



CMON Limited

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

FIRST QUARTERLY REPORT

2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of CMON Limited (the “Company”, together with its subsidiaries, the “Group” or “we”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Frederick Chua Oon Kian

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

Ms. Ng Sau Mei
 Mr. Koh Zheng Kai

JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei
 Mr. Koh Zheng Kai

COMPLIANCE OFFICER

Mr. Ng Chern Ann

LEGAL ADVISER

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

AUDITOR

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

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

**HEADQUARTERS AND PRINCIPAL
PLACE OF BUSINESS**

15 Teo Hong Road #03-01
Singapore 088328

**REGISTERED PLACE OF BUSINESS
IN HONG KONG**

18th Floor, United Centre
95 Queensway, Hong Kong

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE IN THE
CAYMAN ISLANDS**

Conyers 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

The board of Directors (the “**Board**”) presents the unaudited consolidated results of the Group for the three months ended 31 March 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		Three months ended 31 March	
	Note	2017 (Unaudited) US\$	2016 (Unaudited) US\$
Revenue	2	1,479,877	2,822,619
Cost of sales		(1,252,370)	(1,596,538)
Gross profit		227,507	1,226,081
Other income		46,840	15,708
Selling and distribution expenses	3	(477,992)	(704,290)
General and administrative expenses			
— Professional service fees in respect of listing preparation	3	—	(719,997)
— Others	3	(1,231,925)	(751,593)
		(1,231,925)	(1,471,590)
Loss before income tax		(1,435,570)	(934,091)
Income tax credit	4	301,470	44,960
Loss and total comprehensive loss for the period attributable to equity holders of the Company		(1,134,100)	(889,131)
Loss per share for loss attributable to equity holders of the Company during the period			
Basic and diluted	5	(0.0007)	(0.0006)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Share capital (Unaudited) US\$	Share premium (Unaudited) US\$	Retained earnings (Unaudited) US\$	Capital reserves (Unaudited) US\$	Total (Unaudited) US\$
At 1 January 2017	11,700	12,384,133	3,528,811	780,499	16,705,143
Comprehensive loss					
Loss for the period	—	—	(1,134,100)	—	(1,134,100)
Total comprehensive loss	—	—	(1,134,100)	—	(1,134,100)
At 31 March 2017	11,700	12,384,133	2,394,711	780,499	15,571,043
At 1 January 2016	9,700	5,290,300	2,511,191	780,499	8,591,690
Comprehensive loss					
Loss for the period	—	—	(889,131)	—	(889,131)
Total comprehensive loss	—	—	(889,131)	—	(889,131)
At 31 March 2016	9,700	5,290,300	1,622,060	780,499	7,702,559

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 BASIS OF PREPARATION

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

The preparation of unaudited consolidated results in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In the current period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2016, as described in those consolidated financial statements except for the Group has adopted all the new and revised IFRSs issued that are relevant to its operations and effective for its accounting period beginning on 1 January 2017. The application of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited consolidated financial statements.

2 REVENUE

	Three months ended	
	31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	US\$	US\$
Sales of products	1,463,929	2,621,654
Shipping income in connection with sale of products	15,948	200,965
	1,479,877	2,822,619

3 EXPENSES BY NATURE

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

	Three months ended	
	31 March	
	2017 (Unaudited) US\$	2016 (Unaudited) US\$
Cost of inventories	626,799	1,066,394
Shipping and handling charges	285,233	572,090
Employee benefit expenses	993,295	563,736
Professional service fees in respect of listing preparation	—	719,997
Other professional fees	38,937	26,680
Merchant account fees	104,272	187,159
Royalty expenses	4,164	13,167
Marketing expenses	86,370	65,004
Depreciation	217,613	149,002
Amortisation	211,191	122,792
Games development expenses	1,757	62,863
Website maintenance fees	54,076	47,987
Operating lease rentals	46,721	17,949
Travelling expenses	185,403	82,667
Other expenses	106,456	74,930
	2,962,287	3,772,417

Cost of sales comprise principally cost of inventories, shipping and handling charges of US\$285,233 and US\$314,999, depreciation of US\$146,112 and US\$104,688, amortisation of US\$194,226 and US\$110,457 for the three months ended 31 March 2017 and 2016, 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.

4 INCOME TAX CREDIT

	Three months ended	
	31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	US\$	US\$
Current income tax credit	301,470	44,960

The Group is exempted from taxation in the Cayman Islands and the British Virgin Islands. The companies comprising the Group are subject to the United States of America ("USA" or "United States") corporate tax and Singapore corporate income tax. The tax rate of 21%, based on the average tax rate in Singapore and USA, was used to compute the income tax.

No provision for Hong Kong profits tax has been made in the consolidated financial information as the Company and the Group did not have assessable profit in Hong Kong during the three months ended 31 March 2017 and 2016.

5 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended	
	31 March	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (US\$)	(1,134,100)	(889,131)
Weighted average number of ordinary shares in issue	1,599,764,384	1,457,799,658
Basic loss per share (US\$)	(0.0007)	(0.0006)

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 the period for the three months ended 31 March 2016 presented.

Diluted loss per share is the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the three months ended 31 March 2017 and 2016.

6 DIVIDEND

The Board did not declare the payment of any dividend for the three months ended 31 March 2017 (for the three months ended 31 March 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model and Business Overview

We are a hobby games publisher specialising in developing and publishing mainly tabletop games (including board games and miniature war games). We 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.

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 intellectual property 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. During the three months ended 31 March 2017, we launched two Kickstarter games, namely *The World of SMOG: Rise of Moloch* and *Rising Sun*, and raised approximately US\$1.2 million and US\$4.2 million, respectively and 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. In February 2017, the Group entered into an agreement to acquire a property located at 201 Henderson Road #07/08-01, Apex @ Henderson, Singapore 159545 as its global head office for business expansion. The acquisition has been completed on 3 April 2017.

We achieved a remarkable milestone by the listing on GEM on 2 December 2016 (the "**Listing**"). The proceeds raised have strengthened our capital and provided fundings to us to further expand and develop our business. We will continue to strengthen our core business and explore new opportunities in order to maximise the value of the Company and its shareholders (the "**Shareholders**").

Financial Review

Revenue

Revenue decreased by approximately 46.4% from approximately US\$2.8 million for the three months ended 31 March 2016 to approximately US\$1.5 million for the three months ended 31 March 2017. During the three months ended 31 March 2017, no Kickstarter products were shipped due to a delay in shipping of a Kickstarter project and therefore no Kickstarter revenue was recognised. Besides, due to production constraint of our outsourced manufacturer in the last quarter of 2016, there was a delay in the production of our wholesale products resulting in a decrease in revenue from wholesalers from approximately US\$2.3 million for the three months ended 31 March 2016 to approximately US\$1.3 million for the three months ended 31 March 2017.

The following table sets out breakdowns of our revenue by sales channels:

	Three months ended 31 March			
	2017		2016	
	(Unaudited) US\$	%	(Unaudited) US\$	%
Direct				
Kickstarter	—	—	446,677	15.8%
Online store and game conventions	179,518	12.1%	45,809	1.6%
Mobile games	2,502	0.2%	11,163	0.4%
Wholesalers	1,297,857	87.7%	2,318,970	82.2%
Total	1,479,877	100.0%	2,822,619	100.0%

Cost of Sales

Our cost of sales decreased by approximately 18.8% from approximately US\$1.6 million for the three months ended 31 March 2016 to approximately US\$1.3 million for the three months ended 31 March 2017 primarily due to a decrease in cost of inventories by approximately 43.0% from approximately US\$1.1 million for the three months ended 31 March 2016 to US\$626,799 for the three months ended 31 March 2017 resulting from the decrease in our revenue.

Gross Profit and Gross Profit Margin

For the three months ended 31 March 2017, our gross profit decreased from approximately US\$1.2 million to US\$227,507 primarily due to the decrease in revenue. Our gross profit margin decreased from approximately 43.4% for the three months ended 31 March 2016 to approximately 15.4% for the three months ended 31 March 2017 primarily 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 for the three months ended 31 March 2016. The relatively lower shipping and handling costs being charged to cost of sales resulted in a relatively higher gross profit margin for the three months ended 31 March 2016. The decrease in gross profit margin was also due to the increase in depreciation and amortisation, which are fixed costs in nature, from US\$104,688 and US\$110,457, respectively, for the three months ended 31 March 2016 to US\$146,112 and US\$194,226, respectively, for the three months ended 31 March 2017 due to the addition of our fixed assets and intangible assets over the period.

Other Income

Other income amounted to US\$15,708 and US\$46,840 for the three months ended 31 March 2016 and 2017, 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 three months ended 31 March 2017 amounted to US\$477,992, representing a decrease of approximately 32.1% from US\$704,290 for the three months ended 31 March 2016. This was primarily due to the temporary change in delivery logistics for our sales to wholesalers in the United States for the three months ended 31 March 2016 resulting in the relevant shipping and handling costs being accounted as selling and distribution expenses.

General and Administrative Expenses

Our general and administrative expenses for the three months ended 31 March 2017 were approximately US\$1.2 million, representing a decrease of approximately 20.0% from approximately US\$1.5 million for the three months ended 31 March 2016. Such decrease was primarily due to a decrease in professional service fees in respect of our Listing application on the GEM from US\$719,997 for the three months ended 31 March 2016 to nil for the three months ended 31 March 2017 as we have successfully listed on GEM in December 2016. The increase in employee benefit expenses from US\$563,736 for the three months ended 31 March 2016 to US\$993,295 for the three months ended 31 March 2017 was primarily due to an increase in headcount resulting from business expansion.

Income Tax Credit

Income tax credit increased by approximately 5.7 times from US\$44,960 for the three months ended 31 March 2016 to US\$301,470 for the three months ended 31 March 2017 mainly because of the increase in loss before income tax. Besides, professional service fees in respect of our Listing application of US\$719,997 incurred for the three months ended 31 March 2016 was non tax-deductible and therefore resulted in relatively lower tax credit.

Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company increased by approximately 23.7% from US\$889,131 for the three months ended 31 March 2016 to approximately US\$1.1 million for the three months ended 31 March 2017 mainly due to relatively low revenue and gross profit margin for the three months ended 31 March 2017 as mentioned above.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Controlling Shareholders' Interests in Competing Business

Save as otherwise disclosed in this quarterly report, for the three months ended 31 March 2017, 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.

Directors' Rights to Acquire Shares or Debt Securities

Save as otherwise disclosed in this quarterly report, at no time during the three months ended 31 March 2017 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.

Corporate Governance

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 quarterly report, the Company has complied with all applicable code provisions of the CG Code during the three months ended 31 March 2017. 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.

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

During the three months ended 31 March 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Share Option Scheme

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

- (i) The participants can be any employee 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 of the Company (the "**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 31 March 2017. From the date of the adoption of the Share Option Scheme and as at 31 March 2017, 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 7 months.

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 three months ended 31 March 2017.

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 quarterly report).

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2017, 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 March 2017, 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, Underlying Shares and Debentures

As at 31 March 2017, 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 March 2017, 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 March 2017, 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.

Audit Committee and Review of Accounts

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee comprises three members, namely Mr. Tan Lip-Keat (chairman), Mr. Chong Pheng and Mr. Seow Chow Loong Iain, all of them are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the unaudited consolidated results of the Group for the three months ended 31 March 2017 and this quarterly report. The Audit Committee is of the opinion that the unaudited consolidated results of the Group for the three months ended 31 March 2017 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

On behalf of the Board

CMON Limited

Ng Chern Ann

Chairman and Chief Executive Officer

Singapore, 5 May 2017

As at the date of this quarterly report, the executive Directors are Mr. Ng Chern Ann, Mr. David Doust and Mr. Koh Zheng Kai; the non-executive Director is Mr. Frederick Chua Oon Kian; and the independent non-executive Directors are Mr. Chong Pheng, Mr. Tan Lip-Keat and Mr. Seow Chow Loong Iain.