CMON Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8278

ANNUAL REPORT

2018

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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.

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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 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.

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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
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Offices of Conyers Trust Company (Cayman) Limited
Cricket Square
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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

CHAIRMAN'S STATEMENT

Dear Shareholders,

2018 was another stellar year for the tabletop game industry, with tabletop gaming on Kickstarter alone growing by 20% year on year[1]. CMON was there leading the way, with total Kickstarter fund raising amount of approximately US$9.9 million for games launched in 2018. We also enjoyed strong growth in wholesale sales, increasing from approximately US$8.3 million in 2017 to approximately US$12.2 million in 2018.

After the past few years of strong growth and activities in the capital market, 2018 was a year of consolidation as we seek to streamline our processes and use of our manpower and most importantly, examine and reduce all our costs where necessary. In particular, we will address our rising administrative costs in 2019 with an aim to improve our overall efficiency and effectiveness.

We continue adhering to our existing key business strategies — refocusing our marketing efforts on our end users and the gamers, expanding into the largely untapped markets of Asia and further strengthening our game design, licensing and intellectual property ("**IP(s)**") creation capabilities. We aim to continuously publish more high-quality tabletop games.

With that in mind, we invested heavily into the development of new games and we expect these to bear fruit in 2019 and beyond. We have pursued and obtained major licenses from Warner Brothers and Sony (*Wacky Races, Looney Tunes, Bloodborne* and *God of War*) and look to expand this important aspect of our business further. CMON also actively licensed our own IPs to other creators, and expect to have products based on them out in 2019.

In terms of people, we appointed Mr. David Preti, our former creative director, as the chief operating officer of the Group to free the vacancy after the resignation of Mr. Jules Vautour in June 2018.

We look to return as much value to our shareholders, employees and various other stakeholders as possible in 2019 and beyond, and look forward to your continuous support.

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

21 March 2019

1. http://icopartners.com/2019/01/games-and-crowdfunding-in-2018/

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 had also started developing and launching mobile games since 2015. In 2018, we launched our first computer game.

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 the date of this annual report, we offered a total of 83 games, comprising 78 board games, three miniature war games, one mobile game and one computer game. Five of our board games, namely *Arcadia Quest: Riders, Cthulhu: Death May Die, HATE, Zombicide: Invader* and *Starcadia Quest;* and one of our miniature war games, namely *A Song of Ice & Fire: Tabletop Miniatures Game,* launched on Kickstarter were shipped during the year ended 31 December 2018.

LONG-TERM STRATEGIES AND OUTLOOK

It is the Group's strategies to achieve long-term growth through product diversification and channel diversification. Our strategies continue to be three pronged — refocusing our marketing efforts on our end users and the gamers, expanding into the largely untapped markets of Asia, particularly China, and further strengthening our game design, licensing and IP creation capabilities. We have successfully hired various award winning creatives since the Company's listing on 2 December 2016 (the "**Listing Date**"). 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, to 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 year ended 31 December 2018, we launched seven Kickstarter games, namely *Arcadia Quest: Riders, Blood Rage Digital, Cthulhu: Death May Die, HATE, Project: ELITE, Starcadia Quest* and *Zombicide: Invader* and raised approximately US$0.3 million, US$0.8 million, US$2.4 million, US$1.5 million, US$0.6 million, US$0.9 million and US$3.4 million, respectively. We also launched a Kickstarter game, namely *Munchkin Dungeon* in January 2019 and raised approximately US$0.7 million. 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 wholly-owned subsidiary in China which has already commenced operation since October 2018.

On 6 July 2018, we submitted a formal application to the Stock Exchange for the proposed transfer of listing of the shares of the Company (the "**Shares**") from GEM to Main Board (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 our profile, brand and product awareness, which in turn will facilitate us to realise our objectives as stated above. Besides, a Main Board listing status will help us to explore future possible partnership opportunities with more sizable and reputable targets, which is favourable to our long-term business growth. Apart from business related advantages, the Proposed Transfer of Listing may also help to strengthen our shareholders base and value through improvement in the trading liquidity of 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 our future growth and business development and is in the interest of the Company and its Shareholders as a whole. However, as at the date of this annual report, the application has automatically lapsed as the process of the application has taken more than six months since the submission on 6 July 2018. We intend to make a re-submission in accordance with the published rules and guidance of the Stock Exchange for the renewal of the application. Further announcement(s) will be made to keep the Shareholders informed of the progress of the Proposed Transfer of Listing as and when appropriate.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately 5.4% from approximately US$29.8 million for the year ended 31 December 2017 to approximately US$28.2 million for the year ended 31 December 2018, primarily due to the decrease in revenue from board games. Revenue from board games decreased by approximately 20.6% from approximately US$29.3 million for the year ended 31 December 2017 to approximately US$23.3 million for the year ended 31 December 2018, which was mainly due to the decrease in the recognition of sales from new Kickstarter board games for the year ended 31 December 2018. During the year ended 31 December 2017, we recognized revenue from Kickstarter board games including *Massive Darkness, Rising Sun, The World of SMOG: Rise of Moloch* and *Zombicide: Green Horde* with a total fund raising amount of approximately US$14.0 million. However, during the year ended 31 December 2018, we recognized revenue from Kickstarter board games including *Arcadia Quest: Riders, Cthulhu: Death May Die, HATE, Starcadia Quest* and *Zombicide: Invader* with a total fund raising amount of approximately US$8.5 million only.

In terms of sales channels, revenue via Kickstarter decreased from approximately US$20.6 million for the year ended 31 December 2017 to approximately US$15.2 million for the year ended 31 December 2018, which was mainly due to the decrease in recognition of sales from new Kickstarter games. During the year ended 31 December 2018, revenue via Kickstarter was mainly contributed by the shipment of *A Song of Ice & Fire: Tabletop Miniatures Game, Arcadia Quest: Riders, Cthulhu: Death May Die, HATE, Starcadia Quest* and *Zombicide: Invader* with a total fund raising amount of approximately US$10.2 million while the fund raising amount for new Kickstarter games shipped in 2017 was approximately US$14.0 million.

North America and Europe remained as our major markets, with North American and European sales making up approximately 92.8% and 90.0% of our total revenue combined for the years ended 31 December 2018 and 2017 respectively.

The following tables set out the 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			
	2018		2017	
	US$	%	US$	%
Board games	23,261,711	82.5	29,301,745	98.3
Miniatures war games	4,583,409	16.2	365,440	1.2
Mobile games	4,007	—	9,098	—
Sub-total	27,849,127	98.7	29,676,283	99.5
Other products	358,284	1.3	140,457	0.5
Total	28,207,411	100.0	29,816,740	100.0

By sales channels

	Year ended 31 December			
	2018		2017	
	US$	%	US$	%
Direct				
Kickstarter	15,237,000	54.0	20,597,558	69.1
Online store and game conventions	1,235,755	4.4	870,213	2.9
Mobile games	4,007	—	9,098	—
Wholesalers	11,730,649	41.6	8,339,871	28.0
Total	28,207,411	100.0	29,816,740	100.0

By geographical markets

	Year ended 31 December			
	2018		2017	
	US$	%	US$	%
North America	21,638,549	76.7	15,602,540	52.3
Europe	4,553,980	16.1	11,230,864	37.7
Asia	1,542,619	5.5	1,156,739	3.9
Oceania	416,832	1.5	1,439,011	4.8
South America	37,231	0.1	373,586	1.3
Africa	18,200	0.1	14,000	—
Total	28,207,411	100.0	29,816,740	100.0

COST OF SALES

Our cost of sales decreased by approximately 13.0% from approximately US$15.4 million for the year ended 31 December 2017 to approximately US$13.4 million for the year ended 31 December 2018.

The decrease was primarily due to the decrease in cost of inventories by approximately 27.6% from approximately US$10.5 million for the year ended 31 December 2017 to approximately US$7.6 million for the year ended 31 December 2018, which was primarily due to the more favourable prices offered by our major supply chain managers after taking into account of our order size, expected business growth and the expected long term business relationship. However, the decrease in cost of inventories was offset by the increase in depreciation and amortization from approximately US$1.5 million for the year ended 31 December 2017 to approximately US$2.2 million for the year ended 31 December 2018, which was generally in line with the increase in our scale of operations and game portfolio.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit increased by approximately 2.8% from approximately US$14.4 million for the year ended 31 December 2017 to approximately US$14.8 million for the year ended 31 December 2018 mainly due to the decrease in cost of inventories primarily resulting from the more favourable prices offered by our major supply chain managers as discussed above.

Our gross profit margin improved by approximately 4.3 percentage points from approximately 48.2% for the year ended 31 December 2017 to approximately 52.5% for the year ended 31 December 2018.

OTHER INCOME

Other income decreased from US$111,502 for the year ended 31 December 2017 to US$80,232 for the year ended 31 December 2018, which was mainly attributable to the decrease in sales of advertising space on the Group's website.

EXCHANGE GAINS/LOSSES

We recorded exchange gains of US$4,562 for the year ended 31 December 2018 as compared to exchange losses of US$73,530 for the year ended 31 December 2017, which was mainly resulted from the translation of loan repayments which are denominated in Singapore dollars.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased from approximately US$4.6 million for the year ended 31 December 2017 to approximately US$5.7 million for the year ended 31 December 2018. This was primarily due to (i) an increase in employee benefit expenses from approximately US$1.7 million for the year ended 31 December 2017 to approximately US$2.3 million for the year ended 31 December 2018 due to (a) the one-off bonus paid to our former employees upon their resignation; and (b) increased headcount in our marketing team during the first half of the year; (ii) an increase in royalty expenses from US$95,560 for the year ended 31 December 2017 to US$423,129 for the year ended 31 December 2018 resulting from the recognition of sales of *A Song of Ice & Fire: Tabletop Miniatures Game* in 2018; and (iii) an increase in marketing expenses from US$691,670 for the year ended 31 December 2017 to US$832,703 for the year ended 31 December 2018 resulting from the increased marketing activities, such as the participation in large scale game conventions to raise brand awareness to our customers.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses for the year ended 31 December 2018 were approximately US$6.6 million, representing an increase of approximately 22.2% from approximately US$5.4 million for the year ended 31 December 2017. The increase was primarily due to (i) the professional service fees in respect of our application regarding the Proposed Transfer of Listing of US$949,756 incurred for the year ended 31 December 2018; and (ii) an increase in games development expenses from US$675,967 for the year ended 31 December 2017 to US$911,523 for the year ended 31 December 2018 resulting from more intensive game development work for new games.

FINANCE COSTS

Finance costs increased from US$35,621 for the year ended 31 December 2017 to US$229,650 for the year ended 31 December 2018. This was primarily due to the finance costs from the bank borrowings for (i) the acquisition of two properties located at 201 Henderson Road #07/08–01, Apex @ Henderson, Singapore 159545 as global head office for business expansion (the "**Headquarters**") and 201 Henderson Road #09–23/24, Apex @ Henderson, Singapore 159545 as a retail shop, show room and play test centre (the "**Property**"); and (ii) financing our operation.

INCOME TAX EXPENSE

Our income tax expense decreased by approximately 69.6% from US$851,310 for the year ended 31 December 2017 to US$258,685 for the year ended 31 December 2018 mainly due to the decrease in profit before income tax and decrease in United States corporate tax rate applicable to us.

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

Profit and total comprehensive income for the year attributable to equity holders of the Company decreased by approximately 42.9% from approximately US$3.5 million for the year ended 31 December 2017 to approximately US$2.0 million for the year ended 31 December 2018, which was mainly due to the increase in selling and distribution expenses and the recognition of the professional service fees in respect of the Proposed Transfer of Listing as mentioned above. Without taking into account the professional service fees in respect of the Proposed Transfer of Listing, profit and total comprehensive income for the year attributable to equity holders of the Company decreased by approximately 14.3% from approximately US$3.5 million for the year ended 31 December 2017 to approximately US$3.0 million for the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2018, we financed our operations primarily through cash generated from our internally generated funds and bank borrowings. As at 31 December 2017 and 2018, the Group had cash and cash equivalents of approximately US$2.9 million and US$2.8 million, respectively, which were cash at banks and on hand, denominated in United States dollars, Canadian dollars, Singapore dollars, Hong Kong dollars and Euro.

The short-term and long-term bank borrowings of the Group increased from US$134,774 and approximately US$3.3 million as at 31 December 2017 to approximately US$3.9 million and approximately US$4.4 million, respectively, as at 31 December 2018. The increase in bank borrowings was due to the application of the proceeds of the bank borrowings by the Group to finance the operation of the Group for the year ended 31 December 2018.

The bank borrowings as at 31 December 2017 and 31 December 2018 were secured by the Headquarters and the Property, a corporate guarantee from the Company and a charge over all fixed deposits placed with the relevant bank. As at 31 December 2018, the Group's total bank borrowings of approximately US$8.3 million consisted of (i) approximately US$3.3 million which were denominated in Singapore dollars, with a tenor of 20 years and interests charged at fixed rates from drawdown date till the end of the second year from the respective dates of the banking facility letters and at floating rates for subsequent years; and (ii) approximately US$5.0 million which were denominated in United States dollars, with a tenor of 120 days to 4 years and interests charged at floating rates.

At 31 December 2018, the Group's borrowings were repayable as follows:

	2018 US$	2017 US$
Within 1 year	**3,864,897**	134,774
Between 1 and 2 years	**579,200**	116,312
Between 2 and 5 yeas	**1,017,223**	252,191
Over 5 years	**2,811,934**	2,902,679
	8,273,254	3,405,956

Going forward, we intend to continue to use external bank borrowings and internally generated funds to fund our working capital, game development activities, acquisition of IPs as well as the expansion plans as stated in the prospectus of the Company dated 25 November 2016 (the "**Prospectus**").

TREASURY POLICIES

The proceeds from our sales made through Kickstarter are generally received prior to product delivery and therefore we are not exposed to significant credit risk. Our trade receivables are primarily related to sales to wholesalers. We have policies in place to assess and monitor the credit worthiness of our wholesalers. We perform periodic credit evaluation of our wholesalers and will adjust the credit extended to the wholesalers accordingly. Normally we do not require collaterals from trade debtors. Management makes 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 debtors in relation to the relevant receivables.

CAPITAL STRUCTURE

During the year ended 31 December 2018, our capital structure consisted of bank borrowings, capital and reserves attributable to equity holders of the Company, comprising share capital, share premium, retained earnings, capital reserves and other reserves.

NEW GAMES AND THEIR IMPACT ON THE FINANCIAL PERFORMANCE

During the year ended 31 December 2018, the Group shipped six Kickstarter games of which one, namely *A Song of Ice & Fire: Tabletop Miniatures Game*, was launched in 2017 and five, namely *Arcadia Quest: Riders, Cthulhu: Death May Die, HATE, Starcadia Quest,* and *Zombicide: Invader* were launched in 2018. These six Kickstarter games raised approximately US$10.2 million via Kickstarter in total, all of which were recognized as revenue of the Group during the year ended 31 December 2018.

The Group had launched *Project: ELITE* and *Blood Rage Digital* in October 2018 and December 2018 respectively with a total fund raising amount of approximately US$1.4 million and *Munchkin Dungeon* in January 2019 with fund raising amount of approximately US$0.7 million via Kickstarter. The shipments of these three games are expected to take place in the second half of 2019, second half of 2019 and first half of 2020, respectively.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2018, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

INFORMATION ON EMPLOYEES

As at 31 December 2018, the Group had 51 employees (31 December 2017: 66). Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and/or share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident fund contributions) for the year ended 31 December 2018 amounted to approximately US$3.4 million (2017: approximately US$3.5 million).

CHARGES ON ASSETS

As at 31 December 2018, the Headquarters and the Property with a total net book value of approximately US$4.5 million and pledged deposit of US$200,000 were charged as collateral for the Group's bank borrowings (31 December 2017: approximately US$4.6 million and US$200,000, respectively).

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 finance our expansion plans primarily through internally generated funds and external borrowings.

GEARING RATIO

As at 31 December 2018, the Group had short-term and long-term bank borrowings of approximately US$3.9 million (31 December 2017: US$134,774) and approximately US$4.4 million (31 December 2017: approximately US$3.3 million), respectively.

As at 31 December 2018, the gearing ratio of the Group, calculated as total liabilities divided by total assets was approximately 40.9% (31 December 2017: approximately 39.2%).

EXPOSURE TO FOREIGN EXCHANGE

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

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (31 December 2017: nil).

COMMITMENTS

Other than operating lease commitments for our leased properties, we had no other capital and lease commitments as at 31 December 2017 and 2018. As at 31 December 2018, the Group's operating lease commitments were approximately US$1.8 million (31 December 2017: approximately US$2.5 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, we provide a remuneration package that rewards their performance and ties to the Group's results in order to retain our employees. Besides, the Group has implemented controls to minimise the potential loss of key personnel, such as ensuring the executive Directors and certain key senior management do not take the same flight in their air travels. The Group is also developing and training potential new management members.

Kickstarter

During the year ended 31 December 2018, most of the Group's bestselling tabletop games were launched on Kickstarter. To manage this risk, the Group has identified alternative internet crowd funding platforms for game launching in the event the Group is unable to continue launching games on Kickstarter. Besides, the Group is enhancing its in-house capability to launch tabletop games on its own website if required.

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 2018 is set out below:

Strategy	**Business objectives for the period from 15 November 2016 to 31 December 2018**	**Actual business progress for the period from 15 November 2016 to 31 December 2018**
Achieve organic growth by developing more high-quality games	• 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 (the "**Outstanding Kickstarter Projects**") • Develop, launch and deliver at least four new games • Maintain two newly hired in-house game developers	• Continued to develop the games as set out in the Game Pipeline, save as nine pipeline games which launch were either delayed or cancelled after assessing the expected market reaction and demand on the products • Shipped all the Outstanding Kickstarter Projects namely *Arcadia Quest: Inferno, Masmorra: Dungeons of Arcadia, Rum & Bones: Second Tide* and *Massive Darkness* • Launched and shipped nine Kickstarter projects namely *A Song of Ice & Fire: Tabletop Miniatures Game, Arcadia Quest: Riders, Cthulhu: Death May Die, HATE, Rising Sun, Starcadia Quest, The World of SMOG: Rise of Moloch, Zombicide: Green Horde* and *Zombicide: Invader* • Launched two Kickstarter projects namely *Project: ELITE* and *Blood Rage Digital* • Maintained the two newly hired in-house game developers

Strategy	Business objectives for the period from 15 November 2016 to 31 December 2018	Actual business progress for the period from 15 November 2016 to 31 December 2018
Further strengthen our sales and marketing capability and broaden reach into new markets	• Maintain seven newly hired staff in our sales and marketing team • Set up and maintain the existing sales office in Canada • 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	• The Group has successfully maintained five staff *(Note)* • The Group has set up its sales office in Canada, which commenced operation in October 2017 • Continued to promote the Company's products through online advertising and social networking websites • Maintained regular contact with existing wholesalers • Initiated contact with five new wholesalers • The Group has set up Foshan CMON Tabletop Games Trading Co., Ltd. in China, which commenced to conduct marketing activities in China in the second half of 2018
Further expansion into the mobile game market	• Develop our second mobile game, *Zombicide (mobile)*	• Continued to develop *Zombicide (mobile)*, which is expected to be launched in 2019

Note: The Group had successfully maintained seven staff up to the resignation of Mr. Jules Vautour as chief operating officer and Ms. Roumpini Nikolopaolou as marketing director in June 2018 due to their personal commitments. Their jobs and duties have been taken up by other senior management and staff who have relevant experiences.

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds received by the Company from the placing of 306,000,000 Shares at a price of HK$0.23 per Share on GEM (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 than expected listing expenses.

During the period from 15 November 2016, being the Latest Practicable Date as defined in the Prospectus, to 31 December 2018, the Group has utilised approximately HK$51.9 million of the net proceeds as follows:

	Adjusted use of proceeds in the proportion as stated in the Prospectus from 15 November 2016 to 31 December 2018	**Actual use of proceeds up to 31 December 2018**
	HK$ million	HK$ million
Developing high-quality tabletop games	21.5	21.5
Strengthening sales and marketing capability and broadening reach into new markets	17.2	17.2
Expanding into the mobile game market	1.6	—
Pursuing acquisition and licensing opportunities	8.6	8.3
Working capital and other general corporate purposes	4.9	4.9

As the mobile app development costs incurred during the period from 15 November 2016 to 31 December 2018 for *Zombicide (mobile)* have been recharged to a business partner which has agreed (contractually) to pay for such development costs in return for a future revenue sharing arrangement, no net proceeds have been used for expanding into the mobile game market during the period. The Group currently plans to utilise such portion of the net proceeds for marketing *Zombicide (mobile)* when it launches in 2019.

Besides, the Group has applied approximately HK$8.3 million of the net proceeds for the acquisition of the IPs of *The Others: 7 Sins, The Grizzled* and *The World of SMOG*.

Save as disclosed above, the Directors confirm that there were no material discrepancies between the actual and proposed use of proceeds from the Placing. The Directors intend to continue to apply the remaining net proceeds from the Placing of approximately HK$1.9 million in accordance with the uses and in the proportions as stated in the Prospectus.

EXECUTIVE DIRECTORS

Mr. Ng Chern Ann (黃成安), aged 44, has been appointed as an executive Director, chairman and chief executive officer of the Company since 2 December 2016. 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 55, has been appointed as an executive Director since 2 December 2016. Mr. Doust is also our head of Asia of the Group. Mr. Doust oversees sales, marketing and logistics for our Asia 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 39, has been appointed as an executive Director, financial controller and one of the joint company secretaries of the Company since 2 December 2016. 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 LLP 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. 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.

In June 2004, Mr. Koh completed all the required examinations of the Association of Chartered Certified Accountants examination. He has been admitted as a member of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) since September 2011. Mr. Koh also has 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 (formerly known as "Chua Oon Kian") (蔡穩健), aged 53, has been appointed as a non-executive Director since 2 December 2016. 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 53, has been appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee of the Company since 2 December 2016. He has been an independent director of CDW Holdings Limited (SP: BXE), a company listed on the Singapore Exchange Securities Trading Limited, since May 2011. 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, a director of Share Taxi Pte. Ltd. since 2015 and a director of Sinkpia International Pte. Ltd. since 2018. From 2011 to 2014, he was a 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 45, has been appointed as an independent non-executive Director, the chairman of the audit committee, and a member of each of the remuneration committee and the nomination committee of the Company since 2 December 2016. 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 53, has been appointed as an independent non-executive Director, the chairman of the nomination committee, and a member of each of the audit committee and the remuneration committee of the Company since 2 December 2016. Mr. Seow is currently the general counsel and company secretary 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:

As at the date of this report, each of the Directors did not have any relationship with other Directors and any member of our senior management save as disclosed above.

SENIOR MANAGEMENT

Mr. David Preti, aged 49, has become our chief operating officer of the Company since December 2018. Mr. Preti joined our Group in April 2016. Mr. Preti is currently primarily responsible for overseeing game development and production. Mr. Preti has over 10 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.

JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei (伍秀薇), aged 41, is one of the joint company secretaries of our Company. Ms. Ng is an associate director of TMF 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 currently serves as the joint company secretary for various public listed companies in Hong Kong, including 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 obtained a Master Degree in Laws from University of London in December 2017 and 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 United Kingdom in September 2007.

Mr. Koh Zheng Kai (許政開) is an executive Director and one of the 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 year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 June 2015. 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 2018 are set out in Note 35 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on page 60 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

BUSINESS MODEL AND BUSINESS OVERVIEW

The business model and business overview of the Group are set out under the paragraph headed "Management Discussion and Analysis — Business Model and Business Overview" 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 the paragraph headed "Management Discussion and Analysis — Long-Term Strategies and Outlook" 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 2018, as well as a description of the principal risks and uncertainties the Group faces can be found in the section headed "Chairman's Statement" on page 5 of this annual report and the paragraph headed "Management Discussion and Analysis — Principal Risks and Uncertainties" on pages 12 and 13 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 employ and maximise usage of online messaging services such as emails for internal and external communication, as well as e-filing through online storage. Where printing or photocopying is necessary, the Group endorses double-sided printing and copying, and the utilisation of recycled paper.

— Reduce electricity consumption after office hour

The Group encourages its staff to minimise energy consumption in our properties, by switching off lights, air-conditioning 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 and packaging design stage and works closely with the outsourced manufacturers to minimise product waste and packaging materials.

For further details on our environmental protection policies and performance, please refer to the section headed "Environment, Social and Governance Report" on pages 45 to 52 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the United States, Singapore, Canada, Hong Kong, the PRC and its representative office in Italy while the Company itself was incorporated in Cayman Islands whose shares are listed on GEM of the Stock Exchange. The establishment and operations accordingly shall comply with relevant laws and regulations in the United States, Singapore, Canada, Hong Kong, the PRC and Italy. The Group recognises the importance of compliance with relevant laws and regulations as well as the risk of non-compliance with such requirements. The Group has compliance procedures in place to ensure adherence to applicable laws and regulations which have a significant impact on the Group. During the year ended 31 December 2018 and up to the date of this annual report, to the best knowledge and belief of the Board, the Group has complied in material respects with the relevant laws and regulations in the Cayman Islands, United States, Singapore, Canada, Hong Kong, the PRC and Italy.

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 2018. 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 2018, the Group's sales to its five largest customers accounted for less than 30.0% 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.

As at 31 December 2018, none of the Directors or any of their close associates or any 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 customers.

Major Suppliers

For the year ended 31 December 2018, the Group's five largest suppliers accounted for approximately 97.6% of the Group's total purchases and our single largest supplier accounted for approximately 45.1% of the Group's total purchases. Our five largest suppliers were outsourced manufacturers based in Hong Kong and the PRC, miniature producers, game designers. Costs are determined with reference to quotations agreed between the Group and the suppliers on a project to project basis.

As at 31 December 2018, none of the Directors or any of their close associates or any 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 five financial years is set out on page 118 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 2018 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 2018 are set out in Note 14 to the consolidated financial statements.

CAPITAL AND RESERVES

Details of movements in the share capital, share premium, retained earnings, capital reserves and other reserves of the Group during the year ended 31 December 2018 are set out on page 61 of this annual report in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to equity holders amounted to approximately US$9.6 million (31 December 2017: approximately US$10.5 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group are set out in Note 19 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year ended 31 December 2018 and up to the date of this annual report are:

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

In accordance with article 84 of the articles of association of the Company (the "**Articles of Association**"), at each annual general meeting of the Company one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and will be eligible for re-election, provided that every Director shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. Chong Pheng, Mr. Tan Lip-Keat and Mr. Seow Chow Loong Iain will hold office as the Directors until the forthcoming annual general meeting of the Company to be held on 2 May 2019 (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 29 March 2019.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 16 to 18 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 for the year ended 31 December 2018 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 the 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 Directors 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 the year and as at 31 December 2018 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 year ended 31 December 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.

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 year ended 31 December 2018 and up to the date of this annual report.

EMOLUMENT POLICY

The remuneration committee of the Company 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 2018 are set out in Note 26 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 2.17 and Note 25 to the consolidated financial statements.

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

As at 31 December 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 by the Company 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)[4] Interested	Total number of Shares and Underlying 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 [3] ("**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
Seow Chow Loong Iain	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

Notes:

(1) 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.

(2) 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 31 December 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 by the Company 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 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 31 December 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 31 December 2018, Mr. Preti was beneficially interested in 15,500,000 Share Options.

Save as disclosed above, as at 31 December 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 (whether full time or part-time employee) of 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 10.0% of the total number of Shares in issue as at the date of this annual report.

(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 7 years and 8 months.

On 13 August 2018, a total of 74,620,000 share options have been granted under the Share Option Scheme with exercise price of HK$0.232 per Share. The closing price of the Shares immediately before the date of grant was HK$0.229.

Particulars of the share options under the Share Option Scheme and their movements during the year ended 31 December 2018 are set out below:

				Number of Shares issuable under the share options				
Grantees	**Date of grant (dd/mm/yyyy)**	**Exercise price per Share** (HK$)	**Exercise period (dd/mm/yyyy)**	**As at 1 January 2018**	**Granted during the year**	**Exercised during the year**	**Lapsed/ cancelled during the year**	**As at 31 December 2018**
Directors								
Ng Chern Ann	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 1)	—	15,500,000	—	—	15,500,000
David Doust	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 1)	—	15,500,000	—	—	15,500,000
Koh Zheng Kai	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 1)	—	5,800,000	—	—	5,800,000
Frederick Chua Oon Kian	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 2)	—	5,580,000	—	—	5,580,000
Chong Pheng	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 2)	—	5,580,000	—	—	5,580,000
Seow Chow Loong Iain	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 2)	—	5,580,000	—	—	5,580,000
Tan Lip-Keat	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 2)	—	5,580,000	—	—	5,580,000
Employees of the Group								
In aggregate	13/08/2018	0.232	13/08/2018–12/08/2028 (Note 1)	—	15,500,000	—	—	15,500,000
Grand Total:				—	74,620,000	—	—	74,620,000

Notes:

1. These share options granted under the Share Option Scheme are subject to the following vesting schedules:

   (a) Up to 33% of the share options shall be vested to the grantees after expiration of 12 months from the date of grant (i.e. 13 August 2019);

   (b) Up to 33% of the share options shall be vested to the grantees after expiration of 24 months from the date of grant (i.e. 13 August 2020); and

   (c) Up to 34% of the share options shall be vested to the grantees after expiration of 36 months from the date of grant (i.e. 13 August 2021).

2. These share options granted under the Share Option Scheme are subject to the following vesting schedules:

   (a) Up to 50% of the share options shall be vested to the grantees after expiration of 12 months from the date of grant (i.e. 13 August 2019); and

   (b) Up to 50% of the share options shall be vested to the grantees after expiration of 24 months from the date of grant (i.e. 13 August 2020).

As of 31 December 2018, no share options have been exercised, cancelled or lapsed. Therefore, a total of 180,600,000 Shares, representing 10% of the issued share capital of the Company, may fall to be issued upon exercise of the share options that have been granted or may be but not yet granted under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company did not have any other 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 year ended 31 December 2018 or subsisted as at 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, 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 year ended 31 December 2018 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 year ended 31 December 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2018, 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 year ended 31 December 2018, 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 33 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 2018, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2018, 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 2018.

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 31 to 44 of this annual report.

The compliance officer of the Company is Mr. Ng Chern Ann, whose biographical details are set out on page 16 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 acting as the compliance adviser and a joint sponsor for the Proposed Transfer of Listing 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 year ended 31 December 2018 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 2018. 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 themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Auditor for the year ending 31 December 2019 will be proposed at the AGM.

On behalf of the Board
Ng Chern Ann
Chairman, Chief Executive Officer and Executive Director
Singapore, 21 March 2019

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2018.

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 annual report, the Company has, to the best knowledge of the Board, complied with all applicable code provisions of the CG Code during the year ended 31 December 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 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 operation of the Group led by Mr. Ng. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorisations between the Board and the management of the Company. 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 year ended 31 December 2018, all the Directors had carried out duties in good faith and, to their best knowledge and belief, in compliance with applicable laws and regulations, and had acted in the interest of the Company and the Shareholders as a whole 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 31 December 2018 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 year ended 31 December 2018, 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. The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The board diversity policy is summarised below:

1. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to age, educational background, professional experience, skills, knowledge and length of service.

2. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

3. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

4. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be independent non-executive Directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy.

The Board comprises seven Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, educational background, ethnicity, professional experience, skills, knowledge and length of service.

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 statues, laws, rules and regulations. The Company also provides regular updates on the 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 GEM of the Stock Exchange. The Company has also engaged external legal advisers to provide training to Directors on updates of the GEM Listing Rules as well as the latest changes in relevant rules and regulations.

According to the information provided by the Directors, a summary of trainings received by the Directors throughout the year ended 31 December 2018 is as follows:

Directors	**Nature of Continuous Professional Development Programmes** (Notes)
Executive Directors:	
Mr. Ng Chern Ann	B, C
Mr. David Doust	B, C
Mr. Koh Zheng Kai	A, B, C
Non-executive Director:	
Mr. Frederick Chua Oon Kian	B, C
Independent Non-executive Directors:	
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 related to the duties and responsibilities of a director of a company listed on GEM

C: Reading materials relevant to corporate governance, director's duties and responsibilities, GEM 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 operation of the Group led by Mr. Ng. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorisations between the Board and the management of the Company. 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 on 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 signed a letter of appointment with the Company for an initial term of three years commencing on 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 Mr. Koh Zheng Kai, one of our 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.

During the year ended 31 December 2018, one general meeting was held. During the same period, seven 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**
Executive Directors:		
Mr. Ng Chern Ann	7/7	1/1
Mr. David Doust	7/7	1/1
Mr. Koh Zheng Kai	7/7	1/1
Non-executive Director:		
Mr. Frederick Chua Oon Kian	7/7	1/1
Independent Non-executive Directors:		
Mr. Chong Pheng	7/7	1/1
Mr. Tan Lip-Keat	7/7	1/1
Mr. Seow Chow Loong Iain	7/7	1/1

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

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 year ended 31 December 2018.

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:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the codes of conduct and compliance manuals applicable to employees and the Directors;

(d) 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.

Four meetings were held by the Audit Committee during the year ended 31 December 2018 and the attendance of each Audit Committee member at the Audit Committee meetings during the year ended 31 December 2018 is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Tan Lip-Keat	4/4
Mr. Chong Pheng	4/4
Mr. Seow Chow Loong Iain	4/4

During the meetings, the Audit Committee:

- reviewed the financial results of the Group for the year ended 31 December 2017, for the three months ended 31 March 2018, for the six months ended 30 June 2018 and for the nine months ended 30 September 2018 as well as the relevant financial reports;

- reviewed 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.

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.

One meeting was held by the Nomination Committee during the year ended 31 December 2018 and attendance of each Nomination Committee member at the Nomination Committee meeting during the year ended 31 December 2018 is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Seow Chow Loong Iain	1/1
Mr. Chong Pheng	1/1
Mr. Tan Lip-Keat	1/1

During the meeting, the Nomination Committee assessed the independence of independent non-executive Directors and considered the re-appointment of the retiring Directors.

The Board adopted a nomination policy (the "**Nomination Policy**") on 21 March 2019, which sets out, among other things, the procedures and criteria for identifying and evaluating a candidate for nomination to the Board for appointment or to the Shareholders for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorship:

(a) diversity in all its aspects, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, professional experience and other personal qualities of the candidate;

(b) ability to exercise sound business judgment and possess proven achievement and experience in directorship including effective oversight of and guidance to management;

(c) commitment of the candidate to devote sufficient time for the proper discharge of the duties of a Director. In this regard, the candidate should not be a Director of more than six public companies or organisations; other executive appointments or significant commitments will also be considered;

(d) potential/actual conflicts of interest that may arise if the candidate is selected;

(e) independence of the independent non-executive director candidates must satisfy the independence requirements under the GEM Listing Rules; and

(f) in the case of a proposed re-appointment of an independent non-executive Director, the number of years he/she has already served.

Each proposed appointment, election or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board for consideration and determination.

The Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

Pursuant to Rule 17.104 of the GEM Listing Rules, listed issuers are required to adopt a board diversity policy. The Board has adopted a board diversity policy since 17 November 2016, a summary of which is set out on pages 32 and 33 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.

One meeting was held by the Remuneration Committee during the year ended 31 December 2018 and attendance of each Remuneration Committee member at the Remuneration Committee meeting during the year ended 31 December 2018 is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Chong Pheng	1/1
Mr. Tan Lip-Keat	1/1
Mr. Seow Chow Loong Iain	1/1

During the meeting, 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 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 2018 are set out in Note 26 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 2018 by band is set out below:

Remuneration band (in HK$)	Number of individuals
Nil to HK$1,000,000	—
HK$1,000,001 to HK$1,500,000	1

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 2018 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 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 53 to 57 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 year ended 31 December 2018, 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 year ended 31 December 2018, the Company has engaged an independent third party to conduct an internal control review to ensure the effectiveness and adequacy of the internal control system of the Group.

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) review of the internal control review report prepared by the independent third party; (iv) evaluation on the scope and quality of management's on-going monitoring of the risk management and internal control systems; and (v) making 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 2018 was approximately as follows:

Type of Services	**Amount** (US$)
Audit services	220,000
Non-audit services related to internal control review	10,420
Total	230,420

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**"), associate director 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 Ms. Ng at the Company is Mr. Koh.

For the year ended 31 December 2018, 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.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "**Dividend Policy**") on 21 March 2019 in compliance with code provision E.1.5 of the CG Code. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

When considering whether to declare any dividends and determining the dividend amount, the Board will take into consideration, inter alia, the following factors:

(a) the actual and expected financial performance of the Group;

(b) the capital and debt level of the Group;

(c) the general market conditions;

(d) any working capital requirements, capital expenditure requirements and future development plans of the Group;

(e) retained earnings and distributable reserves of the Company and each of the members of the Group;

(f) the liquidity position of the Group;

(g) any restrictions on dividend payouts imposed by any of the Group's lenders;

(h) the statutory and regulatory restrictions which the Group is subject to from time to time; and

(i) any other relevant factors that the Board may deem appropriate.

The payment of the dividends by the Company will also be subject to any restrictions imposed by the applicable laws, rules and regulations as well as the Articles of Association.

The Board will from time to time review the Dividend Policy and may exercise at its absolute and sole discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any specific reporting period.

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 except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a precedent or administrative matter to be voted by a show of hands. 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 to convene such meeting 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 201 Henderson Road #07/08–01, Apex @ Henderson, Singapore 159545 or at kai@cmon.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum of the Company and the Articles of Association 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.

During the year ended 31 December 2018, there was no change in the memorandum of the Company and the Articles of Association.

INTRODUCTION

This is the Environmental, Social and Governance ("**ESG**") report of the Company issued in accordance with Appendix 20 to the GEM Listing Rules covering the year ended 31 December 2018. This report covers the ESG performance of the Group within its business activities and operations, including all offices, facilities and properties owned or managed but excluding Foshan CMON Tabletop Games Trading Co., Ltd., as it was a new wholly-owned subsidiary established by the Company in the PRC in 2018, which only commenced to conduct marketing activities in late 2018.

The Group fully embraces social responsibility as it is the Group's contribution to address the ESG requirements and challenges the society faces. A number of significant initiatives relating to environmental protection, employee care, resource management and product quality were implemented to fulfill such responsibilities.

ENVIRONMENTAL PROTECTION

As a board game publisher, the Group is very conscious of the potential impacts the business has on the environment, especially when it comes to resources management and waste treatment.

The Group is committed to continuously improving its environmental and sustainability performances. Employee's environmental protection awareness through various channels, such as emails, notices and workshops is in place. Different policies and procedures were also implemented to govern such objectives across the Group's operations. The environmental protection strategy is focused on three main areas:

- Emissions and Energy
- Use of Resources
- The Environmental and Natural Resources

Emissions and Energy

Energy efficiency has always been considered as one of the top priorities of the Group since electricity consumption is a major contributor to its greenhouse gas ("**GHG**") emission. Various energy saving initiatives have been put in place to reduce GHG emissions. For example, energy efficient LED lights and environmentally friendly inverter air conditioning units were adopted. Employees are also reminded to minimise energy consumptions in properties through switching off unused lights, air conditioning and other electronic appliances.

Use of Resources

The Group promotes sustainable and efficient use of resources such as energy, water and other raw materials. Besides measures relating to reducing electricity usage, the Group encourages employees to minimise their use of paper in offices by promoting the employment and maximisation of the usage of online messaging services, such as emails and e-filling for both internal and external communication and storage. The use of recycled paper and double-sided printing or copying are also encouraged. Even though our business is not water-intensive, employees are still actively supported to conserve water in their daily use.

The Group has also adopted an initiative to use and repurpose old and obsolete computers as back-up computers for juniors or temporary staff. This serves as part of the Group's drive to reduce the amount of hazardous and non-hazardous waste generated.

The Environmental and Natural Resources

The Group promotes the principles of sustainability in every aspect of its business. This includes the adoption of sound environmental practices, green thinking and the implementation of policies that help protect the environment within the communities where it operates.

The Group outsourced its production, and hence the amount of packaging materials generated during the year was not considered as material. However, the Group strongly encourages its designers to incorporate environmental friendly considerations across the product and packaging design phases. Going forward, the Group will focus more in developing through eco-friendly channels and practices. In addition, no significant hazardous and non-hazardous wastes were generated by the Group during the year ended 31 December 2018.

The Group is not aware of any non-compliance of laws and regulations in the areas of emissions and waste that may pose a significant impact to the Group during the year ended 31 December 2018. Environmental performance data for the Group for the years ended 31 December 2018 and 2017 is as follows:

Environmental Performance Data Table

Environmental KPIs	Unit	2018	2017
NOx Emissions	Kg	7.67	3.77
SOx Emissions	Kg	0.09	0.017
Particulate matter emissions	Kg	0.66	0.35
Total GHG emissions	tonne CO_2e	80.47	49.74
GHG emissions (Scope 1[(1)])	tonne CO_2e	16.70	3.07
GHG emissions (Scope 2[(2)])	tonne CO_2e	63.78	46.66
Total Energy Consumption	GJ	769.39	408.83
Total Direct energy Consumption (Petrol)	GJ	204.39	37.62
Total indirect energy Consumption (Electricity)	GJ	564.99	371.21
Total Energy Consumption Intensity	GJ/Employee	15.09	6.19
Water Consumption	m^3	500	345
Water Consumption Intensity	m^3/Employee	9.80	5.23

Notes:

1. Emissions are direct GHG emissions from operations that are owned or controlled by the Group.

2. Emissions are indirect GHG emissions from generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

SOCIAL

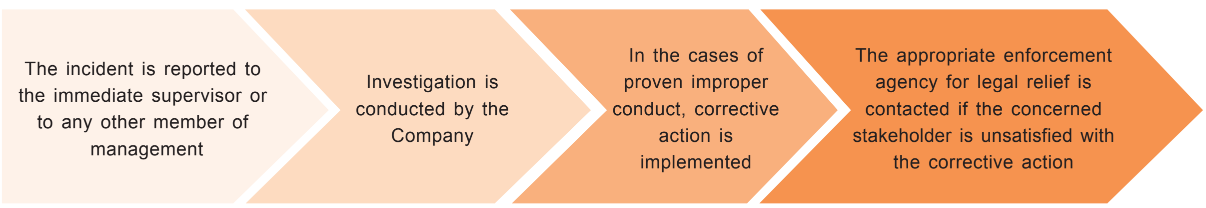
Employees are the Group's greatest asset. The Group is dedicated to nurturing their knowledge, capabilities and skill sets whilst providing them with a safe, healthy and stimulating work environment. Resources are leveraged to invest in various human resources initiatives, in areas such as:

- Employment and Labour Practices
- Employee Health and Safety
- Employee Development and Training
- Compliance with Applicable Labour Standards

Employment and Labour Practices

As part of the employment and labour practices, the Group's mission is to provide a workplace that is free of harassment and discrimination while providing employees with equal opportunities. The Group is compliant with the Americans with Disabilities Act ("**ADA**") and provides reasonable accommodations to qualified individuals with disabilities to the fullest extent required by the law. Other policies and procedures that ensure equal opportunities include:

- Reporting discriminatory behaviour
- A separate section is included within the employee handbook specifically dealing with anti-discriminatory
- A dedicated section is included within the employee handbook to explain the escalation process for reporting discriminatory acts. This process is as follows:



The Group complies with local laws and regulations including the Employment Act in Singapore and Labour Laws in the United States to ensure employees receive their statutory benefits. These benefits include, but not limited to, mandatory provident fund, basic medical insurance and work injury insurance. Staff members are entitled to public holidays, marriage, compassionate, and maternity leaves. Additional compensation such as discretionary bonus and/or share options are given to eligible staff.

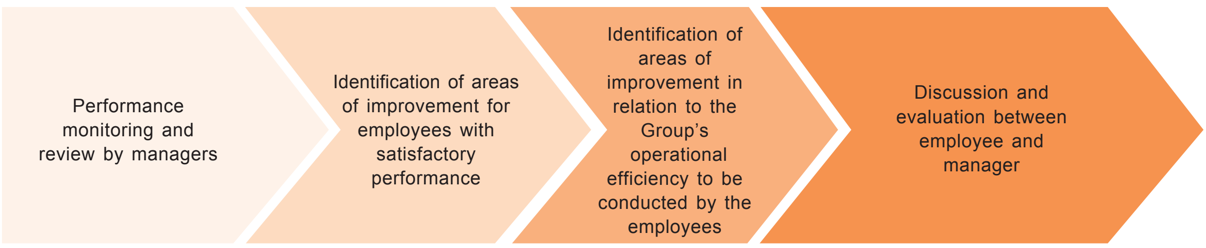
The Group had experienced a slight change in the number of employees from 66 as at 31 December 2017 to 51 as at 31 December 2018. Out of the total number of staff, male and female employees compose of approximately 67% and 33% respectively, as compared to approximately 65% and 35% as at 31 December 2017 respectively. Majority of the team members are within the 31–50 age group for both years ended 31 December 2017 and 2018, representing approximately 75% of the whole workforce (2017: approximately 85%). As at 31 December 2018, all our employees were permanently employed. As at 31 December 2017, almost all of our employees are permanently employed as only six out of our 66 employees are part-time workers.

Employees' Health and Safety

Employees' health and safety is placed as one of the top priorities. The Group has complied with all relevant employee health and safety laws during the year. Various occupational health and safety procedures are implemented accordingly. These measures include regular training and provisions of communication materials such as staff handbooks specifically to raise their awareness towards health and safety. For both years ended 31 December 2017 and 2018, there were no work-related injuries or fatalities recorded and no lost days due to work-related injury reported.

Employee Development and Training

The Group heavily invest in developing its workforce. Employees are provided with clear career paths and diverse development opportunities to sharpen their abilities. An introductory period is put in place for new hires in order for them to better understand their roles and responsibilities, and it serves as a platform to establish relationships with co-workers. The following process is implemented as part of new hires' introductory period to help setting and managing their expectations:



Various on-the-job training, workshops and development opportunities are offered to employees to improve their professional knowledge in corporate operations. For example, newly-hired designers are sent to Brazil for a full team training to better understand the Group's operations, which also provides them with a chance to communicate with local suppliers.

Compliance with Applicable Labour Standards

During the year ended 31 December 2018, the Group was compliant with all applicable labour standards. Specifically in the United States, the Group abided by the laws and regulations established by the Federal Labour Standards Act ("**FLSA**"), in the states of Delaware and Georgia. Adding on to the business' commitment in promoting equal opportunities, the Group has also worked to comply with other regulations such as the ADA. Child labour is also one of the business' top concerns, and therefore the Group has also strictly abided by the FLSA's child labour provisions. At least one unscheduled walkthrough and audit to outsourced manufactures is conducted each year to ensure that no child and/or forced labour has taken place.

OPERATING PRACTICES

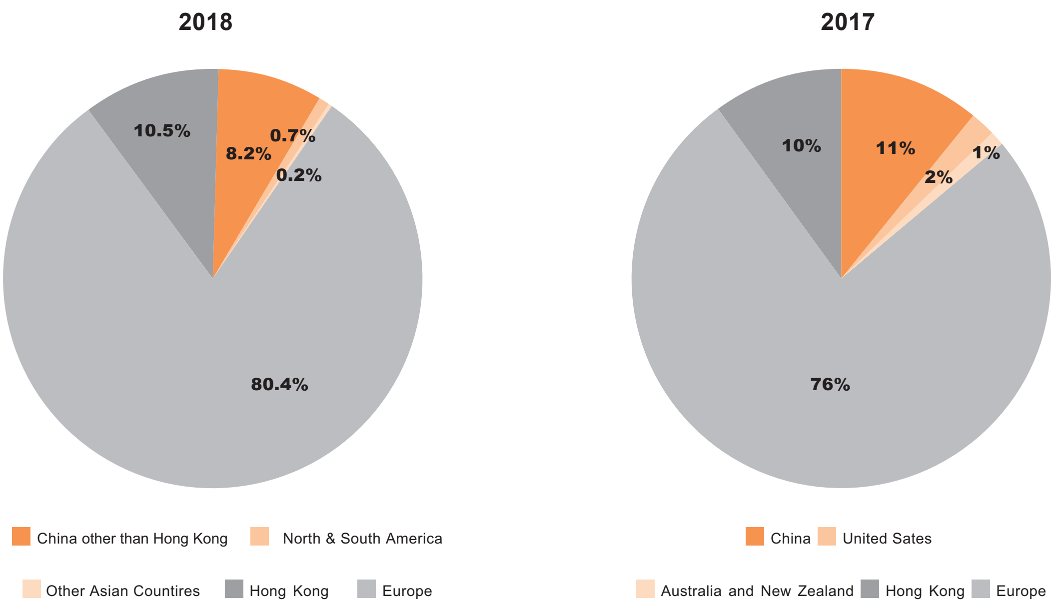
It is considered as part of the Group's responsibility to deliver high-quality products with exceptional safety standards and to meet customers' satisfaction. A number of policies and procedures across business activities, operations and products have been put in place to support sustainable business development. These consist of initiatives regarding:

- Supply Chain Management
- Product Responsibility
- Anti-Corruption

Supply Chain Management

The Group has an extensive supply chain that is exposed to worldwide demand. The Group's supply chain consists of experts from different fields, including miniatures producers, game designers, creatives as well as outsourced manufacturers and game manufacturers. The main sourcing regions for the Group's materials identified are Hong Kong, China and Europe. The Group's supplier distributions in 2017 and 2018 are illustrated by the graphs below (% of total purchase).

Supplier Distribution



Throughout 2018, our products were manufactured under strict compliance with all applicable laws and regulations regarding product safety and supplier performance. The Group has worked closely with respected outsourced manufacturers to minimise the environmental impacts from production. Periodic site visits are performed by management to all suppliers to understand their business background, production facilities and their internal control process. This serves as a part of the supplier performance evaluation process.

Stringent internal procedures are in place to manage the Group's procurement and payable processes, making sure that only quality products and services are received. Best-suited suppliers are identified and employed through a comprehensive supplier selection process, including on-site review, inspection of production workshops and periodic evaluations. Suppliers are not only required to meet the Group's internal standards but are also required to be legally compliant, socially responsible and financially sustainable. Both new and existing suppliers are assessed under the following criteria:

- Product quality;
- Price;
- Delivery time;
- Product safety certification, including compliance in accordance with international and local product safety standards; and
- Other aspects and characteristics which the Group finds relevant.

Product Responsibility

The Group is strictly compliant with all applicable laws and regulations in areas where business operations are conducted. During the year ended 31 December 2018, all products were compliant with relevant safety standards. To safeguard the environment and customers' health and safety, additional initiatives are in place. Safety tests are conducted on the products produced and safety labels are also attached to all packaging materials.

The Group values feedback from customer and considers it as an important element in fostering sustainable growth in business. A well-established customer complaints procedure is represented below.

1. Customer Complaint Handling

- A designated Customer Service Officer is assigned to be responsible for handling customers' complaints.
- A filed complaint is logged with details including, name of customer, product name(s) and batch number(s), reason for complaint, proposed follow up actions and any further information to be added by the Company.
- The Chief Executive Officer is immediately notified if a repeated customer issue on any one item (i.e. 25 of the same request on the same item) is found, as this is considered excessive and unacceptable.
- An investigation will be conducted with at least 3 samples or boxes of the concerned board game as quality inspection.

2. Documentation of Inspection Results

- Review documented inspection results by the production manager or the Chief Executive Officer
- Formal documentation of sample check results with the following details
  (i) Product name(s) and batch number(s);
  (ii) Batch size(s) and presentation(s);
  (iii) Date of review;
  (iv) Identification of issues;
  (v) Summary of findings, conclusions and recommendations;
  (vi) Proposed actions; and
  (vii) Names of the persons responsible for preparing, reviewing and approving the sample check result.

3. Follow-up Actions with the Relevant Supplier

- Assessment and approval by the production manager or the Officer prior to escalation to the relevant supplier.
- Request response from the relevant supplier within 30 days or less.
- Assessment by the production manager or the Chief Executive Officer in order to evaluate whether further actions are required including:
  (i) Corrective or future preventive actions; and/or
  (ii) Validation or re-validation required

In order to protect the hard work of the designers, the Group has identified IP as a top priority. The Group strives to protect IP rights during the design development, production, dissemination and publication processes. During the year ended 31 December 2018, the Group has strictly abided by applicable laws and regulations related to IP rights in all of its products. These laws include the Singapore Copyright Act and Trade Marks Act for the operations in Singapore. The Group has published both "self-owned" games and licensed games, for which the former's IP rights are either in-house developed, transferred by the Controlling Shareholders, or acquired from third parties, while the latter's IP rights are licensed from third party game developers.

The Group has polices related to product advertising, labelling and privacy. Employees are required to pay extra attention when handling and protecting customers' data and privacy. The Group has complied with the relevant laws and regulations in advertising, labelling, protecting customers' information and privacy during the year ended 31 December 2018.

Anti-Corruption and Corporate Governance

Honesty, integrity and fairness are considered as parts of the Group's core values. During the year ended 31 December 2018, the Group fully complied with local laws and regulations relating to anti-corruption and bribery in areas or country it conducts its business. There were no legal cases regarding bribery, extortion, fraud and money laundering filed against the Group or its employees during the year. A system of rules, practices and processes is established to prevent unlawful business operations. To enhance the business' corporate governance, a whistleblowing policy is in place to encourage employees and other parties to report unethical behaviour, malpractice, wrongful conduct, fraud etc. An Inside Information Policy has been drafted to promote an effective compliance scheme for the Group and its subsidiaries. Information includes the summarisation of inside information as well as laying out when and how inside information related to the Company should be treated and disclosed.

COMMUNITY INVESTMENT

The Group understands that the value of giving back to communities is just as important as growing the business. The Group continues to deliver on its commitment to the local communities in which it operates and strives to make positive contributions through various corporate social responsibility activities which focus on caring for the people, community and environment. The guiding principle of serving the community is deeply rooted in the Group's business strategy in an effort to benefit the community at large.

pwc

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 58 to 117, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

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 and product development costs

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 2018, the carrying amounts of "art, painting and sculpts" and "displays, moulds and tools" are US$5.1 million and US$2.0 million respectively. These assets represented 57% of the Group's total property, plant and equipment.

Management has determined the estimated useful lives of "art, painting and sculpts" as 3 to 10 years and that of "displays, moulds and tools" as 3 to 5 years with reference to actual useful lives, including the wear and tear, of assets of similar attributes. Management has applied judgement over 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.

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 and product development costs

Refer to Note 7 to the consolidated financial statements.

As at 31 December 2018, the carrying values of intellectual properties rights ("**IPs**") and product development costs amounted to US$7.7 million and US$4.6 million respectively with useful lives ranging from 5 to 20 years. The IPs and product development costs represented 59% and 35% of the total intangible assets respectively.

Management has determined the estimated useful lives of the IPs and product development costs after considering the industry trends of similar game products, the business plans on how to utilise the IPs and product development costs (including the product life cycles, the feasibility to develop further series of products under the IPs and product development costs 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 and product development costs, as well as comparing the estimated useful lives of the IPs and product development costs 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 and product development costs.

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 and product development costs. We assessed the estimation made by management in respect of the useful lives of the IPs and product development costs.

Our procedures performed, on selected samples of IPs and product development costs, included:

- assessing management's forecasts of future sales and profit margin of the game products produced under these IPs and product development costs which were reviewed and approved by the Board of Directors, by considering the past performance of the game products produced under these IPs and product development costs or IPs and product development costs 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 and product development costs 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 product development costs 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, 21 March 2019

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2018

	Notes	2018 US$	2017 US$
ASSETS			
Non-current assets			
Property, plant and equipment	6	12,346,061	11,032,337
Intangible assets	7	13,128,860	11,472,024
		25,474,921	22,504,361
Current assets			
Inventories	9	3,567,678	4,423,442
Trade and other receivables	10	1,105,242	841,526
Prepayments and deposits	11	4,862,240	2,398,535
Pledged deposit	12	200,000	200,000
Cash and cash equivalents	13	2,849,799	2,850,318
		12,584,959	10,713,821
Total assets		38,059,880	33,218,182
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	11,700	11,700
Share premium	14	12,384,133	12,384,133
Retained earnings		9,176,923	7,025,430
Capital reserves	29	780,499	780,499
Share-based compensation reserves	30	163,363	—
Exchange reserves		(22,319)	(994)
Total equity		22,494,299	20,200,768

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2018

	Notes	2018 US$	2017 US$
LIABILITIES			
Non-current liabilities			
Borrowings	19	4,408,357	3,271,182
Deferred income tax liabilities	16	265,458	281,297
		4,673,815	3,552,479
Current liabilities			
Trade payables	17	72,385	1,917,091
Accruals and other payables	18	1,088,823	1,774,894
Borrowings	19	3,864,897	134,774
Amount due to ultimate holding company	15	3	3
Income tax payable		2,174,295	2,372,464
Contract liabilities	20	3,691,363	3,265,709
		10,891,766	9,464,935
Total liabilities		15,565,581	13,017,414
Total equity and liabilities		38,059,880	33,218,182

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 58 to 117 were approved by the Board of Directors on 21 March 2019 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 2018

	Note	2018 US$	2017 US$
Revenue	5, 21	28,207,411	29,816,740
Cost of sales	22	(13,405,569)	(15,432,416)
Gross profit		14,801,842	14,384,324
Other income	23	80,232	111,502
Exchange gains/(losses)		4,562	(73,530)
Selling and distribution expenses	22	(5,747,190)	(4,618,091)
General and administrative expenses			
— Professional service fees in respect of the application for the proposed transfer listing of the shares of the Company from GEM to Main Board (the "Proposed Transfer of Listing")	22	(949,756)	—
— Others	22	(5,633,085)	(5,420,655)
Operating profit		2,556,605	4,383,550
Finance costs	24	(229,650)	(35,621)
Profit before income tax		2,326,955	4,347,929
Income tax expense	27	(258,685)	(851,310)
Profit for the year attributable to equity holders of the Company		2,068,270	3,496,619
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange difference on translation on foreign operations		(21,325)	(994)
Other comprehensive loss, net of tax		(21,325)	(994)
Profit and total comprehensive income for the year attributable to equity holders of the Company		2,046,945	3,495,625
Earnings per share ("EPS") attributable to equity holders of the Company for the year			
Basic and diluted EPS	32	0.0011	0.0019

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital US$	Share premium US$	Retained earnings US$	Capital reserves US$	Share-based compensation reserves US$	Exchange reserves US$	Total US$
At 1 January 2017		11,700	12,384,133	3,528,811	780,499	—	—	16,705,143
Comprehensive income								
Profit for the year		—	—	3,496,619	—	—	—	3,496,619
Other comprehensive loss — exchange translation of foreign operations		—	—	—	—	—	(994)	(994)
Total comprehensive income		—	—	3,496,619	—	—	(994)	3,495,625
At 31 December 2017		11,700	12,384,133	7,025,430	780,499	—	(994)	20,200,768
Change in accounting policies (Note 2.2(b))		—	—	83,223	—	—	—	83,223
At 1 January 2018		11,700	12,384,133	7,108,653	780,499	—	(994)	20,283,991
Comprehensive income								
Profit for the year		—	—	2,068,270	—	—	—	2,068,270
Other comprehensive loss — exchange translation of foreign operations		—	—	—	—	—	(21,325)	(21,325)
Employee share options granted	30	—	—	—	—	163,363	—	163,363
Total comprehensive income		—	—	2,068,270	—	163,363	(21,325)	2,210,308
At 31 December 2018		11,700	12,384,133	9,176,923	780,499	163,363	(22,319)	22,494,299

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 US$	2017 US$
Cash flow from operating activities			
Profit before income tax		2,326,955	4,347,929
Adjustments for:			
— Employee share option expense		163,363	—
— Depreciation		1,765,063	1,150,803
— Amortisation		1,574,274	924,702
— Loss allowance		25,332	34,597
— Bad debt written off		—	31,949
— Inventory written off		200,000	102,732
— Interest expenses		229,650	35,621
		6,284,637	6,628,333
Changes in working capital:			
— Trade and other receivables		(289,048)	1,284,855
— Inventories		655,764	(865,927)
— Prepayments and deposits		(2,380,482)	(501,630)
— Trade payables		(1,844,706)	855,086
— Accruals and other payables		(90,199)	(618,655)
— Contract liabilities		425,654	(1,243,513)
Cash generated from operations		2,761,620	5,538,549
Income tax paid		(472,693)	(474,466)
Net cash generated from operating activities		2,288,927	5,064,083
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,078,787)	(8,395,744)
Acquisition of intangible assets		(3,826,982)	(3,600,130)
Net cash used in investing activities		(6,905,769)	(11,995,874)
Cash flows from financing activities			
Increase in pledged deposit		—	(200,000)
Proceeds from borrowings		5,500,000	3,445,308
Repayment of borrowings		(632,702)	(39,352)
Interest paid		(229,650)	(35,621)
Net cash generated from financing activities		4,637,648	3,170,335
Net increase/(decrease) in cash and cash equivalents		20,806	(3,761,456)
Cash and cash equivalents at beginning of the year		2,850,318	6,612,768
Exchange differences		(21,325)	(994)
Cash and cash equivalents at end of the year	13	2,849,799	2,850,318

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

For the year ended 31 December 2018

The following table provides a reconciliation for the movement of liabilities arising from financing activities for the years ended 31 December 2017 and 2018.

For the year ended 31 December 2017

	1 January 2017 US$	Cash flows US$	31 December 2017 US$
Borrowings	—	3,405,956	3,405,956

For the year ended 31 December 2018

	1 January 2018 US$	**Cash flows US$**	**31 December 2018 US$**
Borrowings	**3,405,956**	**4,867,298**	**8,273,254**

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

For the year ended 31 December 2018

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 Conyers 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 GEM ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These consolidated 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 ("**IFRS**") under the historical cost convention.

The preparation of financial statements in conformity with IFRS 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 financial statements are disclosed in Note 4.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
- Annual Improvements 2014–2016 Cycle
- Transfers to Investment Property — Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The Group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. Except for IFRS 9 and IFRS 15, standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group.

		Effective for accounting period beginning on or after
Annual Improvements Project	Annual Improvements 2015–2017 Cycle	1 January 2019
Conceptual Framework for Financial Report 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 3 (Amendment)	Definition of a Business	1 January 2020
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contract	1 January 2021

The Group has commenced an assessment of the impact of these new standards and amendments to existing standards. Except for IFRS 16, "Leases" as discussed below, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

IFRS 16, "Leases", addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for in the balance sheet for lessees. The accounting for lessors will not significantly change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The Group is a lessee of certain office premises which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.21, is to record the rental expenses in profit or loss when such expenses were incurred, with the related operating lease commitments being separately disclosed. IFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise the leases outside the consolidated balance sheet. Instead, all non-current leases should be recognised in the form of assets (for the right-of-use) and financial liabilities (for the payment obligations) in the consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating leases under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard will impact the consolidated balance sheet in terms of total assets and liabilities.

The Group has disclosed its non-cancellable operating lease commitments amounting to US$2,516,552 and US$1,827,933 as at 31 December 2017 and 2018, respectively, in Note 34. The standard will affect primarily the accounting for the Group's operating leases. The Group anticipates that the application of IFRS 16 in future will result in an increase in right-of-use of assets and financial liabilities, which is likely to have a significant impact on the financial position of the Group. However, the Group anticipates that the net impact on the financial performance of the Group is limited. The application of IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to early adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.9 below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. There is no significant impact on the Group's retained earnings as at 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. There are no significant reclassifications of these categories.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies (Continued)

(a) IFRS 9 Financial Instruments (Continued)

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model:

— Trade receivables

— Cash and cash equivalents

— Pledged deposit

— Deposits and other receivables

The Group revised its impairment methodology under IFRS 9 for each class of assets. The change in impairment methodology did not result in any material impact on the Group's opening retained earnings and equity.

Please refer to Note 2.9(g) and Note 3.1(b) for further details.

(b) IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 from 1 January 2018 using the modified retrospective approach. The adjustments are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

Accounting for costs to fulfil a contract

As at 31 December 2017, costs relating to the Kickstarter merchant fees amounted to US$83,223 were expensed to profit or loss as they did not qualify for recognition as an asset under any IFRS.

Under IFRS 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they are capitalised as costs to fulfil a contract and included within other current assets.

The impact on the Group's prepayments and deposits as at 1 January 2018 is as follows:

	IAS 18 carrying amount at 31 December 2017	**Remeasurements**	**IFRS 15 carrying amount at 1 January 2018**
	US$	US$	US$
Prepayments and deposits	2,398,535	83,223	2,481,758

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	US$
Retained earnings as at 31 December 2017	7,025,430
Recognition of asset for incremental costs of obtaining a sales contract	83,223
Opening retained earnings as at 1 January 2018 — IFRS 15	7,108,653

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

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 IFRS.

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is 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:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) 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

(c) 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:

Office units	50 years
Displays, moulds and tools	3 to 5 years
Art, painting and sculpts	3 to 10 years
Furniture and fixtures	5 years
Computer equipment	5 years
Motor vehicles	3 to 10 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 intangible assets 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. Useful lives of these assets are estimated taking into account (i) the number of years since the relevant games in connection with the intellectual property rights and licences were first launched; (ii) sales performance of the relevant games; and (iii) benchmarking against the useful lives of games with similar attributes in the market.

(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

The accounting for financial assets before 1 January 2018 under IAS 39 are as follows:

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

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 which are classified as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "trade and other receivables", "pledged deposit" and "prepayments and deposits" on the balance sheet.

(b) Recognition and derecognition

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 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.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(e) Impairment

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.

The accounting for financial assets from 1 January 2018 under IFRS 9 are as follows:

(f) Classification and measurement

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(i) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(f) Classification and measurement (Continued)

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments of the Company mainly comprise of cash and cash equivalents, pledged deposits, trade receivables, deposits and other receivables.

There are three prescribed subsequent measurement categories, depending on the Group's business model in managing the assets and the cash flow characteristics of the assets. The Group managed these group of financial assets by collecting the contractual cash flows and these cash flows represents solely payment of principal and interest. Accordingly, these group of financial assets are measured at amortised cost subsequent to initial recognition.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest rate method.

(g) Impairment

The Group assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For trade receivables, the Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For cash and cash equivalents, pledged deposit, deposits and other receivables, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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.

2.12 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.

2.13 Cash and cash equivalents

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

2.14 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.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax

The tax expense for the year 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 the 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

(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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue and income recognition

Revenue and income recognition before 1 January 2018 under IAS 18

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.

Revenue and income recognition from 1 January 2018 under IFRS 15

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.

(i) Sales of products — wholesale

The Group sells a range of board games, miniatures and other hobby products in the wholesale market. Revenue from sale of goods is recognised at a point in time when control of the products has been transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional.

(ii) Sales of products — game conventions and online store

The Group sells its products through game conventions and its online store. Revenue from the sale of goods is recognised at a point in time when control of the products has been transferred to customers. Payment of the transaction price is due immediately when the customer purchases the products and takes delivery at game conventions. Advance payments received from customers who place orders on the Group's online store is initially recognised as contract liabilities under IFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue and income recognition (Continued)

Revenue and income recognition from 1 January 2018 under IFRS 15 (Continued)

(iii) Sales of products — kickstarter and crowd-funding platforms

The Group launches new products through Kickstarter and crowd-funding platforms. Upon the successful funding of these pre-orders, the Group recognises the total pledged amount, less administrative fees, as contract liabilities under IFRS 15. Revenue is recognised at a point in time when control of the products has been transferred to customers. The products of the pre-orders are normally completed and delivered within one year.

(iv) Shipping income

Shipping income is recognised over time during the period when the goods are picked up from the suppliers' factories and when the goods arrive at the designated locations as specified in the contracts with the customers. The related shipping and handling charges are included in cost of sales.

(v) Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services provided to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

2.20 Contract liabilities

Contract liabilities represent prepaid amounts received from customers who pre-order the Group's products on the internet based crowd-funding platforms and the Group's online store. The products of the pre-orders are expected to be completed and delivered within one year. Contract liabilities are recognised in profit or loss in accordance with the revenue recognition policy as set out in Note 2.19. Contract liabilities attributable to orders that 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.

2.21 Operating leases (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 leases.

2.22 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 the directors, as appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share-based compensation

Share-based compensation benefits are provided to employees through the Company's share option scheme adopted on 17 November 2016 (the "**Share Option Scheme**"). Information relating to the Share Option Scheme is set out in Note 30.

The fair value of options granted under the Share Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions, such as the entity's share price;

— excluding the impact of any service and non-market performance vesting conditions, such as the profitability, sales growth targets and remaining an employee of the entity over a specified time period; and

— including the impact of any non-vesting conditions, such as the requirement for employees to save or holding shares for a specific period of time.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group transfers the appropriate number of shares to employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

2.24 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at their fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and their redemption values is recognised in profit or loss over the periods of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.25 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

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$ and Singapore Dollars ("**SG$**"). The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk. The Group's currency exposure to SG$ is as follows:

	2018	2017
	US$	US$
Financial assets		
Cash and cash equivalents	**121,841**	30,446
Trade and other receivables	**100**	—
Financial liabilities		
Borrowings	**(3,277,519)**	(3,405,956)
Currency exposure	**(3,155,578)**	(3,375,510)

For the year ended 31 December 2018, if SG$ had strengthened/weakened by 1% against US$ with all other variables including tax rate being held constant, the Group's profit would have been US$26,191 (2017: US$28,017) lower/higher, as a result of currency translation losses/gains on the SG$-denominated financial assets/liabilities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of cash and cash equivalents, pledged deposit, trade receivables and deposits and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

(i) Risk management

The Group's sales through internet based crowd funding platforms 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.

The majority of the Group's cash at banks and pledged deposit 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.

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model:

— Trade receivables

— Cash and cash equivalents

— Pledged deposit

— Deposits and other receivables

The Group revised its impairment methodology under IFRS 9 for each class of assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The expected credit loss rates are based on the aging profiles of trade receivables over a period of 36 months before 31 December 2018 and 1 January 2018 (for the assessment on opening retained earnings) and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the United States of America in which it sells majority of its goods and services to be the most relevant factors, and accordingly adjusts the historical credit loss rates based on expected changes in this factor.

The provision for and write-off of trade receivables were taken into consideration of the expected credit loss rates.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

The Group has assessed the loss allowances based on the expected credit loss rates and the amounts to be provided were not material as at 1 January 2018. The loss allowance as at 31 December 2018 was determined as follows:

Category 1: Customers have a relatively lower credit risk with good settlement history

	Less than 30 days	**30–90 days**	**91–180 days**	**181–365 days**	**Total**
	US$	US$	US$	US$	US$
Gross carrying amount	499,791	345,525	48,864	116,519	1,010,699
Loss allowance	(10,162)	(7,026)	(994)	(2,369)	(20,551)

Category 2: Customers have a relatively higher credit risk with significant overdue receivables balance

	Less than 30 days	**30–90 days**	**91–180 days**	**181–365 days**	**Total**
	US$	US$	US$	US$	US$
Gross carrying amount	—	—	—	9,875	9,875
Loss allowance	—	—	—	(4,781)	(4,781)

The range of expected credit loss rate is 2.03% for less than 30 days to 91–180 days, and 2.03%–48.41% for 181–365 days, respectively.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

Total

	Less than 30 days US$	30–90 days US$	91–180 days US$	181–365 days US$	Total US$
Gross carrying amount	499,791	345,525	48,864	126,394	1,020,574
Loss allowance	(10,162)	(7,026)	(994)	(7,150)	(25,332)

The movement of the provision for trade receivables is as follows:

	2018 US$	2017 US$
As at 1 January	34,597	—
Provision for trade receivables recognised in profit or loss	25,332	34,597
Uncollectible amount written off	(34,597)	—
As at 31 December	25,332	34,597

Cash and cash equivalents, pledged deposit, deposits and other receivables

Impairment on cash and cash equivalents, pledged deposit, deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime expected credit loss. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the deposits and other receivables as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 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$	Between 1 year and 2 years US$	Between 2 years and 5 years US$	Over 5 years US$	Total US$
At 31 December 2018					
Trade payables	72,385	—	—	—	72,385
Accruals and other payables	1,088,823	—	—	—	1,088,823
Amount due to ultimate holding company	3	—	—	—	3
Borrowings	3,864,897	579,200	1,017,223	2,811,934	8,273,254
Interest on borrowings	202,438	215,494	466,666	1,430,189	2,314,787
	5,228,546	794,694	1,483,889	4,242,123	11,749,252
At 31 December 2017					
Trade payables	1,917,091	—	—	—	1,917,091
Accruals and other payables	1,774,894	—	—	—	1,774,894
Amount due to ultimate holding company	3	—	—	—	3
Borrowings	134,774	116,312	252,191	2,902,679	3,405,956
Interest on borrowings	85,923	104,385	409,901	1,375,184	1,975,393
	3,912,685	220,697	662,092	4,277,863	9,073,337

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Financing arrangement

The Group had access to the following undrawn borrowing facilities at the end of the reporting period.

	2018 US$	2017 US$
Floating rate		
— Expiring beyond one year (trade facilities)	1,000,000	1,000,000

(d) Cash flow and fair value interest rate risk

Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's main interest rate risk arises from long-term borrowings and trade loans with variable rates, which expose the Group to cash flow interest rate risk. During the years ended 31 December 2018 and 2017, the Group's borrowings at variable rates were mainly denominated in SG$ and US$. The fixed rate borrowings are subject to fair value interest rate risk, which are monitored through contractual terms, and the Group does not use derivatives to hedge the interest rate risk.

The Group's borrowings are carried at amortised cost. The borrowings are contractually repriced periodically (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2018 US$	% of total loans	2017 US$	% of total loans
6 months or less	5,065,791	61%	—	0%
6–12 months	1,516,477	18%	—	0%
1–2 years	1,690,986	21%	3,405,956	100%
	8,273,254	100%	3,405,956	100%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk (Continued)

Sensitivity

Profit or loss is sensitive to higher/lower interest expense from long-term borrowings and trade loans as a result of changes in interest rates.

	Impact on post tax profit	
	2018	2017
	US$	US$
Interest rates — increase by 100 basis points*	**11,052**	—
Interest rates — decrease by 100 basis points*	**(11,052)**	—

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 gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2018 and 2017, the gearing ratios are as follows:

	2018	2017
	US$	US$
Net debt	**5,423,455**	555,638
Total equity	**22,494,299**	20,200,768
Total capital	**27,917,754**	20,756,406
Gearing ratio	**19%**	3%

3.3 Fair value estimation

As at 31 December 2018 and 2017, the Group did not have any financial assets or financial liabilities on 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, pledged deposit and its current financial liabilities including trade and other payables, borrowings and amounts due to ultimate holding company approximate their fair values due to their short maturities. The fair values of the non-current borrowings are disclosed in Note 19.

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) Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives and related depreciation or amortisation charges of 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.

(b) Impairment of property, plant and equipment and intangible assets

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)

(c) 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. Please refer to Note 9 for details of impairment of inventories.

(d) Estimation of provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and taking into account forward looking information. Provisions for impairment is computed by applying the loss rates to the receivables in the respective aged buckets. 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 doubtful debt expense in the period in which such estimate is changed. There has been no significant shortfall in these estimates against actual results.

(e) 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 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 geographical areas:

	2018 US$	2017 US$
North America	21,638,549	15,602,540
Europe	4,553,980	11,230,864
Asia	1,542,619	1,156,739
Oceania	416,832	1,439,011
South America	37,231	373,586
Africa	18,200	14,000
	28,207,411	29,816,740

No individual customers of the Group contributed more than 10% of the Group's revenue during the years ended 31 December 2018 and 2017.

At 31 December 2018 and 2017, the total non-current assets other than intangible assets and deferred income tax assets were located in the following locations:

	2018 US$	2017 US$
Singapore	4,995,474	5,073,242
Mainland China	5,567,678	3,711,001
North America	1,714,460	2,141,253
Others	68,449	106,841
	12,346,061	11,032,337

6 PROPERTY, PLANT AND EQUIPMENT

	Art, painting & sculpts US$	Computer equipment US$	Displays, moulds & tools US$	Furniture & fixtures US$	Motor vehicles US$	Office units US$	Furniture fittings and equipment US$	Total US$
At 1 January 2017								
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	1,915,877	75,015	1,767,655	22,324	6,525	—	—	3,787,396
Year ended 31 December 2017								
Opening net book amount	1,915,877	75,015	1,767,655	22,324	6,525	—	—	3,787,396
Additions	1,695,173	205,082	1,151,491	300,433	178,558	4,612,532	252,475	8,395,744
Depreciation (Note 22)	(351,045)	(42,590)	(658,533)	(36,493)	(15,233)	(27,990)	(18,919)	(1,150,803)
Closing net book amount	3,260,005	237,507	2,260,613	286,264	169,850	4,584,542	233,556	11,032,337
At 31 December 2017								
Cost	4,012,345	323,369	4,015,610	356,333	189,235	4,612,532	252,475	13,761,899
Accumulated depreciation	(752,340)	(85,862)	(1,754,997)	(70,069)	(19,385)	(27,990)	(18,919)	(2,729,562)
Net book amount	3,260,005	237,507	2,260,613	286,264	169,850	4,584,542	233,556	11,032,337
Year ended 31 December 2018								
Opening net book amount	3,260,005	237,507	2,260,613	286,264	169,850	4,584,542	233,556	11,032,337
Additions	2,441,218	42,739	530,639	—	—	2,357	61,834	3,078,787
Depreciation (Note 22)	(631,244)	(65,340)	(823,683)	(65,593)	(36,344)	(92,364)	(50,495)	(1,765,063)
Closing net book amount	5,069,979	214,906	1,967,569	220,671	133,506	4,494,535	244,895	12,346,061
At 31 December 2018								
Cost	6,453,563	366,108	4,546,249	356,333	189,235	4,614,889	314,309	16,840,686
Accumulated depreciation	(1,383,584)	(151,202)	(2,578,680)	(135,662)	(55,729)	(120,354)	(69,414)	(4,494,625)
Net book amount	5,069,979	214,906	1,967,569	220,671	133,506	4,494,535	244,895	12,346,061

The Group's office units with total carrying amounts of approximately US$4,494,535 as at 31 December 2018 have been pledged to a bank for credit facilities granted to the Group (Note 28).

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2018 US$	2017 US$
Cost of sales	823,683	658,533
General and administrative expenses	941,380	492,270
	1,765,063	1,150,803

7 INTANGIBLE ASSETS

	Intellectual property rights US$	Product development costs US$	Computer software US$	Total US$
Year ended 31 December 2017				
Opening net book amount	5,794,417	1,509,075	273,104	7,576,596
Additions	2,901,468	1,651,402	267,260	4,820,130
Amortisation (Note 22)	(537,432)	(315,378)	(71,892)	(924,702)
Closing net book amount	8,158,453	2,845,099	468,472	11,472,024
At 31 December 2017				
Cost	9,664,008	3,371,206	640,402	13,675,616
Accumulated amortisation	(1,505,555)	(526,107)	(171,930)	(2,203,592)
Net book amount	8,158,453	2,845,099	468,472	11,472,024
Year ended 31 December 2018				
Opening net book amount	8,158,453	2,845,099	468,472	11,472,024
Additions[1]	300,000	2,412,350	518,760	3,231,110
Amortisation (Note 22)	(741,719)	(673,508)	(159,047)	(1,574,274)
Closing net book amount	7,716,734	4,583,941	828,185	13,128,860
At 31 December 2018				
Cost	9,964,008	5,783,556	1,159,162	16,906,726
Accumulated amortisation	(2,247,274)	(1,199,615)	(330,977)	(3,777,866)
Net book amount	7,716,734	4,583,941	828,185	13,128,860

(1) Additions of intangible assets consist of US$2,606,982 paid on cash terms and US$624,128 on credit terms.

7 INTANGIBLE ASSETS (CONTINUED)

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

	2018 US$	2017 US$
Cost of sales	1,415,226	852,810
General and administrative expenses	159,048	71,892
	1,574,274	924,702

8 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost	
	2018 US$	2017 US$
Assets included in the consolidated balance sheet		
Trade and other receivables	1,105,242	841,526
Deposits	106,601	6,475
Cash and cash equivalents	2,849,799	2,850,318
Pledged deposit	200,000	200,000
	4,261,642	3,898,319

	Financial liabilities at amortised cost	
	2018 US$	2017 US$
Liabilities included in the consolidated balance sheet		
Trade payables	72,385	1,917,091
Accruals and other payables	1,088,823	1,774,894
Borrowings	8,273,254	3,405,956
Amount due to ultimate holding company	3	3
	9,434,465	7,097,944

9 INVENTORIES

	2018 US$	2017 US$
Trading merchandise	3,567,678	4,423,442

Write-down of inventories to net realisable value during the year amounted to US$200,000 (2017: US$102,732). These were recognised as an expense and included in "cost of sales".

10 TRADE AND OTHER RECEIVABLES

	2018 US$	2017 US$
Trade receivables	1,020,574	758,437
Less: loss allowance	(25,332)	(34,597)
	995,242	723,840
Other receivables	110,000	117,686
	1,105,242	841,526

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

During the years ended 31 December 2018 and 2017, the Group granted credit terms of 0 to 30 days to its customers.

At 31 December 2018 and 2017, the ageing analysis of trade receivables by the date on which the respective sales invoices were issued is as follows:

	2018 US$	2017 US$
Less than 30 days	499,791	499,844
30 days to 90 days	345,525	175,424
91 days to 180 days	48,864	33,814
181 days to 365 days	126,394	49,355
	1,020,574	758,437

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment and credit risk exposure

The Group applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables are measured as 12-month expected credit losses. The impact of the change in impairment methodology on the Group's opening retained earnings and equity was assessed to be immaterial. Information about the impairment of trade receivables and the Group's risk exposure arising from trade and other receivables can be found in Note 3.1.

Impairment losses are recognised in profit or loss within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

11 PREPAYMENTS AND DEPOSITS

	2018 US$	2017 US$
Advances to suppliers	3,749,291	1,203,654
Prepaid royalties and game development costs	460,505	1,013,580
Other prepayments	545,843	174,826
Deposits	106,601	6,475
Total	4,862,240	2,398,535

The Group's prepayments and deposits are denominated in the following currencies:

	2018 US$	2017 US$
US$	4,829,730	2,321,463
SG$	12,959	8,045
Canadian Dollars ("**CAD**")	19,551	—
Euro ("**EUR**")	—	69,027
	4,862,240	2,398,535

12 PLEDGED DEPOSIT

	2018 US$	2017 US$
Pledged deposit	200,000	200,000

The deposit has been pledged to a bank for credit facilities granted to the Group (Note 28). The Group's pledged deposit is denominated in US$.

13 CASH AND CASH EQUIVALENTS

	2018 US$	2017 US$
Cash at banks	2,849,799	2,844,365
Cash on hand	—	5,953
Total cash and cash equivalents	2,849,799	2,850,318

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

	2018 US$	2017 US$
US$	2,680,167	2,697,988
Hong Kong Dollars ("**HK$**")	—	18,555
SG$	121,841	30,446
CAD	39,020	97,366
EUR	8,771	5,963
	2,849,799	2,850,318

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	**Share capital** US$	**Share premium** US$
Authorised:			
Ordinary shares of HK$0.00005 each at 31 December 2018 and 2017	7,600,000,000	49,147	
Issued and fully paid:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,806,000,000	11,700	12,384,133

15 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

As at 31 December 2018 and 2017, amount due to ultimate holding company was unsecured, interest-free, denominated in US$ and repayable on demand.

16 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 sheet are, after appropriate offsetting, as follows:

	2018 US$	2017 US$
Deferred income tax liabilities		
— To be settled within one year	(220,399)	(58,254)
— To be settled after one year	(45,059)	(223,043)
	(265,458)	(281,297)

The movement in deferred income tax is as follows:

	2018 US$	2017 US$
At beginning of year	(281,297)	(265,722)
Charged to profit or loss (Note 27)	15,839	(15,575)
At end of year	(265,458)	(281,297)

16 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$
At 1 January 2018	—
Charged to profit or loss	—
At 31 December 2018	—
At 1 January 2017	16,007
Charged to profit or loss	(16,007)
At 31 December 2017	—

Deferred income tax liabilities	**Accelerated tax depreciation** US$
At 1 January 2018	(281,297)
Charged to profit or loss	15,839
At 31 December 2018	(265,458)
At 1 January 2017	(281,729)
Charged to profit or loss	432
At 31 December 2017	(281,297)

17 TRADE PAYABLES

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

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

	2018 US$	2017 US$
Less than 60 days	429	1,917,091
Over 120 days	71,956	—
	72,385	1,917,091

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

Trade payables are denominated in the following currencies:

	2018 US$	2017 US$
US$	71,956	1,917,091
CAD	429	—
	72,385	1,917,091

18 ACCRUALS AND OTHER PAYABLES

	2018 US$	2017 US$
Other payable to a supplier of intellectual property rights	624,128	1,220,000
Accruals for professional service fees in respect of the Proposed Transfer of Listing	107,300	—
Accruals for audit fee	220,000	220,000
Other accrued operating expenses	137,395	334,894
	1,088,823	1,774,894

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

19 BORROWINGS

	2018 US$	2017 US$
Non-current		
Portion of long-term bank loans due for repayment after one year	4,408,357	3,271,182
Current		
Bank overdraft	5,031	—
Short-term loans	3,267,610	—
Portion of long-term bank loans due for repayment within one year	592,256	134,774
	3,864,897	134,774
Total borrowings	8,273,254	3,405,956

As at 31 December 2018, bank borrowings amounting to US$3,207,462 (2017: US$3,405,956) mature until 2037 and bear interest at rates between 2.38% to 2.78% annually for the first two years and at Singapore Interbank Offered Rate +3% for the remaining tenures (2017: same term). Bank borrowings amounting to US$$1,793,151 (2017: Nil) mature until 2022 and bear interest at a rate at the bank's prevailing 1-month Cost of Funds +3.5%.

Trade loans amounting to US$$3,267,610 mature until 2019 and bear interest at rates at the bank's prevailing 1-month Cost of Funds +3.5% and the London Inter-bank Offered Rate +2.5%.

The Group's borrowings were repayable as follows:

	2018 US$	2017 US$
Within 1 year	3,864,897	134,774
Between 1 and 2 years	579,200	116,312
Between 2 and 5 yeas	1,017,223	252,191
Over 5 years	2,811,934	2,902,679
	8,273,254	3,405,956

(i) Secured liabilities and assets pledged as security

As at 31 December 2018, bank borrowings of US$5,164,621 (2017: US$3,405,956) are secured by first mortgage over the Group's office units, a corporate guarantee from the Company, and a charge over all fixed deposits placed with the bank. Bank borrowing of US$816,190 (2017: Nil) is secured by first debenture fixed and floating charge on the Group's assets and undertakings and corporate guarantees from the Company and its subsidiary.

19 BORROWINGS (CONTINUED)

(i) Secured liabilities and assets pledged as security (Continued)

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 28.

The remaining bank borrowings as at 31 December 2018 of US$$2,292,443 (2017: Nil) are unsecured.

(ii) Fair value

The fair values are within Level 2 of the fair value hierarchy. Level 2 of the fair value hierarchy refers to fair values derived based on inputs other than quoted prices included within Level 1 that are observable for the liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair values of non-current bank borrowings are as follows:

	2018 US$	2017 US$
Bank borrowings	3,867,795	3,271,515

The fair values above are determined from the cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the end of each reporting period which the directors expect to be available to the Group:

	2018 US$	2017 US$
Bank borrowings	2.01%	0.62%

(iii) Risk exposures

Details of the Group's risk exposure arising from current and non-current borrowings are set out in Note 3.1.

(iv) Loan covenants

The Group monitors the debt covenants for borrowings and is in compliance with all externally imposed capital requirements as at and for the years ended 31 December 2017 and 2018.

19 BORROWINGS (CONTINUED)

(v) Borrowings are denominated in the following currencies:

	2018 US$	2017 US$
US$	4,990,704	—
SG$	3,277,519	3,405,956
HK$	5,031	—
	8,273,254	3,405,956

20 CONTRACT LIABILITIES

As at 31 December 2018 and 2017, contract liabilities refer to deferred revenue. Deferred revenue represents prepaid amounts received from customers who pre-ordered the Group's products of specific product lines on internet based crowd funding platforms.

The movement of deferred revenue is as follows:

	2018 US$	2017 US$
Beginning of the year	3,265,709	4,509,222
Amounts received from customers through an internet based crowd funding platform (Note a)	15,749,566	18,775,050
Amount received from customers through other channels (Note b)	80,333	451,520
Revenue recognised upon delivery of products (Note c)	(15,149,363)	(19,929,816)
Refunds (Note d)	—	(173,999)
Forfeiture revenue (Note e) (Note 21)	(254,882)	(366,268)
At the end of the year	3,691,363	3,265,709

20 CONTRACT LIABILITIES (CONTINUED)

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 amounts received are prepaid by customers through other channels for pre-orders of specified products.

(c) The amounts represent revenue recognised in profit or loss upon delivery of products in accordance with the policies set out in Note 2.19.

(d) The amounts represent refunds upon cancellation of pre-orders by customers before delivery of products.

(e) The amounts represent receipts from customers for pre-orders of specified products which were subsequently abandoned by customers and are recognised as revenue in accordance with the policies set out in Note 2.20.

(f) As at 31 December 2018 and 2017, the entire balance of deferred revenue was aged within one year from the date when the relevant funding was received.

21 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods and services in the following major revenue streams:

	At a point in time	
	2018	2017
	US$	US$
Sales of products	**26,863,849**	26,933,567
Shipping income in connection with sale of products	**1,088,680**	2,516,905
Forfeiture revenue (Note 20(e))	**254,882**	366,268
	28,207,411	29,816,740
Timing of revenue recognition		
— At a point in time	**27,118,731**	27,299,835
— Over time	**1,088,680**	2,516,905
	28,207,411	29,816,740

22 EXPENSES BY NATURE

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

	2018 US$	2017 US$
Cost of inventories	7,592,042	10,459,716
Shipping and handling charges	3,374,618	3,358,625
Employee benefit expenses (Note 25)	3,350,820	3,468,684
Professional service fees in respect of the Proposed Transfer of Listing	949,756	—
Auditors remuneration		
— Audit services	220,000	220,000
— Non-audit services	10,420	23,567
Other professional fees	642,641	639,736
Merchant account fees	1,201,252	1,300,544
Royalty expenses	423,129	95,560
Marketing expenses	832,703	691,670
Depreciation (Note 6)	1,765,063	1,150,803
Amortisation (Note 7)	1,574,274	924,702
Games development expenses	911,523	675,967
Website maintenance fees	490,949	362,952
Operating lease rentals	543,597	389,792
Travelling expenses	824,886	876,297
Bad debt written off	—	31,949
Loss allowance (Note 10)	25,332	34,597
Write-down of inventories (Note 9)	200,000	102,732
Other expenses	802,595	663,269
	25,735,600	25,471,162

Cost of sales comprises principally cost of inventories of US$7,592,042 (2017: US$10,459,716), shipping and handling charges of US$3,374,618 (2017: US$3,358,625), depreciation of US$823,683 (2017: US$658,533), amortisation of US$1,415,226 (2017: US$852,810), and write-down of inventories of US$200,000 (2017: US$102,732) for the year ended 31 December 2018.

Merchant account fees include fees charged by payment service providers, credit card companies and an internet based crowd funding platform upon remittance of the relevant funding described in Note 20.

23 OTHER INCOME

	2018 US$	2017 US$
Advertising income	39,448	66,423
Royalty income	35,174	45,079
Other income	5,610	—
	80,232	111,502

24 FINANCE COSTS

	2018 US$	2017 US$
Interest charges on bank loans	229,650	35,621

25 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 US$	2017 US$
Wages and salaries	2,987,609	3,266,360
Pension costs — defined contribution plans	199,848	202,324
Employee share option expense	163,363	—
	3,350,820	3,468,684

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

	2018 US$	2017 US$
Selling and distribution expenses	2,301,919	1,666,655
General and administrative expenses	1,048,901	1,802,029
	3,350,820	3,468,684

26 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remunerations

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

	2018 US$	2017 US$
Wages and salaries	542,060	510,637
Discretionary bonuses	—	421,647
Directors' fees	144,000	144,000
Pension costs — defined contribution plans	18,496	38,340
	704,556	1,114,624

26 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 2018 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
Name of Director	Fees US$	Salary US$	Discretionary bonuses US$	Allowances and benefits in lieu US$	Employer's contribution to a retirement benefit scheme US$	Total US$
Executive directors						
David Doust	—	190,026	—	—	—	190,026
Ng Chern Ann	—	206,975	—	—	9,248	216,223
Koh Zheng Kai	—	145,059	—	—	9,248	154,307
Sub-total	—	542,060	—	—	18,496	560,556
Non-executive director						
Chua Oon Kian	36,000	—	—	—	—	36,000
Sub-total	36,000	—	—	—	—	36,000
Independent non-executive directors						
Seow Chow Loong	36,000	—	—	—	—	36,000
Lip Keat Tan	36,000	—	—	—	—	36,000
Chong Pheng	36,000	—	—	—	—	36,000
Sub-total	108,000	—	—	—	—	108,000
Total	144,000	542,060	—	—	18,496	704,556

26 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 2017 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
Name of Director	Fees	Salary	Discretionary bonuses	Allowances and benefits in lieu	Employer's contribution to a retirement benefit scheme	Total
	US$	US$	US$	US$	US$	US$
Executive directors						
David Doust	—	200,000	51,948	—	12,481	264,429
Ng Chern Ann	—	200,000	328,819	—	8,620	537,439
Koh Zheng Kai	—	110,637	40,880	—	17,239	168,756
Sub-total	—	510,637	421,647	—	38,340	970,624
Non-executive director						
Chua Oon Kian	36,000	—	—	—	—	36,000
	36,000	—	—	—	—	36,000
Independent non-executive directors						
Seow Chow Loong	36,000	—	—	—	—	36,000
Lip Keat Tan	36,000	—	—	—	—	36,000
Chong Pheng	36,000	—	—	—	—	36,000
Sub-total	108,000	—	—	—	—	108,000
Total	144,000	510,637	421,647	—	38,340	1,114,624

26 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 (2017: 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 (2017: 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 (2017: 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 (2017: Nil).

(f) Five highest paid individuals

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

	Number of individuals Year ended 31 December	
	2018	2017
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 2 highest paid individuals (2017:2) not in the capacity as a director during the years are set out below:

	2018 **US$**	2017 US$
Basic salaries, other allowances and benefits in kind	**269,244**	239,872
Contribution to pension scheme	**—**	—
	269,244	239,872

26 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:

	Number of individuals Year ended 31 December	
	2018	2017
Emolument band: Nil to HK$1,000,000 (equivalent to US$129,000)	**—**	1
Emolument band: HK$1,000,001 (equivalent to US$129,000) to HK$1,500,000 (equivalent to US$194,000)	**2**	1
	2	2

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.

27 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 U.S. corporate tax at the rate of 21% (2017: 35%) and Singapore corporate income tax at the rate of 17% (2017: 17%).

	2018	2017
	US$	US$
Current income tax	**274,524**	974,814
Deferred income tax (Note 16)	**(15,839)**	80,602
	258,685	1,055,416
Overprovision of tax in prior years		
— Current income tax	**—**	(139,079)
— Deferred income tax (Note 16)	**—**	(65,027)
	258,685	851,310

27 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:

	2018 US$	2017 US$
Profit before income tax	2,326,955	4,347,929
Calculated at the applicable domestic tax rate of respective companies	412,123	1,000,105
Expenses not tax deductible	163,863	103,310
Tax incentives	(27,249)	(182,533)
Deferred tax assets not recognised	—	104,841
Over-provision of tax in prior years	—	(204,106)
Utilisation of previously unutilised capital allowances	(224,363)	—
Others	(65,689)	29,693
	258,685	851,310

Excluding the effect of the over-provisions of tax in prior years, the weighted average applicable tax rate for the years ended 31 December 2018 and 2017 are 11% and 20% respectively, which is determined based on applicable domestic tax rates of the companies in the Group which are subject to tax in various countries.

28 ASSETS PLEDGED AS SECURITY

The carrying amount of assets pledged as security for current and non-current borrowings are:

	2018 US$	2017 US$
Current		
Floating charge		
Pledged deposit (Note 12)	200,000	200,000
Non-current		
First mortgage		
Office units (Note 6)	4,494,535	4,584,542
Total assets pledged as security	4,694,535	4,784,542

29 CAPITAL RESERVES

	2018 US$	2017 US$
At beginning and end of the year	780,499	780,499

30 SHARE-BASED COMPENSATION

	2018 US$	2017 US$
Share-based compensation reserves		
Beginning of the year	—	—
Employee share option expense	163,363	—
End of the year	163,363	—

Employee options

The Share Option Scheme is designed to provide long-term incentives for senior management and above (including executive directors) to deliver long-term shareholder returns. Under the Share Option Scheme, participants are granted options which vest over a period of 2 to 3 years. Participation in the scheme is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Once vested, the options remain exercisable until the expiry of the validity period.

The exercise price of the options granted during the year is set at the average closing price HK$0.232 per share as quoted in The Stock Exchange of Hong Kong Limited's daily quotation sheets for the five business days immediately preceding the date of grant.

Set out below are summaries of options granted under the Share Option Scheme:

	2018		2017	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	—	—	—	—
Granted during the year	HK$0.232	74,620,000	—	—
Exercised during the year*	—	—	—	—
Forfeited during the year	—	—	—	—
As at 31 December	HK$0.232	74,620,000	—	—
Vested and exercisable at 31 December	—	—	—	—

No options expired during the periods covered by the above tables.

30 SHARE-BASED COMPENSATION (CONTINUED)

Employee options (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Share options 31 December 2018
13 August 2018	12 August 2028	HK$0.232	74,620,000
Weighted average remaining contractual life of options outstanding at end of the year			9.62 years

Fair value of options granted

The assessed fair value of options granted at grant date was HK$0.119 per option. The fair value at grant date is independently determined using an adjusted form of the Binomial Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of peer companies.

The model inputs for options granted included:

(a) options are granted for no consideration and vest over a period of 2 to 3 years. Vested options are exercisable for a period of 7 to 8 years after vesting

(b) exercise price: HK$0.232

(c) grant date: 13 August 2018

(d) expiry date: 12 August 2028

(e) share price at grant date: HK$0.222

(f) expected price volatility of the company's shares: 50%

(g) expected dividend yield: 0%

(h) risk-free interest rate: 2.1%

The expected price volatility is based on the historic volatility and the remaining life of the options, adjusted for any expected changes to future volatility due to publicly available information.

31 DIVIDENDS

No dividends were declared during the years ended 31 December 2018 and 2017.

32 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2018	2017
Net profit attributable to equity holders of the Company (US$)	2,068,270	3,496,619
Weighted average number of ordinary shares outstanding for basic earnings per share	1,806,000,000	1,806,000,000
Basic earnings per share (US$)	0.0011	0.0019

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one (2017: Nil) category of dilutive potential ordinary shares: share options (2017: Nil). For the share options, a calculation was performed to determine the number of shares that could have been issued at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

Diluted earnings per share for the year ended 31 December 2018 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect to the basic earnings per share.

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2017.

33 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

33 RELATED PARTY TRANSACTIONS (CONTINUED)

Save as disclosed elsewhere in the financial statements, 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 15.

(b) Key management compensation

Details of key management compensations are set out in Note 26.

34 OPERATING LEASE COMMITMENTS

As at 31 December 2018 and 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2018 US$	2017 US$
No later than 1 year	544,927	550,468
Later than 1 year and no later than 5 years	1,283,006	1,966,084
	1,827,933	2,516,552

35 SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up capital	Percentage of equity interest held as at 31 December 2018	2017
Direct Interests:					
CMON Production 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; SG$2	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%	100%
CMON Games Inc.	Canada; 6 April 2017	Provision of sales administrative services; Canada	100 shares; CAD100	100%	100%
CMON Hong Kong Limited	Hong Kong; 6 June 2017	Dormant; Hong Kong	1 share; HKD1	100%	100%
Geekfunder Inc.	USA; 15 February 2017	Dormant; USA	250,000 shares; US$1	100%	100%
CMON Foshan (PRC)	PRC; 18 April 2018	Dormant; PRC	100,000 shares; US$0.001	100%	N/A

36 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2018 and 2017.

37 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	Note	2018 US$	2017 US$
ASSETS			
Non-current assets			
Investments in subsidiaries		59,493,548	59,493,548
Current assets			
Deposits and prepayments		2,312,413	—
Amounts due from subsidiaries		3,095,829	3,594,417
Cash and cash equivalents		128,285	18,556
Total assets		65,030,075	63,106,521
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	11,700	11,700
Share premium	14	12,384,133	12,384,133
Accumulated losses	(a)	(4,337,382)	(3,482,860)
Share-based compensation reserve	30	163,363	—
Capital reserve	(a)	54,193,547	54,193,547
Total equity		62,415,361	63,106,520
LIABILITIES			
Current liabilities			
Amount due to ultimate holding company		1	1
Borrowings		2,287,413	—
Accruals and other payables		327,300	—
		2,614,714	1
Total liabilities		2,614,714	1
Total equity and liabilities		65,030,075	63,106,521

The balance sheet of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf.

Ng Chern Ann
Director

Koh Zheng Kai
Director

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

(a) Reserve movements of the Company

	Capital reserves	Share premium	Share-based compensation reserves	Accumulated losses	Total
	US$	US$	US$	US$	US$
At 1 January 2017	54,193,547	12,384,133	—	(3,039,981)	63,537,699
Loss for the year	—	—	—	(442,879)	(442,879)
At 31 December 2017	54,193,547	12,384,133	—	(3,482,860)	63,094,820
At 1 January 2018	54,193,547	12,384,133	—	(3,482,860)	63,094,820
Loss for the year	—	—	—	(854,522)	(854,522)
Employee share options granted	—	—	163,363	—	163,363
At 31 December 2018	54,193,547	12,384,133	163,363	(4,337,382)	62,403,661

FINANCIAL SUMMARY

	Year ended 31 December				
	2014	2015	2016	2017	2018
	US$	US$	US$	US$	US$
Revenue	12,615,069	17,185,355	20,964,135	29,816,740	**28,207,411**
Gross Profit	5,965,828	8,808,117	10,704,260	14,384,324	**14,801,842**
Profit before income tax	3,244,674	2,669,084	1,877,778	4,347,929	**2,326,955**
Profit and total comprehensive income for the year attributable to equity holders of the Company	2,563,407	1,826,095	1,017,620	3,495,625	**2,046,945**

	As at 31 December				
	2014	2015	2016	2017	2018
	US$	US$	US$	US$	US$
Total assets	10,986,570	16,565,359	25,758,839	33,218,182	**38,059,880**
Total liabilities	7,913,101	7,973,669	9,053,696	13,017,414	**15,565,581**
Total equity	3,073,469	8,591,690	16,705,143	20,200,768	**22,494,299**