CMON Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8278

ANNUAL REPORT

2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED PLACE OF BUSINESS IN HONG KONG

18th Floor, United Centre
95 Queensway, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

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

COMPANY'S WEBSITE

http://cmon.com

STOCK CODE

8278

DATE OF LISTING

2 December 2016

Dear Shareholders,

With another year in the rear view mirror, I am pleased to report that we have achieved revenue growth of approximately 41.9% to approximately US$29.8 million in 2017. We had our best ever year on Kickstarter, raising over approximately US$12.1 million representing an approximately 105.1% increase over 2016. Our profit and total comprehensive income for the year attributable to equity holders of the Company increased more than three times to approximately US$3.5 million in 2017.

STRATEGY

2017 was a year for improvements to capabilities. We continued to adhere to our three-pronged business strategies — refocusing our marketing efforts on our end uses and the gamers, expanding into the largely untapped markets of Asia, particularly China, and strengthening our game design, licensing and intellectual property ("**IP(s)**") creation capabilities. We aim to continuously publish more high-quality tabletop games and expand our sales and marketing capabilities.

During the year, we have beefed up our operation, customer services and production teams, as well as bringing on board more of the top talents of our industry. We believe that these investments will start to pay off in 2018 and beyond.

From operation perspective, we have acquired two properties in Singapore within the same building with one as our global head office for business expansion and the other as a retail shop, show room and play test centre for image and brand building. We have also set up a sales office in Canada to strengthen our sales efforts.

In terms of people, we appointed Mr. Jules Vautour, our former sales director, as the chief operating officer of the Group. We have also successfully invited luminaries such as Mr. Eric Lang (designer of our hit titles *Blood Rage*, *The Others: 7 Sins* and *Arcadia Quest*), Mr. Mike McVey (the artistic director behind many of our fantastic miniatures) and Mr. Karl Kopinski (celebrated game artist) to join us during the year, which has significantly strengthened our game design capabilities.

In terms of market expansion, Mr. David Doust, one of our co-founders and controlling shareholders, has moved to Singapore to oversee sales and marketing in China and East Asia, and we are seeing a strong response from the China market towards our marketing efforts. While we did not see much of a direct impact on the financial results for the year ended 31 December 2017, we expect to see improvement in sales performance in this region in 2018.

KICKSTARTER AND CROWDFUNDING

According to the analysis by ICO partners[1], tabletop games continued to grow rapidly in 2017 with an increase of approximately 36.0% over 2016. Both *Rising Sun* and *Zombicide: Green Horde* were some of our best supported crowdfunding campaigns ever in terms of both fund raising amount and number of backers, gathering approximately US$4.2 million with 31,262 backers and US$5.0 million with 27,236 backers, respectively. The tabletop game category sees no sign of slowing down, and we are the runaway leader in this category[2].

APPRECIATION

On behalf of the board of Directors (the "**Board**"), I would like to thank CMON team for another great year. With the support from our talented team, we are confident that we will continue to grow under the ever-changing business environment. To our shareholders, I would like to express my sincere thanks for your continued faith in us.

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

15 March 2018

[1] *http://icopartners.com/2018/02/kickstarter-2017-depth-look-games-category/*
[2] *https://www.tabletopanalytics.com/creatorstopgrossing*

BUSINESS MODEL AND BUSINESS OVERVIEW

We are a hobby games publisher specialising in developing and publishing mainly tabletop games (including board games and miniature war games). We also started developing and launching mobile games since 2015.

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

As at 31 December 2017, we offered a total of 64 games, comprising 60 board games, three miniature war games and one mobile game. Four of our board games, namely *Massive Darkness, Rising Sun, Zombicide: Green Horde* and *The World of SMOG: Rise of Moloch*, launched on Kickstarter were shipped during the year ended 31 December 2017.

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 strengthening our game design, licensing and IP creation capabilities. This is 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 2017, we launched four Kickstarter games, namely *Rising Sun, Zombicide: Green Horde, The World of SMOG: Rise of Moloch* and *A Song of Ice & Fire: Tabletop Miniatures Game*, and raised approximately US$4.2 million, US$5.0 million, US$1.2 million and US$1.7 million, respectively. We also launched a Kictstarter game, namely *HATE*, in January 2018 and raised approximately US$1.5 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 China, Thailand and Korea. In 2017, the Group acquired a property (the "**Headquarters**") located at 201 Henderson Road #07/08-01, Apex @ Henderson, Singapore 159545 as its global head office for business expansion and another property (the "**Property**") located at 201 Henderson Road #09-23/24, Apex @ Henderson, Singapore 159545, in the same building where the Headquarters is located, as a retail shop, show room and play test centre for its products to further strengthen the image and brand awareness of the Group. We have also set up a sales office in Canada which commenced operation in October 2017. In terms of management, we have appointed Mr. Jules Vautour, our sales director, as the chief operating officer of the Group since October 2017.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately 41.9% from approximately US$21.0 million for the year ended 31 December 2016 to approximately US$29.8 million for the year ended 31 December 2017, primarily due to the increase in revenue from board games. Revenue from board games increased by approximately 42.9% from approximately US$20.5 million for the year ended 31 December 2016 to approximately US$29.3 million for the year ended 31 December 2017, primarily due to sales from shipment of new board games launched since the second half of 2016, including *Massive Darkness, Rising Sun, Zombicide: Green Horde* and *The World of SMOG: Rise of Moloch*.

In terms of sales channels, revenue via Kickstarter increased from approximately US$11.5 million for the year ended 31 December 2016 to approximately US$20.6 million for the year ended 31 December 2017, mainly due to shipment of Kickstarter projects including *Massive Darkness, Rising Sun, Zombicide: Green Horde* and *The World of SMOG: Rise of Moloch* in 2017.

North America and Europe remained as our major markets, with North American and European sales made up approximately 90.0% and 92.4% of our total revenue combined for the years ended 31 December 2017 and 2016, 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			
	2017		2016	
	US$	%	US$	%
Board games	29,301,745	98.3	20,485,617	97.7
Miniatures war games	365,440	1.2	188,991	0.9
Mobile games	9,098	—	23,501	0.1
Sub-total	29,676,283	99.5	20,698,109	98.7
Other products	140,457	0.5	266,026	1.3
Total	29,816,740	100.0	20,964,135	100.0

By sales channels

	Year ended 31 December			
	2017		2016	
	US$	%	US$	%
Direct				
Kickstarter	20,597,558	69.1	11,468,346	54.7
Online store and game conventions	870,213	2.9	848,312	4.1
Mobile games	9,098	—	23,501	0.1
Wholesalers	8,339,871	28.0	8,623,976	41.1
Total	29,816,740	100.0	20,964,135	100.0

By geographical markets

	Year ended 31 December			
	2017		2016	
	US$	%	US$	%
North America	15,602,540	52.3	11,546,173	55.1
Europe	11,230,864	37.7	7,829,071	37.3
Oceania	1,439,011	4.8	794,214	3.8
Asia	1,156,739	3.9	626,047	3.0
South America	373,586	1.3	152,212	0.7
Africa	14,000	—	16,418	0.1
Total	29,816,740	100.0	20,964,135	100.0

COST OF SALES

Our cost of sales increased by approximately 49.5% from approximately US$10.3 million for the year ended 31 December 2016 to approximately US$15.4 million for the year ended 31 December 2017 primarily due to the shipment of *Massive Darkness*, *Rising Sun*, *Zombicide: Green Horde* and *The World of SMOG: Rise of Moloch* products in 2017. Cost of inventories increased by approximately 45.8% from approximately US$7.2 million for the year ended 31 December 2016 to approximately US$10.5 million for the year ended 31 December 2017, which was in line with the increase in our revenue. Our shipping and handling charges increased by approximately 70.0% from approximately US$2.0 million for the year ended 31 December 2016 to approximately US$3.4 million for the year ended 31 December 2017, which was mainly due to the shipment of the four abovementioned Kickstarter projects and the temporary change in delivery logistics of our sales to wholesalers in the United States in the first four months in 2016 resulting in the relevant shipping and handling charges being accounted as selling and distribution expenses during such period. Total depreciation and amortisation also increased by approximately US$0.5 million from approximately US$1.0 million for the year ended 31 December 2016 to approximately US$1.5 million for the year ended 31 December 2017, which was generally in line with the increase in the scale of our operations and game portfolio; and the addition of IP rights for *Rising Sun, The World of SMOG, The Grizzled, Massive Darkness* and *Zombicide: Green Horde* and capitalisation of product development costs during the year ended 31 December 2017. Write-downs of inventories to net realisable value of US$102,732 for the year ended 31 December 2017 were related to slow moving inventories with no sales during the year.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit increased by approximately 34.6% from approximately US$10.7 million for the year ended 31 December 2016 to approximately US$14.4 million for the year ended 31 December 2017 mainly due to the growth in revenue. Our gross profit margin decreased to approximately 48.2% for the year ended 31 December 2017 from approximately 51.1% for the year ended 31 December 2016 primarily due to the temporary change in delivery logistics during the first four months of 2016 and the increase in depreciation and amortisation for the year ended 31 December 2017 as explained in the paragraph headed "Cost of sales" above.

OTHER INCOME

We recorded other income of US$111,502 for the year ended 31 December 2017, which was primarily related to sales of advertising space on our website and royalty income received from third parties. For the year ended 31 December 2016, other income was primarily related to mobile app development costs being recharged to a business partner; while no such income was recorded in profit or loss during the year ended 31 December 2017.

EXCHANGE LOSSES

We recorded exchange losses of US$73,530 for the year ended 31 December 2017 mainly resulted from the salaries of staff of the newly set up Canadian office which are denominated in Canadian dollars.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses for the year ended 31 December 2017 were approximately US$4.6 million, nearly doubled from approximately US$2.3 million for the year ended 31 December 2016. This was primarily due to (i) an increase in employee benefit expenses from US$203,296 for the year ended 31 December 2016 to approximately US$1.7 million for the year ended 31 December 2017 as a result of increased head count in our sales team; and (ii) an increase in merchant account fees to approximately US$1.3 million for the year ended 31 December 2017 from US$685,704 for the year ended 31 December 2016 resulting from the increase in the amount of funding received from the Kickstarter projects launched during 2017.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses for the year ended 31 December 2017 were approximately US$5.4 million, representing a decrease of approximately 19.4% from approximately US$6.7 million for the year ended 31 December 2016. The decrease was primarily due to the absence of professional service fees in respect of our listing application on GEM for the year ended 31 December 2017 as we have successfully listed on GEM in December 2016, netted off by (i) an increase in games development expenses from US$97,740 for the year ended 31 December 2016 to US$675,967 for the year ended 31 December 2017 primarily due to more intensive game development work for our new games; and (ii) an increase in other professional fees from US$82,477 for the year ended 31 December 2016 to US$639,736 for the year ended 31 December 2017 primarily due to legal fee incurred for the acquisition of the Headquarters and the Property and fees related to consultants engaged for production, development and opening up of the China market and other professional services.

FINANCE COSTS

We recorded finance costs of US$35,621 for the year ended 31 December 2017 from the bank borrowings for the acquisition of the Headquarters and the Property.

INCOME TAX EXPENSES

Despite an approximately 131.5% increase in profit before income tax for the year ended 31 December 2017, our income tax expenses decreased by approximately 1.0% from US$860,158 for the year ended 31 December 2016 to US$851,310 for the year ended 31 December 2017. This was mainly because professional service fees incurred in respect of our listing application for the year ended 31 December 2016 was not tax-deductible.

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

Our profit and total comprehensive income for the year attributable to equity holders of the Company increased by approximately 250.0% from approximately US$1.0 million for the year ended 31 December 2016 to approximately US$3.5 million for the year ended 31 December 2017 mainly due to the increases in revenue and gross profit as well as the absence of professional service fees in respect of our listing application on GEM for the year ended 31 December 2017, offset by the increase in selling and distribution expenses as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2017, we financed our operations primarily through cash generated from our internally generated funds, the net proceeds received from the placing of 306,000,000 shares with nominal value of HK$0.00005 each (the "**Share(s)**") at a price of HK $0.23 per Share on GEM (the "**Placing**") and bank borrowings. As at 31 December 2016 and 2017, we had cash and cash equivalents of approximately US$6.6 million and US$2.9 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 nil as at 31 December 2016 to US$134,774 and approximately US$3.3 million, respectively, as at 31 December 2017 as the Group applied the proceeds of the bank borrowings to finance the acquisition of the Headquarters and the Property. The bank borrowings for the Headquarters and the Property were secured by the Headquarters and the Property, respectively, a corporate guarantee from the Company and a charge over all fixed deposits placed with the bank. All the bank borrowings of the Group are denominated in Singapore dollars and with a tenor of 20 years. Interests are 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.

At 31 December 2017, the Group's borrowings were repayable as follows:

	2017 US$	2016 US$
Within 1 year	134,774	—
Between 1 and 2 years	116,312	—
Between 2 and 5 yeas	252,191	—
Over 5 years	2,902,679	—
	3,405,956	—

Going forward, we intend 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 the Group's sales made through Kickstarter are generally received prior to product delivery and therefore the Group does not expose to significant credit risk. The Group's trade receivables are primarily related to sales to wholesalers. We have policies in place to assess and monitor the credit worthiness of our wholesalers. The Group performs periodic credit evaluation of our wholesalers and will adjust the credit extended to the wholesalers accordingly. 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.

CAPITAL STRUCTURE

During the year ended 31 December 2017, the capital structure of the Group 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 2017, the Group shipped four Kickstarter games of which one, namely *Massive Darkness*, was launched in 2016 and three, namely *Rising Sun, Zombicide: Green Horde* and *The World of SMOG: Rise of Moloch*, were launched in 2017. These four Kickstarter games raised approximately US$14.0 million via the Kickstarter in total and all of which was recognized as revenue of the Group during the year ended 31 December 2017. We also launched *A Song of Ice & Fire: Tabletop Miniatures Game* in July 2017 with fund raising amount of approximately US$1.7 million and *HATE* in January 2018 with fund raising amount of approximately US$1.5 million via Kickstarter, and the shipments of which are expected to take place in the second quarter of 2018 and first quarter of 2019, respectively.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2017, the Group acquired the IPs of *Rising Sun, The World of SMOG* and *The Grizzled* for US$920,000, US$500,000 and US$55,950, respectively. The Group also acquired the Headquarters as its global head office and the Property as its retail shop, show room and play test centre, details of which were disclosed by the Company in its announcements dated 3 April 2017 and 6 October 2017, respectively.

During the year ended 31 December 2017, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

INFORMATION ON EMPLOYEES

As at 31 December 2017, the Group had 66 employees (31 December 2016: 47). 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 2017 amounted to approximately US$3.5 million (2016: approximately US$2.3 million).

CHARGES ON ASSETS

As at 31 December 2017, the Headquarters and the Property with total net book value of approximately US$4.6 million and pledged deposit of US$200,000 were charged as collateral for bank borrowings (31 December 2016: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at the date of this annual report, the Group does not have any concrete plan for material investments. However, as stated in the Prospectus, we intend to increase our market share by adding more high quality games into our portfolio through title acquisition or licensing. We also intend to consider and explore game developers, publishers and European-based distributors as potential strategic acquisitions and licensing targets in the future. We intend to finance our expansion plans primarily through internally generated funds and external borrowings.

GEARING RATIO

As at 31 December 2017, the Group had short-term and long-term bank borrowings of US$134,774 (31 December 2016: nil) and approximately US$3.3 million (31 December 2016: nil), respectively.

As at 31 December 2017, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 39.2% (31 December 2016: approximately 35.1%).

EXPOSURE TO FOREIGN EXCHANGE

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

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (31 December 2016: nil).

COMMITMENTS

Other than operating lease commitments for our leased properties, we had no other capital and lease commitments as at 31 December 2016 and 2017. As at 31 December 2017, the Group's operating lease commitments were approximately US$2.5 million (31 December 2016: approximately US$1.6 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 2017, most of the Group's best selling 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 2017 is set out below:

Strategy	Business objectives for the period from 15 November 2016 to 31 December 2017	Actual business progress for the period from 15 November 2016 to 31 December 2017
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**")	• Continued to develop the games as set out in the Game Pipeline • Shipped all the Outstanding Kickstarter Projects namely *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia*, *Rum & Bones: Second Tide* and *Massive Darkness* • Launched and shipped three Kickstarter projects namely *Rising Sun, Zombicide: Green Horde* and *The World of SMOG: Rise of Moloch*; and launched a Kickstarter project namely *A Song of Ice & Fire: Tabletop Miniatures Game*
	• Maintain two newly hired in-house game developers	• Maintained the two newly hired in-house game developers

Strategy	Business objectives for the period from 15 November 2016 to 31 December 2017	Actual business progress for the period from 15 November 2016 to 31 December 2017
Further strengthen our sales and marketing capability and broaden reach into new markets	• Maintain seven newly hired staff in our sales and marketing team	• The Group has successfully maintained seven staff
	• Set up and maintain the existing sales office in Canada	• The Group has set up its sales office in Canada, which commenced operation in October 2017
	• Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements and cooperation with online game websites	• Continued to promote the Company's products through online advertising and social networking websites
	• Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships	• Maintained regular contact with existing wholesalers • Initiated contact with five new wholesalers
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 2018

USE OF NET PROCEEDS FROM THE PLACING

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

During the period from 15 November 2016, being the Latest Practicable Date as defined in the Prospectus, to 31 December 2017, the Group has utilised approximately HK$36.7 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 2017 HK$ million	**Actual use of proceeds up to 31 December 2017** HK$ million
Developing high-quality tabletop games	17.5	16.6
Strengthening sales and marketing capability and broadening reach into new markets	10.2	6.9
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 2017 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 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* during the period from 15 November 2016 to 31 December 2017.

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

EXECUTIVE DIRECTORS

Mr. Ng Chern Ann (黃成安), aged 43, is an executive Director, chairman and chief executive officer of the Company. 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 54, is an executive Director and 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 38, is an executive Director and financial controller of the Company. Mr. Koh has over 10 years of experience in accounting and finance. Mr. Koh joined our Group in October 2014 and is primarily responsible for the accounting and tax management of our Group. Prior to joining our Group, Mr. Koh has held various positions in areas relating to accounting, finance and company secretarial work. He worked as an audit graduate assistant and associate at KPMG Singapore from 2004 to 2005, and as an assurance staff at Ernst & Young Houston, United States from 2005 to 2006. Thereafter, he joined KPMG Financial Services New York, United States as an audit associate from 2006 to 2008. From 2008 to 2010 he worked as a financial analyst at Investment Technology Group Inc., an independent execution broker and research provider listed on the NASDAQ Stock Market (NASDAQ: ITG). From 2011 to 2014, Mr. Koh worked in Opes Services Pte. Ltd., a company based in Singapore founded by Mr. Koh, which provides tax, accounting and secretarial services.

Mr. Koh passed the Association of Chartered Certified Accountants examination in June 2004. He has 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 graduated with a Bachelor degree in Science in Applied Accounting from Oxford Brookes University in association with the Association of Chartered Certified Accountants in January 2007 through distance learning.

NON-EXECUTIVE DIRECTOR

Mr. Frederick Chua Oon Kian (蔡穩健), aged 52, is a non-executive Director. 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 52, is 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. He has been an independent director of CDW Holdings Limited (SP: CDW), a company listed on the Singapore Exchange Securities Trading Limited, since May 2012. He has been a director of Zhong Xing Venture Pte Ltd since 2007, the owner and a director of Blue Forest Echo Pte Ltd since 2009, and a director of Share Taxi Pte. Ltd. since 2015. From 2011 to 2014, he was director of sales and vice president of Microlight Sensors Pte Ltd. He was also a director of Eurock Limited from 2007 to 2011.

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

Mr. Tan Lip-Keat, aged 44, is 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. 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 52, is 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. Mr. Seow is currently the general counsel of Shangri-la Asia Limited where he manages and renders in-house legal services for the Shangri-la Group since November 2011. Prior to that, Mr. Seow was a partner, and of counsel in the litigation group in Jones Day in Hong Kong, from September 2001 to November 2007. From March 1994 to August 2001, he was an associate solicitor in the litigation group at Baker Mckenzie, Hong Kong. Also, he was an advocate and solicitor in Khattar Wong & Partners in Singapore from January 1993 to February 1994.

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

Note:

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 48, is our creative director and is 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.

Mr. Jules Vautour, age 44, is our chief operating officer. He is responsible for overseeing the commercial and logistics activity and North American board game sales of our Group. From May 2009 to August 2012, Mr. Vautour was a Canadian National Sales representative with ILO307 Inc.. From August 2012 to December 2015, Mr. Vautour held the position of sales director at Asmodee, where he was responsible for the sales of Asmodee games, and all the studios it represented in the United States, including Days of Wonder.

Mr. Vautour attended Montmorency College from 1992 to 1993.

Ms. Roumpini Nikolopoulou, aged 48, is our marketing director. She is responsible for promoting the products of our Group. Prior to joining our Group, from 1995 to 1998, she was a product manager with Sony Europe Limited. From 2009 to 2016, Ms. Nikolopoulou was the director of marketing of Asmodee, where she was responsible for the marketing of Asmodee games and all the studios it represented in the United States, including Days of Wonder and its digital presence on social media for 2015.

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

JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei (伍秀薇), aged 40, is one of the joint company secretaries of our Company. Ms. Ng is a senior manager 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 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 one of our joint company secretaries. For more information on Mr. Koh's qualifications and experience, please see the sub-section headed "Executive Directors" above.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017 are set out in Note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statements of comprehensive income on page 56 of this annual report.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: 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 2017, 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 page 12 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 42 to 48 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 and its representative office in Italy while the Company itself is 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 and Italy. During the year ended 31 December 2017 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 United States, Singapore, Canada, Hong Kong 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 2017. 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 2017, the Group's sales to its five largest customers accounted for less than 30% of the Group's total revenue. Our five largest customers were wholesalers based in the United States and Europe. We do not enter into any long-term agreements with our wholesalers, who usually place their orders depending on their respective business requirements via purchase orders.

As at 31 December 2017, none of the Directors or any of their close associates or any shareholders of the Company (the "**Shareholders**") (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any interest in the Group's five largest customers.

Major Suppliers

For the year ended 31 December 2017, the Group's five largest suppliers accounted for approximately 90.1% (2016: approximately 93.8%) of the Group's total purchase and our single largest supplier accounted for approximately 32.3% (2016: approximately 44.1%) of the Group's total purchase. Our five largest suppliers were outsourced manufacturers based in Hong Kong and the PRC, miniature producers, game designers and toy manufacturers. Costs are determined with reference to quotations agreed between the Group and the suppliers on a project to project basis.

As at 31 December 2017, 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 four financial years is set out on page 100 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 2017 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 2017 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 2017 are set out on page 57 of this annual report in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to equity holders amounted to approximately US$10.5 million (31 December 2016: approximately US$10.9 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 during the year ended 31 December 2017 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. David Doust, Mr. Koh Zheng Kai and Mr. Frederick Chua Oon Kian will hold office as the Directors until the forthcoming annual general meeting of the Company to be held on 26 April 2018 (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 23 March 2018.

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 2017 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 Company's listing date on 2 December 2016 (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 2017 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 2017 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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 2017 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 2017 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 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Notes:

(1) The issued share capital of Cangsome Limited ("**CA SPV**") is wholly owned by Mr. Ng. Pursuant to the acting-in-concert arrangement, Mr. Ng and Mr. Doust are deemed to be interested in the Shares held by CA SPV and Dakkon Holdings Limited ("**DD SPV**"), which is wholly owned by Mr. Doust. Mr. Ng is an executive Director and the sole director of CA SPV.

(2) The issued share capital of DD SPV is wholly owned by Mr. Doust. Pursuant to the acting-in-concert arrangement, Mr. Doust and Mr. Ng are deemed to be interested in the Shares held by DD SPV and CA SPV. Mr. Doust is an executive Director and the sole director of DD SPV.

(3) Magic Carpet Pre-IPO Fund ("**Magic Carpet**") is a private equity investment fund managed by Quantum Asset Management Pte. Ltd. ("**Quantum Asset**") on a fully discretionary basis. Quantum Asset holds the only issued ordinary share of Magic Carpet and the preference shares in the capital of Magic Carpet are held by high net worth investors. Mr. Chua, our non-executive Director, beneficially owns approximately 99.99% of the issued share capital of Quantum Asset and is therefore deemed to be interested in the Shares held by Quantum Asset by virtue of the SFO. Mr. Chua is a director of Magic Carpet.

Save as disclosed above, as at 31 December 2017, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2017, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Notes:

(1) The issued share capital of CA SPV is wholly owned by Mr. Ng, and the issued share capital of DD SPV is wholly owned by Mr. Doust. Pursuant to the acting-in-concert arrangement, Mr. Ng and Mr. Doust are deemed to be interested in the Shares held by CA SPV and DD SPV. Mr. Ng is an executive Director and the sole director of CA SPV. Mr. Doust is an executive Director and the sole director of DD SPV. As at 31 December 2017, CA SPV was beneficially interested in 609,173,654 Shares and DD SPV was beneficially interested in 261,074,424 Shares.

(2) Magic Carpet is a private equity investment fund managed by Quantum Asset on a fully discretionary basis. Quantum Asset holds the only issued ordinary share of Magic Carpet and the preference shares in the capital of Magic Carpet are held by high net worth investors. Mr. Chua, our non-executive Director, beneficially owns approximately 99.99% of the issued share capital of Quantum Asset and is therefore deemed to be interested in the Shares held by Quantum Asset by virtue of the SFO. Mr. Chua is a director of Magic Carpet.

(3) The issued share capital of DP SPV is wholly owned by Mr. Preti. Therefore, Mr. Preti is deemed to be interested in the Shares held by DP SPV by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

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. From the date of the adoption of the Share Option Scheme and as at 31 December 2017, no option had been granted pursuant to the Share Option Scheme.

(iii) No option shall be granted to any eligible person under the Share Option Scheme if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue unless such further grant has been separately approved by Shareholders in general meeting in accordance with the GEM Listing Rules and with such grantee and his close associates (or associates if he is a connected person) abstained from voting.

(iv) An offer of grant of an option shall remain open for acceptance by an eligible person for a period of not less than five business days from the date on which the offer was issued, provided that such date shall not be more than 10 years after the date of adoption of the Share Option Scheme.

(v) A consideration of HK$1.00 is payable to the Company by the eligible person for each acceptance of grant of option(s) and such consideration is not refundable.

(vi) The exercise price in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (3) the nominal value of a Share on the date of grant.

(vii) The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, subject to early termination by the Company in general meeting or by the Board, and the remaining life of this scheme is around 8 years and 8 months.

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company did not have any share option scheme and there was no equity-linked agreement that would or might result in the Company issuing Shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing Shares, entered into by the Company during the year ended 31 December 2017 or subsisted as at 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, 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 2017 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 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, 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 32 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 2017, the charitable and other donations made by the Group amounted to US$11,200.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2017, 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 2017.

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 30 to 41 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 the compliance adviser and other corporate finance services provided by China Galaxy as at the date of this annual report).

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the year ended 31 December 2017 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 2017. 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 2018 will be proposed at the AGM.

On behalf of the Board
Ng Chern Ann
Chairman, Chief Executive Officer and Executive Director

Singapore, 15 March 2018

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. Save as disclosed in this annual report, the Company has, to the best knowledge of the Board, complied with all applicable code provisions of the CG Code during the year ended 31 December 2017. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Mr. Ng Chern Ann is currently the chairman and chief executive officer of the Company (the "**Chief Executive Officer**"). In view of Mr. Ng being one of the founders of the Group, and his responsibilities in corporate strategic planning and overall business development, the Board believes that it is in the interests of both the Group and the Shareholders to have Mr. Ng taking up both roles for effective management and business development. The Board also meets regularly on a quarterly basis to review the 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 2017, 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 2017 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 2017, the Board has met at all times the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, age, gender, ethnicity, language skills and length of service, etc.

2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate.

3. Appointments of the Directors should be made based on merits and the contributions that the individual is expected to bring to the Board, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

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

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Directors are encouraged to participate in continuous professional development seminars and programmes to develop and refresh their knowledge and skills. The joint company secretaries of the Company have from time to time updated and provided the Directors with written training materials relating to the roles, functions and duties of a director of a listed issuer on GEM of the Stock Exchange. The Company has also engaged external legal advisers to provide training to Directors on updates of GEM Listing Rules as well as 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 2017 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 2017, one general meeting was held. During the same period, four 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	4/4	1/1
Mr. David Doust	4/4	1/1
Mr. Koh Zheng Kai	4/4	1/1
Non-executive Director:		
Mr. Frederick Chua Oon Kian	4/4	1/1
Independent Non-executive Directors:		
Mr. Chong Pheng	4/4	1/1
Mr. Tan Lip-Keat	4/4	1/1
Mr. Seow Chow Loong Iain	4/4	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 2017.

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 the 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 2017 and the attendance of each Audit Committee member at the Audit Committee meetings during the year ended 31 December 2017 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 2016, for the three months ended 31 March 2017, for the six months ended 30 June 2017 and for the nine months ended 30 September 2017 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 2017 and attendance of each Nomination Committee member at the Nomination Committee meeting during the year ended 31 December 2017 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.

Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. On 17 November 2016, the Board adopted a board diversity policy, a summary of which is set out on page 31 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 2017 and attendance of each Remuneration Committee member at the Remuneration Committee meeting during the year ended 31 December 2017 is set out in the table below:

Director	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 2017 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 2017 by band is set out below:

Remuneration band (in HK$)	Number of individuals
Nil to HK$1,000,000	2
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 2017 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 49 to 53 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 2017, 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 2017, 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 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) made recommendations to the Board and the management on the scope and quality of the management's on-going monitoring of the risk management and internal control systems.

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

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2017 was approximately as follows:

Type of Services	**Amount**
	US$
Audit services	220,000
Non-audit services related to internal control review	23,567
Total	**243,567**

JOINT COMPANY SECRETARIES

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

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

For the year ended 31 December 2017, each of Mr. Koh and Ms. Ng had undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 5.15 of the GEM Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

All resolutions put forward at general meetings will be voted by poll pursuant to the GEM Listing Rules 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 2017, there was no change in the memorandum of the Company and the Articles of Association.

INTRODUCTION

This is the second report on environmental, social and governance ("**ESG**") of the Company issued in accordance with Appendix 20 of the GEM Listing Rules covering the year ended 31 December 2017. The report scope covers our ESG performance within the Group's business activities and operations, which include all offices, facilities and properties owned or managed by the Group.

We have fully embraced social responsibility as our contribution to address the ESG requirements and challenges society faces. We have implemented a number of significant initiatives relating to environmental protection, employee care, resource management and product quality.

ENVIRONMENTAL PROTECTION

We are a board games publisher and we are very conscious of the potential impacts our business has on the environment, particularly when it comes to resource management and waste.

We are committed to achieving continuous improvement in the Group's environmental sustainability performance. We have raised environmental awareness within our business through various channels and have implemented policies and procedures to govern our environmental protection objectives across all our operations. Our environmental protection strategy is focused on three areas:

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

Emissions and Energy

Efficient energy utilisation is of our high priority as electricity consumption is a major contributor to our greenhouse gas ("**GHG**") emissions. Various energy saving measures have been undertaken to reduce GHG emissions. For example, we encourage the adoption of more environmentally-friendly and energy-efficient LED lights and inverter air conditioning units. Employees are reminded to minimise energy consumption in our properties, by switching off lights, air conditioning and other electrical appliances when not in use. This above measures have reduced energy consumption and GHG emission.

Use of Resources

We actively promote sustainable and efficient use of resources, such as energy, water and other raw materials. In addition to initiatives relating to the use of electricity, we also reduce the use of paper by encouraging our 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, We endorse double-sided printing and copying, and the utilisation of recycled paper. Although our business is not highly water-intensive, we continue to conserve water in our daily use and raise the awareness of water saving among our staff.

We have also implemented an initiative to reuse and repurpose old and legacy computers as back-up computers or use as company computers for junior and temporary employees as part of our drive to reduce the Group's generation of hazardous and non-hazardous waste. As a result, no computer units were irresponsibly disposed as waste as of 31 December 2017.

The Environmental and Natural Resources

The Group is committed to the principles of sustainability through every facet of its business. This includes adopting sound environmental practices, promoting green thinking, and implementing changes that help conserve and protect the environment within the communities in which it operates.

The Group encourages its designers to incorporate environmental friendly consideration during product and packaging design stage and works closely with the outsourced manufacturers to minimize product waste and packaging material. Going forward, one of our plans is to develop our business with eco-friendly channels and practices. There were no significant hazardous and non-hazardous wastes generated by the Group during the year ended 31 December 2017. Given the Group outsourced its production, the amount of packaging materials generated by the Group during the year was not material.

The Group is not aware of any non-compliance of laws and regulations that have a significant impact to the Group, in the areas of air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes during the current year. Environmental performance data for the Group for the year ended 31 December 2017 is as follows:

Environmental Performance Data Table

Environmental KPIs	Unit	
NOx emissions	Kg	3.77
SOx emissions	Kg	0.017
Particulate matter emissions	Kg	0.35
Total GHG emissions	tonne CO2e	49.74
GHG emissions (Scope 1[(1)])	tonne CO2e	3.07
GHG emissions (Scope 2[(2)])	tonne CO2e	46.66
Total energy consumption	GJ	408.83
Total direct energy consumption (Petrol)	GJ	37.62
Total indirect energy consumption (Electricity)	GJ	371.21
Total energy consumption intensity	GJ/Employee	6.19
Water consumption	m^3	345
Water consumption intensity	m^3/Employee	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.

EMPLOYMENT AND LABOUR PRACTICES

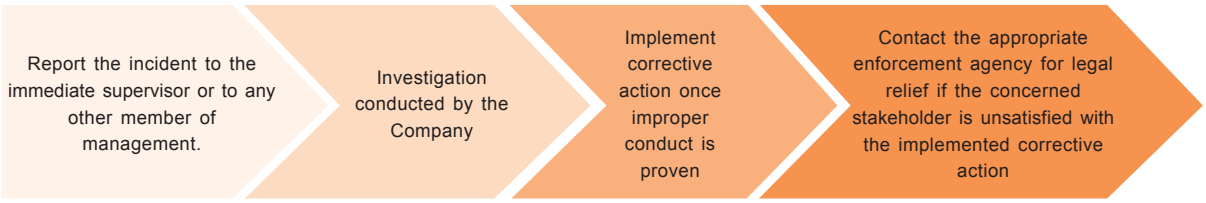
We consider our employees to be our greatest asset. We strive to nurture their knowledge, capabilities and skills whilst providing them with a stimulating, healthy and safe work environment. We have invested in a number of human resources initiatives, in areas such as:

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

Employment and Labour Practices

As part of our employment and labour practices, we believe that it is our responsibility to offer equal opportunities to all employees whilst providing them with a workplace that is free of harassment and discrimination. The following policies and procedures are in place:

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



We ensure that employees receive their statutory benefits in accordance with applicable national and local labour law requirements where they work. These benefits include but are not limited to mandatory provident fund, basic medical insurance and work injury insurance. Employees are also entitled to public holidays, marriage, compassionate, and maternity leaves. Aside from providing employee benefits as required by law, We also offer additional compensation, such as discretionary bonus and/or share options for eligible staff.

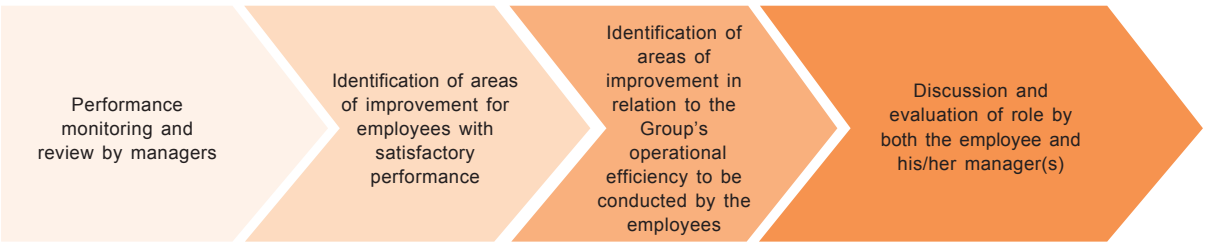
Through our employment practices and other human resource initiatives, we were able to increase the number of our employees from 47 as at 31 December 2016 to 66 as at 31 December 2017. Male and female employees compose approximately 65% and 35% respectively, of our total staff. Majority of our team members are within the 31-50 age group and compose approximately 85% of the whole workforce. Furthermore, almost all of our employees are permanently employed as only six out of our 66 employees are part-time workers. In terms of employee category, most of our staff either assume a senior or middle management role. We experienced a relatively low employee turnover of 1-2% for the year ended 31 December 2017.

Employees' Health and Safety

We place our employees' health and safety as one of our top priorities. We complied with all the relevant employee health and safety laws where we operate during the year. Accordingly, we adopted and implemented occupational health and safety procedures and measures for our business operations, including conducting regular training to our employees, and providing communication materials such as safety handbooks for our employees to raise their awareness of occupational health and safety issues. During the year ended 31 December 2017, there were no recorded work-related injuries or fatalities. There were also no reported lost days due to work-related injury.

Employee Development and Training

We invest in cultivating our workforce to be one of the best. The Group gives high importance to providing employees with a clear career path and development opportunities to encourage them to demonstrate their abilities and skills. An introductory period for new hires is implemented to on-board new staff including understanding their roles and responsibilities, and establishing relationship with their co-workers. We have implemented the following process as part of our introductory period to allow us to set and manage our new hires' expectations:



We also provide on-the-job training, workshops and development opportunities in order to improve employees' professional knowledge in corporate operations, as well as occupational and management skills.

Compliance with Applicable Labour Standards

We were compliant with all applicable labour standards in the different locations where we had operation during the year ended 31 December 2017. Specifically in the United States, we abided by the rules and regulations established by the Federal Labour Standards Act ("**FLSA**") as well as Delaware and Georgia state laws. As part of our commitment to promote equal opportunities we also complied with the Americans with Disabilities Act (ADA). Furthermore, we strictly adhered to FLSA's child labour provisions. We conduct at least one surprise audit per year on each of our outsourced manufacturers to ensure that no child and forced labour is taking place.

OPERATING PRACTICES

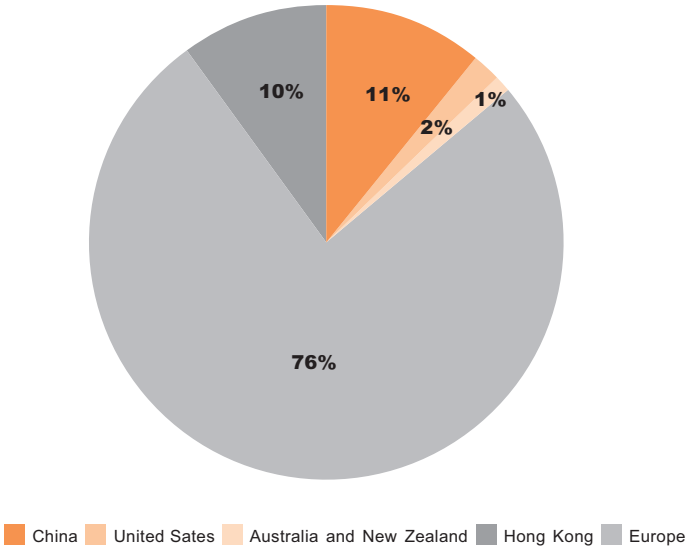
We embrace our responsibility to institute sound operational practices that deliver products which are of high quality and safety standard to meet customer satisfaction. We have implemented a number of policies and procedures across all our activities, operations and products to support sustainable business practices. Specifically, these consist of initiatives that relate to:

- Supply Chain Management
- Product Responsibility
- Anti-Corruption

Supply Chain Management

Our supply chain reflects the expansive reach of our sourcing needs worldwide. Our supply chain mainly consists of miniatures producers, game designers, creatives, as well as outsourced manufacturers which include game manufacturers and specialist packaging solutions providers. The main sourcing regions for our materials are Hong Kong, China and Europe. The distribution of our suppliers in 2017 is illustrated by the graph below (% of total purchase).

Supplier Distribution



Our products were made under conditions in strict compliance with all relevant laws and regulations regarding product safety, supplier performance, and business reputation during the year ended 31 December 2017. The Group works closely with the outsourced manufacturers to minimize the environmental impact from the production of the Group's products.

A number of internal procedures and approvals are in place to manage our procurement and payables processes to ensure that only quality products and services are acquired. Through a stringent supplier selection process, we are able to identify and employ the best-suited suppliers for our needs.

All new and existing suppliers are periodically evaluated based on the following criteria. These include on-site review and inspection of the production workshops:

- Product quality;
- Price;
- Delivery time;
- Product safety certification, including compliance in accordance with international product safety standards; and
- Any other aspects and characteristics requested by the Group.

Not only must the supplier meet the Group's internal standards, but also be a legally compliant, socially responsible and financially healthy enterprise. Suppliers that do not meet the required review criteria for supplier selection will be removed from our Approved Supplier List.

Product Responsibility

We observed and abided by all applicable laws where we conducted our business operations and our products were in compliant with all applicable safety standards during the year ended 31 December 2017. We also implement additional initiatives to produce quality products without compromising either the environment or our consumers' health and safety. The Group conducts safety tests on all products produced, and we attach a safety label on all packaging materials used on our merchandise. Furthermore, we regard customer complaints as an important factor in the overall improvement of our services and business processes. We have a well-established customer complaints procedure as represented in the graph below.

Customer complaint handling

*Provide complaint documentation which contains name of customer, product name(s), batch number(s), reason of complaint, proposed follow-up actions, and any other information to be added by the Company.

*Immediate notification to the Chief Executive Officer should there be repeated customer issues on any one item (i.e. 25 of the same request on the same item), as this is considered excessive and unacceptable.

*Investigate at least 3 samples or boxes of the concerned board game for inspection of quality.

Documentation of the sample check result

*Documentation of inspection result will be reviewed by the creative director 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.

Follow-up actions with the relevant supplier

*Assessment and approval by the creative director or the Chief Executive Officer prior to escalation to the relevant supplier.

*Request response from the relevant supplier within 30 days or less.

*Assessment by the general manager of CMON Inc., creative director 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.

The Group has the policies relating to advertising, labelling and privacy matters. The Group stipulates that staff should respect customers' right of willful choice as well as other rights, and must protect the privacy of the customers by keeping personal information confidential in compliance with laws and regulations. The Group complied with the relevant laws and regulations in advertising, labelling, protecting customer's information and privacy during the year ended 31 December 2017.

We were abided by the applicable laws related to intellectual property rights in all of our products during the year ended 31 December 2017. This includes the Singapore Copyright Act and Trade Marks Act which are adopted in our policies and protocols for our operations in Singapore. The Group protects IP rights during the design, development, production, dissemination and publication of our tabletop and mobile games. Specifically, we publish both "self-owned" games and licensed games of which, the former's IP rights are developed in-house or transferred by our Controlling Shareholders, or acquired from third parties and the latter's IP rights are licensed from third party game developers.

Anti-Corruption

The Group strictly complied with the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducted its business during the year ended 31 December 2017. The Group is committed to demonstrating honesty, integrity and fairness in all business dealings. We have established a system of rules, practices and processes to prevent unlawful acts such as bribery, extortion, fraud, and money laundering during the conduct of our business operations. As part of our corporate governance process, we have in place a whistleblowing policy to encourage our employees and other parties to report unethical behaviour, malpractice, wrongful conduct, fraud, etc. There were no legal cases regarding bribery, extortion, fraud and money laundering filed against the Group or its employees during the year ended 31 December 2017.

COMMUNITY INVESTMENT

We are committed to contributing to the communities in which we operate and to make a positive difference to them. The Group understands that the value of giving back to communities is just as important as growing the business. We have maintained a high regard for social and environmental responsibilities over the years.

We endeavour to play its part in good corporate citizenship, providing charitable donations and scholarships to support the underprivileged. We are proud to provide charitable donations of US$11,200 to Child Advocates of Marion County ("**CASA**") during the year ended 31 December 2017. CASA is an organisation in Indianapolis that represents and protects the best interest of children of Marion County who are victims of abuse or neglect. This donation amount was raised and accumulated through CMON's fundraising events participated mostly by our fans who purchase our games. Going forward, we plan to continue to develop initiatives and look out for opportunities to support the community and contribute to society.

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 54 to 99, which comprise:

- the consolidated balance sheets as at 31 December 2017;
- the consolidated statements 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 2017, 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

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 2017, the carrying amounts of "art, painting and sculpts" and "displays, moulds and tools" are US$3.3 million and US$2.3 million respectively. These assets represented 50% of the Group's total property, plant and equipment.

Management determines 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 applies judgements on the estimated useful lives after considering the historical and management's forecasted sales and profit margin of the game products produced by these assets, their product life cycles, industry trends as well as the estimated useful lives of these assets with similar attributes adopted by other companies in the same industry.

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

How our audit addressed the Key Audit Matter

We understood and evaluated the design and implementation of key management controls over the estimation of useful lives and the identification of impairment indicators of these assets. We assessed the estimation made by management in respect of their useful lives.

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

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

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

Key audit matter

Estimates of useful lives of intellectual properties rights

Refer to Note 7 to the consolidated financial statements.

As at 31 December 2017, the carrying values of intellectual properties rights ("**IPs**") amounted to US$8.2 million with useful lives ranging from 10 to 20 years. The IPs represented 71% of the total intangible assets.

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

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

How our audit addressed the Key Audit Matter

We understood and evaluated the design and implementation of key management controls over the estimation of useful lives and the identification of impairment indicators of the IPs. We assessed the estimation made by management in respect of the useful lives of the IPs.

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

- assessing management's forecasts of future sales and profit margin of the game products produced under these IPs which were reviewed and approved by the Board of Directors, by considering the past performance of the game products produced under these IPs or IPs of similar attributes of the Group, and the sales trend of similar game products in the industry;

- comparing the estimated useful lives of the IPs adopted by other companies in the same industry with similar attributes and life cycles; and

- discussing with management as to their business plans and assessing their ability and feasibility to develop further series of game products under these IPs and to launch game products using different entertainment platforms.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2018

CONSOLIDATED BALANCE SHEETS

For the year ended 31 December 2017

	Note	2017 US$	2016 US$
ASSETS			
Non-current assets			
Property, plant and equipment	6	11,032,337	3,787,396
Intangible assets	7	11,472,024	7,576,596
		22,504,361	11,363,992
Current assets			
Inventories	9	4,423,442	3,660,247
Trade and other receivables	10	841,526	2,192,927
Prepayments and deposits	11	2,398,535	1,896,905
Income tax recoverable		—	32,000
Pledged deposit	12	200,000	—
Cash and cash equivalents	13	2,850,318	6,612,768
		10,713,821	14,394,847
Total assets		33,218,182	25,758,839
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		7,025,430	3,528,811
Capital reserves	29	780,499	780,499
Exchange reserves		(994)	—
Total equity		20,200,768	16,705,143

The notes on pages 60 to 99 are an integral part of these consolidated financial statements.

For the year ended 31 December 2017

	Note	2017 US$	2016 US$
LIABILITIES			
Non-current liabilities			
Borrowings	19	3,271,182	—
Deferred income tax liabilities	16	281,297	265,722
		3,552,479	265,722
Current liabilities			
Trade payables	17	1,917,091	1,062,005
Accruals and other payables	18	1,774,894	1,173,549
Borrowings	19	134,774	—
Amount due to ultimate holding company	15	3	3
Income tax payable		2,372,464	2,043,195
Deferred revenue	20	3,265,709	4,509,222
		9,464,935	8,787,974
Total liabilities		13,017,414	9,053,696
Total equity and liabilities		33,218,182	25,758,839

The notes on pages 60 to 99 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 54 to 99 were approved by the Board of Directors on 15 March 2018 and were signed on its behalf.

Ng Chern Ann
Director

Koh Zheng Kai
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 US$	2016 US$
Revenue	5, 21	29,816,740	20,964,135
Cost of sales	22	(15,432,416)	(10,259,875)
Gross profit		14,384,324	10,704,260
Other income	23	111,502	219,602
Exchange losses		(73,530)	—
Selling and distribution expenses	22	(4,618,091)	(2,317,478)
General and administrative expenses			
— Professional service fees in respect of listing preparation	22	—	(3,052,277)
— Others	22	(5,420,655)	(3,676,329)
Operating profit		4,383,550	1,877,778
Finance costs	24	(35,621)	—
Profit before income tax		4,347,929	1,877,778
Income expense	27	(851,310)	(860,158)
Profit for the year attributable to equity holders of the Company		3,496,619	1,017,620
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation on foreign operations		(994)	—
Other comprehensive income, net of tax		(994)	—
Profit and total comprehensive income for the year attributable to equity holders of the Company		3,495,625	1,017,620
Earnings per share attributable to equity holders of the Company for the year			
Basic and diluted	31	0.0019	0.0007

The notes on pages 60 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	Share capital US$	Share premium US$	Retained earnings US$	Capital 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 income		—	—	—	—	(994)	(994)
Total comprehensive income		11,700	12,384,133	7,025,430	780,499	(994)	20,200,768
At 31 December 2017		11,700	12,384,133	7,025,430	780,499	(994)	20,200,768
At 1 January 2016		9,700	5,290,300	2,511,191	780,499	—	8,591,690
Comprehensive income							
Profit for the year		—	—	1,017,620	—	—	1,017,620
Total comprehensive income		—	—	1,017,620	—	—	1,017,620
Transactions with owners							
Issues of shares under placing	13	2,000	9,071,982	—	—	—	9,073,982
Share issue expenses	13	—	(1,978,149)	—	—	—	(1,978,149)
Total transactions with owners		2,000	7,093,833	—	—	—	7,095,833
At 31 December 2016		11,700	12,384,133	3,528,811	780,499	—	16,705,143

The notes on pages 60 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 US$	2016 US$
Cash flow from operating activities			
Profit before income tax		4,347,929	1,877,778
Adjustments for:			
— Depreciation	6	1,150,803	696,330
— Amortisation	7	924,702	566,860
— Provision for doubtful debt	10	34,597	—
— Bad debt written off	22	31,949	—
— Inventory written off	9	102,732	
— Interest expenses	24	35,621	—
		6,628,333	3,140,968
Changes in working capital:			
— Trade and other receivables		1,284,855	(1,407,039)
— Inventories		(865,927)	(1,355,912)
— Prepayments and deposits		(501,630)	131,495
— Trade payables		855,086	516,946
— Amount due from a shareholder		—	4,716
— Amount due from a related company		—	266,459
— Accruals and other payables		(618,655)	584,028
— Deferred revenue		(1,243,513)	44,714
Cash generated from operations		5,538,549	1,926,375
Income tax paid		(474,466)	(100,010)
Net cash generated from operating activities		5,064,083	1,826,365
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(8,395,744)	(1,729,618)
Acquisition of intangible assets		(3,600,130)	(3,096,281)
Net cash used in investing activities		(11,995,874)	(4,825,899)
Cash flows from financing activities			
Proceeds from issuance of shares		—	9,073,982
Payment of professional service fees in respect of issuing equity		—	(1,978,149)
Amount due to ultimate holding company		—	(112,498)
Increase in pledged deposit	12	(200,000)	—
Proceeds from borrowings	19	3,445,308	—
Repayment of borrowings	19	(39,352)	—
Interest paid	24	(35,621)	—
Net cash generated from financing activities		3,170,335	6,983,335
Net (decrease)/increase in cash and cash equivalents		(3,761,456)	3,983,801
Cash and cash equivalents at beginning of the year		6,612,768	2,628,967
Exchange differences		(994)	—
Cash and cash equivalents at end of the year	13	2,850,318	6,612,768

The notes on pages 60 to 99 are an integral part of these consolidated financial statements.

The following table provides a reconciliation for the movement of liabilities arising from financing activities for the years ended 31 December 2016 and 2017.

For the year ended 31 December 2016

	1 January 2016 US$	Cash flows US$	Non-cash changes US$	31 December 2016 US$
Amount due to ultimate holding company	(112,498)	112,498	—	—

For the year ended 31 December 2017

	1 January 2016 US$	Cash flows US$	Non-cash changes US$	31 December 2016 US$
Borrowing	—	3,405,956	—	3,405,956

The notes on pages 60 to 99 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

CMON Limited (the "**Company**") was incorporated in the Cayman Islands on 16 June 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Offices of 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 the GEM board ("**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 Historical Financial Information 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 Historical Financial Information are disclosed in Note 4.

The following standards that are relevant to the Group for the first time for the financial year beginning on or after 1 January 2017:

IAS 7 (Amendment)	Statement of cash flows: disclosure initiative
IAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses
IFRS 12	Annual Improvements 2014–2016 Cycle (amendments)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018, but have not been early adopted by the Group:

		Effective for annual periods beginning on or after	Note
IFRS 9	Financial Instruments	1 January 2018	i
IFRS 15	Revenue from Contracts with Customers	1 January 2018	ii
IFRS 16	Leases	1 January 2019	iii
Amendments to IFRS 2	Classification and measurement of Share-based Payment Transactions	1 January 2018	
Amendments to IFRS4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
Amendments to IAS 40	Transfer of Investment Property	1 January 2018	
IFRIC — Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	
IFRIC — Int 23	Uncertainty over Income Tax Treatments	1 January 2019	
Annual Improvements Projects	Annual Improvements 2014-2016 cycle	1 January 2018	

The Group has commenced an assessment of the impact of these new standards and amendments to existing standards. Except as discussed below, the Group is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

Note i:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Note i: (Continued)

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IFRS 39.

During the financial years ended 31 December 2017 and 2016, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of IFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

Note ii:

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

The Group has two major revenue streams, namely the sales of products and provision of shipping services, the performance obligations of which are substantially completed at the same point of time as the respective revenue from these two revenue streams is currently recognised in accordance with Note 2.19. Management has performed a preliminary assessment and expects that the implementation of the IFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirements under IFRS 15 upon its adoption.

Note iii:

IFRS 16 "Leases" — The Group is a lessee of its offices and warehouses which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.21. The Group's future operating lease commitments, which are not reflected in the consolidated balance sheets, are set out in Note 33. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheets. Instead, all long-term leases must be recognised in the balance sheets in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments currently disclosed in Note 33. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

2.3 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.

2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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.

2.6 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(a) Product development costs (Continued)

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

(b) Intellectual property rights and licences

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

2.7 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

2.8.1 Classification

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

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

2.8.2 Recognition and measurement

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

2.9 Offsetting financial instruments

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

2.10 Impairment of financial assets carried at amortised cost

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets carried at amortised cost (Continued)

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

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

2.11 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.16 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (Continued)

(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.

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.19 Revenue and income recognition

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

(i) Sales of products

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

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

(ii) Shipping income

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

2.20 Deferred revenue

Deferred revenue represents prepaid amounts received from customers who pre-order the Group's products of specific projects on an internet based crowd funding platform. The projects are expected to be completed and the products of the projects to be delivered within one year. Deferred revenue is recognised in profit or loss in accordance with the revenue recognition policy as set out in Note 2.19. Deferred revenue attributable to orders which have been prepaid but subsequently abandoned by customers is recognised as revenue when the Group expects that it no longer has any contractual or constructive obligations to fulfil the orders from those customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Operating lease (as the lessee)

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

2.22 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 directors, as appropriate.

2.23 Share-based payment transactions

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

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 the combined statements of comprehensive income over the year 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 the combined statements of comprehensive income.

2.25 Borrowing costs

Borrowing costs are recognised in the combined statements of comprehensive income 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$, management are of the opinion that the Group's exposure to changes in exchange rates of foreign currencies is relatively insignificant. The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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 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
At 31 December 2016					
Trade payables	1,062,005	—	—	—	1,062,005
Accruals and other payables	1,173,549	—	—	—	1,173,549
Amount due to ultimate holding company	3	—	—	—	3
	2,235,557	—	—	—	2,235,557

Financing arrangement

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

	2017 US$	2016 US$
Floating rate		
— Expiring beyond one year (trade facilities)	1,000,000	—

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not have any significant interest bearing financial assets or liabilities except for cash at banks (Note 13) and borrowings (Note 19). As at 31 March 2017, the Group's borrowing are at fixed interest rate. Accordingly, the directors believe that the Group's exposure to the cash flow interest rate risk is relatively insignificant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2017 and 2016, the gearing ratios are as follows:

	2017 US$	2016 US$
Net debt	555,638	—
Total equity	20,200,768	16,705,143
Total capital	20,756,406	16,705,143
Gearing ratio	3%	N/A

3.3 Fair value estimation

As at 31 December 2017 and 2016, the Group did not have any financial assets or financial liabilities in the balance sheet that is measured at fair value.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade receivables and deposits, pledged deposit and its current financial liabilities including trade and other payables and amounts due to a shareholder and ultimate holding company approximate their fair values due to their short maturities. The fair value 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 for the Group's property, plant and equipment including displays, moulds and tools, art, painting and sculpts, and its intangible assets including product development costs and intellectual property rights. Such estimations were made by reference to the actual useful lives of assets of similar attributes, and the sales performance of the relevant games as regard to product development costs and intellectual property rights. In the past, no significant differences between estimated and actual useful lives have been identified.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Useful lives of property, plant and equipment and intangible assets (Continued)

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.

(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. There have been no significant shortfall in these estimates against actual results.

(d) Estimation of provision for impairment of receivables and prepayments

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

5 SEGMENT INFORMATION

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

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

	2017 US$	2016 US$
North America	15,602,540	11,546,173
Europe	11,230,864	7,829,071
Oceania	1,439,011	794,214
Asia	1,156,739	626,047
South America	373,586	152,212
Africa	14,000	16,418
	29,816,740	20,964,135

No individual customers of the Group contributed more than 10% of the Group's revenue during the years ended 31 December 2017 and 31 December 2016.

At 31 December 2017 and 2016, the total non-current assets other than intangible assets and deferred income tax assets were located in the following locations:

	2017 US$	2016 US$
Singapore	5,073,242	3,697
Mainland China	3,711,001	1,767,655
North America	2,141,253	2,015,950
Others	106,841	94
	11,032,337	3,787,396

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 2016								
Cost	1,479,177	67,745	2,041,482	37,456	10,677	—	—	3,636,537
Accumulated depreciation	(215,770)	(25,353)	(616,066)	(24,647)	(593)	—	—	(882,429)
Net book amount	1,263,407	42,392	1,425,416	12,809	10,084	—	—	2,754,108
Year ended 31 December 2016								
Opening net book amount	1,263,407	42,392	1,425,416	12,809	10,084	—	—	2,754,108
Additions	837,995	50,542	822,637	18,444	—	—	—	1,729,618
Depreciation (Note 22)	(185,525)	(17,919)	(480,398)	(8,929)	(3,559)			(696,330)
Closing net book amount	1,915,877	75,015	1,767,655	22,324	6,525			3,787,396
At 31 December 2016 and 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

The Group's office units with total carrying amounts of approximately US$4,584,542 as at 31 December 2017 have been pledged to banks 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:

	2017 US$	2016 US$
Cost of sales	658,533	480,398
General and administrative expenses	492,270	215,932
	1,150,803	696,330

7 INTANGIBLE ASSETS

	Intellectual property rights US$	Product development costs US$	Computer software US$	Total US$
Year ended 31 December 2016				
Opening net book amount	5,206,770	385,392	155,013	5,747,175
Additions	946,537	1,274,234	175,510	2,396,281
Amortisation (Note 22)	(358,890)	(150,551)	(57,419)	(566,860)
Closing net book amount	5,794,417	1,509,075	273,104	7,576,596
At 31 December 2016				
Cost	6,762,540	1,719,803	373,143	8,855,486
Accumulated amortisation	(968,123)	(210,728)	(100,039)	(1,278,890)
Net book amount	5,794,417	1,509,075	273,104	7,576,596
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

7 INTANGIBLE ASSETS (CONTINUED)

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

	2017 US$	2016 US$
Cost of sales	852,810	509,441
General and administrative expenses	71,892	57,419
	924,702	566,860

8 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	2017 US$	2016 US$
Assets included in the consolidated balance sheets		
Trade and other receivables	841,526	2,192,927
Deposits	6,475	89,922
Cash and cash equivalents	2,850,318	6,612,768
Pledged deposit	200,000	—
	3,898,319	8,895,617

	Financial liabilities at amortised cost	
	2017 US$	2016 US$
Liabilities included in the consolidated balance sheets		
Trade payables	1,917,091	1,062,005
Accruals and other payables	1,774,894	1,173,549
Borrowings	3,405,956	—
Amount due to ultimate holding company	3	3
	7,097,944	2,235,557

9 INVENTORIES

	2017 US$	2016 US$
Trading merchandise	4,423,442	3,660,247

Write-downs of inventories to net realisable value amounted to US$102,732 (2016: Nil). These were recognised as an expense during the year ended 31 December 2017 and included in "cost of sales" in profit or loss.

10 TRADE AND OTHER RECEIVABLES

	2017 US$	2016 US$
Trade receivables	758,437	2,192,927
Less: Allowance for doubtful debt	(34,597)	—
	723,840	2,192,927
Other receivables	117,686	—
	841,526	2,192,927

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

During the years ended 31 December 2017 and 2016, the Group granted credit terms of 0 to 30 days to its customers.

At 31 December 2017 and 2016, the ageing analysis of trade receivables by the date on which the respective sales invoices were issued is as follows:

	2017 US$	2016 US$
Less than 30 days	499,844	1,119,414
30 days to 90 days	175,424	675,841
91 days to 180 days	33,814	297,736
Over 180 days	49,355	99,936
	758,437	2,192,927

As of 31 December 2017 and 2016, trade receivables of US$194,112 and US$1,073,513, respectively were past due but not impaired. These relate to a number of independent customers with no history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2017 US$	2016 US$
Less than 30 days	17,948	354,242
30 days to 90 days	127,979	619,335
91 days to 180 days	33,427	99,936
Over 180 days	14,758	—
	194,112	1,073,513

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See Note 2.10 for information about how impairment losses are accounted for.

11 PREPAYMENTS AND DEPOSITS

	2017 US$	2016 US$
Advances to suppliers	1,203,654	638,673
Prepaid royalties and game development costs	1,013,580	1,109,468
Other prepayments	174,826	58,842
Deposits	6,475	89,922
Total	2,398,535	1,896,905

12 PLEDGED DEPOSIT

	2017 US$	2016 US$
Pledged deposit (Note)	200,000	—
Total	200,000	—

Note:

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

13 CASH AND CASH EQUIVALENT

	2017 US$	2016 US$
Cash at banks	2,844,365	6,596,888
Cash on hand	5,953	15,880
Total cash and cash equivalents	2,850,318	6,612,768

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

	2017 US$	2016 US$
US$	2,697,988	1,425,581
Hong Kong Dollars ("**HK$**")	18,555	5,158,107
Singapore Dollars ("**SG$**")	30,446	29,080
Canadian Dollars ("**CAD**")	97,366	—
Euro ("**EUR**")	5,963	—
	2,850,318	6,612,768

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital US$	Share premium US$
Authorised:			
Ordinary share capital of HK$0.0005 each at 31 December 2017 and 2016	7,600,000,000	49,147	—
Issued and fully paid:			
At 1 January 2017 and 31 December 2017	1,806,000,000	11,700	12,384,133
At 1 January 2016	750,000,000	9,700	5,290,300
Sub-division of shares (Note a)	750,000,000	—	—
Issued shares under placing (Note b)	306,000,000	2,000	9,071,982
Share issue expenses	—	—	(1,978,149)
At 31 December 2016	1,806,000,000	11,700	12,384,133

Notes:

(a) On 31 October 2016, the Company undertook a sub-division of 750,000,000 ordinary shares into 1,500,000,000 ordinary shares on the basis of every 1 share into 2 shares.

(b) On 2 December 2016, the company issued 306,000,000 shares pursuant to the Company's listing on the Growth Enterprise Market of the Stock Exchange by way of placing at a price of HK$0.23 per share.

15 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

As at 31 December 2017 and 2016, 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 sheets are, after appropriate offsetting, as follows:

	2017 US$	2016 US$
Deferred income tax liabilities		
— To be settled within one year	(58,254)	(146,507)
— To be settled after one year	(223,043)	(119,215)
	(281,297)	(265,722)

16 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax is as follows:

	2017 US$	2016 US$
At beginning of year	(265,722)	(125,314)
Charged to profit or loss (Note 27)	(15,575)	(140,408)
At end of year	(281,297)	(265,722)

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

	Tax losses US$
Deferred income tax assets	
At 1 January 2017	16,007
Charged to profit or loss	(16,007)
At 31 December 2017	—
At 1 January 2016	132,360
Charged to profit or loss	(116,353)
At 31 December 2016	16,007

	Accelerated tax depreciation US$
Deferred income tax liabilities	
At 1 January 2017	(281,729)
Charged to profit or loss	432
At 31 December 2017	(281,297)
At 1 January 2016	(257,674)
Charged to profit or loss	(24,055)
At 31 December 2016	(281,729)

Deferred income taxes

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately US$104,841 and Nil in respect of unrecognised tax losses amounting to US$265,579 and Nil for the years ended 31 December 2017 and 2016 respectively.

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:

	2017 US$	2016 US$
Less than 60 days	1,917,091	913,385
60 days to 120 days	—	148,620
	1,917,091	1,062,005

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

Trade payables are denominated in the following currencies:

	2017 US$	2016 US$
US$	1,917,091	1,049,037
Euro	—	12,968
	1,917,091	1,062,005

18 ACCRUALS AND OTHER PAYABLES

	2017 US$	2016 US$
Other payable to a supplier of intellectual property rights	1,220,000	—
Accruals for professional fees in respect of listing preparation	—	731,037
Accruals for audit fee	220,000	209,000
Other accrued operating expenses	334,894	233,512
	1,774,894	1,173,549

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

19 BORROWINGS

	2017 US$	2016 US$
Long-term bank loans (note)	3,405,956	—
Less: amounts repayable within one year shown under current liabilities	(134,774)	—
Non-current portion	3,271,182	—

Note:

As at 31 December 2017, bank borrowings 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 (2016: Nil).

At 31 December 2017, the Group's borrowings were repayable as follows:

	2017 US$	2016 US$
Within 1 year	134,774	—
Between 1 and 2 years	116,312	—
Between 2 and 5 yeas	252,191	—
Over 5 years	2,902,679	—
	3,405,956	—

(i) Secured liabilities and assets pledged as security

The bank loans 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.

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

(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:

	2017 US$	2016 US$
Bank borrowings	3,271,515	—

19 BORROWINGS (CONTINUED)

(ii) Fair value (Continued)

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:

	2017 US$	2016 US$
Bank borrowings	0.62%	—

(iii) Risk exposures

Details of the Group's exposure to risks 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 for the years ended 31 December 2016 and 2017.

20 DEFERRED REVENUE

As at 31 December 2017 and 2016, deferred revenue represents prepaid amounts received from customers who pre-ordered the Group's products of specific projects on an internet based crowd funding platform.

The movement of deferred revenue is as follows:

	2017 US$	2016 US$
Beginning of the year	4,509,222	4,464,508
Amounts received from customers through an internet based crowd funding platform (Note a)	18,775,050	11,620,728
Amount received from customers through other channels (Note b)	451,520	—
Revenue recognised upon delivery of products (Note c)	(19,929,816)	(11,220,892)
Refunds (Note d)	(173,999)	(160,958)
Forfeiture revenue (Note e) (Note 21)	(366,268)	(194,164)
At the end of the year	3,265,709	4,509,222

20 DEFERRED REVENUE (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.

As at 31 December 2017 and 2016, the entire balance of deferred revenue was aged within one year from the date when the relevant funding was received.

21 REVENUE

	2017 US$	2016 US$
Sales of products	26,933,567	18,517,094
Shipping income in connection with sale of products	2,516,905	2,252,877
Forfeiture revenue (Note 20(e))	366,268	194,164
	29,816,740	20,964,135

22 EXPENSES BY NATURE

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

	2017 US$	2016 US$
Cost of inventories	10,459,716	7,213,575
Shipping and handling charges	3,358,625	2,544,873
Employee benefit expenses (Note 25)	3,468,684	2,320,733
Professional service fees in respect of listing preparation	—	3,052,277
Auditors remuneration		
— Audit services	220,000	209,000
— Non-audit services	23,567	48,000
Other professional fees	639,736	82,477
Merchant account fees	1,300,544	685,704
Royalty expenses	95,560	57,038
Marketing expenses	691,670	392,887
Depreciation (Note 6)	1,150,803	696,330
Amortisation (Note 7)	924,702	566,860
Games development expenses	675,967	97,740
Website maintenance fees	362,952	197,893
Operating lease rentals	389,792	155,765
Travelling expenses	876,297	482,686
Bad debt written off	31,949	—
Provision for doubtful debt (Note 10)	34,597	—
Write-down of inventories (Note 9)	102,732	—
Other expenses	663,269	502,121
	25,471,162	19,305,959

Cost of sales comprises principally cost of inventories, shipping and handling charges of US$3,358,625 and US$2,046,461, depreciation of US$658,533 and US$480,398, amortisation of US$852,810 and US$509,441, write-down of inventories of US$102,732 and Nil, and also other expenses of Nil and US$10,000 for the years ended 31 December 2017 and 2016, respectively.

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

	2017 US$	2016 US$
Advertising income	66,423	72,401
Royalty income	45,079	—
Game development cost re-charged to a business partner	—	147,201
	111,502	219,602

24 FINANCE COSTS

	2017 US$	2016 US$
Interest charges on bank loans	35,621	—

25 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 US$	2016 US$
Wages and salaries	3,266,360	2,186,146
Pension costs — defined contribution plans	202,324	134,587
	3,468,684	2,320,733

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

	2017 US$	2016 US$
Selling and distribution expenses	1,666,655	203,296
General and administrative expenses	1,802,029	2,117,437
	3,468,684	2,320,733

26 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remunerations

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

	2017 US$	2016 US$
Wages and salaries	510,637	380,670
Discretionary bonuses	421,647	151,414
Directors' fees	144,000	12,000
Pension costs — defined contribution plans	38,340	32,616
	1,114,624	576,700

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 US$	Salary US$	Discretionary bonuses US$	Allowances and benefits in kind US$	Employer's contribution to a retirement benefit scheme US$	Total US$
Executive directors						
David Doust	—	200,000	51,948	—	12,481	264,429
Ng Chern Ann (Note i)	—	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
Independent non-executive directors						
Seow Chow Loong	36,000	—	—	—	—	36,000
Lip Keat Tan	36,000	—	—	—	—	36,000
Chong Pheng	36,000	—	—	—	—	36,000
Chua Oon Kian	36,000	—	—	—	—	36,000
Sub-total	144,000	—	—	—	—	144,000
Total	144,000	510,637	421,647	—	38,340	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 2016 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 kind US$	Employer's contribution to a retirement benefit scheme US$	Total US$
Executive directors						
David Doust	—	144,000	36,000	—	12,418	192,418
Ng Chern Ann (Note i)	—	144,000	103,966	—	8,882	256,848
Koh Zheng Kai	—	92,670	11,448	—	11,316	115,434
Sub-total	—	380,670	151,414	—	32,616	564,700
Independent non-executive directors						
Seow Chow Loong	3,000	—	—	—	—	3,000
Lip Keat Tan	3,000	—	—	—	—	3,000
Chong Pheng	3,000	—	—	—	—	3,000
Chua Oon Kian	3,000	—	—	—	—	3,000
Sub-total	12,000	—	—	—	—	12,000
Total	12,000	380,670	151,414	—	32,616	576,700

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 (2016: 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 (2016: 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 (2016: 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 (2016: Nil).

(f) Five highest paid individuals

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

	No. of individuals Year ended 31 December	
	2017	2016
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 (2016: 2) not in the capacity as a director during the years are set out below:

	2017 US$	2016 US$
Basic salaries, other allowances and benefits in kind	239,872	144,759
Contribution to pension scheme	—	3,520
	239,872	148,279

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 band:

	No of individuals Year ended 31 December	
	2017	2016
Emolument band: Nil to HK$1,000,000 (equivalent to US$129,000)	1	2
Emolument band: HK$1,000,001 to HK$1,500,000 (equivalent to US$194,000)	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 35% (2016: 35%) and Singapore corporate income tax at the rate of 17% (2016: 17%).

	2017 US$	2016 US$
Current income tax	974,814	856,668
Deferred income tax (Note 16)	80,602	140,408
	1,055,416	997,076
Overprovision of tax in prior year		
— Current income tax	(139,079)	(136,918)
— Deferred income tax (Note 16)	(65,027)	—
	851,310	860,158

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:

	2017 US$	2016 US$
Profit before income tax	4,347,929	1,877,778
Calculated at the applicable domestic tax rate of respective companies (Note)	1,000,105	429,411
Expenses not deductible	103,310	672,572
Tax incentives	(182,533)	(87,352)
Deferred tax assets not recognised	104,841	—
Overprovision of tax in prior year	(204,106)	(136,918)
Others	29,693	(17,555)
	851,310	860,158

Note:

The weighted average applicable tax rate for the years ended 31 December 2017 and 2016 are 20% and 22.9% 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:

	2017 US$	2016 US$
Current		
Floating charge		
Pledged deposit (Note 12)	200,000	—
Non-current		
First mortgage		
Office units (Note 6)	4,584,542	—
Total assets pledged as security	4,784,542	—

29 CAPITAL RESERVES

	2017 US$	2016 US$
At beginning and end of the year	780,499	780,499

30 DIVIDENDS

No dividends were declared during the years ended 31 December 2017 and 2016.

31 EARNINGS PER SHARE

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

	2017 US$	2016 US$
Profit attributable to equity holders of the Company (US$)	3,496,619	1,017,620
Weighted average number of ordinary shares in issue	1,806,000,000	1,524,312,329
Basic earnings per share (US$)	0.0019	0.0007

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

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2017 and 2016.

32 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

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.

33 OPERATING LEASE COMMITMENTS

As at 31 December 2017 and 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2017 US$	2016 US$
No later than 1 year	550,468	422,792
Later than 1 year and no later than 5 years	1,966,084	1,217,746
	2,516,552	1,640,538

34 SUBSIDIARIES

Particulars of significant subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital	Percentage of equity interest held as at 31 December	
				2017	2016
Direct Interests:					
CMON Productions Limited	BVI: 11 June 2014	Investment holding: BVI	1 share; US$1	100%	100%
Indirect Interests:					
CMON Global Limited	Cayman Islands; 18 September 2014	Publishing and sale of tabletop hobby games; Singapore	1 share; US$1	100%	100%
CMON Pte. Ltd.	Singapore; 2 January 2014	Provision of services to group entities; Singapore	2 shares; S2	100%	100%
CMON Inc.	USA: 6 October 2014	Distribution of tabletop hobby game; USA	1 share; no par value	100%	100%
CMON Conventions Inc.	USA; 25 February 2016	Organisation of game conventions; USA	1,000 shares; no par value	100%	100%
CMON Games Inc.	Canada; 6 April 2017	Provision of sales administrative services: Canada	100 shares; CAD100	100%	—
CMON Hong Kong Limited	Hong Kong; 12 June 2017	Dormant: Hong Kong	1 share; HKD1	100%	—

35 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2017 and 2016.

36 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	Note	2017 US$	2016 US$
ASSETS			
Non-current assets			
Investments in subsidiaries		59,493,548	59,493,548
Current assets			
Cash and cash equivalents		18,556	5,158,107
Amounts due from subsidiaries		3,594,417	—
Total assets		63,106,521	64,651,655
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		11,700	11,700
Share premium		12,384,133	12,384,133
Accumulated losses	(a)	(3,482,860)	(3,039,981)
Capital reserve	(a)	54,193,547	54,193,547
Total equity		63,106,520	63,549,399
LIABILITIES			
Current liabilities			
Amount due to ultimate holding company		1	1
Amounts due to subsidiaries		—	1,102,255
		1	1,102,256
Total liabilities		1	1,102,256
Total equity and liabilities		63,106,521	64,651,655

The balance sheet of the Company was approved by the Board of Directors on 15 March 2018 and was signed on its behalf.

Ng Chern Ann
Director

Koh Zheng Kai
Director

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

(a) Reserve movements of the Company

	Share premium US$	Capital reserve US$	Accumulated losses US$	Total US$
At 1 January 2016	5,290,300	54,193,547	—	59,483,847
Loss for the year	—	—	(3,039,981)	(3,039,981)
Issues of shares under placing	9,071,982	—	—	9,071,982
Share issue expenses	(1,978,149)	—	—	(1,978,149)
At 31 December 2016	12,384,133	54,193,547	(3,039,981)	63,537,699
At 1 January 2017	12,384,133	54,193,547	(3,039,981)	63,537,699
Loss for the year	—	—	(442,879)	(442,879)
At 31 December 2016	12,384,133	54,193,547	(3,482,860)	63,094,820

FINANCIAL SUMMARY

	Year ended 31 December			
	2014	2015	2016	2017
	US$	US$	US$	US$
Revenue	12,615,069	17,185,355	20,964,135	29,816,740
Gross profit	5,965,828	8,808,117	10,704,260	14,384,324
Profit before income tax	3,244,674	2,669,084	1,877,778	4,347,929
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

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