a supplier of intellectual property rights	—	700,000
Accruals for professional fees in respect of listing preparation	731,037	575,439
Accruals for audit fee	209,000	—
Other accrued operating expenses	233,512	14,082
	<u>1,173,549</u>	<u>1,289,521</u>

The carrying amounts of the Group's accruals and other payables are denominated in US\$ and approximate their fair value.

18 DEFERRED REVENUE

As at 31 December 2016 and 2015, deferred revenue represents prepaid amounts received from customers who pre-ordered the Group's products of specific projects on an internet based crowd funding platform.

18 DEFERRED REVENUE (CONTINUED)

The movement of deferred revenue is as follows:

	2016 US\$	2015 US\$
Beginning of the year	4,464,508	1,564,981
Amounts received from an internet based crowd funding platform (Note a)	11,620,728	10,973,346
Revenue recognised upon delivery of products (Note b)	(11,220,892)	(7,727,445)
Refunds (Note c)	(160,958)	(190,641)
Forfeiture revenue (Note d) (Note 19)	(194,164)	(155,733)
	<u>4,509,222</u>	<u>4,464,508</u>
At the end of the year		

Notes:

- (a) The amounts are received from an internet based crowd funding platform in respect of amounts prepaid by customers for pre-orders of specified products.
- (b) The amount represents revenue recognised in profit or loss upon delivery of products in accordance with the policies set out in Note 2.20.
- (c) The amount represents refunds upon cancellation of pre-orders by customers before delivery of products.
- (d) The amounts represent receipts from customer pre-orders which were subsequently abandoned by customers and are recognised as revenue in accordance with the policies set out in Note 2.21.

As at 31 December 2016 and 2015, the entire balance of deferred revenue was aged within one year from the date when the relevant funding was received.

19 REVENUE

	2016 US\$	2015 US\$
Sales of products	18,517,094	15,118,786
Shipping income in connection with sale of products	2,252,877	1,910,836
Forfeiture revenue	194,164	155,733
	<u>20,964,135</u>	<u>17,185,355</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 EXPENSES BY NATURE

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

	2016 US\$	2015 US\$
Cost of inventories	7,213,575	5,492,911
Shipping and handling charges	2,544,873	2,194,229
Employee benefit expenses	2,320,733	1,746,774
Professional service fees in respect of listing preparation	3,052,277	2,011,190
Auditor's remuneration		
— Audit services	209,000	—
— Non-audit services	48,000	—
Other professional fees	82,477	82,356
Merchant account fees	685,704	923,733
Royalty expenses	57,038	134,484
Marketing expenses	392,887	205,298
Depreciation	696,330	445,916
Amortisation	566,860	378,395
Games development expenses	97,740	357,599
Website maintenance fees	197,893	107,364
Operating lease rentals	155,765	89,936
Travelling expenses	482,686	199,420
Other expenses	502,121	203,996
	<u>19,305,959</u>	<u>14,573,601</u>

Cost of sales comprises principally cost of inventories, shipping and handling charges of US\$2,046,461 and US\$2,194,229, depreciation of US\$480,398 and US\$323,809, amortisation of US\$509,441 and US\$360,289, and other expenses of US\$10,000 and US\$6,000 for the years ended 31 December 2016 and 2015, respectively.

Merchant account fees include fees charged by payment services providers, credit card companies and an internet based crowd funding platform upon remittance of the relevant funding.

21 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 US\$	2015 US\$
Wages and salaries	2,186,146	1,653,576
Pension costs — defined contribution plans	134,587	93,198
	<u>2,320,733</u>	<u>1,746,774</u>

Employee benefit expenses have been included in profit or loss as follows:

	2016 US\$	2015 US\$
Selling and distribution expenses	203,296	81,617
General and administrative expenses	2,117,437	1,665,157
	<u>2,320,733</u>	<u>1,746,774</u>

22 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remunerations

The aggregate amount of emoluments paid/payable to directors of the Group is as follows:

	2016 US\$	2015 US\$
Wages and salaries	380,670	367,196
Discretionary bonuses	151,414	—
Directors' fees	12,000	—
Pension costs — defined contribution plans	32,616	34,429
	<u>576,700</u>	<u>401,625</u>

The remuneration of each of the directors of the Company for the year ended 31 December 2016 is set out below:

Name of Director	Fees US\$	Salary US\$	Discretionary bonuses US\$	Allowances and benefits in kind US\$	Employer's contribution to a retirement benefit scheme US\$	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking US\$	Total US\$
Executive directors							
David Doust	—	144,000	36,000	—	12,418	—	192,418
Ng Chern Ann (Note i)	—	144,000	103,966	—	8,882	—	256,848
Koh Zheng Kai	—	92,670	11,448	—	11,316	—	115,434
Sub-total	<u>—</u>	<u>380,670</u>	<u>151,414</u>	<u>—</u>	<u>32,616</u>	<u>—</u>	<u>564,700</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' remunerations (Continued)

The remuneration of each of the directors of the Company for the year ended 31 December 2016 is set out below:
(Continued)

Name of Director	Fees US\$	Salary US\$	Discretionary bonuses US\$	Allowances and benefits in kind US\$	Employer's contribution to a retirement benefit scheme US\$	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking US\$	Total US\$
Independent non-executive directors							
Seow Chow Loong	3,000	—	—	—	—	—	3,000
Lip Keat Tan	3,000	—	—	—	—	—	3,000
Chong Pheng	3,000	—	—	—	—	—	3,000
Chua Oon Kian	3,000	—	—	—	—	—	3,000
Sub-total	12,000	—	—	—	—	—	12,000
Total	12,000	380,670	151,414	—	32,616	—	576,700

The remuneration of each of the directors of the Company for the year ended 31 December 2015 is set out below:

Name of Director	Fees US\$	Salary US\$	Discretionary bonuses US\$	Allowances and benefits in kind US\$	Employer's contribution to a retirement benefit scheme US\$	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking US\$	Total US\$
Executive directors							
David Doust	—	144,000	—	—	9,435	—	153,435
Ng Chern Ann (Note i)	—	128,663	—	—	16,736	—	145,399
Koh Zheng Kai	—	94,533	—	—	8,258	—	102,791
	—	367,196	—	—	34,429	—	401,625

Note i: Mr. Ng Chern Ann is the executive director and the chief executive officer of the Company.

22 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits and termination benefits

Except for the amounts disclosed in Note (a) above, none of the directors received or will receive any retirement benefits or termination benefits in respect of their services to the Company and its subsidiaries for the year (2015: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, the Company has not paid any consideration to any third parties for making available directors' services to the Company (2015: Nil).

(d) No loans, quasi-loans and other dealings were made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year (2015: Nil).

(e) No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year (2015: Nil).

(f) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are in the following capacity:

	No of individuals	
	Year ended 31 December	
	2016	2015
Director	3	3
Employee	2	2
	5	5

Information relating to the remunerations of the directors has been disclosed above. Details of the remunerations of the remaining highest paid individuals not in the capacity as a director during the years are set out below:

	2016	2015
	US\$	US\$
Basic salaries, other allowances and benefits in kind	144,759	123,977
Contribution to pension scheme	3,520	597
	148,279	133,272

22 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(f) Five highest paid individuals (Continued)

The number of highest paid individuals not in the capacity as a director whose remunerations for each of the year fell within the following bands:

	No of individuals Year ended 31 December	
	2016	2015
Emolument bands Nil to HK\$1,000,000 (equivalent to US\$129,000)	<u>2</u>	<u>2</u>

During the year, no emoluments have been paid to the directors of the Company or the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

23 INCOME TAX EXPENSE

The Group is exempted from taxation in the Cayman Islands and the British Virgin Islands. The companies comprising the Group are subject to USA corporate tax at the rate of 34% and Singapore corporate income tax at the rate of 17%.

	2016 US\$	2015 US\$
Current income tax	856,668	796,646
Deferred income tax	<u>140,408</u>	<u>107,957</u>
	997,076	904,603
Overprovision of tax in prior year		
— Current income tax	<u>(136,918)</u>	<u>(61,614)</u>
	<u>860,158</u>	<u>842,989</u>

23 INCOME TAX EXPENSE (CONTINUED)

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follows:

	2016 US\$	2015 US\$
Profit before income tax	<u>1,877,778</u>	<u>2,669,084</u>
Calculated at the applicable domestic tax rate of respective companies (Note)	429,411	486,953
Expenses not deductible	672,572	491,971
Tax incentives	(87,352)	(78,570)
Overprovision of tax in prior year	(136,918)	(61,614)
Others	<u>(17,555)</u>	<u>4,249</u>
	<u><u>860,158</u></u>	<u><u>842,989</u></u>

Note:

The weighted average applicable tax rate for the years ended 31 December 2016 and 2015 are 22.9% and 18.2% respectively, which is determined based on applicable domestic tax rates of the companies in the Group which are subject to tax in various countries.

24 CAPITAL RESERVES

	2016 US\$	2015 US\$
At beginning of the year	780,499	914,500
Distribution to shareholders	—	(134,000)
Effect of reorganisation	—	(1)
At end of the year	<u><u>780,499</u></u>	<u><u>780,499</u></u>

During the year ended 31 December 2015, the capital reserves were reduced by (a) an amount of US\$134,000 representing the share capital of CoolMiniOrNot Inc. as a result of its being excluded from the Group from 16 July 2015 onwards; and (b) the consideration of US\$1 paid by the Company as consideration to acquire the entire equity interests of CMON Productions Limited.

25 DIVIDENDS

Dividend declared in January 2015 of US\$1,100,000 (US\$0.0008 per share) represented dividend for the year ended 31 December 2014 by a company now comprising the Group to the equity holders, the amount of which was paid in January 2015. The dividend per share is calculated based on 1,353,303,571 ordinary shares assumed to be in issue as at 31 December 2014, taken into consideration the effect of the reorganisation took place on 15 July 2015 and the share subdivision took place on 31 October 2016.

The dividend declared in October 2015 was US\$500,000 (US\$0.0004 per share) of which US\$387,500 was paid in October 2015. The remaining balance of US\$112,500 was paid in May 2016. The dividend per share is calculated based on 1,420,824,119 ordinary shares assumed to be in issue as at 31 December 2015, taken into consideration the effect of the reorganisation took place on 15 July 2015 and the share subdivision took place on 31 October 2016.

26 EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, 1,353,303,571 ordinary shares were assumed to have been issued on 1 January 2014 as if the Company has been incorporated by then, taking into account the ordinary shares attributable to the debts payable to CMoN Holdings Limited totalling US\$5,300,000 capitalised on 16 July 2015 and the effect of the Group's reorganisation. Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2016	2015
Profit attributable to equity holders of the Company (US\$)	<u>1,017,620</u>	<u>1,826,095</u>
Weighted average number of ordinary shares in issue	<u>1,524,312,329</u>	<u>1,420,824,119</u>
Basic earnings per share (US\$)	<u>0.0007</u>	<u>0.0013</u>

The weighted average number of ordinary shares outstanding were adjusted for the effect of the sub-division of 1 ordinary share into 2 ordinary shares on 31 October 2016 as if the event had occurred at the beginning of both financial years presented.

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2016 and 2015.

27 RELATED PARTY TRANSACTIONS

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

The directors of the Group are of the view that the following individuals and companies that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
CMoN Holdings Limited	Ultimate holding company
CoolMiniOrNot Inc.	A related company from 16 July 2015 onwards

Save as disclosed elsewhere in the Financial Information, the Group had the following related party transactions and balances.

(a) Balances with related parties

Details of balances with related parties are set out in Note 14.

(b) Key management compensation

Details of key management compensations are set out in Note 22.

28 OPERATING LEASE COMMITMENTS

As at 31 December 2016 and 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2016 US\$	2015 US\$
No later than 1 year	422,792	417,600
Later than 1 year and no later than 5 years	1,217,746	1,640,538
	<u>1,640,538</u>	<u>2,058,138</u>

29 SUBSIDIARIES

Particulars of significant subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital	Percentage of equity interest held as at 31 December	
				2016	2015
Direct Interests:					
CMON Productions Limited	BVI; 11 June 2014	Investment holding: BVI	1 share; US\$1	100%	100%
Indirect Interests:					
CMON Global Limited	Cayman Islands; 18 September 2014	Publishing and sale of tabletop hobby games; Singapore	1 share; US\$1	100%	100%
CMON Pte. Ltd.	Singapore; 2 January 2014	Provision of services to group entities; Singapore	2 shares; S2	100%	100%
CMON Inc.	USA; 6 October 2014	Distribution of tabletop hobby game; USA	1 share; no par value	100%	100%
CMON Conventions Inc.	USA; 25 February 2016	Organisation of game conventions; USA	1,000 shares; no par value	100%	—

30 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	Note	2016 US\$	2015 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries		59,493,548	59,493,548
Current assets			
Cash and cash equivalents		5,158,107	—
Total assets		64,651,655	59,493,548
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		11,700	9,700
Share premium	(a)	12,384,133	5,290,300
Accumulated losses	(a)	(3,039,981)	—
Capital reserve	(a)	54,193,547	54,193,547
Total equity		63,549,399	59,493,547
LIABILITIES			
Current liabilities			
Amount due to ultimate holding company		1	1
Amounts due to subsidiaries		1,102,255	—
		1,102,256	1
Total liabilities		1,102,256	1
Total equity and liabilities		64,651,655	59,493,548

The balance sheet of the Company was approved by the Board of Directors on 22 March 2017 and was signed on its behalf.

Ng Chern Ann
Director

Koh Zheng Kai
Director

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	Share premium US\$	Capital reserve US\$	Accumulated losses US\$	Total US\$
At 16 June 2015 (date of incorporation)	—	—	—	—
Acquisition of subsidiaries by way of reorganisation	—	54,193,547	—	54,193,547
Issues of new shares	5,290,300	—	—	5,290,300
At 31 December 2015 and 1 January 2016	5,290,300	54,193,547	—	59,483,847
Loss for the year	—	—	(3,039,981)	(3,039,981)
Issues of shares under placing	9,071,982	—	—	9,071,982
Share issue expenses	(1,978,149)	—	—	(1,978,149)
At 31 December 2016	12,384,133	54,193,547	(3,039,981)	63,537,699

FINANCIAL SUMMARY

	Year ended 31 December		
	2014 US\$	2015 US\$	2016 US\$
Revenue	12,615,069	17,185,355	20,964,135
Gross profit	5,965,828	8,808,117	10,704,260
Profit before income tax	3,244,674	2,669,084	1,877,778
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u>2,563,407</u>	<u>1,826,095</u>	<u>1,017,620</u>

	As at 31 December		
	2014 US\$	2015 US\$	2016 US\$
Total assets	10,986,570	16,565,359	25,758,839
Total liabilities	7,913,101	7,973,669	9,053,696
Total equity	<u>3,073,469</u>	<u>8,591,690</u>	<u>16,705,143</u>