



CMON Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8278

THIRD QUARTERLY REPORT

2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 (the “Main Board”) and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Director(s)”) 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 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> and the website of the Stock Exchange at www.hkexnews.hk.

CONTENTS

- 3 Corporate Information**
- 5 Consolidated Statements of Comprehensive Income**
- 6 Consolidated Statement of Changes in Equity**
- 7 Notes to the Consolidated Statements of Comprehensive Income**
- 10 Management Discussion and Analysis**
- 14 Corporate Governance and Other Information**

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
 20/F Wing On Centre
 111 Connaught 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**

201 Henderson Road #07/08-01
Apex @ Henderson
Singapore 159545

**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 and nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) US\$	2017 (Unaudited) US\$	2018 (Unaudited) US\$	2017 (Unaudited) US\$
Revenue	2	2,282,450	8,643,846	11,833,376	17,526,650
Cost of sales	3	(2,153,356)	(4,635,012)	(7,120,291)	(9,202,044)
Gross profit		129,094	4,008,834	4,713,085	8,324,606
Other (expenses)/income		(182,719)	34,851	134,180	263,402
Exchange losses		(95,427)	—	(77,923)	—
Selling and distribution expenses	3	(1,943,244)	(1,129,272)	(3,535,377)	(2,663,675)
General and administrative expenses	3	(1,945,453)	(2,015,391)	(5,220,575)	(4,863,142)
Operating (loss)/profit		(4,037,749)	899,022	(3,986,610)	1,061,191
Finance costs	4	(90,892)	(10,963)	(132,930)	(18,453)
(Loss)/profit before income tax		(4,128,641)	888,059	(4,119,540)	1,042,738
Income tax credit/(expense)		91,655	(186,492)	—	(218,975)
(Loss)/profit for the period attributable to equity holders of the Company		(4,036,986)	701,567	(4,119,540)	823,763
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange difference on translation on foreign operations		1,141	—	2,812	—
Other comprehensive income, net of tax		1,141	—	2,812	—
(Loss)/profit and total comprehensive (loss)/income for the period attributable to equity holders of the Company		(4,035,845)	701,567	(4,116,728)	823,763
(Loss)/earnings per share attributable to equity holders of the Company during the period					
Basic and diluted	5	(0.0022)	0.0004	(0.0023)	0.0005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Share capital (Unaudited) US\$	Share premium (Unaudited) US\$	Retained earnings (Unaudited) US\$	Capital reserve (Unaudited) US\$	Exchange reserves (Unaudited) US\$	Total (Unaudited) US\$
At 1 January 2018	11,700	12,384,133	7,025,430	780,499	(994)	20,200,768
Comprehensive loss						
Loss for the period	—	—	(4,119,540)	—	—	(4,119,540)
Other comprehensive income	—	—	—	—	2,812	2,812
Total comprehensive loss	—	—	(4,119,540)	—	2,812	(4,116,728)
At 30 September 2018	11,700	12,384,133	2,905,890	780,499	1,818	16,084,040
At 1 January 2017	11,700	12,384,133	3,528,811	780,499	—	16,705,143
Comprehensive income						
Profit for the period	—	—	823,763	—	—	823,763
Total comprehensive income	—	—	823,763	—	—	823,763
At 30 September 2017	11,700	12,384,133	4,352,574	780,499	—	17,528,906

NOTES TO THE CONSOLIDATED STATEMENTS 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 2017, as described in those consolidated financial statements except for the Group has adopted all the new and revised IFRSs issued, as disclosed below, that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. 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.

The following standards are relevant to the Group for the first time for the financial year beginning on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfer of Investment Property
IFRIC — Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements Projects	Annual Improvements 2014–2016 cycle

2 REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Sales of products	2,202,950	8,085,026	11,414,464	16,542,424
Shipping income in connection with sale of products	79,500	558,820	418,912	984,226
	2,282,450	8,643,846	11,833,376	17,526,650

3 EXPENSES BY NATURE

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

	Three Months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Cost of inventories	981,165	3,581,752	3,661,605	5,941,998
Shipping and handling charges	363,236	617,465	1,498,304	2,117,707
Employee benefit expenses	982,609	1,056,206	2,506,952	3,152,997
Professional service fee in respect of the application for the proposed transfer of listing of the shares of the Company from GEM to Main Board (the "Proposed Transfer of Listing")	163,596	—	612,770	—
Other professional fees	432,195	327,853	665,751	474,360
Merchant account fees	688,105	635,105	993,971	1,189,372
Royalty expenses	16,902	19,567	61,995	47,921
Marketing expenses	352,236	61,166	567,977	155,201
Depreciation	444,356	298,444	1,286,969	764,786
Amortisation	411,892	280,293	1,250,902	715,048
Games development expenses	195,221	46,965	669,062	139,889
Website maintenance fees	44,971	86,099	245,909	276,661
Operating lease rentals	145,672	121,185	412,483	251,179
Travelling expenses	330,929	385,523	710,138	705,909
Provision for doubtful debt	—	—	22,872	—
Write-down of inventories	200,000	—	200,000	—
Other expenses	288,968	262,052	508,583	795,833
	6,042,053	7,779,675	15,876,243	16,728,861

Cost of sales for the three months ended 30 September 2018 and 2017 comprise principally cost of inventories, shipping and handling charges, depreciation of US\$202,108 and US\$173,188, amortisation of US\$406,847 and US\$262,607 and write-down of inventories of US\$200,000 and nil, respectively.

Cost of sales for the nine months ended 30 September 2018 and 2017 comprise principally cost of inventories, shipping and handling charges, depreciation of US\$610,751 and US\$478,908, amortisation of US\$1,149,631 and US\$663,431 and write-down of inventories of US\$200,000 and nil, respectively.

4 INCOME TAX (CREDIT)/EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$	US\$	US\$	US\$
Current income tax (credit)/expense	(91,655)	186,492	—	218,975

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 corporate tax at the rate of 21% and Singapore corporate income tax at the rate of 17%.

No provision for Hong Kong profits tax has been made in the unaudited consolidated financial information as the Company and the Group did not have assessable profit in Hong Kong during the three months and nine months ended 30 September 2018 and 2017.

5 (LOSS)/EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to equity holders of the Company (US\$)	(4,036,986)	701,567	(4,119,540)	823,763
Weighted average number of ordinary shares in issue	1,806,000,000	1,806,000,000	1,806,000,000	1,806,000,000
Basic (loss)/earnings per share (US\$)	(0.0022)	0.0004	(0.0023)	0.0005

Diluted loss per share is same as the basic loss per share as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic loss per share during the three months and nine months ended 30 September 2018. Diluted earnings per share is same as the basic earnings per share due to the Company had no potential dilutive ordinary shares in issue during the three months and nine months ended 30 September 2017.

6 DIVIDEND

The Board did not declare the payment of any dividend for the three months and nine months ended 30 September 2018 (for the three months and nine months ended 30 September 2017: 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). Since 2015, we also had started developing and launching mobile games.

We publish both self-owned games and licensed games, as well as 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

We target to achieve long-term growth through product diversification and channel diversification. We plan to refocus our marketing efforts on our end users and the gamers, expand into the largely untapped markets of Asia, particularly China, and further strengthen our game design, licensing and intellectual property creation capabilities. The above strategies are in line with our objective to continuously expand our sales and marketing capabilities and to reach out to more gamers and at the same time, publish more high-quality tabletop games and mobile games.

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 nine months ended 30 September 2018, we launched five Kickstarter games, namely *HATE*, *Zombicide: Invader*, *Arcadia Quest: Riders*, *Cthulhu: Death May Die* and *Starcadia Quest*, and raised approximately US\$1.5 million, US\$3.4 million, US\$0.3 million, US\$2.4 million and US\$0.9 million, respectively. We also launched a Kickstarter game, namely *Project: ELITE* in October 2018. We will continue to launch games that attract and retain a significant number of players so that we can grow our revenue base and sustain our competitive position. Besides, we will continue to strengthen our efforts to expand our geographical coverage with an aim to increase market share and capture more exposure. In order to increase our presence in China, we have set up a company in China which has already commenced operation in October 2018.

On 6 July 2018, the Company submitted a formal application to the Stock Exchange for the Proposed Transfer of Listing pursuant to Chapter 9A and Appendix 28 to the Rules Governing the Listing of Securities on the Stock Exchange. The Directors believe that the Proposed Transfer of Listing will further enhance the profile, brand and product awareness of the Group, which in turn will facilitate the Group to realise its objectives as stated above. Besides, a Main Board listing status will help the Group to explore future possible partnership opportunities with more sizable and reputable targets, which is favourable to the long-term business growth of the Group. Apart from business related advantages, the Proposed Transfer of Listing may also help to strengthen the shareholders base and value of the Group through improvement in the trading liquidity of the shares of the Company (the “**Shares**”), strengthening of confidence of the existing shareholders of the Company (the “**Shareholders**”) as well as enhancing recognition by potential investors, in particular institutional investors. Therefore, the Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth and business development of the Group and is in the interest of the Company and its Shareholders as a whole. The Proposed Transfer of Listing is subject to, among others, the Stock Exchange granting the relevant approvals and other conditions set out in the announcement of the Company dated 6 July 2018. Further announcement(s) will be made by the Company to keep the Shareholders informed of the progress of the Proposed Transfer of Listing as and when appropriate.

Financial Review

Revenue

Revenue decreased by approximately 32.6% from approximately US\$17.5 million for the nine months ended 30 September 2017 to approximately US\$11.8 million for the nine months ended 30 September 2018. The decrease in revenue was primarily due to the decrease in revenue from Kickstarter. During the nine months ended 30 September 2018, we shipped two Kickstarter games, namely *A Song of Ice & Fire: Tabletop Miniatures Game* and *Arcadia Quest: Riders*.

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

	Nine months ended 30 September			
	2018		2017	
	(Unaudited) US\$	%	(Unaudited) US\$	%
Direct				
Kickstarter	3,388,428	28.7	10,247,058	58.5
Online store and game conventions	782,741	6.6	517,456	2.9
Mobile games	3,422	—	6,879	0.1
Wholesalers	7,658,785	64.7	6,755,257	38.5
Total	11,833,376	100.0	17,526,650	100.0

Cost of Sales

Our cost of sales decreased by approximately 22.8% from approximately US\$9.2 million for the nine months ended 30 September 2017 to approximately US\$7.1 million for the nine months ended 30 September 2018, which was primarily due to the decrease in cost of inventories by approximately 37.3% from approximately US\$5.9 million for the nine months ended 30 September 2017 to approximately US\$3.7 million for the nine months ended 30 September 2018 and the decrease in shipping and handling charges by approximately 28.6% from approximately US\$2.1 million for the nine months ended 30 September 2017 to approximately US\$1.5 million for the nine months ended 30 September 2018, both of which were generally in line with the decrease in our revenue; netted off by the increase in total depreciation and amortization by approximately 63.6% from approximately US\$1.1 million for the nine months ended 30 September 2017 to approximately US\$1.8 million for the nine months ended 30 September 2018, which was generally in line with the increase in the scale of our operation and game portfolio; and write-down of inventories to net realizable value of US\$200,000 for the nine months ended 30 September 2018 relating to slow moving inventories during the period.

Gross Profit and Gross Profit Margin

For the nine months ended 30 September 2018, our gross profit decreased from approximately US\$8.3 million for the nine months ended 30 September 2017 to approximately US\$4.7 million primarily due to the decrease in revenue. Our gross profit margin decreased from approximately 47.5% for the nine months ended 30 September 2017 to approximately 39.8% for the nine months ended 30 September 2018, which was primarily due to the increase in total depreciation and amortization which are fixed costs in nature.

Other Income

Other income decreased from US\$263,402 for the nine months ended 30 September 2017 to US\$134,180 for the nine months ended 30 September 2018, which was mainly attributable to the decrease in sales of advertising space on our website.

Selling and Distribution Expenses

Our selling and distribution expenses for the nine months ended 30 September 2018 amounted to approximately US\$3.5 million, representing an increase of approximately 29.6% from US\$2.7 million for the nine months ended 30 September 2017. This was primarily due to the increased marketing activities, such as participation in large scale game conventions, during the period.

General and Administrative Expenses

Our general and administrative expenses increased from approximately US\$4.9 million for the nine months ended 30 September 2017 to approximately US\$5.2 million for the nine months ended 30 September 2018, which was primarily due to the professional service fees in respect of our application for the Proposed Transfer of Listing of US\$612,770 incurred for the nine months ended 30 September 2018.

Income Tax Expense

The Group did not incur any income tax expense for the nine months ended 30 September 2018 as we recorded loss before income tax during the period.

Loss and Total Comprehensive Loss for the Period Attributable to Equity Holders of the Company

Our loss and total comprehensive loss for the period attributable to equity holders of the Company was approximately US\$4.1 million for the nine months ended 30 September 2018 as compared to the profit and total comprehensive income for the period attributable to equity holders of the Company of US\$823,763 for the nine months ended 30 September 2017, which was mainly due to the decrease in revenue and gross profit margin as well as the recognition of the professional service fees in respect of our application for the Proposed Transfer of Listing incurred for the nine months ended 30 September 2018 as mentioned above.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to 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 nine months ended 30 September 2018. 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 separated 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 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.

Compliance with the Required Standard of Dealings in Securities Transaction 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 nine months ended 30 September 2018.

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 nine months ended 30 September 2018 and this quarterly report. The Audit Committee is of the opinion that the unaudited consolidated results of the Group for the nine months ended 30 September 2018 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

Purchase, Sale or Redemption of Listed Securities of the Company

During the nine months ended 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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 acting as the compliance adviser and a joint sponsor in respect of the application for the Proposed Transfer of Listing as at the date of this quarterly report).

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

As at 30 September 2018, 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 Underlying Shares (unlisted and physically settled equity derivatives) ⁽¹⁾	Total Number of Shares Interested	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/beneficial owner	31,000,000	901,248,078	Long	49.90
David Doust ⁽²⁾ ("Mr. Doust")	Interest in controlled corporation/interest of a party to an agreement/beneficial owner	31,000,000	901,248,078	Long	49.90
Frederick Chua Oon Kian ⁽²⁾ ("Mr. Chua")	Interest in controlled corporation/beneficial owner	5,580,000	328,249,232	Long	18.18
Koh Zheng Kai	Beneficial owner	5,800,000	5,800,000	Long	0.32
Chong Pheng	Beneficial owner	5,580,000	5,580,000	Long	0.31
Tan Lip-Keat	Beneficial owner	5,580,000	5,580,000	Long	0.31
Seow Chow Loong Iain	Beneficial owner	5,580,000	5,580,000	Long	0.31

Notes:

- The issued share capital of Cangsome Limited ("CA SPV") is wholly owned by Mr. Ng. CA SPV is beneficially interested in 609,173,654 Shares whereas Mr. Ng is beneficially interested in 15,500,000 share options of the Company ("Share Options"). Pursuant to the acting-in-concert arrangement, Mr. Ng is deemed to be interested in the Shares held by CA SPV and Dakkon Holdings Limited ("DD SPV") and 15,500,000 Share Options held by Mr. Doust by virtue of the SFO.
- The issued share capital of DD SPV is wholly owned by Mr. Doust. DD SPV is beneficially interested in 261,074,424 Shares whereas Mr. Doust is beneficially interested in 15,500,000 Share Options. Pursuant to the acting-in-concert arrangement, Mr. Doust is deemed to be interested in the Shares held by DD SPV and CA SPV and 15,500,000 Share Options held by Mr. Ng by virtue of the SFO.

- (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 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 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.
- (4) The interests in the underlying Shares represent interests in Share Options granted to the respective Directors to subscribe for Shares.

Save as disclosed above, as at 30 September 2018, 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 30 September 2018, 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 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	Total Number of Shares Interested	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
CA SPV ⁽¹⁾	Beneficial owner/ interest of a party to an agreement	901,248,078	Long	49.90
DD SPV ⁽¹⁾	Beneficial owner/ interest of a party to an agreement	901,248,078	Long	49.90
Quantum Asset ⁽²⁾	Interest in controlled corporation	322,669,232	Long	17.87
Magic Carpet ⁽²⁾	Beneficial owner	322,669,232	Long	17.87
David Preti ⁽³⁾ ("Mr. Preti")	Interest in controlled corporation/beneficial owner	131,533,076	Long	7.28
Magumaki Limited ⁽³⁾ ("DP SPV")	Beneficial owner	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 and underlying Shares held by CA SPV, DD SPV and each other by virtue of the SFO. 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 30 September 2018, CA SPV was beneficially interested in 609,173,654 Shares, DD SPV was beneficially interested in 261,074,424 Shares, and each of Mr. Ng and Mr. Doust was beneficially interested in 15,500,000 Share Options.
- (2) Magic Carpet is a private equity investment fund managed by Quantum Asset on a 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 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. As at 30 September 2018, Mr. Preti was beneficially interested in 15,500,000 Share Options.

Save as disclosed above, as at 30 September 2018, 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 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**”).

- 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 30 September 2018.

- 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 21 days from the date on which the offer was issued or the date on which the conditions (if any) for the offer are satisfied, 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 date of grant; (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 grant 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 8 years.

On 13 August 2018, a total of 74,620,000 Share Options had been granted to certain Directors and employees of the Company with exercise price of HK\$0.232 per Share. None of the Share Options had been exercised, cancelled or lapsed as at 30 September 2018. For details of the Share Options granted under the Share Option Scheme, please refer to the Company's announcement dated 13 August 2018.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this quarterly report, at no time during the nine months ended 30 September 2018 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.

Directors' and Controlling Shareholders' Interests in Competing Business

For the nine months ended 30 September 2018, none of the Directors, controlling Shareholders or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

On behalf of the Board

CMON Limited

Ng Chern Ann

*Chairman, Chief Executive Officer and
Executive Director*

Singapore, 12 November 2018

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.