

CMON Limited
(incorporated in the Cayman Islands with limited liability)
Stock Code: 8278

COOL MINI OR NOT



PLACING

SOLE SPONSOR



SOLE BOOKRUNNER AND SOLE LEAD MANAGER



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



CMON LIMITED

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 323,000,000 Placing Shares
(comprising 306,000,000 New Shares and
17,000,000 Sale Shares, subject to
the Offer Size Adjustment Option)

Placing Price : HK\$0.23, plus brokerage of 1%, SFC
transaction levy of 0.0027% and Stock
Exchange trading fee of 0.005% (payable
in full upon application in Hong Kong
dollars and subject to refund)

Nominal Value : HK\$0.00005 per Share

Stock Code : 8278

Sole Sponsor



Sole Bookrunner and Sole Lead Manager



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" as set out in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriter under the Underwriting Agreement to subscribe for and to procure places for the subscription for and/or purchase of the Placing Shares, are subject to termination by the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriter) upon the occurrence of any of the events set forth in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in a gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change to the below expected timetable, the Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk.

Date
(Note 1)

Announcement of the level of indication of interest in the Placing to be published (i) on the website of the Stock Exchange at www.hkexnews.hk ; and (ii) on the Company's website (Note 2) at http://cmon.com on or before	Thursday, 1 December 2016
Allotment of Placing Shares to placees on or before	Thursday, 1 December 2016
Deposit of share certificates for the Placing Shares into CCASS on or before (Notes 3 and 4)	Thursday, 1 December 2016
Dealings in the Shares on GEM to commence at 9:00 a.m. on (Note 4)	Friday, 2 December 2016

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. Neither the Company's website nor any of the information contained on the Company's website forms part of this prospectus.
3. The share certificates for the Placing Shares allotted and issued to in the name of HKSCC Nominees Limited (as instructed by the placees) are expected to be deposited directly into CCASS on or before Thursday, 1 December 2016 for credit to the respective CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Sole Bookrunner (for itself and on behalf of the Underwriter), the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued by the Company.
4. All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, the Company will make an announcement on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at <http://cmon.com> as soon as possible. No dealing in the Placing Shares should take place prior to the Listing Date, investors who trade the Shares prior to such date shall do so entirely at their own risk.

For details of the structure of the Placing, including its conditions thereto, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

CONTENTS

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS	15
GLOSSARY	27
FORWARD-LOOKING STATEMENTS	30
RISK FACTORS	32
WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES	46
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	50
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	54
CORPORATE INFORMATION	57
INDUSTRY OVERVIEW	59
REGULATORY OVERVIEW	80
HISTORY AND CORPORATE STRUCTURE	93
BUSINESS	118
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	185
CONNECTED TRANSACTIONS	193
DIRECTORS AND SENIOR MANAGEMENT	194
SUBSTANTIAL SHAREHOLDERS	205
SHARE CAPITAL	207
FINANCIAL INFORMATION	210
STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS	274

CONTENTS

	<i>Page</i>
UNDERWRITING	282
STRUCTURE AND CONDITIONS OF THE PLACING	289
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION ..	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION .	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

We are a fast growing hobby games publisher specialising in developing and publishing mainly tabletop games (including board games and miniature war games). Since our establishment, we had offered a total of 43 games, and as at the Latest Practicable Date, have a portfolio of 40 games.

We publish both self-owned games and licensed games. Self-owned games refer to games whose IP rights are developed in-house or transferred by our Controlling Shareholders or acquired from third parties. Licensed games are games whose IP rights are licensed from third party game developers under licensing agreements and games with Brand IPs being licensed from third parties but developed by us. We also distribute third party tabletop games.

We sell our tabletop games mainly through Kickstarter and wholesalers. We also sell directly to end-users through our own online store and at game conventions. Our tabletop games are sold to mainly North America (including the USA and Canada) and Europe (including France, Germany, the UK and Spain). During the Track Record Period, some of our games, namely *Zombicide: Season 3*, *Arcadia Quest*, *Rum & Bones*, *Zombicide: Black Plague*, *Arcadia Quest: Inferno*, *The Others: 7 Sins*, *Masmorra: Dungeons of Arcadia* and *Rum & Bones: Second Tide*, consistently featured in the top 10 tabletop game projects (by fundings) on Kickstarter.

We have expanded into the mobile game market in June 2015 by launching our first mobile game, *XenoShyft (mobile)*, based on our self-owned tabletop game *XenoShyft: Onslaught*, on the Apple App Store and Google Play. We intend to launch another mobile game, *Zombicide (mobile)* which is based on our self-owned *Zombicide* tabletop game series, in 2017. We consider that our mobile games are complementary to our tabletop games. Therefore, our long-term strategy is to maintain our core focus on developing and improving our tabletop games while selectively developing mobile games by leveraging elements of our successful tabletop games.

Our business originated in 2001 when our founders, Mr. Ng and Mr. Doust, jointly conceptualised "CoolMiniOrNot" and founded the website www.coolminiornot.com, which began as an online community website for registered users to upload and vote on pictures of painted miniatures. In 2009, CoolMiniOrNot Inc. was incorporated and its first licensed board game, *Super Dungeon Explore*, was published in October 2011. Up to the Reorganisation, CoolMiniOrNot Inc. published and distributed a number of tabletop games. As part of the Reorganisation, each business function and operation of CoolMiniOrNot Inc. was segmented and allocated to different companies within the Group and CoolMiniOrNot Inc. became a dormant company upon completion of the Reorganisation in July 2015.

OUR BUSINESS MODEL

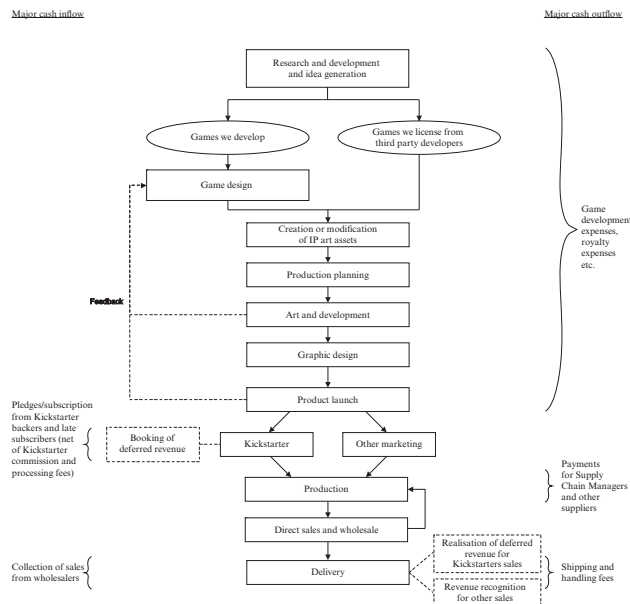
We primarily publish both self-owned and licensed tabletop games. Our management, based on their market acumen and research, initiates ideas for new games. Thereafter, creatives are typically engaged to design, develop and/or modify the game and the relevant artwork. Once all aspects of the game are designed, we outsource the production of our games to Supply Chain Managers based in the PRC who are responsible for the entire production process of our games according to our requirements while we only focus on production planning and oversight.

Our games are primarily sold through two sales channels, direct sales (through Kickstarter, our online store, or sales at games conventions) and wholesalers based in various countries (including the USA, Canada, France, Germany, the UK and Spain).

SUMMARY

We generate a MSRP for each of our tabletop games, taking into account factors such as the prevailing market rates, competitors' prices, quantity and quality of miniatures and also our own costs of outsourcing or purchase. Our tabletop games are sold at or close to MSRP when pre-ordered by Kickstarter backers and late subscribers, or ordered from our online store. We price our tabletop games to our wholesalers at a discount to the MSRP, taking into account factors such as the size of the orders (or previous orders), popularity of the games, working relations with the wholesalers and prevailing market rates.

The following chart generally illustrates our game development process⁽¹⁾:



⁽¹⁾ The chart is for general illustration purpose only. Depending on the actual situation, some of the games may not go through all the processes as stated above or may have several processes being conducted concurrently or in a different order.

Kickstarter

Up to the Latest Practicable Date, we have launched 23 tabletop games through Kickstarter, an internet-based crowd funding platform for creative projects, where project creators may raise funds to complete a project. Any backer may then support the project by pledging any amount of money to it. If a project succeeds in reaching its funding goal, all backers will have their credit cards or debit cards charged for the amount of the pledge, and the funds will be transmitted to the project creator after Kickstarter deducts commission and processing fees ranging in total from 8% to 10% (depending on the backers' mode of payment) from the total funds raised before the funding deadlines. Depending on the amount pledged by a backer to a project, on a case-by-case basis, such backer may receive rewards from the project creator. The rewards system is at the discretion of the project creator. It may be possible for a project creator not to offer any rewards to its backers. Kickstarter cannot be used to offer financial incentives like equity, financial returns or repayment as rewards for projects.

We launch our projects on Kickstarter with funding goals ranging from US\$5,000 to US\$200,000, with funding deadlines ranging from two to four weeks from the project launch date. All our tabletop game projects launched on Kickstarter have been profitable during the Track Record Period and have succeeded in reaching their funding goals within the stipulated funding deadlines with over subscription. We have not experienced any cost overruns in relation to our Kickstarter projects during the Track Record Period. Other than the four recently launched projects the products of which we expect to ship in the next few months, all our Kickstarter projects have been translated into games for production and sales as at the Latest Practicable Date.

SUMMARY

We also offer a Stretch Goals system for some of our projects, depending on the performance of the project after it is launched. A Stretch Goal is a funding target set beyond the original funding goal where pledged backers may be given incentives for reaching stipulated Stretch Goals. This gives backers an impetus to recommend our projects to others to help achieve the Stretch Goals.

Through Kickstarter, we believe we create an initial awareness and publicity for our tabletop games amongst the backers. With each successful tabletop game that we release on Kickstarter, our fan base grows. This fan base is tapped on each time we launch a new tabletop game on Kickstarter.

Our games launched on Kickstarter will be further produced by us and sold by our wholesalers and at our online store and game conventions after completing the shipment to Kickstarter backers and late subscribers. As our games sold on Kickstarter are profitable, excess funding from Kickstarter for the respective games, together with funds generated from operations, are used to further produce and sell our games on other sales channels such as wholesalers.

We also face certain risks by using the Kickstarter platform to launch our tabletop games. The commission and payment processing fees charged by Kickstarter are non-refundable and are recognised in our books when a project is successfully funded on Kickstarter, while we only recognise revenue from the successfully launched games upon shipping of the games to the backers and late subscribers. Prior to the shipping, all the funds collected from Kickstarter are booked as our deferred revenue and will only be realised as revenue when the products are shipped. The asymmetry in timing between recognition of Kickstarter revenue and expenses will continue and may result in material fluctuations of our periodic financial results. Please refer to the paragraphs headed “Risk Factors — The use of Kickstarter as an avenue to launch our tabletop games may result in fluctuations of our financial results” and “Risk Factors — We may not always be able to use Kickstarter to launch or market our tabletop games” in this prospectus for major risks of using the Kickstarter platform.

Kickstarter Terms of Use

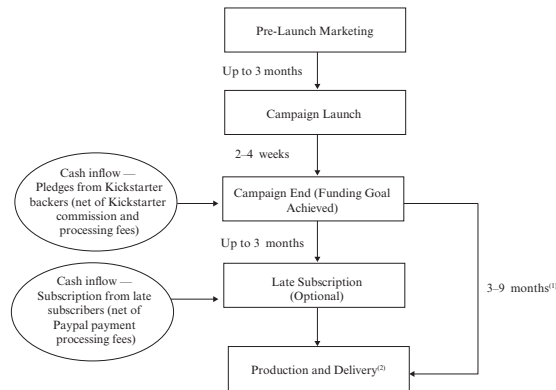
As advised by our US Legal Advisers, unless otherwise provided and mutually agreed upon by all relevant parties, Kickstarter’s terms of use is the entire agreement among Kickstarter, a project creator and its backers and sets forth each party’s rights and obligations with regard to use of the Kickstarter website and services provided by Kickstarter. Under Kickstarter’s terms of use, backers enter into a contract with a project creator upon their pledge to back the project, in which Kickstarter is not a party. Kickstarter’s terms of use states that when a project is successfully funded, the project creator has a contractual obligation to complete the project and fulfill each reward and when it has done so, it has satisfied its obligations to backers, as advised by our US Legal Advisers. Kickstarter’s terms of use does not stipulate a specific date by which project creators must fulfil the rewards or require project creators to update backers on progress of the project. Rather, project creators provide an estimated delivery date, which is a best estimate that project creators make a good faith effort to meet. As advised by our US Legal Advisers, Kickstarter’s terms of use stipulates that the estimated delivery date is not a guarantee to fulfill the rewards by such date and asks that project creators communicate with backers about any changes to the estimated delivery date.

If the project creator fails to complete the project and fulfill rewards, it must make every reasonable effort to bring the project to the best possible conclusion, including (amongst others) (i) explaining what work has been done, how funds were used, what prevented the project creator from finishing the project as planned; (ii) demonstrating that they have used the funds appropriately and made every reasonable effort to complete the project as promised; and (iii) offering to return any remaining funds to backers.

Under the terms of contract with our initial backers during the Track Record Period, we generally allow full refund within 14 to 60 days from the funding deadline, and following that until the product is shipped, a partial refund (comprising the funding amount after subtracting Kickstarter commission and processing fees which would have already been paid by us to the relevant parties at this point). Requests for refunds are initiated by our backers, and we have a “no questions asked” policy where we provide the relevant refund upon request regardless of the reason for such request. Once the product is shipped, we will no longer provide any refund.

SUMMARY

The following chart illustrates our general processes of launching games on Kickstarter:



(1) Based on estimated delivery date at project launch

(2) Please refer to the paragraph headed “Business — Game Development Process” in this prospectus for details on production and delivery.

OUR GAMES

As at the Latest Practicable Date, our game portfolio comprised 40 games, of which (i) 20 were self-owned, 10 were licensed from third party game developers and 10 were third party games we distributed; and (ii) 37 were board games, two were miniature war games and one was a mobile game. Our most popular self-owned games during the Track Record Period, in terms of revenue contribution, were *Zombicide: Black Plague*, *Zombicide: Season 3*, *Zombicide: Season 2*, *Zombicide* and *Arcadia Quest*. The table below sets out the breakdown of revenue, gross profit and gross profit margin of our games (i) by sales channels; (ii) by categories; and (iii) by ownership as at the Latest Practicable Date, during the Track Record Period:

Sales channels ⁽¹⁾	Year ended 31 December 2014				Year ended 31 December 2015				Five months ended 31 May 2015 (Unaudited)				Five months ended 31 May 2016			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
Direct																
Kickstarter	7,750,586	61.4	3,950,278	51.0	9,522,481	55.4	4,807,665	50.5	1,451,431	33.4	188,909	13.0	581,409	14.9	73,283	12.6
Online store and game conventions	458,885	3.7	178,770	39.0	781,904	4.6	453,738	58.0	233,013	5.4	65,625	28.2	462,094	11.9	128,726	27.9
Mobile games	—	—	—	—	22,211	0.1	16,211	73.0	—	—	—	—	15,462	0.4	5,462	35.3
Wholesalers	4,405,598	34.9	1,836,780	41.7	6,858,759	39.9	3,530,503	51.5	2,663,380	61.2	1,351,209	50.7	2,832,948	72.8	1,163,505	41.1
Total	12,615,069	100.0	5,965,828	47.3	17,185,355	100.0	8,808,117	51.3	4,347,824	100.0	1,605,743	36.9	3,891,913	100.0	1,370,976	35.2

(1) For the purpose of arriving at the respective gross profit of our sales channels, depreciation and amortisation are allocated according to the relative revenue ratio of these sales channels.

Category of games	Year ended 31 December 2014				Year ended 31 December 2015				Five months ended 31 May 2015 (Unaudited)				Five months ended 31 May 2016			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
Board games	9,660,854	76.6	4,706,772	48.7	15,842,513	92.2	8,061,431	50.9	3,656,257	84.1	1,306,108	35.7	3,680,871	94.6	1,319,031	35.8
Miniature war games	2,266,963	18.0	1,332,958	58.8	675,261	3.9	368,477	54.6	485,506	11.2	288,533	59.4	98,797	2.5	34,456	34.9
Mobile games	—	—	—	—	22,211	0.1	16,211	73.0	—	—	—	—	15,462	0.4	5,462	35.3
Sub-total	11,927,817	94.6	6,039,730		16,539,985	96.2	8,446,119		4,141,763	95.3	1,594,641		3,795,130	97.5	1,358,949	
Other products	687,252	5.4	(73,902)	N/A	645,370	3.8	361,998	56.1	206,061	4.7	11,102	5.4	96,783	2.5	12,027	12.4
Total	12,615,069	100.0	5,965,828	47.3	17,185,355	100.0	8,808,117	51.3	4,347,824	100.0	1,605,743	36.9	3,891,913	100.0	1,370,976	35.2

SUMMARY

Ownership ⁽¹⁾	Year ended 31 December 2014				Year ended 31 December 2015				Five months ended 31 May 2015 (Unaudited)				Five months ended 31 May 2016			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
Games owned by the Group																
Self-developed games	5,241,360	41.6	2,721,640	51.9	9,610,722	55.9	5,088,447	52.9	2,328,675	53.6	915,636	39.3	1,835,991	47.2	638,606	34.8
Games transferred by Controlling Shareholders	4,057,242	32.2	2,125,825	52.4	4,179,567	24.3	2,107,368	50.4	1,786,121	41.1	672,723	37.7	962,203	24.7	348,335	36.2
Games acquired from third parties	—	—	—	—	1,577,391	9.2	770,391	48.8	—	—	—	—	591,537	15.2	235,663	39.8
Games licensed by the Group	2,629,215	20.8	1,192,265	45.3	1,082,580	6.3	437,351	40.4	26,967	0.6	6,282	23.3	192,255	4.9	59,613	31.0
Games distributed by the Group	—	—	—	—	89,725	0.5	42,562	47.4	—	—	—	—	213,144	5.5	76,732	36.0
Sub-total	11,927,817	94.6	6,039,730		16,539,985	96.2	8,446,119		4,141,763	95.3	1,594,641		3,795,130	97.5	1,358,949	
Other products	687,252	5.4	(73,902)	N/A	645,370	3.8	361,998	56.1	206,061	4.7	11,102	5.4	96,783	2.5	12,027	12.4
Total	12,615,069	100.0	5,965,828	47.3	17,185,355	100.0	8,808,117	51.3	4,347,824	100.0	1,605,743	36.9	3,891,913	100.0	1,370,976	35.2

(1) For details of the game portfolio under each ownership classification, please refer to the notes to the table in the paragraph headed “Financial Information — F. Principal Components of Our Results of Operations — Revenue — Revenue by ownership”.

Our gross profit margin for sales via Kickstarter decreased from around 50% for the two years ended 31 December 2015 to around 13% for the five months ended 31 May 2015 and 2016. Our gross profit margin for our board games for the five months ended 31 May 2015 and 2016 were approximately 35.7% and 35.8%, respectively, which were lower than the gross profit margins for the year ended 31 December 2014 and 2015 of approximately 48.7% and 50.9%, respectively. These were mainly due to the combined effect of (i) the higher shipping and handling charges due to proportionately more shipments of accessories products of our Kickstarter projects, which were mainly board games, during the five-month period as compared to full year; (ii) the lower recovery of shipping and handling income for the five months ended 31 May 2016; and (iii) the effect of depreciation and amortisation which are costs relatively fixed in nature during the five-month period.

Gross profit margin for games sold at our online store and game conventions was approximately 58.0% in 2015, which was much higher than the margin of approximately 39.0% in 2014 and around 28.0% for the five months ended 31 May 2015 and 2016. The relatively higher margin in 2015 was mainly due to the sale of more third party accessories products with higher margin at our online store.

The table below sets out the revenue of our games during the Track Record Period and the average gross profit margin of our games throughout the Track Record Period:

Games	Launch Date	Expected Game Life ⁽¹⁾	Ownership as at the Latest Practicable Date	Revenue				Average Gross Profit Margin throughout the Track Record Period
				Year ended 31 December 2014	Year ended 31 December 2015	Five months ended 31 May 2015	Five months ended 31 May 2016	
		(Not less than)		US\$	US\$	US\$ (Unaudited)	US\$	%
<i>Arcadia Quest</i>	February 2014	10 years	Owned	1,468,171	490,362	168,930	270,911	48.3
<i>B-Sieged: Sons of the Abyss</i>	April 2015	3 years	Licensed	—	700,017	—	158,473	40.9
<i>Blood Rage</i>	March 2015	10 years	Owned	—	1,577,391	—	591,537	46.4
<i>Dark Age</i>	2002	15 years ⁽²⁾	Owned	124,639	138,130	48,409	32,682	54.8
<i>Dogs of War</i>	April 2014	10 years	Owned	189,483	53,727	2,805	2,048	40.5
<i>Guilds of Cadwallon</i>	December 2012	5 years	Licensed	2,607	5,148	887	979	45.9
<i>Kaosball</i>	June 2013	10 years	Owned	554,804	46,300	31,204	14,217	52.5
<i>Krosmaster</i>	April 2016	1 year	Third party	—	—	—	151,101	27.8
<i>Queen's Necklace</i>	September 2015	3 years	Licensed	—	24,807	—	3,377	43.9
<i>Relic Knights</i>	August 2012	N/A ⁽³⁾	N/A	1,467,201	—	—	—	53.1
<i>Rivet Wars</i>	January 2013	5 years	Licensed	1,116,866	152,116	23,992	21,145	35.3
<i>Rum & Bones</i>	December 2014	10 years	Owned	—	1,336,607	397,762	162,396	47.2
<i>Sedition Wars: Battle for Alabaster</i>	May 2012	N/A ⁽⁴⁾	N/A	42,541	5,151	2,088	565	35.1
<i>The Grizzled</i>	September 2015	5 years	Third party	—	89,725	—	62,043	50.9
<i>The World of Smog: On Her Majesty's Service</i>	October 2014	4 years	Licensed	—	195,341	—	7,716	34.9
<i>Wrath of Kings</i>	August 2013	10 years	Owned	675,123	537,131	437,097	66,115	62.2
<i>XenoShyft (mobile)</i>	June 2015	1 year	Owned	—	22,211	—	15,462	57.5
<i>XenoShyft: Onslaught</i>	June 2014	10 years	Owned	—	485,076	304,061	43,837	43.1
<i>Zombicide</i>	April 2012	20 years ⁽⁵⁾	Owned	1,045,022	1,092,234	395,853	369,997	47.5
<i>Zombicide: Black Plague</i>	June 2015	20 years ⁽⁵⁾	Owned	—	6,568,689	—	1,388,977	47.4
<i>Zombicide: Season 2</i>	March 2013	20 years ⁽⁵⁾	Owned	1,827,925	703,500	369,483	55,235	52.6
<i>Zombicide: Season 3</i>	June 2014	20 years ⁽⁵⁾	Owned	3,413,435	2,316,322	1,959,192	376,317	54.0
Total revenue from games				11,927,817	16,539,985	4,141,763	3,795,130	

SUMMARY

- (1) Save for the *Zombicide* series of games and *Dark Age*, our Directors estimate the expected game life of our self-owned games to be 10 years based on (i) the performance of our self-owned games based on their respective track record; (ii) the thematic element of our self-owned games supported by the artwork and design of each game; and (iii) the launching of sequel games to the original for some of our self-owned games as an extension strategy. This is a base estimate by our Directors and may be extended. The expected game life of our licensed and third party games is based on the relevant licensing agreement and distribution agreement and may be extended accordingly based on the last major use of the licence or after renewal.
- (2) Our Directors estimate *Dark Age* to have an expected game life of 15 years as new miniatures continue to be released for *Dark Age* on an incremental basis, and based on the past performance of the game.
- (3) The license agreement was mutually terminated by the licensor and us in August 2014.
- (4) The license agreement had expired in January 2016.
- (5) Our Directors estimate the *Zombicide* series of games to have an expected game life of 20 years as the Directors expect to launch future sequels under this series due to its overwhelming response and popularity, and our Directors intend to continue to invest in developing the *Zombicide* series.

CUSTOMERS

North America and Europe represent our two largest markets during the Track Record Period, based on location of our customers. North America and Europe accounted for approximately 59.2% and 31.7% of our revenue for the year ended 31 December 2014 respectively, approximately 48.5% and 43.1% of our revenue for the year ended 31 December 2015, respectively, and approximately 50.4% and 41.1% of our revenue for the five months ended 31 May 2016, respectively.

Our customers consist of our direct end customers (through Kickstarter, our online store and sales at games conventions) and wholesalers. During the Track Record Period, our five largest customers, in terms of percentage of revenue, are wholesalers based in the USA and Europe. Sales to our five largest customers, accounted for approximately 17.2%, 20.0% and 37.5% of our total revenue for the years ended 31 December 2014 and 2015, and the five months ended 31 May 2016, respectively.

SUPPLIERS

Our suppliers consist of Supply Chain Managers, miniatures producers, game designers and creatives. During the Track Record Period, our five largest suppliers are our Supply Chain Managers based in the PRC, miniatures producers based in the PRC, Spain and Hong Kong and game designers and toy manufacturers based in France. For the years ended 31 December 2014 and 2015, and the five months ended 31 May 2016, our five largest suppliers accounted for approximately 81.6%, 93.7% and 99.1% of our total purchases, respectively.

We outsource the production of our self-owned and licensed tabletop games to the Supply Chain Managers, which are international games manufacturers and specialist packaging solutions providers based in the PRC. These Supply Chain Managers are responsible for the entire production process of our self-owned and licensed tabletop games strictly according to our specifications and requirements while we only focus on production planning and oversight.

MARKET AND COMPETITION

According to the Ipsos Report, the largest tabletop game markets are the USA and the EU (in particular, Germany, France and the UK). The USA tabletop game market has registered a CAGR of approximately 9.3% from 2010 to 2015 and is expected to register a CAGR of approximately 7.8% from 2015 to 2017. The EU tabletop game market is expected to register a CAGR of approximately 0.2% from 2015 to 2017 as compared to historical CAGR of approximately -0.7% from 2010 to 2015.

The industry is dominated by a number of larger publishers such as Fantasy Flight Publishing Inc., Wizards of the Coast LLC (a wholly-owned subsidiary of Hasbro, Inc. which is a company listed on the Nasdaq stock market in the United States) and Games Workshop Group PLC, which is a company listed on the London Stock Exchange in the UK, as well as many smaller competitors. Save for the abovementioned large publishers, the industry is relatively fragmented.

SUMMARY

Traditionally, tabletop games usually distribute through wholesalers and retailers in brick-and-mortar stores, however, internet retailing is growing in importance, especially for smaller niche players. Currently, crowd funding for tabletop games is dominated by Kickstarter, but this channel is not without risk as less than half of all tabletop game Kickstarter projects were successful in reaching their funding goals.

OUR COMPETITIVE STRENGTHS AND STRATEGIES

We believe that our competitive strengths are as follows:

- Established brand recognition and a proven track record via Kickstarter and our wholesalers;
- Established online community which drives sales for our new tabletop games and provides us with valuable insights of market trends;
- Proven track record of publishing tabletop games with numerous awards;
- Our relationship with experienced creatives; and
- Experienced management team with an asset-light business model and a lean and efficient workforce.

We strive to become a leading developer and publisher of quality games in the hobby game industry. In the long term, our vision is to become a leading publisher that leverages our IPs on various scales, mediums and channels, which would include games, comics, film, television and toys. We plan to achieve our plans and visions through the following strategies:

- Achieve organic growth by publishing more high-quality games;
- Pursue strategic acquisition, business and licensing opportunities;
- Further strengthen our sales and marketing capability and broaden reach into new markets to capture market opportunities; and
- Expand into the mobile game market.

MAJOR SHAREHOLDERS' INFORMATION

The Controlling Shareholders

Mr. Ng and Mr. Doust are parties acting in concert in exercising the voting rights of our Group. Please refer to the section headed "Relationship with Controlling Shareholder" in this prospectus for details. Immediately after the Placing, assuming that the Offer Size Adjustment Option is not exercised and without taking into account any Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, Mr. Ng and Mr. Doust (being the founders of the Group) will in aggregate be deemed interested in approximately 48.19% of the total issued share capital of the Company through CA SPV and DD SPV. Accordingly, Mr. Ng, Mr. Doust, CA SPV and DD SPV will together control more than 30% of our issued share capital and, for the purposes of the GEM Listing Rules, are our Controlling Shareholders.

Investments by Magic Carpet

We raised a total of US\$5.3 million from the issue of Convertible Bonds by CMON Holdings to Magic Carpet in January 2015. The proceeds from the Convertible Bonds were used for (i) the Group's acquisition of IPs; (ii) the exploration of licensing opportunities; and (iii) expansion and general working capital purposes.

Prior to the Listing, on 14 November 2016, the Convertible Bonds have been converted by Magic Carpet in exchange for the transfer of 305,769,232 Shares held by CMON Holdings to Magic Carpet. Pursuant to the Adjustment Mechanism, on 14 November 2016, the existing shareholders of the Company (other than Magic Carpet) transferred 33,900,000 Shares to Magic Carpet (in their respective proportions).

SUMMARY

Immediately after the Placing, assuming that the Offer Size Adjustment Option is not exercised and without taking into account any Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, Magic Carpet will hold approximately 17.87% of the total issued share capital of our Company. For more information on the pre-IPO investment, please refer to the paragraph headed “History and Corporate Structure — Investment by Magic Carpet” in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth selected financial and operating data from our consolidated financial information for the periods indicated, which are derived from the accountant’s report set out in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the accountant’s report set out in Appendix I to this prospectus and the section headed “Financial Information” in this prospectus.

Summary of Consolidated Statements of Comprehensive Income

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
	(Unaudited)			
Revenue	12,615,069	17,185,355	4,347,824	3,891,913
Cost of sales	<u>(6,649,241)</u>	<u>(8,377,238)</u>	<u>(2,742,081)</u>	<u>(2,520,937)</u>
Gross profit	5,965,828	8,808,117	1,605,743	1,370,976
Other income	21,962	57,330	12,324	33,295
Other gain	202,709	—	—	—
Selling and distribution expenses	(928,309)	(1,710,562)	(331,622)	(1,329,952)
General and administrative expenses				
— Others	(1,868,418)	(2,474,611)	(1,111,385)	(1,260,042)
— Professional service fees in respect of Listing preparation	<u>(149,098)</u>	<u>(2,011,190)</u>	<u>(404,847)</u>	<u>(1,471,676)</u>
Profit/(loss) before income tax	3,244,674	2,669,084	(229,787)	(2,657,399)
Income tax (expense)/credit	<u>(681,267)</u>	<u>(842,989)</u>	<u>42,566</u>	<u>300,887</u>
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to equity holders of the Company	<u>2,563,407</u>	<u>1,826,095</u>	<u>(187,221)</u>	<u>(2,356,512)</u>

Our revenue is mainly derived from sales of our tabletop games (including both board games and miniature war games) and includes shipping income arising from the sale of our products. In recent years, we have experienced rapid growth and expansion of our business. Our revenue increased by approximately 36.5% from approximately US\$12.6 million for the year ended 31 December 2014 to approximately US\$17.2 million for the year ended 31 December 2015. This was mainly due to the recognition of revenue in 2015 from new games launched on Kickstarter since the second half of 2014, as well as increased demand from wholesalers for our new games. Our revenue decreased by approximately 9.3% from approximately US\$4.3 million for the five months ended 31 May 2015 to approximately US\$3.9 million for the five months ended 31 May 2016, which was mainly due to the decrease in sales from Kickstarter by US\$870,022 as the product shipment for our five Kickstarter projects launched since the second half of 2015 up to 31 May 2016 only takes place after the Track Record Period, and we can only recognise the relevant revenue after the products are shipped. Our financial performance is affected by the shipping schedules of our successfully funded Kickstarter projects. Please refer to the paragraph headed “Risk Factors — The use of Kickstarter as an avenue to launch our tabletop games may result in fluctuations of our financial results” in this prospectus for details.

SUMMARY

We recorded loss attributable to equity holders of the Company of approximately US\$2.4 million for the five months ended 31 May 2016. Apart from the professional service fees in respect of Listing preparation of approximately US\$1.5 million, the loss was largely resulted from the increased shipping and handling charges due to the temporary change in delivery logistics for our sales to wholesalers in the USA, the lower recovery rate of shipping and handling income due to the underestimation of shipping and handling charges for our Kickstarter projects, as well as the timing difference between the launch of the projects on Kickstarter, when the Group starts to incur costs, and the actual shipping of the products to customers, when the Group records revenue. Out of the approximately US\$4.5 million of deferred revenue as at 31 December 2015, US\$619,171 was related to the then partially shipped Kickstarter projects namely *Zombicide: Black Plague*, *Blood Rage*, *Rum & Bones* and *B-Sieged: Sons of the Abyss* and had been recognised as revenue during the five months ended 31 May 2016. Approximately US\$3.6 million of the deferred revenue as at 31 December 2015 was related to *The Others: 7 Sins*, of which the product shipment started in June 2016 and has completed as at the Latest Practicable Date, and *Arcadia Quest: Inferno*, the products of which are expected to be shipped by the end of 2016. During the five months ended 31 May 2016, we have launched three Kickstarter projects namely *XenoShyft: Dreadmire*, *Masmorra: Dungeons of Arcadia* and *Rum & Bones: Second Tide*. The product shipment of *XenoShyft: Dreadmire* has completed as at the Latest Practicable Date and the products of *Masmorra: Dungeons of Arcadia* and *Rum & Bones: Second Tide* are expected to be shipped by the end of 2016.

Summary of Consolidated Balance Sheets

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Non-current assets	6,398,235	8,514,594	9,944,207
Current assets	4,588,335	8,050,765	8,914,802
Current liabilities	7,895,744	7,835,044	12,540,063
Net current (liabilities)/assets	(3,307,409)	215,721	(3,625,261)
Non-current liabilities	17,357	138,625	83,768
Total equity	3,073,469	8,591,690	6,235,178

As at 31 December 2014, we had net current liabilities of approximately US\$3.3 million, which was primarily due to amount due to CMON Holdings of US\$3.5 million representing the partial investment by Magic Carpet via CMON Holdings in 2014. The majority of these funds were utilised in 2014 to acquire or make prepayment for the acquisition of non-current assets including IPs and property, plant and equipment. As at 31 May 2016, we had net current liabilities of approximately US\$3.6 million, which was primarily due to an increase in deferred revenue with a balance of approximately US\$8.8 million as at 31 May 2016, relating to funds received from our Kickstarter projects which products had not yet been shipped. The majority of the funds received were utilised for the acquisition of IPs, property, plant and equipment, and the payment of operating expenses during this period.

Summary of Consolidated Statements of Cash Flows

	For the year ended		For the five
	31 December		months ended
	2014	2015	31 May
	US\$	US\$	US\$
Net cash generated from/(used in) operating activities before changes in working capital	3,625,733	3,493,395	(2,196,001)
Net cash generated from operating activities	621,047	4,804,496	159,062
Net cash used in investing activities	(2,950,643)	(3,851,654)	(1,181,296)

The Group's cashflow from operating activities before changes in working capital slightly decreased from approximately US\$3.6 million for the year ended 31 December 2014 to approximately US\$3.5 million for the year ended 31 December 2015, which was mainly due to the

SUMMARY

decrease in profit before income tax primarily resulting from the increase in professional service fees in respect of Listing preparation in 2015. For the five months ended 31 May 2016, the Group had net cash used in operating activities before changes in working capital of approximately US\$2.2 million, which was mainly due to the loss before income tax primarily resulting from (i) the payment of commission and processing fees of our Kickstarter projects launched during the period while the relevant revenue will only be recognised after the Track Record Period when the products are shipped; (ii) the increased shipping and handling charges and the lower recovery rate of shipping and handling income; (iii) the increased salary expenses; and (iv) the recognition of professional service fees in respect of Listing preparation.

Key Financial Ratios

The following table sets forth our key financial ratios as at the dates/for the period indicated:

	As at/for the year ended 31 December		As at/for the five months ended
	2014	2015	31 May 2016
Current ratio (times) ⁽¹⁾	0.58	1.03	0.71
Quick ratio (times) ⁽²⁾	0.37	0.73	0.51
Return on equity (%) ⁽³⁾	83.4	21.3	Loss
Return on total assets (%) ⁽⁴⁾	23.3	11.0	Loss

Note:

- (1) Current assets divided by current liabilities as at the end of the year or the period
- (2) Current assets less inventories and divided by current liabilities as at the end of the year or the period
- (3) Profit for the year or period divided by total equity as at respective year end or period end and multiplied by 100%
- (4) Profit for the year or period divided by total assets as at respective year end or period end and multiplied by 100%

For details on the key financial ratios, please refer to the paragraph headed “Financial Information — Key Financial Ratios” in this prospectus for details.

Dividend

During the Track Record Period, we declared a total dividend of US\$1.6 million. Approximately US\$1.5 million was paid during the year ended 31 December 2015 and the remaining was paid during the five months ended 31 May 2016.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid out of our distributable profits and share premium as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. Share premium is to be used only if we are able to pay our debts as they fall due in the ordinary course of business. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The Directors currently have no intention to pay dividends after Listing as the Group needs capital for continuous business growth and development.

LISTING EXPENSES

For the two years ended 31 December 2015 and the five months end 31 May 2016, we incurred professional fees in relation to our Listing of US\$149,098, approximately US\$2.0 million and approximately US\$1.5 million, respectively, in our statement of comprehensive income. With a Placing Price of HK\$0.23 per Share, and taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, the total estimated expenses in relation to our Listing payable by us are approximately US\$6.4 million, of which (i) US\$149,098,

SUMMARY

approximately US\$2.0 million and approximately US\$1.5 million have been recognised as expenses for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively; (ii) an amount of approximately US\$1.6 million is expected to be charged to the statement of comprehensive income of our Group during the seven months ending 31 December 2016; and (iii) the remaining amount of approximately US\$1.2 million is expected to be capitalised during the seven months ending 31 December 2016. **The recognition of such listing expenses is expected to affect our financial results for the year ending 31 December 2016.** The estimated listing expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon completion of the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only, and the final amount to be recognised to the statement of comprehensive income of our Group or to be capitalised is subject to adjustment based on audit and the then changes in variables and assumptions.

With a Placing Price of HK\$0.23, the underwriting commission and Sole Sponsor incentive fee payable by the Selling Shareholder for the Sale Shares is US\$25,226. Except for the aforementioned underwriting commission and Sole Sponsor incentive fee, the Selling Shareholder is not responsible for other expenses relating to the Listing, which should instead be borne by and accounted for by us. All the contracts for the professional services in relation to the Listing have been entered into between the Company and the respective service providers and as such, all the relevant services have been rendered to the Company only. On the other hand, the Selling Shareholder is not a party to the service contracts and therefore is not liable for any of the associated costs.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model and operational structure remained primarily unchanged since 31 May 2016 and up to the Latest Practicable Date. We continue to build up our game portfolio, use Kickstarter to launch our projects and rely on both direct sales (through Kickstarter, our online store and sales at game conventions) and wholesalers to sell our games.

As far as we are aware, our industry remained relatively stable after the Track Record Period and there was no material adverse change in the general economic and market conditions in the markets or industry in which we operate that had affected or would affect our business operations or financial operation materially and adversely since 31 May 2016.

Save for the impact of the listing expenses as disclosed in the paragraph headed “Listing Expenses” in this section, which is expected to have an adverse impact to our financial results for the year ending 31 December 2016, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change to our financial or trading position or prospects since 31 May 2016, being the date to which our most recent audited consolidated financial statements were prepared, and since that date, there has been no event up to the Latest Practicable Date that would materially affect the information shown in our consolidated financial statements included in the accountant’s report set out in Appendix I to this prospectus, in each case except as otherwise disclosed in this prospectus.

Since 1 June 2016, the Group continued to increase its deferred revenue due to the money received from the Kickstarter backers and late subscribers. The Group launched a new Kickstarter game, *Massive Darkness*, in June 2016. Total deferred revenue of the Group increased from approximately US\$8.8 million as at 31 May 2016 (representing approximately 51.1% of the total revenue of the Group for the year ended 31 December 2015) to approximately US\$11.7 million as at 31 October 2016 (representing approximately 68.0% of the total revenue of the Group for the year ended 31 December 2015). Since 1 June 2016 and up to 31 October 2016, the Group has realised approximately US\$3.1 million of the deferred revenue as at 31 May 2016 mainly due to the realisation of the deferred revenue of *The Others: 7 Sins* of approximately US\$2.4 million as a result of the completion of product shipment and the realisation of the deferred revenue of *XenoShyft: Dreadmire* of approximately US\$0.5 million due to the commencement of the product shipment of *XenoShyft: Dreadmire* in late October 2016 and the shipment had been completed as at the Latest Practicable Date. The total amount of deferred revenue in relation to *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia* and *Rum & Bones: Second Tide* as at 31 October 2016 amounted to approximately US\$7.0 million, which is expected to be realised as revenue when the products are

SUMMARY

shipped by the end of 2016. The products of *Massive Darkness* are expected to be shipped in the first quarter of 2017. During the period from 1 June 2016 to the Latest Practicable Date, the Group has also launched 13 new games through wholesalers and/or game conventions. The Group recorded unaudited revenue of approximately US\$7.4 million during the period from 1 June 2016 to 31 October 2016. Taking into account the expected completion of shipping the outstanding Kickstarter games and the expected increase in sales from wholesalers with reference to the actual wholesale revenue recognised as well as confirmed orders and indicative orders from wholesalers up to the Latest Practicable Date, the Directors are of the view that the Group will not be loss making for the year ending 31 December 2016 and the financial results will not be materially deteriorated when compared with that for the year ended 31 December 2015, save for the abovementioned impact of the listing expenses.

BACKGROUND INFORMATION AND REASONS FOR LISTING IN HONG KONG

The Group's business is asset light in nature and therefore asset-backed financing procured from financial institutions is not the most viable method of fund raising for the Group. On this premise the Group did not have any bank borrowings during the Track Record Period and up to the Latest Practicable Date. Although the Group has the ability to raise funds through Kickstarter, the fund raising capability of Kickstarter is not as strong as traditional equity markets. Moreover, Kickstarter is a funding platform for creative projects and is not designed to be a fund raising tool for the purpose of carrying out certain of the Group's expansion strategies, such as potential acquisitions, licensing or acquiring games, and carrying third party games. The majority of funds raised via Kickstarter are generally used for the purposes of developing and producing the relevant games, although the funds are occasionally used for the payment of operating expenses and other business purposes before the commencement of production and shipment of the relevant games. In general, the Company will not use the fundings received from a Kickstarter game for the purpose of developing another Kickstarter project or another game of the Company.

It is the Group's strategy to achieve long-term growth through product diversification and channel diversification. The Group intends to launch more games via Kickstarter as well as other channels, such as the wholesale network. The funds raised through Kickstarter alone may not be able to finance the Group's new product launches through these channels. Due to the aforementioned reasons, the Directors are of the view that sole reliance on organic growth through funding via Kickstarter and self-operation will impose constraints on the overall growth of the Group.

Through successful listing and equity fund raising, the Group will have more funds to develop and publish games through different channels, instead of relying on the Kickstarter funds which are generally used for the relevant Kickstarter games. The Group also needs more funds for (i) title acquisition or licensing of games that have potential for commercial success from other game developers; and (ii) carrying more third party games, both of which will help the Group to strengthen its games portfolio in a faster pace. The Group also intends to utilise funds raised from the Listing to expand its wholesale business and reduce its reliance on Kickstarter sales. A successful listing would also enable the Group to explore future acquisitions and partnership opportunities with more flexibility because the Company would have the option to issue equities or equity-linked securities (if necessary) as consideration for such acquisitions (as compared to the scenario where the Group is not listed and can only proceed with such acquisitions by paying cash consideration). According to the Ipsos Report, the USA and Europe tabletop game markets are expected to achieve a 2015–2017 CAGR of approximately 7.8% and 0.2% respectively. The Directors are of the view that a successful listing will help the Group to grasp this growth opportunity and increase its market share. The Group's business strategies and future plans are set out in the paragraph headed "Business — Our Strategies" in this prospectus and the section headed "Statement of Business Objective and Use of Proceeds" in this prospectus respectively. In addition, a successful listing would enable the Group to offer its employees better retention benefits through the introduction of the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — Further Information about Directors, Management, Staff and Experts — Share Option Scheme" in Appendix IV to this prospectus.

SUMMARY

Our Directors decided to seek a listing in Hong Kong after taking into account principal factors including costs, prevailing market conditions, valuation as well as long-term business development and financing needs of the Group. The Stock Exchange is considered to be the most suitable platform given Hong Kong's level of internationalism, sound legal system and regulatory framework, matured financial system, reputation in the global financial market, established international institutional investor base as well as the volume and liquidity of funds and capital available for investment in the equity market. Our Directors further believe that Hong Kong as a listing venue represents the best balance between capital market liquidity and tax efficiency, as compared to other jurisdictions such as Singapore or the USA. Notwithstanding that our Group's business is primarily based in Singapore and the USA, our Directors believe that a listing on the Stock Exchange will further enhance our Group's brand and product awareness on an international level, with an aim to broaden the Group's reach into new markets to capture market opportunities, which is one of the Group's business strategies.

SELLING SHAREHOLDER

The Placing consists of 323,000,000 Shares, of which 17,000,000 Shares are being sold by Magic Carpet, the Selling Shareholder. With a Placing Price of HK\$0.23 per Share, we estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares will be approximately HK\$3.7 million (equivalent to approximately US\$0.5 million) after deducting the underwriting commission and Sole Sponsor incentive fee of HK\$195,500 (equivalent to US\$25,226) to be borne by the Selling Shareholder. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

USE OF PROCEEDS

The net proceeds to our Company for the issue of New Shares under the Placing, after deducting underwriting fees and estimated total expenses in the aggregate amount of HK\$21.1 million payable by our Company (excluding listing related expenses which have been accounted for prior to 31 May 2016), are estimated to be approximately HK\$49.3 million (equivalent to approximately US\$6.4 million) (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) and with a Placing Price of HK\$0.23 per Share. We intend to use such net proceeds as follows:

- approximately 40% or HK\$19.7 million, for the development of more high-quality tabletop games;
- approximately 16% or HK\$7.9 million, for potential acquisitions and licensing opportunities of games that have potential for commercial success or adaptation of Brand IPs;
- approximately 32% or HK\$15.8 million, for strengthening our sales and marketing capability and broadening reach into new markets;
- approximately 3% or HK\$1.5 million, for the expansion into the mobile game market; and
- approximately 9% or HK\$4.4 million, for our working capital and other general corporate purposes.

If the Offer Size Adjustment Option is exercised in full, the net proceeds to be received by us from the issue of new Shares will increase to approximately HK\$59.8 million with a Placing Price of HK\$0.23 per Share. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Placing are not immediately applied to the above purposes, it is our present intention that most of the net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong, the United States, and/or Singapore.

SUMMARY

PLACING STATISTICS

**Based on the
Placing Price of
HK\$0.23 per Share**

Market capitalisation of the Shares (*Note 1*) HK\$415.4 million

Unaudited pro forma adjusted consolidated net tangible assets per Share (*Note 2*) HK\$0.0276

Note 1: The calculation of market capitalisation is based on 1,806,000,000 Shares expected to be in issue upon completion of the Placing assuming that the Offer Size Adjustment Option Shares is not exercised and without taking into account Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

Note 2: The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the paragraph headed “Unaudited Pro Forma Financial Information — A. Unaudited pro forma adjusted consolidated net tangible assets” in Appendix II to this prospectus.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Placing, and details of such risks are further described in the section headed “Risk Factors” in this prospectus. These can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to overseas markets; and (iv) risks relating to the Placing. Some of the major risks generally associated with our business include the following:

- We recorded a net loss for the five months ended 31 May 2016.
- Our relatively short operating history in developing and publishing self-owned or licensed games makes it difficult to evaluate our prospects and future financial performance.
- We may not adhere to our timetable for launching new tabletop games and mobile games, and our new tabletop games and mobile games may not be commercially successful, which may affect our future growth.
- We may experience significant disruptions if we need to change our Supply Chain Managers.
- The use of Kickstarter as an avenue to launch our tabletop games may result in fluctuations of our financial results.
- The fluctuation of shipping and handling charges, and failure to accurately estimate these charges may affect our financial performance.
- We may not always be able to use Kickstarter to launch or market our new games.

LEGAL COMPLIANCE AND PROCEEDINGS

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition. During the Track Record Period and up to the Latest Practicable Date, our Group has complied with all applicable rules and regulations for our business activities and operations in all material aspects.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

- “affiliate(s)” : any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
- “Apple App Store” : a smartphone apps and smartphone games distribution platform for iOS-based mobile devices developed and maintained by Apple Inc., an Independent Third Party, whereby users can browse and download smartphone apps or smartphone games either for free or at cost
- “Articles of Association” or “Articles” : the articles of association of our Company as amended, supplemented and otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
- “Asmodee” : Asmodee Editions Inc., an Independent Third Party
- “associate(s)” : has the meaning ascribed thereto under the GEM Listing Rules
- “Audit Committee” : the audit committee of the Board
- “AUD” : Australian dollars, the lawful currency of Australia
- “Board” or “Board of Directors” : the board of Directors
- “Bond Instrument” : a bond instrument dated 17 June 2014 entered into among Magic Carpet, CMON Holdings, Mr. Ng and Mr. Doust, constituting an aggregate principal amount of at least US\$5 million and not more than US\$10 million redeemable convertible bonds issued by CMON Holdings to Magic Carpet
- “Brand IPs” : popular literature, comics, movies, television serials and/or animations and their respective IPs
- “Business Day(s)” or “business day(s)” : a day(s) on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
- “BVI” : British Virgin Islands
- “CA SPV” : Cangsome Limited, a limited liability company incorporated in the BVI on 1 July 2015, which is wholly-owned by Mr. Ng

DEFINITIONS

“CAGR”	: compound annual growth rate
“CCASS”	: the Central Clearing and Settlement System established and operated by the HKSCC
“CCASS Clearing Participant”	: a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	: a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	: a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	: a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CG Code”	: the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
“China” or “PRC”	: the People’s Republic of China, excluding for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“close associate”	: has the meaning ascribed to it under the GEM Listing Rules
“CMON Conventions”	: CMON Conventions Inc., a company incorporated in the State of Delaware, the USA on 25 February 2016, and an indirect wholly-owned subsidiary of the Company
“CMON Global”	: CMON Global Limited, a limited liability company incorporated in the Cayman Islands on 18 September 2014, and an indirect wholly-owned subsidiary of the Company
“CMON Holdings”	: CMoN Holdings Limited, a limited liability company incorporated in the Cayman Islands on 11 June 2014, which is ultimately wholly-owned by Mr. Ng upon the completion of Reorganisation
“CMON Inc.”	: CMON Inc., a company incorporated in the State of Delaware, the USA on 6 October 2014, and an indirect wholly-owned subsidiary of the Company
“CMON Productions”	: CMON Productions Limited, a limited liability company incorporated in the BVI on 11 June 2014, and a direct wholly-owned subsidiary of the Company

DEFINITIONS

- “CMON SG” : CMON Pte. Ltd., a limited liability company incorporated in Singapore on 2 January 2014, and an indirect wholly-owned subsidiary of the Company
- “Companies Law” or “Cayman Companies Law” : the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented and otherwise modified from time to time
- “Companies Ordinance” : the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
- “Companies (Winding Up and Miscellaneous Provisions) Ordinance” : the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
- “Company”, “our Company”, “we”, “us” : CMON Limited, an exempted company incorporated under the laws of the Cayman Islands on 16 June 2015 with limited liability
- “Confirmation Letters” : collectively the five letters of confirmation dated 15 July 2015 which confirmed the respective terms of each of the five Verbal Agreements entered into between Mr. Ng and each of:
- (a) Mr. Doust;
 - (b) Mr. Preti;
 - (c) Mr. Lui;
 - (d) Maverick; and
 - (e) Mr. Lee
- “connected person(s)” : has the meaning ascribed thereto under the GEM Listing Rules
- “connected transactions” : has the meaning ascribed thereto under the GEM Listing Rules
- “Controlling Shareholders” : has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Ng, Mr. Doust, CA SPV and DD SPV, who will become our Controlling Shareholders upon completion of the Listing

DEFINITIONS

- “Convertible Bonds” : the convertible bonds of an aggregate principal amount of US\$5.3 million issued by CMON Holdings to Magic Carpet pursuant to the Investment Agreement and Bond Instrument
- “CoolMiniOrNot” : the “CoolMiniOrNot” brand owned by the Group
- “CoolMiniOrNot Inc.” : CoolMiniOrNot Inc., a company incorporated in the State of Delaware, the USA on 18 September 2009, which is owned in equal shares by Mr. Ng and Mr. Doust
- “core connected person(s)” : has the meaning ascribed thereto under the GEM Listing Rules
- “DD SPV” : Dakkon Holdings Limited, a limited liability company incorporated in the BVI on 3 July 2015, which is wholly-owned by Mr. Doust
- “Deed of Indemnity” : the deed of indemnity dated 17 November 2016 given by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities, further information of which is set out in the paragraph headed “Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
- “Deed of Non-competition” : the deed of non-competition dated 17 November 2016 given by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking, further information of which is set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
- “Director(s)” : the director(s) of our Company
- “DP SPV” : Magumaki Limited, a limited liability company incorporated in the BVI on 3 July 2015, which is wholly-owned by Mr. Preti
- “Dropbox” : a file hosting service operated by Dropbox, Inc. that offers cloud storage, file synchronisation, and personal cloud software, an Independent Third Party
- “EU” : the European Union
- “EUR” : the Euro, the lawful currency of the member states of the EU that have adopted the single currency of the Economic and Monetary Union of the EU

DEFINITIONS

“Facebook”	:	a social network service, owned and operated by Facebook Inc., an Independent Third Party
“GDP”	:	gross domestic product
“GEM”	:	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	:	the Rules Governing the Listing of Securities on GEM, as amended, supplemented, or otherwise modified from time to time
“Google Play”	:	(formerly known as the Android Market) a digital application distribution platform for Android-based smartphone apps, developed and maintained by Google Inc., an Independent Third Party
“Group” or “our Group” or “we” or “us”	:	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of our Group at the relevant time
“Guillotine Games”	:	Guillotine Games Limited, a limited company incorporated in Hong Kong on 6 August 2012, which is held as to 37% by Mr. Preti, and is an Independent Third Party
“HK\$” or “HK Dollars”	:	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	:	Hong Kong Securities Clearing Company Limited
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“ICv2”	:	Internal Correspondence version 2, a subsidiary of GCO, LLC, an Independent Third Party, which operates a website providing news and information for pop culture retailers located at www.ICv2.com , an Independent Third Party
“Independent Third Party(ies)”	:	individuals or company(ies) who is/are not connected person(s) (within the meaning of the GEM Listing Rules)

DEFINITIONS

- “Investment Agreement” : an investment agreement dated 17 June 2014 entered into among Magic Carpet, CMON Holdings, Mr. Ng and Mr. Doust relating to an aggregate principal amount of at least US\$5 million and not more than US\$10 million redeemable convertible bonds issued by CMON Holdings as amended and supplemented by the Supplemental Agreement, further information of which is set forth in the paragraph headed “History and Corporate Structure — Investment by Magic Carpet” in this prospectus
- “Ipsos” : Ipsos Australia Pty Ltd., an independent industry consultant commissioned by us to prepare the Ipsos Report
- “Ipsos Business Consulting” : a strategy consulting arm of Ipsos responsible for the production of the Ipsos Report
- “Ipsos Report” : an industry report prepared by Ipsos Business Consulting in related to, amongst other things, the tabletop games industry in the USA and EU
- “Kickstarter” : an online funding platform for creative projects, with its website at <http://www.kickstarter.com>, an Independent Third Party
- “Kicktraq” : an online tracker of Kickstarter projects, with its website at <http://www.kicktraq.com>, an Independent Third Party
- “Latest Practicable Date” : 15 November 2016, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
- “Listing” : the listing of the Shares on the GEM
- “Listing Date” : the date, expected to be on or about Friday, 2 December 2016, on which dealings in the Shares first commence on the GEM
- “Listing Division” : the listing division of the Stock Exchange
- “LN SPV” : OSG Holdings Limited, a limited liability company incorporated in the BVI on 1 July 2015, which is wholly-owned by Mr. Lee
- “LTK SPV” : SSMN Holdings Limited, a limited liability company incorporated in the BVI on 1 July 2015, which is wholly-owned by Mr. Lui

DEFINITIONS

- “Magic Carpet” : Magic Carpet Pre-IPO Fund, a discretionary fund incorporated in the Cayman Islands, managed by Quantum Asset Management Pte. Ltd., and who is a Shareholder expected to hold approximately 17.87% of the entire issued share capital of the Company upon Listing
- “Maverick” : Maverick Investments Ltd, a limited liability company incorporated in the Republic of Seychelles on 28 October 2005, which is wholly-owned by Mr. Tan ML
- “Memorandum of Association” or “Memorandum” : the memorandum of association of our Company, as amended from time to time
- “Minority Strategic Shareholders” : collectively Mr. Preti, Mr. Lui, Maverick and Mr. Lee
- “Mr. Chong” : Mr. Chong Pheng (鍾平), our independent non-executive Director
- “Mr. Chua” : Mr. Frederick Chua Oon Kian (蔡穩健), our non-executive Director
- “Mr. Doust” : Mr. David Doust (建邦), one of our founders, our executive Director and one of our Controlling Shareholders
- “Mr. Koh” : Mr. Koh Zheng Kai (許政開), our executive Director
- “Mr. Lee” : Mr. Lee Choon Hui Nigel (李春輝), one of the Minority Strategic Shareholders
- “Mr. Lui” : Mr. Lui Tai Kun (雷帶權), one of the Minority Strategic Shareholders
- “Mr. Ng” : Mr. Ng Chern Ann (黃成安), one of our founders, our chairman, chief executive officer, executive Director and one of our Controlling Shareholders
- “Mr. Preti” : Mr. David Preti, one of the Minority Strategic Shareholders, and one of our senior management
- “Mr. Seow” : Mr. Seow Chow Loong Iain (蕭兆隆), our independent non-executive Director
- “Mr. Tan LK” : Mr. Tan Lip-Keat, our independent non-executive Director
- “Mr. Tan ML” : Mr. Tan Min-Liang, the ultimate beneficial owner of Maverick

DEFINITIONS

- “MSRP” : manufacturer’s suggested retail price
- “New Shares” : 306,000,000 new Shares to be offered by our Company for subscription at the Placing Price under the Placing
- “Nomination Committee” : the nomination committee of the Board
- “Offer Size Adjustment Option” : the option granted by our Company to the Sole Bookrunner under the Underwriting Agreement, pursuant to which the Sole Bookrunner may require us to allot and issue up to an aggregate of 48,450,000 additional Shares (representing 15% of the total number of the Placing Shares initially available under the Placing), if any, as further described in the paragraph headed “Structure and Conditions of the Placing — Offer Size Adjustment Option” in this prospectus
- “Placing” : the conditional placing of the Placing Shares by the Underwriter on behalf of our Company at the Placing Price, as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
- “Placing Price” : the placing price of HK\$0.23 per Placing Share (excluding brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%)
- “Placing Shares” : the 323,000,000 Shares comprising 306,000,000 New Shares to be offered by our Company and 17,000,000 Sale Shares to be offered by the Selling Shareholder, for subscription or purchase under the Placing, subject to the Offer Size Adjustment Option as described in the section headed “Structure and Conditions of the Placing” in this prospectus
- “PPP” : Purchasing Power Parity
- “Pre-division Shares” : means share(s) of par value of HK\$0.0001 in the capital of our Company prior to the sub-division of shares on 31 October 2016
- “Remuneration Committee” : the remuneration committee of the Board
- “Renminbi” or “RMB” : Renminbi, the lawful currency of the PRC
- “Reorganisation” : the corporate reorganisation arrangements undergone by the Group in preparation for the Listing, details of which are set out in the paragraph headed “History and Corporate Structure — Reorganisation” in this prospectus

DEFINITIONS

“S\$”	:	Singapore dollars, the lawful currency of Singapore
“Sale Shares”	:	17,000,000 Shares to be offered by the Selling Shareholder for purchase at the Placing Price under the Placing
“Selling Shareholder”	:	Magic Carpet, being the Shareholder who offers 17,000,000 Shares for sale in the Placing
“SFC” or “Securities and Futures Commission”	:	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Shares(s)”	:	means share(s) of par value of HK\$0.00005 each in the capital of our Company
“Share Option Scheme”	:	the share option scheme conditionally adopted by our Company on 17 November 2016, the principal terms of which are summarised under the paragraph headed “Further Information about Directors, Management, Staff and Experts — 3. Share Option Scheme” in Appendix IV to this prospectus
“Share Repurchase Exercise”	:	the repurchase of shares by CMON Holdings from each of CA SPV, DD SPV, DP SPV, Maverick, LTK SPV and LN SPV described in the paragraph headed “History and Corporate Structure — Reorganisation” in this prospectus
“Shareholder(s)”	:	holder(s) of the Shares(s)
“Similarweb”	:	SimilarWeb LTD, a company that provides services in web analytics, data mining and business intelligence, an Independent Third Party, with its website at www.similarweb.com
“Singapore”	:	Republic of Singapore
“Sole Bookrunner” or “Sole Lead Manager”	:	Koala Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities for the purpose of the SFO

DEFINITIONS

- “Sole Sponsor” : China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “subsidiary(ies)” : has the meaning ascribed thereto under the GEM Listing Rules
- “substantial shareholder(s)” : has the meaning ascribed thereto under the GEM Listing Rules
- “Supplemental Agreement” : a supplemental agreement dated 15 July 2015 entered into among Magic Carpet, CMON Holdings, Mr. Ng and Mr. Doust which amends, varies and supplements the terms of the Investment Agreement and the Bond Instrument
- “Supply Chain Manager(s)” : supply chain manager(s) engaged by the Group for the production of our tabletop games
- “Takeovers Code” : the Code on Takeovers and Mergers, as amended from time to time
- “Taxation” : all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever created, imposed or arising and whether of Hong Kong or elsewhere, including all forms of profit tax, provisional profit tax, interest tax, salaries tax, property tax, tax on capital gains, sales and value added tax, estate duty, death duty, inheritance tax, capital duty, stamp duty, payroll tax, withholding tax, rates, customs and other import and exercise duties, and generally any tax, duty, impost, levy or rate or any amount payable to the revenue, customs of fiscal authorities whether in Hong Kong or elsewhere
- “The Dice Tower” : the website located at www.dicetower.com, a website dedicated to board games, an Independent Third Party
- “Track Record Period” : comprising the two financial years ended 31 December 2015 and the five months ended 31 May 2016

DEFINITIONS

- “Twitter” : the social media website located at www.twitter.com
- “UK” : the United Kingdom, its territories, its possessions and all areas subject to its jurisdiction
- “Underwriter” : the underwriter of the Placing whose name is set out in the paragraph headed “Underwriting — Underwriter” in this prospectus
- “Underwriting Agreement” : the conditional underwriting agreement entered into on 24 November 2016, among others, by our Company, our executive Directors, our Controlling Shareholders, the Selling Shareholder, the Sole Sponsor, the Sole Bookrunner and the Underwriter relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus
- “United States” or “USA” or “US” : the United States of America, its territories, its possessions and all areas subject to its jurisdiction
- “US\$” or “US Dollars” : United States dollars, the lawful currency of the United States
- “US Legal Advisers” : Troutman Sanders LLP, the legal advisers to our Company as to United States law
- “US Securities Act” : the U.S. Securities Act of 1933, as amended, and the rules and regulation promulgated thereunder

DEFINITIONS

- “Verbal Agreement(s)” : collectively the five verbal agreements dated 30 November 2013 entered into between Mr. Ng and each of:
- (a) Mr. Doust;
 - (b) Mr. Preti;
 - (c) Mr. Lui;
 - (d) Maverick; and
 - (e) Mr. Lee
- “Warrantors” : our Company, our executive Directors, our Controlling Shareholders and the Selling Shareholder
- “Youtube” : the website www.youtube.com, operated by YouTube, LLC, an Independent Third Party
- “Zombicide Agreement” : the intellectual property sale agreement dated 1 January 2012 entered into among Mr. Ng, Guillotine Games, Mr. Preti and Raphael Guiton, an Independent Third Party and a game designer whereby Mr. Ng acquired the IP rights, including trademarks, copyrights, design rights, in relation to *Zombicide* and *Massive Darkness*
- “%” : per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Offer Size Adjustment Option.

GLOSSARY

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

- “3G” : the third generation mobile telecommunications technology
- “4G” : the fourth generation mobile telecommunications technology
- “backer(s)” : person(s) who pledge funds to a project on Kickstarter
- “backing(s)” : pledges of funds on Kickstarter by backers
- “board game(s)” : a type of tabletop game(s) involving components moved or placed across a pre-marked surface according to the rules of the game
- “Chibi” : an artistic style in Japanese comics that is generally considered cute and humorous, in which a character is rendered in a shorter, rounder form, somewhat resembling a caricature of themselves as a tiny, plump toddler
- “Chibi fantasy” : the Chibi artistic style in the fantasy game genre
- “creatives” : game designers, graphic designers, sculptors, artists and illustrators
- “dexterity games” : games that involve physical skills such as reflexes and coordination
- “expansion set” : a set of game components designed to expand and/or enhance the gameplay of the original title
- “funding” : funds received from backers on Kickstarter when a funding goal is met
- “funding deadline(s)” : the deadline by which the funding goal for a project on Kickstarter must be met before funding can be disbursed to the project creator
- “funding goal(s)” : the minimum amount of funds that must be pledged to a project before funding can be disbursed to the project creator
- “game(s)” : game(s) published or to be published by our Group, including tabletop games and miniature war games and/or mobile games
- “game designer(s)” : designer(s) of our games, who are responsible for designing the content of our games

GLOSSARY

“game developer(s)”	: third party(ies) who create, design and develop their own games and from whom we obtain exclusive licenses to publish such games
“hobby game(s)”	: game(s) produced for gamers who view gaming as a hobby rather than something they do rarely or occasionally depending on the social circumstances
“IPs”	: intellectual property(ies)
“IT”	: information technology
“late subscribers”	: person(s) who subscribe for our Kickstarter projects after the funding deadlines
“legion”	: the Group’s volunteer network programme, which promotes our games in various hobby games retail stores, clubs and conventions
“legion members”	: members of the legion
“miniature war game(s)”	: a type of tabletop game(s) played using miniatures that are moved about without a pre-worked surface according to the rules of the game
“mobile game(s)”	: game(s) played on mobile electronic devices including mobile phones and tablet devices
“non-hobby games”	: game(s) that usually do not require assembly, such as painting and/or configuring the playing pieces or landscape of the tabletop games and game(s) that are considered as an occasional activity
“project creator(s)”	: a person who launches a project on Kickstarter
“reward(s)”	: rewards to be fulfilled by project creators based on the amount pledged to a project on Kickstarter
“self-developed games”	: games which IP rights are developed in-house
“self-owned games”	: self-developed games or games transferred by our Controlling Shareholders or games acquired from third parties
“strategic games”	: game(s) that involve elements of strategy and strategic thinking in their gameplay
“Stretch Goal(s)”	: a target(s) of funds pledged to a project upon which rewards will be given to backers

GLOSSARY

- “tabletop games” : to any games that are played around a table
- “volunteer network” : our network of volunteers who provide in-store demonstrations of our games

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- Our business prospects;
- Future developments, trends and conditions in the industry and markets in which we operate;
- Our business strategies and plans to achieve these strategies;
- General economic, political and business conditions in the markets in which we operate;
- Changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- The effects of the global financial markets and economic crisis;
- Our ability to reduce costs;
- Our dividend policy;
- The amount and nature of, and potential for, future development of our business;
- Capital market developments;
- The actions and developments of our competitors; and

FORWARD-LOOKING STATEMENTS

- Change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the Latest Practicable Date. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Placing Shares. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Placing Shares could fall significantly and you may lose all or part of your investment.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Placing Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Placing Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We recorded a net loss for the five months ended 31 May 2016

We recorded a net loss of approximately US\$2.4 million for the five months ended 31 May 2016 and a net loss of US\$187,221 for the five months ended 31 May 2015. Please refer to the section headed “Financial Information” in this prospectus for further details.

There is no assurance that we will be able to improve or maintain our financial performance in the future. If we are unable to increase revenue or reduce expenses in the future, there may be an adverse impact on our business, financial condition, and results of operations.

Our relatively short operating history in developing and publishing self-owned or licensed games makes it difficult to evaluate our prospects and future financial performance

We have a limited history of publishing self-owned or licensed games based on which the viability and sustainability of our business may be evaluated. We published our first tabletop game in 2011, and launched our first tabletop game on Kickstarter in 2012. Prior to 2011, we generated revenue primarily by distributing the games of other publishers through our online store. All our self-owned games have been available for sale or are pending for shipping as at the Latest Practicable Date since their launches. Based on the respective launch date of our self-owned games except for *Dark Age* which Mr. Doust, one of our Controlling Shareholders, launched in 2002, our self-owned tabletop games had game lives of up to five years as at the Latest Practicable Date. For our licensed games, their game lives are based on the length of the relevant licensing agreements, which can range from one to five years and may be extended accordingly based on the last major use of the licence or if the respective license agreement is renewed. The revenue from our self-owned or licensed games may not be sustainable and it is difficult to effectively evaluate our prospects and future financial performance, given our short operating history in publishing self-owned or licensed games.

RISK FACTORS

We may not adhere to our timetable for launching new tabletop games and mobile games, and our new tabletop games and mobile games may not be commercially successful, which may affect our future growth

Our future growth depends on our ability to continuously launch new popular games. We will need to continue to introduce new tabletop games and mobile games that can generate additional revenue and diversify our revenue sources in order to remain competitive and maintain sustainability. As at the Latest Practicable Date, we plan to launch an additional 18 new tabletop games by the end of 2017. The timelines of the launches of our new games depend on a number of factors, including the results of playtesting, availability of creatives and production schedule of our Supply Chain Managers. We cannot assure you that we will be able to meet our timetable for new game launches. In addition, there is no guarantee that our new tabletop games and mobile games will be well received by the market or profitable. There are many factors that may adversely affect the popularity of our new tabletop games and mobile games. For example, we may fail to anticipate and adapt to changing player preferences, fail to effectively plan and organise marketing and promotional activities, or fail to differentiate our new games from our existing games or the games of our competitors. If the new tabletop games and mobile games we introduce are not commercially successful, we may not be able to recover our game development and marketing costs, which can be significant and our future growth may be materially affected. Failure on our part to launch successful new tabletop games and mobile games on a timely basis, or at all, would adversely affect our business, financial condition and results of operations.

We may experience significant disruptions if we need to change our Supply Chain Managers

We outsource the production of our self-owned and licensed tabletop games to Supply Chain Managers who are responsible for the production of our products according to our specifications. Our Supply Chain Managers accounted for approximately 70.9%, 83.3% and 76.4% of our total purchases for the two years ended 31 December 2015 and the five months ended 31 May 2016 respectively. If our Supply Chain Managers are unable or unwilling to continue supplying our Group, fail to maintain the product quality required by our Group, or increase their prices, we may need to engage a new Supply Chain Manager to produce our tabletop games. There is also no assurance that we will be able to engage a new Supply Chain Manager which is able to produce our tabletop games at the desired quality. The process of switching to a new Supply Chain Manager may cause significant disruption to our operations and increase costs, adversely affecting our business, financial performance and result of operations.

The use of Kickstarter as an avenue to launch our tabletop games may result in fluctuations of our financial results

We launched most of our tabletop games as projects on Kickstarter. When a project is successfully funded on Kickstarter, we were charged commission and payment processing fees by Kickstarter ranging in total from 8% to 10% (depending on the backers' method of payment) of the total funds raised before the funding deadlines, prior to the transmission of funds by Kickstarter to us. These fees were non-refundable and were recognised in our

RISK FACTORS

books when the projects were successfully launched. However, our revenue from the successfully launched games is only recognised upon shipping of the games to the backers. Due to game development and production requirements, our tabletop games launched on Kickstarter may only be shipped several months after the project is successfully launched, resulting in a timing gap between recognition of Kickstarter expenses and revenue.

Our tabletop games launched through Kickstarter also generally record higher revenue during the first year the game is shipped as all the fundings received in advance from the Kickstarter backers and late subscribers are recognised as revenue once the products are shipped.

The asymmetry in timing between recognition of Kickstarter revenue and expenses, and the higher revenue upon shipping of a new tabletop game launched on Kickstarter will continue and may result in material fluctuations of our periodic financial results.

The fluctuation of shipping and handling charges, and failure to accurately estimate these charges may affect our financial performance

We estimate the shipping and handling charges for our Kickstarter projects and charge the backers and late subscribers for the estimated amounts. Due to fluctuations in the actual shipping and handling costs as well as the timing difference between the project launching and the actual shipping of products, we may underestimate the shipping and handling charges and thus fail to adequately recover shipping and handling charges from the backers and late subscribers. The underestimation of shipping and handling charges may adversely affect our business, financial condition, and results of operations.

We may not always be able to use Kickstarter to launch or market our tabletop games

A majority of our tabletop games were launched through Kickstarter. We use Kickstarter to create initial awareness and publicity for our tabletop games, and to tap on our fan base. There is no assurance that we can continue to launch or market our tabletop games through Kickstarter, a market leading internet based crowd funding platform globally. Changes in Kickstarter's operations, business model, or terms and conditions could also limit our ability to make use of Kickstarter to launch our tabletop games. We may have to launch our tabletop games through other crowdfunding websites similar to Kickstarter or sell directly to wholesalers without any Kickstarter campaign. Even though we can utilise other crowd funding platforms and/or launch our tabletop games directly, the loss of our ability to launch our tabletop games through Kickstarter may adversely affect our business, financial condition, result of operations and prospects.

We depend on our existing executive Directors and certain key senior management and our business may be severely disrupted if we lose their services

Our future success depends substantially on the continued services of our executive Directors and certain key senior management. If one or more of our executive Directors or certain key senior management are unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all. In addition, if any of our key employees joins a competitor or forms a competing company, we may lose know-how, key

RISK FACTORS

professionals and staff members as well as suppliers. These key employees could publish games that could compete with us or take game players away from our existing and future games. If any of these were to happen, our competitive position and business prospects may be materially and adversely affected.

We face competition from other gameplay platforms

We face competition from other major gameplay platforms such as console games, PC-based games and mobile games. According to the Ipsos Report, console games, PC-based games and mobile games accounted for approximately 33%, 28% and 33% of the global game market for the year ended 31 December 2015, respectively, while tabletop games together with other games only accounted for 6% of the global game market. Among the three major gameplay platforms, it is expected that mobile games is the most fast-growing as there are minimal initial costs associated with the set-up of mobile games and the costs required for subsequent game updates are also low as compared to console games and PC-based games, which often require updates to hardware. We recognise the significant potential in the mobile game market, and intend to develop and operate mobile games based on our existing tabletop games to capture market share. However, we may fail to capture the growing market share of mobile games and may lose our existing market share to other key gameplay platforms, adversely affecting our business, financial condition, and results of operations and growth prospects.

The expected lifespan of our self-owned games may be shorter than we estimate

Our Directors are of the view that the lifespan of our self-owned games range from not less than 10 to 20 years. Please refer to the paragraph headed “Business — Games Overview” in this prospectus for details on the factors in determining the lifespan of our self-owned games. There is no assurance that our Directors’ estimate of the lifespan of our self-owned games is accurate, and, if the lifespan of our self-owned games is shorter than estimated, the profitability of our games may be adversely affected, as a result, our business, financial condition, and results of operations may also be adversely affected.

We might not be able to license new high quality games and/or our licensed games could be terminated by its licensors

In addition to our self-owned games, we license games from third party game developers under licensing agreements. We only license third party games that we believe to be of comparable quality to our self-owned games and which in our view, have great potential for commercial success. There is no assurance that there is an availability of high-quality games designed by third party game developers which we can license, or that these game developers are willing to license their games to us. We may also fail to accurately assess that the games we license have potential for success. As such, we may not be able to license new high quality games, reducing our sources of new games to launch, and adversely affecting our operations, profitability and financial condition. In addition, some of our existing licensed games can be terminated by the licensors or us by giving notice after the expiry of the initial license term. There is no assurance that the licensors of our existing

RISK FACTORS

licensed games would renew their license agreements with us upon expiry in the future. If any of these were to happen, our business, financial condition and results of operations would be adversely affected.

We may not be able to successfully implement our business strategies of developing mobile games

We have historically focused on tabletop games. However, as smart phones and tablet computers have recently emerged and become major online game operational platforms, we have recently expanded into the mobile game market and currently devote some of our development resources to the mobile game sector, while continuing to be active in the tabletop game market. We launched our first mobile game, *XenoShyft (mobile)*, in June 2015. We have limited experience in developing games for mobile platforms, making it difficult to predict whether we will succeed in our mobile games expansion strategy. For example, given the fast pace with which mobile games have been developing and will continue to be developed, we may not be able to continuously identify, license or develop, operate and upgrade games that are suitable for rapidly evolving mobile devices and platforms in a timely and cost-effective manner. We cannot guarantee that our understanding of the market trend is correct, or that our new mobile games will be attractive to players. Any failure or delay in our efforts to implement our new business strategy of developing mobile games in the foreseeable future will adversely affect our business, financial condition and results of operations.

We rely on the wholesalers to market and sell our tabletop games, and our business, financial condition, results of operations and prospects may be materially and adversely affected if these wholesalers fail to market and sell our tabletop games effectively, or if we fail to find suitable wholesalers when entering new markets or maintain relationships with our wholesalers

Besides launching tabletop games on Kickstarter, we sell our tabletop games to wholesalers and rely on these wholesalers and their sales network to market and sell our tabletop games to retail shops and individual customers. As we do not directly manage sales to indirect customers, wholesalers have no contractual obligations to maintain standards in marketing our tabletop games, and we may not be able to exercise adequate controls over the marketing and pricing of our tabletop games by wholesalers. If our wholesalers fail to adequately market our tabletop games, demand for our tabletop games may fall, adversely affecting the business, profitability and results of operations of the Group.

As per industry norms, we typically sell our tabletop games through wholesalers when entering into new markets. There is no assurance that we will be able to find suitable wholesalers to carry our tabletop games in these new markets.

As we sell to the wholesalers on a purchase order basis, there is no assurance that we will experience long-term stability with respect to our wholesalers. There is also no assurance that we will always be able to co-operate with wholesalers who are able to market our products effectively. Any reduction or change in our wholesalers may have an adverse effect on our business, profitability, and results of operations.

RISK FACTORS

Disputes with the wholesalers may also arise from time to time and there is no assurance that we will be able to resolve such disputes in a timely manner or at all, and these disputes may further divert our management's attention and resources. If our cooperation with a wholesaler terminates for any reason, we may not be able to find a replacement in a timely manner or at all and the sale of our tabletop games may be adversely affected. Any failure on our part to maintain good relationships with a sufficient number of wholesalers could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our new market expansion entails risk and uncertainties

Given that we may expand our business to markets including but not limited to China, Russia, South America and Japan in accordance with our business strategies, we may face risks and uncertainties, including but not limited to: general business environment, regulatory requirements and competition within the local market, arising from these new markets. There is no assurance that we are able to successfully operate and well manage all such risks. If we cannot manage the risks associated with such expansion, our business and financial performance may be materially and adversely affected.

We may not be able to implement our business strategies and future plans successfully and may need additional funding to meet future business requirements and plans

The Group's business strategies and future plans are set out in the paragraph headed "Business — Our Strategies" in this prospectus and the section headed "Statement of Business Objective and Use of Proceeds" in this prospectus respectively. The successful implementation of these strategies and plans depends on a number of factors including, among other things, changes in the market, the availability of funds, competition and the Group's ability to retain and recruit competent employees or game designers. Some of these factors are beyond the control of the Group and by nature, are subject to uncertainty. There is no assurance that the business strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on profitability and prospects of the Group.

The Group may come across other opportunities to expand our business. In such circumstances, the proceeds from the issue of the Placing may not be sufficient to capitalise on and develop these opportunities and the Group may need to obtain additional financing to fund our future capital expenditures. If the Group is unable to secure adequate funds for our business needs in a timely manner, the Group may not be able to fully implement our strategies effectively and successfully.

Uncertain protection of the Group's own IP rights and possible infringement of third parties' IP and other rights

Any unauthorised uses of IP rights (including copyrights, trademarks and etc.) of the Group by third parties may adversely affect our business and reputation. The Group relies on the protection of the relevant IP laws to protect such IP rights. It may be possible for third parties to infringe the Group's IP rights by copying or otherwise obtaining and using the Group's IP, including game design, text, typography, artwork and design layout.

RISK FACTORS

Infringement also extends to the use of the Group's game titles without authorisation. The Group may have to resort to litigation to enforce our IP rights, incurring legal fees and diverting the attention of management. Should the Group fail to protect or be unable to assert its IP rights, there might be an adverse impact on our marketing plans and business.

It is also possible that in the course of conducting our business, the Group could be found liable for having infringed third parties' rights including, among others, IP rights. There is no assurance that the proprietary interests in such IP rights provided by third parties to the Group are authorised for use by the Group or will not be challenged, invalidated or circumvented. Should the Group be found to have infringed the rights of others, the Group could be exposed to liabilities including substantial monetary damages and other sanctions, and may not have a similar recourse against the third parties who provide such intellectual property rights. Such sanctions may include the loss of the right of the Group to source all or some of the contents that it licenses. As at the Latest Practicable Date, the Directors are not aware of any infringement of any third party's rights by the Group.

We may not be able to engage the suppliers of creative services of our choice for new games

We engage suppliers of creative services, including game designers, graphic designers, sculptors, and illustrators, on a project basis to design, develop, modify and/or fine tune IP art assets of our tabletop games. For any given project, different creative personnel with different skills may be required. The successful design, development, modification and/or fine tuning of our tabletop games depends, among other things, on the quality of creative personnel designing the game. Failure to engage the appropriate creative personnel might reduce the quality or marketability of our tabletop games or lead to delays in the design process. Suitable creative personnel may not readily be available when we require their services, or such creative personnel may not be willing to work for us. The Group may then have to delay the design of its new tabletop games and incur more costs in designing the relevant games, or the quality of the relevant games may be affected, adversely affecting the business and profitability of the Group.

We had net current liabilities during the Track Record Period

We recorded net current liabilities of approximately US\$3.3 million as at 31 December 2014 mainly due to the amount due to CMON Holdings of US\$3.5 million as at 31 December 2014. We recorded net current assets of approximately US\$215,721 as at 31 December 2015 mainly because of the capitalisation of amounts of US\$5.3 million in aggregate due to CMON Holdings in 2015 as part of the Reorganisation. We recorded net current liabilities of approximately US\$3.6 million and approximately US\$4.2 million as at 31 May 2016 and 30 September 2016, respectively, mainly due to the deferred revenue of approximately US\$8.8 million and approximately US\$10.9 million, respectively, in relation to the amounts received from Kickstarter backers and late subscribers for which products have not yet been shipped. The net current liabilities position exposes us to liquidity risk. We may continue to have net current liabilities in the future, which may impair our ability to make necessary capital expenditure or develop business opportunities.

RISK FACTORS

We recorded negative operating cash flow before changes in working capital for the five months ended 31 May 2016 and negative operating cash flow for the five months ended 31 May 2015.

We recorded a negative operating cash flow before changes in working capital for the five months ended 31 May 2016 and negative operating cash flow for the five months ended 31 May 2015. Please refer to the section headed “Financial Information — Liquidity and Capital Resources” in this prospectus for further details.

There is no assurance that we will have positive operating cash flow or positive operating cash flow before changes in working capital in the future, or that we will be able to generate sufficient cash inflow or obtain adequate debt or equity financing at reasonable costs, or at all, to meet our operating requirements. If we are unable to maintain adequate cash inflows, there is no assurance that we will have sufficient cash to fund our operations. As a result, our business, financial position and results of operations may be adversely affected.

Our liquidity is subject to the risk of increased inventories

Since the second half of 2015, we began to hold more inventories to meet anticipated demand from wholesalers who prefer to replenish their stocks immediately once the stocks they hold have been sold. There is no assurance that the increased inventory will be sold or that we will not experience any slow movement of inventory.

If we fail to effectively manage our inventory levels, we may build up excessive inventories which may tie up working capital, and put pressure on our operating cash flow and liquidity. We may also face increased costs in relation to holding inventory and a risk that we may have to write off our inventory. As a result, our business, financial position, and results of operations may be adversely affected.

We face risks related to natural disasters, health epidemics and business disruptions

Our business could be materially and adversely affected by natural disasters, outbreaks of epidemics, business disruptions or unforeseen or uncontrollable circumstances.

In late 2014 to early 2015, dockworkers in several ports located on the west coast of USA held strikes. In particular, the strike in the port of Los Angeles had resulted in temporary delays in shipment of goods to the USA from our Supply Chain Managers, which also affected the delivery of our goods and products to our customers during the period. The advent of any business disruption, unforeseen or uncontrollable circumstances in the USA or any other market in which we do business could severely disrupt our business operations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

Our Group's business could be harmed by a failure of our IT systems

Our Group relies on its IT, in particular mainstream third party services and software providers such as Dropbox and Microsoft. Our IT or cloud-based storage systems could be vulnerable to damage or interruption from circumstances beyond the Group's control and we might be subject to disruptions in accessing our data, loss of our data software failures or computer viruses. Cyber attacks and other malicious internet-based activities continue to increase in frequency and magnitude and may target cloud-based storage. There is no assurance that our service provider will be able to implement adequate preventive measures and our information might be lost or subject to unauthorised access and misappropriation. Any interruption, loss of information or misappropriation of information from our IT systems and cloud-based storage systems will have an adverse effect on the Group's business, profitability and results of operations.

We may not be able to pay dividends in the future

We are a holding company, and we rely principally on dividends and other distributions on equity paid by our members, including the funds necessary to repay any debt we may incur. Whilst we may make dividend payments in the future, the amount of dividends to be declared will be subject to, among other things, the full discretion of our Directors, taking into consideration the amount of our earnings, financial position, cash position, funding needs, the provisions of applicable laws and regulations and other relevant factors. In addition, if any of our members incurs debt on its own behalf in the future, the instruments governing the debt may restrict the ability of such subsidiary to pay dividends or make other distributions to us.

If we are unable to develop mobile games compatible with new mobile devices and technologies, we may fail to successfully capture and retain a significant portion of the growing number of mobile game players

The mobile game market is a fast-growing platform with worldwide access. We recognise the significant potential in the mobile game market, and we intend to further develop and operate mobile games based on our existing games to capture market share. We intend to launch our second mobile game, *Zombicide (mobile)* in 2017. The mobile games we develop may fail to prove compelling to players, manufacturers or distributors of mobile devices. Manufacturers or distributors may establish unique technical standards for their devices, and our mobile games may not work or be viewable on these devices as a result. As new mobile devices and technologies are continually being released, it is difficult to predict the problems and difficulties we may encounter in developing mobile games to these devices and technologies; and we may need to devote significant resources to the creation, support and maintenance of such mobile games. We may fail to capture and retain the growing number of mobile game players, and we may also lose our existing players, either of which may have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a highly competitive industry

We operate in a highly competitive industry. Our competitors in this market include both large established tabletop game publishers and smaller publishers operating often through the online channel and/or launching their tabletop games on Kickstarter or other crowd funding platforms. Increased competition may lead our competitors to substantially increase advertising and promotional activities, or engage in predatory pricing behaviour or network to undermine our brand name or consumer confidence in our products. In addition, if existing or future competitors offer items that are better priced or more appealing to consumer tastes, our customers may be diverted. In order to remain competitive, we may be forced to make price reductions or suffer a loss in market share which would materially and adversely affect our business, financial condition, and results of operations and growth prospects.

Any slowdown in the global economy could have an adverse impact on our financial condition and results of operations

Any slowdown in the global economy, in particular, in the USA and Europe, could affect our major markets and decrease market demand, putting significant downward pressure on our average selling prices. Reduced commercial activity or consumer demand also has a negative impact on the demand for and prices of our products. It is possible that financing may be affected by financial market volatility and credit tightening and when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all. If there is any slowdown in the global economy or prolonged recession, our business, financial condition and results of operations would be adversely affected.

RISKS RELATING TO OVERSEAS MARKETS

Our operations are subject to various laws and regulations of various jurisdictions in which we operate

Our operations may be subject to various laws and regulations of various jurisdictions in which we operate, including but not limited to laws regarding consumer product safety regulation, IP, trade and custom laws, that are continuously evolving and developing, under various jurisdictions, including but not limited to Singapore and the USA. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. It is also likely that as our business grows and evolves and our games are played in a greater number of countries, we will become subject to laws and regulations in additional jurisdictions.

We are potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could harm our business or expose us to liability. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject. If we are not able to

RISK FACTORS

comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to modify our games, which would harm our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and operating results. Furthermore, the growth and development of electronic commerce goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through the Internet and mobile devices. Notwithstanding our efforts to comply with applicable laws and regulations, there is no assurance that we will at all times be in full compliance with all of the laws and regulations in the jurisdictions where we operate, and the requirements and regimes thereunder that apply to our operations. Any failure, or any claim that we have failed to comply with any of them, may attract significant monetary penalties and cause material disruption to our operations. In addition, any tightening of the regulatory framework to which our operations are subject could result in increased costs and liabilities. If any of these events occurs, our business, results of operations and financial position may be materially and adversely affected.

We are subject to risks associated with international markets

As a company that markets and sells products internationally, our business is subject to various risks beyond our control, such as changes in laws and policies affecting trade and investment, changes in exchange control regulations, inflation, currency fluctuation, increases in taxes and fees, imposition on and the instability of foreign economies and governments. The uncertainty of the legal environment in some regions could limit our ability to enforce our rights and grow our business. Changes in the laws or regulations of the jurisdictions in which we operate, including with respect to taxation, could have an adverse effect on the results of our operations and we may not be able to enter into hedges or obtain insurance to protect us against these risks.

The introduction of any new policies, laws and regulations, or changes to the existing policies, laws and regulations, in the countries which we operate may have a negative effect on our business and operations

Our operations are governed by the policies, laws and regulations of the respective country in which we operate. Any changes in policies by the relevant government may lead to changes in laws and regulations or interpretations thereof, including changes in import and export restrictions and taxation policies. Should the laws and regulations applicable to our business and operations in such countries become more stringent in the future, they may restrict our ability to operate at the same level or require us to incur unanticipated liabilities or additional compliance costs, which may in turn have a negative effect on our business and operations.

RISK FACTORS

Material fluctuations in foreign exchange rates may adversely affect our business and performance

Changes in the exchange rates between the US\$ and the countries to which our games are sold may affect our competitiveness in these markets and thus adversely affect our sales and the margins of our games, which in turn may have a material adverse impact on our business, financial condition and our results of operations.

In addition, as production of our self-owned and licensed tabletop games is outsourced to our Supply Chain Managers based in the PRC who in turn charge their services to us in US\$, material changes in the exchange rates between US\$ and RMB could affect the unit costs of their outsourcing services which are subject to negotiation between the Group and the Supply Chain Managers from time to time, adversely affecting the margins of our games, which in turn may have a material adverse impact on our business, financial condition and our results of operations.

The separation of the UK from the EU may adversely affect our business and performance

Europe (in particular, France, Germany and the UK) is one of our key markets. In June 2016, the citizens of the UK have, pursuant to a referendum, voted for the UK to separate from the EU. Resulting changes in the laws and regulations of the UK and Europe, fluctuations in exchange rates, or the uncertainty of the economies of the UK and Europe may lead to increased transaction costs or reduced consumer demand which may reduce our sales and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop

Prior to the Placing, there has not been a public market for our Shares. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. The Placing Price is determined through negotiations between us and the Sole Bookrunner, and it may not necessarily be indicative of the market price of the Shares after the Placing is complete. An investor who purchases Shares in the Placing may not be able to resell such Shares at or above the Placing Price and, as a result, may lose all or part of the investment in such Shares. In addition, the initial trading price of our Shares could be lower than the Placing Price due to a variety of reasons including material negative events affecting us.

RISK FACTORS

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders

The price at which the Shares will trade after the Placing will be determined by the market, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures such as the views of independent research analysts, if any;
- the present status of our development; and
- the valuation of publicly traded companies that are engaged in business activities similar to ours.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

The sales or the availability for sales of substantial amounts of our Shares in the future could materially and adversely affect the market price of our Shares

Shares held by the Controlling Shareholders are subject to certain lock-up periods. Please refer to the section headed "Underwriting" in this prospectus for further details. Shares held by DP SPV, Maverick, LTK SPV, LN SPV and Magic Carpet are also subject to certain lock-up periods. Please refer to the paragraph headed "History and Corporate Structure — Reorganisation" in this prospectus for further details. We cannot assure that, after such restriction expires, the Controlling Shareholders, DP SPV, Maverick, LTK SPV, LN SPV and Magic Carpet will not dispose of any Shares. Sales of substantial amounts of Shares in the public market after the completion of the Placing, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

RISK FACTORS

Subscribers and purchasers of our Shares under the Placing will experience immediate dilution in net tangible assets value per Share and may experience further dilution if we issue additional Shares in the future

The Placing Price of the Placing Shares is higher than our net tangible assets value per Share immediately prior to the Placing. Therefore, subscribers and purchasers of our Shares under the Placing will experience an immediate dilution in pro forma net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future. Subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Shareholders' interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance further expansion of our capacity and business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

We cannot guarantee the accuracy of facts and other statistics with respect to certain information contained in this prospectus extracted from the Ipsos Report

Certain statistics and related facts on the tabletop game market set out in the section headed "Industry Overview" in this prospectus have been extracted from the Ipsos Report. We have not carried out any independent verification on these statistics and facts. Accordingly, we make no representation as to the completeness or accuracy of these statistics and facts or their compatibilities with other sources or reports. Due to different collection methods and other reasons, these statistics and facts contained in this prospectus may be inaccurate and should not be unduly relied upon.

Investors should read the entire prospectus carefully and we strongly caution investors and not to place any reliance on any information contained in press articles or other media regarding us and the Placing, certain of which may not be consistent with information contained herein

Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Placing. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information about us and the Placing. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the GEM Listing Rules:

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules, the secretary of our Company must be an individual who, by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Our Company has appointed Mr. Koh as one of our joint company secretaries. Mr. Koh joined our Group in October 2014 and is also our executive Director and our financial controller, who 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 USA from 2005 to 2006. Thereafter, he joined KPMG Financial Services New York, USA 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, he worked in Opes Services Pte. Ltd., a company based in Singapore founded by Mr. Koh, which provides tax, accounting and secretarial services.

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

Although Mr. Koh has over ten years of accounting related experience, he does not possess the qualifications and sufficient relevant experience as stipulated in the Notes to Rule 5.14 of the GEM Listing Rules and may not be able to solely fulfil the requirements stipulated under Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules. As such, our Company has appointed and engaged Ms. Ng Sau Mei who possesses the requisite qualifications and experience as required under Rule 5.14 of the GEM Listing Rules. Both Mr. Koh and Ms. Ng Sau Mei, as joint company secretaries, will jointly discharge their duties and responsibilities with reference to their past experience and education background.

In addition, we have taken, and will take, steps in ensuring Mr. Koh will receive the appropriate training in order to enable Mr. Koh to familiarise himself with the GEM Listing Rules and other relevant rules and regulations in Hong Kong. Mr. Koh has confirmed that he will be attending a total of no less than 15 hours of training courses on the GEM Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of the company secretary of a Hong Kong listed issuer

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

during each financial year, as required under Rule 5.15 of the GEM Listing Rules. Mr. Koh will also be advised by the Hong Kong legal advisors of our Company if and when necessary.

Given Mr. Koh's qualifications and past experience, it is anticipated that he will gain experience with the assistance of Ms. Ng Sau Mei. It is intended that a further evaluation of the qualifications and experience of Mr. Koh and the need for on-going assistance by Ms. Ng Sau Mei will be made three years after the Listing Date. Our Company and Mr. Koh will endeavour to demonstrate to the Stock Exchange's satisfaction that Mr. Koh, having had benefited from Ms. Ng Sau Mei's assistance, would then have acquired the "relevant experience" within the meaning of Rule 5.14 of the GEM Listing Rules, such that a further waiver of Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules will no longer be required.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules in respect of the appointment of Mr. Koh as one of the joint company secretaries. Such waiver has been granted by the Stock Exchange. During the initial three years period commencing from the Listing Date, Mr. Koh will work closely with Ms. Ng Sau Mei, who will provide assistance to Mr. Koh in the discharge of his duty as company secretary. The waiver will be revoked immediately if Ms. Ng Sau Mei ceases to provide assistance and guidance to Mr. Koh during the three years period commencing from the Listing Date and the Company will take all necessary steps in order to comply with the GEM Listing Rules.

WAIVER IN RELATION TO RULE 12.11 OF THE GEM LISTING RULES

According to Rule 12.11 of the GEM Listing Rules, there must be no dealing in the Shares by any of our core connected persons from the time of submission of the application for Listing until Listing is granted, unless otherwise permitted by the Stock Exchange.

Immediately after the completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme):

- (i) pursuant to the acting-in-concert arrangement, each of CA SPV and DD SPV is expected to collectively hold approximately 48.19% of the Shares. CA SPV is wholly owned by Mr. Ng and DD SPV is wholly owned by Mr. Doust; and
- (ii) Magic Carpet is expected to hold approximately 17.87% of the Shares.

As such, each of our Controlling Shareholders and Magic Carpet are considered core connected persons of our Company.

At the time of submission of the application for Listing:

- (i) our Company was wholly-owned by CMON Holdings, which was in turn held as to 52.5% and 22.5% by CA SPV and DD SPV, respectively. 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.

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

- (ii) Magic Carpet was the beneficial owner of the Convertible Bonds issued by CMON Holdings to Magic Carpet in accordance with the Investment Agreement and Bond Instrument (both as amended by the Supplemental Agreement).

As part of the Reorganisation, CMON Holdings undertook a share repurchase exercise (the “**Repurchase Exercise**”) on 14 November 2016 pursuant to which CMON Holdings, among other things, repurchased certain shares of CMON Holdings from each of CA SPV and DD SPV in consideration for CMON Holdings transferring certain Shares to each of CA SPV and DD SPV. For more information on the Repurchase Exercise, please see the paragraph headed “History and Corporate Structure — Reorganisation” in this prospectus.

In addition, as part of the Reorganisation and in accordance with the terms and conditions of each of the Investment Agreement and the Bond Instrument (both as amended by the Supplemental Agreement), on 14 November 2016, Magic Carpet had converted all the Convertible Bonds held by Magic Carpet in consideration for CMON Holdings transferring certain Shares held by CMON Holdings to Magic Carpet (the “**Conversion of Convertible Bonds**”). Please see the section headed “History and Corporate Structure — Reorganisation” in this prospectus for further details of the Conversion of Convertible Bonds.

Further, as part of the Reorganisation and in accordance with the adjustment mechanism in the Investment Agreement (the “**Adjustment Mechanism**”), Magic Carpet shall be entitled to receive additional Shares to be transferred from the then existing shareholders of our Company (other than Magic Carpet) (in their respective proportions and based on the Adjustment Mechanism) in the event our Group achieves a net profit after tax of less than US\$4.0 million for the year ended 31 December 2014 (the “**Profit Target**”). As the Profit Target was not achieved by the Group, pursuant to the Adjustment Mechanism, on 14 November 2016, the then shareholders of our Company (other than Magic Carpet) transferred an aggregate of 33,900,000 Shares to Magic Carpet (in their respective proportions and based on the Adjustment Mechanism) (“**Transfer of Adjustment Mechanism Shares**”). Please see the paragraph headed “History and Corporate Structure — Reorganisation” in this prospectus for further details on the Transfer of Adjustment Mechanism Shares.

Each of the Repurchase Exercise, Conversion of Convertible Bonds and the Transfer of Adjustment Mechanism Shares is necessary as part of the Reorganisation.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 12.11 of the GEM Listing Rules solely with respect to any dealing in the Shares to effect the Reorganisation on the following grounds:

- (a) the Repurchase Exercise, the Conversion of Convertible Bonds and the Transfer of Adjustment Mechanism Shares are procedural and will be done as part of the Reorganisation. Please refer to the paragraph headed “History and Corporate Structure — Reorganisation” in this prospectus for further details of the Reorganisation;

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

- (b) the Repurchase Exercise, the Conversion of Convertible Bonds and the Transfer of Adjustment Mechanism Shares will occur prior to the Listing and do not require any new or additional consideration to be paid by any of parties concerned; and
- (c) disclosures in respect of each of the Repurchase Exercise, the Conversion of Convertible Bonds and the Transfer of Adjustment Mechanism Shares have been made in the paragraph headed “History and Corporate Structure” in this prospectus to provide sufficient information to enable potential investors to make a properly informed assessment of our Company.

Such waiver has been granted by the Stock Exchange on condition that:

- (i) full disclosure in respect of the Share Repurchase Exercise, the Conversion of Convertible Bonds and the Transfer of Adjustment Mechanism Shares will be made in this prospectus;
- (ii) the Controlling Shareholders, the Directors and their respective associates will not deal in the Shares before the Listing during the period prescribed in Rule 12.11 of the GEM Listing Rules other than in connection with the Repurchase Exercise, the Conversion of Convertible Bond and the Transfer of Adjustment Mechanism Shares; and
- (iii) the Company shall notify the Stock Exchange as soon as practicable of any dealing or suspected dealing by any of our connected persons beyond the scope of the Repurchase Exercise, the Conversion of Convertible Bonds and the Transfer of Adjustment Mechanism Shares from the time of submission of the application for Listing until the Listing Date.

The above-mentioned waiver is applicable to:

- (i) CA SPV’s dealing in the 626,971,154 Shares transferred to CA SPV by CMON Holdings in connection with the Repurchase Exercise;
- (ii) DD SPV’s dealing in the 268,701,924 Shares transferred to DD SPV by CMON Holdings in connection with the Repurchase Exercise;
- (iii) Magic Carpet’s dealing in the 305,769,232 Shares transferred to Magic Carpet by CMON Holdings in connection with the Conversion of Convertible Bonds; and
- (iv) Magic Carpet’s dealing in the 33,900,000 Shares transferred to Magic Carpet by the then existing shareholders of our Company in connection with the Transfer of Adjustment Mechanism Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading.

INFORMATION ON THE PLACING

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein. No person is authorised to give any information in connection with the Placing or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, and any of their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing. The listing of the Shares on GEM is sponsored by China Galaxy International Securities (Hong Kong) Co., Limited. The Placing is fully underwritten by the Underwriter pursuant to the Underwriting Agreement, subject to the terms and conditions of the Underwriting Agreement. Details about the Underwriter and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his/her/its acquisition of the Placing Shares to confirm, that he/she/it is aware of the restrictions on placing and sales of the Placing Shares described in this prospectus.

No action has been taken to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, the applicable laws, rules and regulations of any relevant jurisdictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

OFFER SIZE ADJUSTMENT OPTION

Details of the arrangements relating to the Offer Size Adjustment Option are set out in the section headed “Structure and Conditions of the Placing” of this prospectus.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” in this prospectus.

APPLICATION FOR LISTING ON GEM

We have applied to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Offer Size Adjustment Option and exercise of the options which may be granted under the Share Option Scheme) on GEM.

Under section 44B(1) of the Companies (Winding up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules), without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and exercise of the options which may be granted under the Share Option Scheme.

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Friday, 2 December 2016.

Shares will be traded in board lots of 10,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8278.

Our Company will not issue any temporary documents of title.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company's branch register of members will be maintained by our Hong Kong branch share registrar, Tricor Investor Services Limited, in Hong Kong.

All the Shares will be registered on the Hong Kong branch register of members of the Company to be maintained by Tricor Investor Services Limited. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on GEM. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

You are recommended to consult your professional advisers if you are in any doubt as to the taxation implications of the subscription for, purchase, holding or disposing of, dealings in, or exercise of any rights in relation to the Placing Shares.

It is emphasised that none of our Company, the Selling Shareholder, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any of their respective affiliates, directors, officers, employees, agents or representatives or any other person or

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

party involved in the Placing accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposing of, dealings in, or exercise of any rights in relation to the Placing Shares.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail.

EXCHANGE RATE

In this prospectus, unless otherwise stated, certain amounts denominated in Hong Kong Dollars have been translated to US Dollars at an exchange rate of HK\$7.75 = US\$1.00 or Singapore dollars at an exchange rate of S\$1.382 = US\$1, for illustration purposes only. Such conversions shall not be construed as representations that amounts in Hong Kong Dollars were or could have been or could be converted into US Dollars or Singapore dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Any discrepancies in any table between totals and sums of amounts and percentages listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ng Chern Ann (黃成安)	BLK 53 Havelock Road #13-116 Singapore 161053	Singaporean
Mr. David Doust (建邦)	4910 Bagley Terrance Dr, Alpharetta, GA 30004-3907, USA	American
Mr. Koh Zheng Kai (許政開)	BLK 145 Mei Ling Street #08-125 Singapore 140145	Singaporean
Non-executive Director		
Mr. Frederick Chua Oon Kian (蔡穩健)	1C Jalan Paras Singapore 418904	Singaporean
Independent non-executive Directors		
Mr. Chong Pheng (鍾平)	42A Lorong Low Koon Hai Sing Park Singapore 536453	Singaporean
Mr. Tan Lip-Keat	Unit 1, 13, Comrie CT Bayswater, VIC3153 Australia	Australian
Mr. Seow Chow Loong Iain (蕭兆隆)	Flat 47, High West 142 Pok Fu Lam Road Hong Kong	Singaporean

Further information of the Directors are disclosed in the section headed “Directors and Senior Management” of this prospectus

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sole Sponsor : **China Galaxy International Securities (Hong Kong) Co., Limited**
Units 3501–7, 3513–14, 35/F
Cosco Tower
183 Queen’s Road Central
Hong Kong

Sole Bookrunner, Sole Lead Manager and Underwriter : **Koala Securities Limited**
Room 803, 8th Floor
Hong Kong Chinese Bank Building
61 Des Voeux Road Central
Hong Kong

Legal advisers to the Company : *As to Hong Kong law:*

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

As to Singapore law:

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542
(Advocates and Solicitors of Singapore)

As to United States law:

Troutman Sanders LLP
Suite 2010, China World Office 2
1 Jianguomenwai Dajie
Beijing 100004
(US Special Counsel)

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
(Cayman Islands attorneys-at-law)

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

- Legal advisers to the Sole Sponsor and the Underwriter** : *As to Hong Kong Law:*
- Francis & Co.**
in association with
Addleshaw Goddard (Hong Kong) LLP
802–804 Champion Tower
3 Garden Road
Central
Hong Kong
(Solicitors of Hong Kong)
- Reporting accountant** : **PricewaterhouseCoopers**
22/F, Prince’s Building
Central, Hong Kong
(Certified Public Accountants)
- Industry consultant** : **Ipsos Australia Pty Ltd**
Ipsos Business Consulting Unit
Level 13, 168, Walker Street
North Sydney
NSW 2060
- Compliance advisor** : **China Galaxy International Securities (Hong Kong) Co., Limited**
Units 3501–7, 3513–14, 35/F
Cosco Tower
183 Queen’s Road Central
Hong Kong

CORPORATE INFORMATION

- Registered office** : Offices of Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands
- Headquarters and principal place of business** : 133 New Bridge Road,
#20-09/10 Chinatown Point
Singapore 059413
- Registered place of business in Hong Kong** : 18th Floor, United Centre
95 Queensway, Hong Kong
- Authorised representatives** : Ms. Ng Sau Mei
36th Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong
- Mr. Koh Zheng Kai
BLK 145 Mei Ling Street
#08-125
Singapore 140145
- Joint company secretaries** : Ms. Ng Sau Mei (ACIS, ACS)
36th Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong
- Mr. Koh Zheng Kai
BLK 145 Mei Ling Street,
#08-125
Singapore 140145
- Company's website** : <http://cmon.com>
- Compliance officer** : Mr. Ng Chern Ann
- Members of the Audit Committee** : Mr. Tan Lip-Keat (*Chairman*)
Mr. Seow Chow Loong Iain
Mr. Chong Pheng

CORPORATE INFORMATION

- Members of the Remuneration Committee** : Mr. Chong Pheng (*Chairman*)
Mr. Tan Lip-Keat
Mr. Seow Chow Loong Iain
- Members of the Nomination Committee** : Mr. Seow Chow Loong Iain (*Chairman*)
Mr. Tan Lip-Keat
Mr. Chong Pheng
- 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
- Principal share registrar and transfer office in the Cayman islands** : **Codan Trust Company (Cayman) Limited**
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
- Hong Kong branch share registrar and transfer office** : **Tricor Investor Services Limited**
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in the prospectus have been derived or extracted from an industry report commissioned by us and independently prepared by Ipsos Business Consulting in connection with the Placing, and other official and government publications and publicly available market research sources. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any other party involved in the Placing or any of our or their respective directors, officers, representatives, affiliates, or advisers have independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any other party involved in the Placing or any of our or their respective directors, officers, representatives, affiliates, or advisers makes any representation as to the correctness, accuracy, and completeness of such information and the statistics contained in this prospectus, which may be inconsistent with the other information compiled by third parties. For the above reasons, information contained in this section shall not be unduly relied upon. Our Directors confirmed that, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

SOURCE OF INFORMATION

We engaged Ipsos to undertake a research on the tabletop games industry in the USA and EU at a fee of approximately AUD116,000. The research is set out in the Ipsos Report. Our Directors confirm that Ipsos, including all of their subsidiaries, divisions and units, is independent of and not connected with us in any way.

About Ipsos

According to Ipsos Business Consulting, Ipsos is a member of Ipsos SA, which is a market research and consulting group with offices across 85 countries. Ipsos Business Consulting is a strategic consulting arm of Ipsos. Services of Ipsos Business Consulting include market profiling, sizing, share and segmentation analysis distribution and value chain analysis, and forecasting and scenario planning.

This prospectus, particularly in the sections headed “Industry Overview”, “Business” and “Financial Information” contains some information extracted from the Ipsos Report.

Research methodology

The information contained in the Ipsos Report is derived by means of Ipsos Business Consulting data and intelligence gathering methodology which includes: (i) desk research client consultation conducted by the Ipsos Business Consulting including specialised industry literature, government/regulatory sources, online data sources, third-party reports and surveys, industry reports and analyst reports, industry associations and the database

INDUSTRY OVERVIEW

maintained by Ipsos Business Consulting; (ii) client consultation; and (iii) primary research by interviews with key stakeholders and industry experts in the USA and EU including tabletop game publishers, wholesalers, associations, industry analysts and experts. Such methodology has guaranteed a full circle/multi-level information sourcing process where information gathered will be able to be cross-referenced to ensure accuracy. Intelligence gathered has been analyzed, assessed and validated using Ipsos Business Consulting's in-house analysis models and techniques. The information contained herein has been obtained from sources which Ipsos Business Consulting believes are reliable, but there can be no assurance as to the accuracy or completeness of any such information, and may be affected by the accuracy of the choice of the parameters. Revenue of key publishers and wholesalers and the GDP growth rates in the USA and EU are the parameters considered in the market size of the Ipsos Report.

The following assumptions are used in the Ipsos Report:

- It is assumed that the global economy, including the USA and EU, remains at a steady growth pace across the forecast period.
- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the tabletop game industry during the forecast period.

The following parameters are considered in the market size of the Ipsos Report:

- GDP, GDP growth rates in the USA and EU from 2010 to 2017.
- GDP per capita PPP and GDP per capita PPP growth rate — USA and EU from 2010 to 2017.

Based on the above assumptions and parameters and to the best of our Directors' and the Sole Sponsor's information and belief, our Directors and the Sole Sponsor are satisfied that the projection and data relating to future periods as disclosed below are not misleading, taking into account that Ipsos is an established independent research agency with extensive experience in their profession.

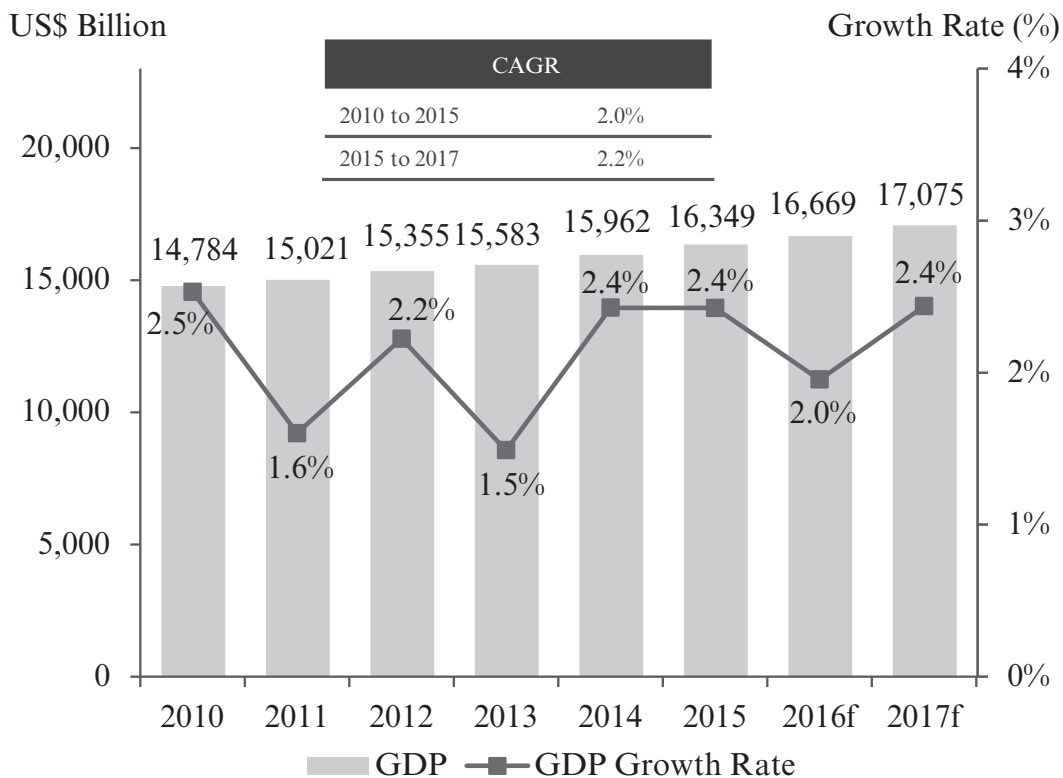
INDUSTRY OVERVIEW

GROWTH OF THE MACROECONOMY IN THE USA AND EU

USA economy is forecast to continue to grow supported by increasing consumer spending

The USA economy fundamentals remain solid. The real GDP in the USA increased from approximately US\$14,784 billion to approximately US\$16,349 billion from 2010 to 2015, representing a CAGR of approximately 2.0%. It is expected that the real GDP in the USA will continue to increase and reach approximately US\$17,075 billion in 2017. The USA domestic market is strong and conditions look favorable for sustained growth. Employment is set to improve as businesses are now confident to take on more employees. The unemployment rate is forecast to decline slowly from 5.0% in 2015 to 4.5% in 2018. U.S. Bureau of Labor Statistics expects employment to increase by 20.5 million from 2010 to 2020. The pressure from tight fiscal policies is also expected to dissipate, accelerating the improvement in private spending. This is a particularly good sign as consumer spending makes up approximately 70% of the total GDP of the USA. In longer term, a strengthening financial sector with debt level of USA financial corporations at the lowest point since 2001 together with expansion in lending to corporations are expected to drive positive economic growth in the future. The following chart sets forth the historical and forecast real GDP of the USA.

**Real GDP and Year on Year Real GDP Growth Rate
in the USA from 2010 to 2017**



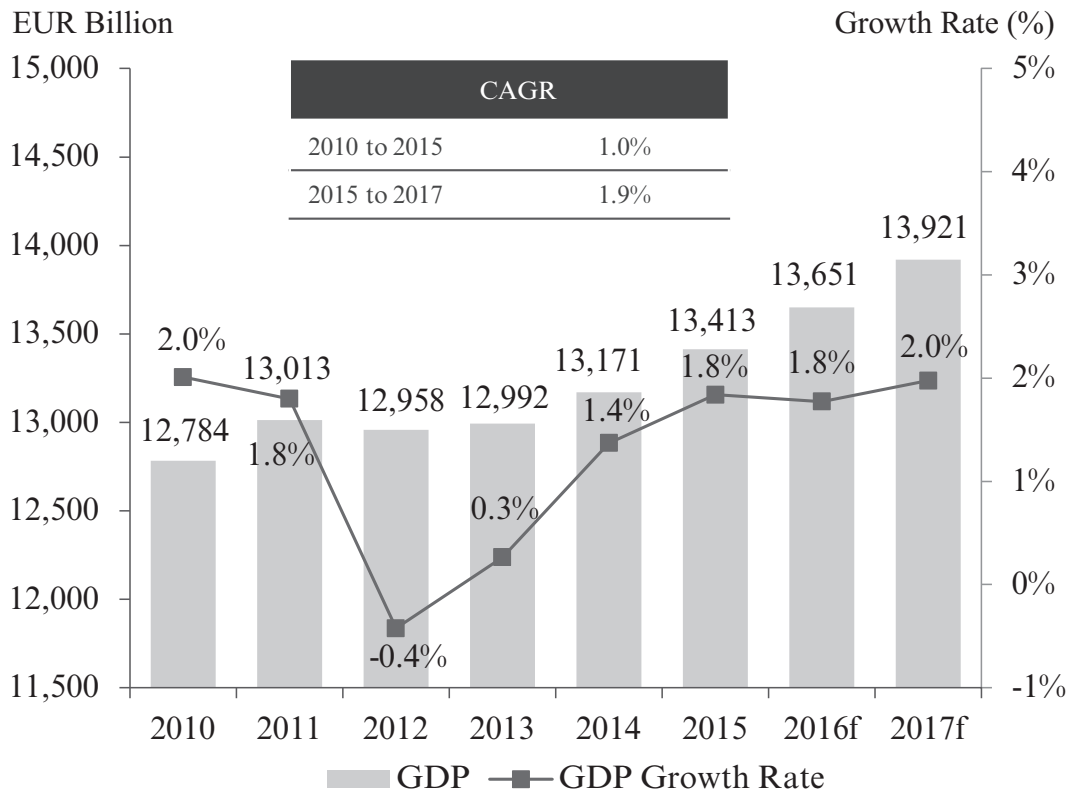
Sources: Ipsos Business Consulting research and analysis; Oxford USA Economic Forecast April 2016

INDUSTRY OVERVIEW

The EU economy is expected to continue its moderate recovery

The EU economy is expected to continue its moderate recovery, with positive export outlook and increase in private consumption. The real GDP in EU increased from approximately EUR12,784 billion to approximately EUR13,413 billion from 2010 to 2015, representing a CAGR of approximately 1.0%. The trend is expected to continue. It is estimated that the real GDP in EU will reach approximately EUR13,921 billion in 2017. Net export outlook for growth is positive due to the depreciation of Euro and price competitiveness offsetting weakening demand. This growth is forecast to accelerate throughout 2016. Steady consumption growth is the main driver to the economy recovery due to rise in real gross disposable income. The unemployment rate is projected to continue declining for the next 2 years, from 11% in 2015 to 10.2% in 2017. The following chart sets forth the historical and forecast real GDP of EU.

Real GDP and Year on Year Real GDP Growth Rate in EU from 2010 to 2017



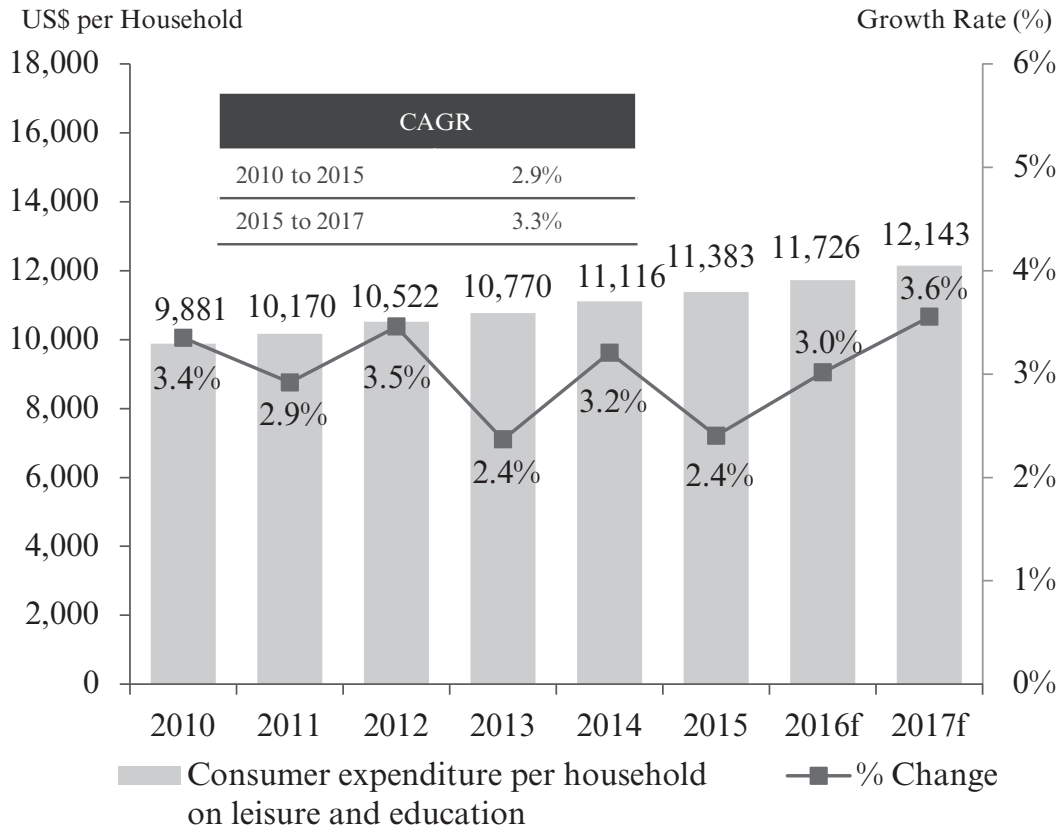
Sources: Ipsos Business Consulting research and analysis; Oxford EU Economic Forecast April 2016

INDUSTRY OVERVIEW

GROWTH OF THE CONSUMER EXPENDITURE OF THE USA AND EU

The USA has experienced relatively slow, but positive growth in consumer expenditure over the past few years. Consumer expenditure per household on leisure and education in the USA is expected to grow with a CAGR of approximately 3.3% from 2015 to 2017. The following chart sets forth the historical and forecast consumer expenditure per household on leisure and education in the USA.

Consumer Expenditure (Per Household) on Leisure and Education in the USA from 2010 to 2017

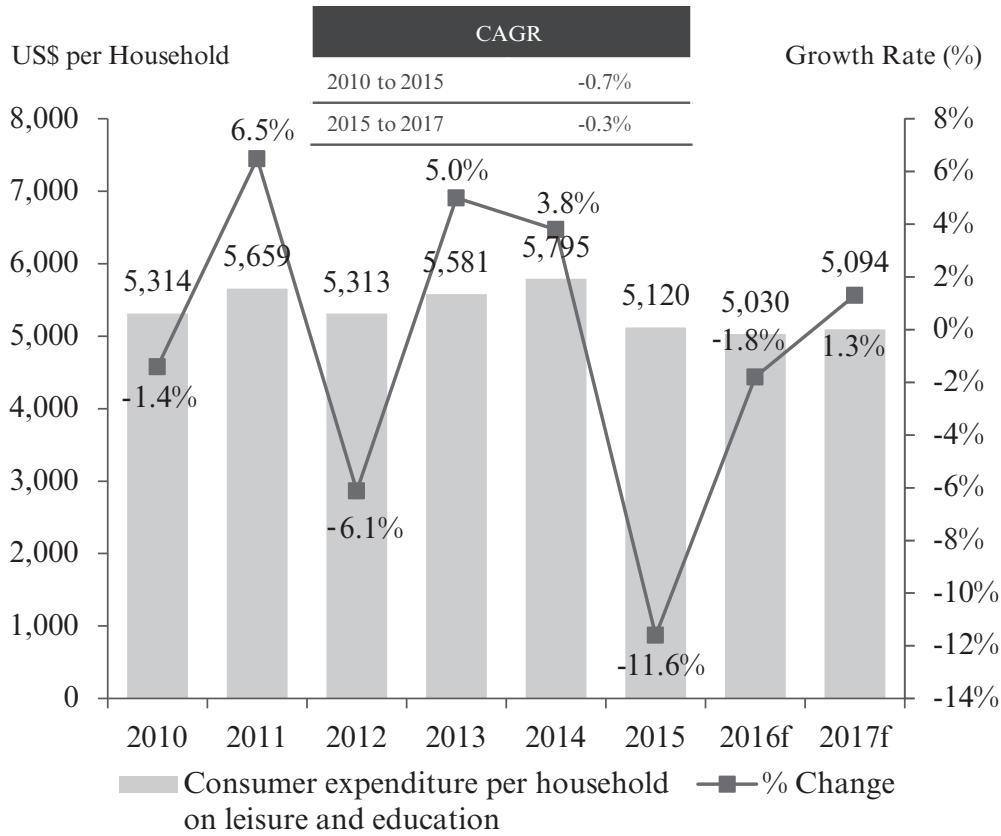


Sources: Economist Intelligence Unit Market & Indicators Forecasts

INDUSTRY OVERVIEW

Consumer confidence and hence spending on leisure and education in EU has been its ups and downs in the past few years due to the debt crisis and a looming Grexit. With a CAGR of approximately -0.7% between 2010 and 2015 and a dip in 2015, it is expected that consumer expenditure on leisure and education in the EU will likely stabilize with a CAGR of approximately -0.3% from 2015 to 2017. The following chart sets forth the historical and forecast consumer expenditure per household on leisure and education in the top five economies of EU, including Germany, UK, France, Italy and Spain, which in aggregate contribute 71% of EU's total GDP.

Consumer Expenditure (Per Household) on Leisure and Education in EU from 2010 to 2017



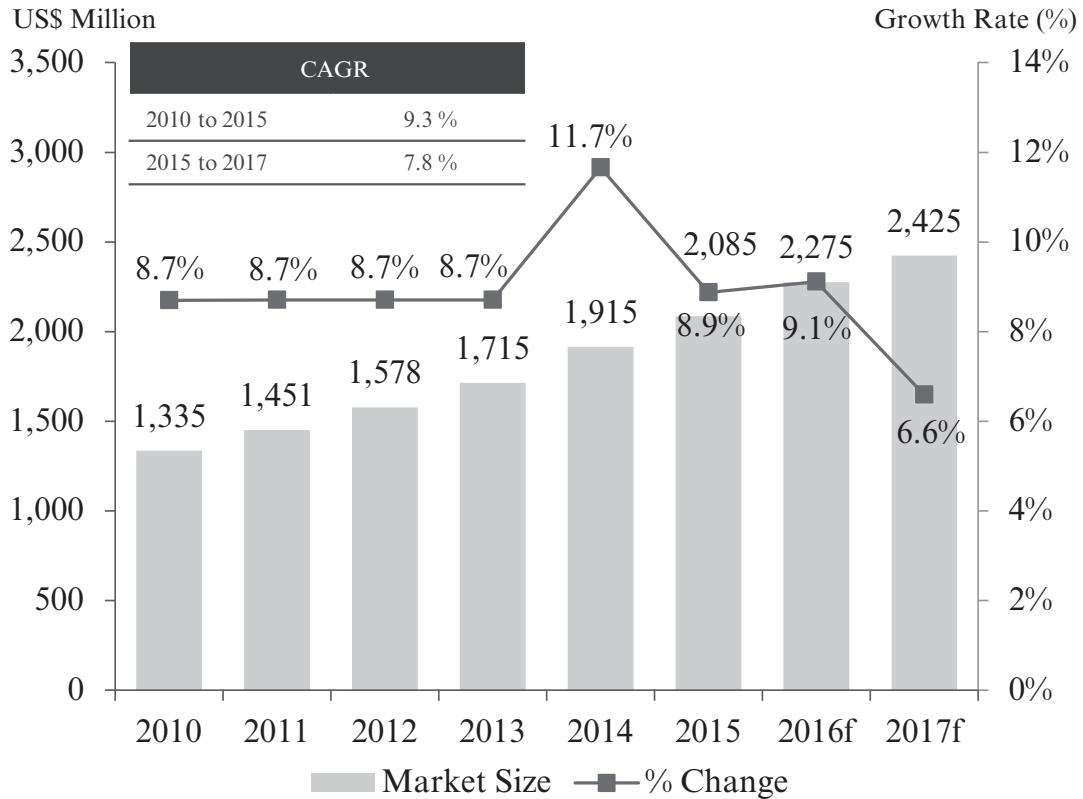
Sources: Economist Intelligence Unit Market & Indicators Forecasts

INDUSTRY OVERVIEW

GROWTH OF THE TABLETOP GAME INDUSTRY IN THE USA AND EU

The USA tabletop game market is expected to offer a market opportunity of up to approximately US\$2,425 million in 2017, with a CAGR of approximately 7.8% in 2015 to 2017 as compared with CAGR of approximately 9.3% in 2010 to 2015. Growth in the USA tabletop game industry is likely to continue, but at a slightly lower rate. It is mainly due to weaker growth of sub-categories such as non-hobby games and changes in gaming preference towards hobby games. The following chart sets forth the historical and forecast market size for tabletop games in the USA.

Market Size for Tabletop Games in the USA from 2010 to 2017

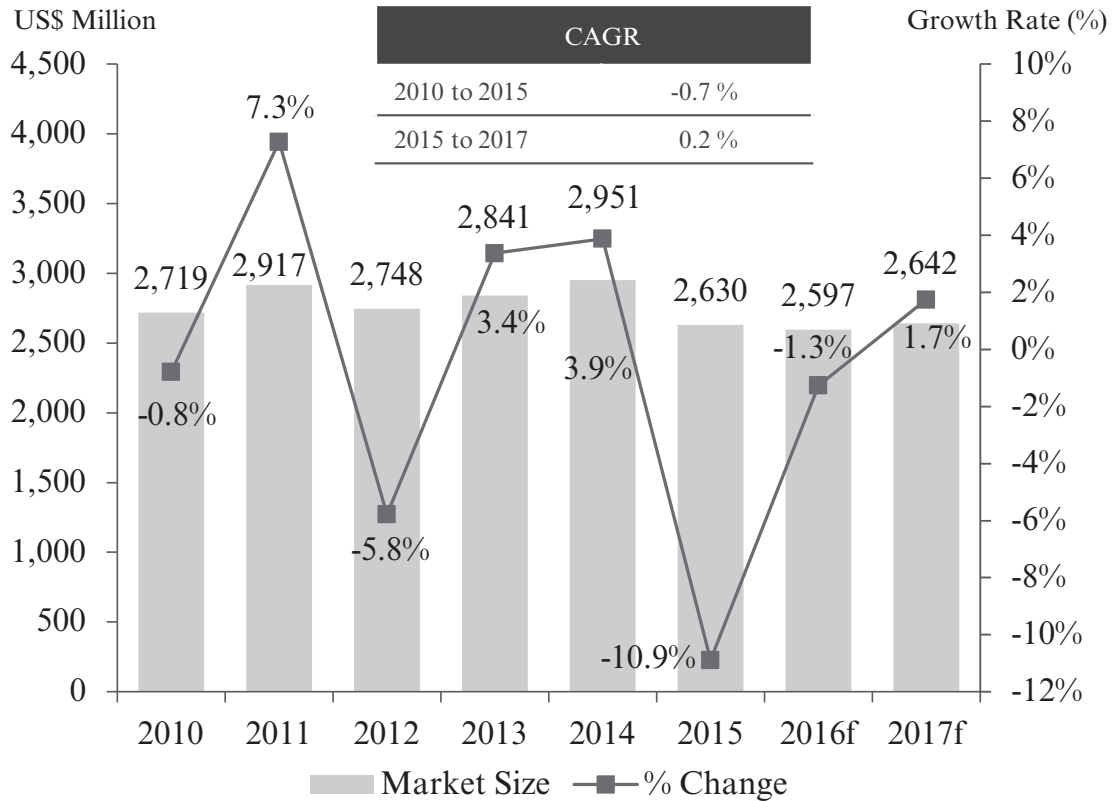


Sources: Ipsos Business Consulting research and analysis; Economist Intelligence Unit Market & Indicators Forecast

INDUSTRY OVERVIEW

The EU tabletop game market opportunity within the EU over the next three years from 2015 to 2017 is expected to be between approximately US\$2,630 million and approximately US\$2,642 million. CAGR of 2015 to 2017 of approximately 0.2% indicates a recovery in 2017. The market recorded a brief dip in year-on-year growth rate of approximately -10.9% in 2014 to 2015, which was mainly due to the decrease in expenditure on leisure and education by approximately 11.6% during the period. It is expected that EU tabletop game market is likely to gradually recover in the next two years with the larger and more mature markets like Germany determining a steady pace. The following chart sets forth the historical and forecast market size for tabletop games in EU.

Market Size for Tabletop Games in EU from 2010 to 2017



Sources: Ipsos Business Consulting research and analysis; Economist Intelligence Unit Market & Indicators Forecast

INDUSTRY OVERVIEW

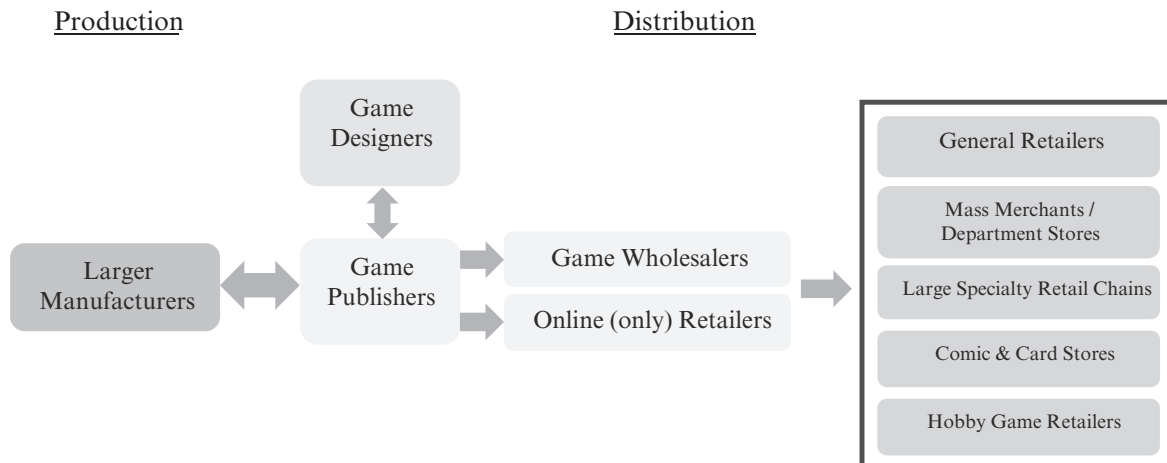
PRICING MODEL FOR TABLETOP GAMES IN THE USA AND EU

In the USA, retail prices for hobby games vary widely, from \$0.99 at the low end, to US\$100 or more at the top end. Very different pricing dynamics play out between categories. It is now common for products in the miniature games and board games categories to be priced over US\$50 MSRP, with a number of products reaching the range of US\$80 to US\$100. Some of the most successful games and products in the USA are at the higher price points. Besides, consumers expect a big box of high quality components for higher priced games. The high retail price enables manufacturers to build high-value packages with relatively small print runs.

German tabletop game market is the most competitive in the world with fierce competition along every parameter including price. Key tabletop games are often retailed for around half of the MSRP. Due to price discounting, even though Germany may be the largest tabletop game market in EU in volume, it alternates with France and the UK as the largest market in term of sales.

DISTRIBUTION MODEL FOR TABLETOP GAMES IN THE USA AND EU

USA tabletop game distribution model



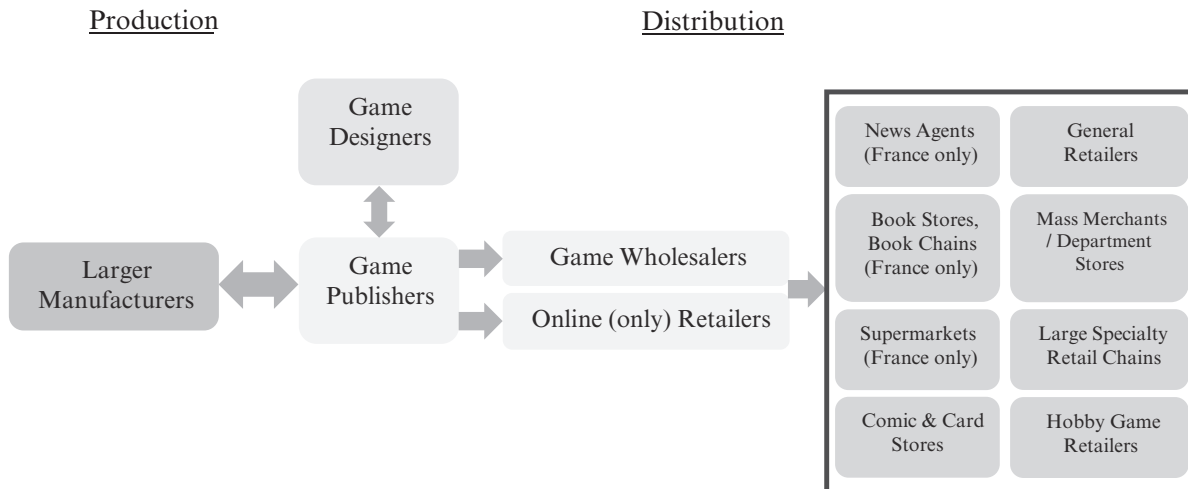
Sources: Ipsos Business Consulting research and analysis

Tabletop board games typically have components made from multiple materials which may need to be manufactured at multiple facilities, then brought together for assembly into consumer packaging. As is the case with many consumer goods sold in the USA, most tabletop games are manufactured in China. The much lower manufacturing costs, even with slower delivery and higher transportation costs, make manufacturing in China attractive, unless manufacturing migrates to even less expensive labor markets. Experienced publishers with sufficient scale can manage manufacturing at long range and produce tabletop games with consistent high quality at remote factories.

INDUSTRY OVERVIEW

Tabletop game publishers generally sell their products to end customers through a variety of methods, such as via their online channels which sell directly to consumers, online retailers (e.g. Amazon) and game wholesalers which located in multiple states in the USA. Tabletop game wholesalers represent the largest channel to retailers. Tabletop game wholesalers typically stock all the game categories, although there is variation in the specific lines each stocks. Tabletop games primarily reach the general retailers, mass merchants or department stores, tabletop game retailers, comic and card stores and large specialty retail chains through tabletop game wholesalers. Most of these retail channels also sell the products via their own online channels.

EU tabletop game distribution model



Sources: Ipsos Business Consulting research and analysis

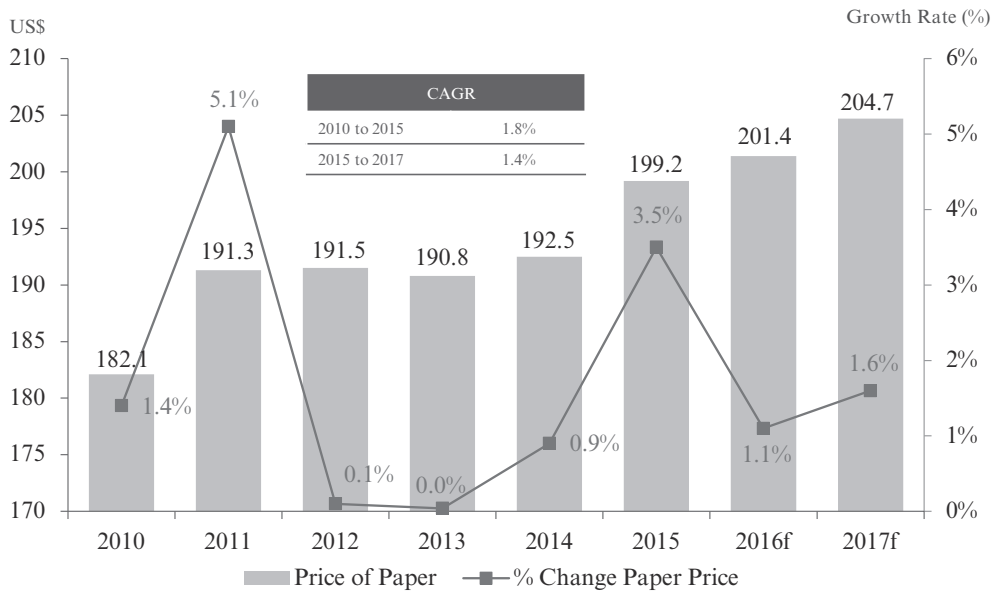
Distribution model for EU is generally similar to that of the USA, except that their game wholesalers are country specific and therefore mostly distribute within their respective countries only. The EU distribution model also varies by country. In France, supermarket chains, news agents, book stores and book chains also carry some games. Most of these retail channels also operate through their own online channels.

INDUSTRY OVERVIEW

RAW MATERIALS FOR TABLETOP GAMES

Cardboard is the key material used for board games. Paper price is expected to increase from approximately US\$199.2 in 2015 to approximately US\$204.7 in 2017, representing a CAGR of approximately 1.4%. Historically, the paper price increased from approximately US\$182.1 to approximately US\$199.2 from 2010 to 2015 at a CAGR of approximately 1.8%. It is expected that paper price will continue its growth in 2016 and 2017. The following chart sets forth the historical and forecast global paper price trend from 2010 to 2017.

Global Paper Price from 2010 to 2017



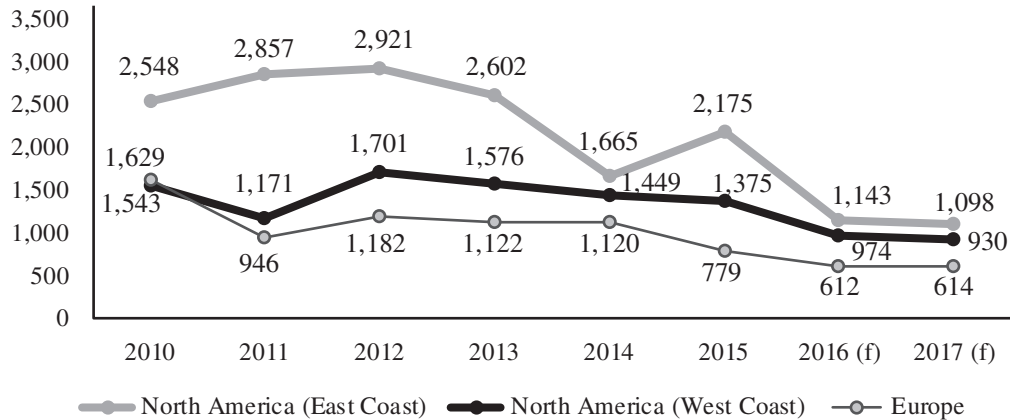
Sources: Ipsos Business Consulting research and analysis

INDUSTRY OVERVIEW

SHIPPING CHARGES FOR TABLETOP GAMES

Most of the tabletop games are manufactured in China and shipped mainly to US and Europe. The following chart sets forth the China Forwarder Freight Index (“CFFI”) at Shenzhen port from 2010 to 2017.

China Forwarder Freight Index (Loading Port Shenzhen) from 2010 to 2017



Source: Ipsos Analysis, China Forwarder Freight Index (CFFI), Industry news and publications

The CFFI at Shenzhen port decreased by 373, 168 and 850 from 2010 to 2015 for the North America (East Coast), North America (West Coast) and Europe route, respectively. From 2015 to 2017, the CFFI is expected to further decrease by 1,077, 445 and 165 for the North America (East Coast), North America (West Coast) and Europe route, respectively.

After the economic downturn in 2008, there was an oversupply of container ships creating the imbalance of the demand and supply. The fluctuation of the price through the years 2010 to 2014 were consistent with the impact of the slow recovery and imbalanced demand and supply. The US economy in 2014 has gradually recovered and released pent-up demand in imports and exports activities. This resulted in the improved and more stabilised shipping rate for the Shenzhen to North America (East Coast) route and Shenzhen to North America (West Coast) route, respectively, in 2015, although it was short-lived. The Shenzhen to Europe route experienced a drop in 2015 due to certain operational difficulties and slow recovery of Europe economy from the downturn.

It is expected that the shipping rate will experience a decreasing trend from 2015 to 2017 mainly due to the continual imbalance in demand and supply as well as the economies of scale advantage enjoyed by ultra-large container ships.

GLOBAL TABLETOP GAMING TRENDS

Five key trends to influence the market in the next 10 years

1. *Shifting tabletop game themes* — It is expected that more strategic games will be developed rather than tactical games. Tactical games in the wartime tradition contain details that hold much less interest for people living in this faster paced society. Games that build up have proved to be more attractive than games that tear down, for example, strategic games that include the building up of economies.
2. *Visual, tactile and sensory appeal* — there will be increasing importance of quality of color, tactile and sensory experience in the game playing environment. Three-dimensional pieces provide a tactile pleasure and feedback that cannot get from video games. Application of new sensory technology to the gaming experience will be important.
3. *Decision making* — games that require fewer significant decisions are likely to be important, demonstrating a movement towards the greater use of intuition in game playing activities. The fundamental experience people want in games seems to be changing over time. People are much more interested in variety than in gameplay depth. They prefer lots of choices but there appears to be a trend to shift away from making multiple difficult/significant choices.
4. *Multi/online channel strategy* — there will be an increasing use of online forums, for example *YouTube*, to increase sales and demonstrate how to play and create “buzz”.
5. *Supporting mobile apps* — there is a rise in the use of mobile apps to support tabletop games. These apps are not designed to detract from the physical aspect of playing board games but rather to add video game technology to the experience. The key benefits of this technology is to open up new scenarios for players and remove some of the activities in traditional tabletop games that are often considered tedious, such as rule codices, visual dice rolls, player statistics and visual maps for strategy planning.

CROWD FUNDING PLATFORM

Kickstarter

In recent years, Kickstarter has been a source of funding for particular games. In 2015, for the 1,396 tabletop game Kickstarter projects, a total amount of approximately US\$89 million was being pledged by approximately 522,000 backers.

The top ten tabletop game Kickstarter projects by funding and backers by year illustrates some trends. The funding amount of the largest tabletop game Kickstarter project has been growing over time. In 2015, *Exploding Kittens* funded at over US\$8.7 million, around three times of the funding size of the largest tabletop game Kickstarter project in 2014, which was our *Zombicide: Season 3*.

INDUSTRY OVERVIEW

Increased social media penetration, audience and user engagement are keys to successful crowd funding. In the next ten years, it is expected that there will be increasing opportunities for equity based crowd funding through more platforms and specialised niches. On the other hand, platforms will grow to embrace global markets, which may lead to some consolidation of generalist platform. Equity crowd funding will increase in number and volume, and mainstream awareness and accesses to crowd funding will rise.

Top 10 Tabletop Game Kickstarter Projects by Funding (January 2016–September 2016)

Ranking	Game	Publisher	US\$
1	Dark Souls™ — The Board Game	Steamforged Games Ltd	5,458,077
2	Massive Darkness	CoolMiniOrNot	3,560,642
3	Joking Hazard	Cyanide And Happiness	3,246,588
4	Dwarven Forge's Castles: 3-D Modular Terrain for Gamers	Dwarven Forge	1,781,736
5	Sentinels of the Multiverse: OblivAeon	GreaterThanGames	1,518,321
6	Million Dollars, But... The Game	Rooster Teeth	1,353,024
7	Tak: A Beautiful Game	Cheapass Games	1,351,142
8	7th Sea: Second Edition	John Wick	1,316,813
9	Masmorra: Dungeons of Arcadia	CoolMiniOrNot	1,010,958
10	Rum & Bones: Second Tide	CoolMiniOrNot	917,864

Top 10 Tabletop Game Kickstarter Projects by Funding (2015)

Ranking	Game	Publisher	US\$
1	Exploding Kittens	Lee, The Oatmeal, Small	8,782,571
2	Zombicide: Black Plague	CoolMiniOrNot	4,079,204
3	Conan	Monolith Board Games LLC	3,327,757
4	Reaper Miniatures Bones 3: The Search for Mr. Bones!	Reaper Miniatures	2,730,365
5	Dwarven Forge's Modular City Builder Terrain System	Dwarven Forge	2,359,260
6	Scythe	Jamey Stegmaier	1,810,294
7	Arcadia Quest: Inferno	CoolMiniOrNot	1,710,713
8	Ghostbusters: The Board Game	Cryptozoic Entertainment	1,546,269
9	Secret Hitler	Max Temkin	1,479,046
10	The Others: 7 Sins	CoolMiniOrNot	1,464,489

INDUSTRY OVERVIEW

Top 10 Tabletop Game Kickstarter Projects by Funding (2014)

Ranking	Game	Publisher	US\$
1	Zombicide: Season 3	CoolMiniOrNot	2,849,064
2	Dwarven Forge's Caverns — Dwarvenite Game Tiles Terrain	Dwarven Forge	2,140,851
3	Super Dungeon Explore: Forgotten King	Soda Pop Miniatures	1,151,889
4	Dungeon Saga: The Dwarf King's Quest	Mantic Games	1,057,975
5	MERCS: Recon	MERCS Miniatures	816,274
6	Arcadia Quest	CoolMiniOrNot	774,222
7	Rum & Bones	CoolMiniOrNot	739,513
8	Deluxe Mage: the Ascension 20th Anniversary Edition	Richard Thomas	672,899
9	Tokaido — Collector's Edition	Funforge LLC	668,721
10	DreadBall Xtreme — The Brutal Sci-fi Sports Board Game	Mantic Games	575,755

Sources: Kickstarter

There is also an increase in the number of backers willing to fund games. As compared with 2014, the top tabletop game Kickstarter project by backers in 2015, *Exploding Kittens*, which attracted over 219,000 backers, has added an order of magnitude to the size of the possible communities formed around funding a tabletop game.

Top 10 Tabletop Game Kickstarter Projects by number of Backers (January 2016–September 2016)

Ranking	Game	Publisher	Number of backers
1	Joking Hazard	Cyanide And Happiness	63,758
2	Dark Souls™ — The Board Game	Steamforged Games Ltd	31,178
3	Million Dollars, But... The Game	Rooster Teeth	30,546
4	Massive Darkness	CoolMiniOrNot	22,361
5	Tiny Epic Western	Gamelyn Games	14,579
6	PolyHero Dice — Wizard Set	PolyHero Dice	14,160
7	OrganATTACK! — a Card Game by The Awkward Yeti	Nick Seluk	12,798
8	Tak: A Beautiful Game	Cheapass Games	12,187
9	7th Sea: Second Edition	John Wick	11,483
10	Masmorra: Dungeons of Arcadia	CoolMiniOrNot	10,862

Top 10 Tabletop Game Kickstarter Projects by number of Backers (2015)

Ranking	Game	Publisher	Number of backers
1	Exploding Kittens	Lee, The Oatmeal, Small	219,382
2	Secret Hilter	Max Temkin	34,565
3	Zombicide: Black Plague	CoolMiniOrNot	20,915
4	Scythe	Jamey Stegmaier	17,739
5	Conan	Monolith Board Games LLC	16,038
6	Reaper Miniatures Bones 3: The Search for Mr. Bones	Reaper Miniatures	13,465
7	Tiny Epic Galaxies — The Universe In Your Pocket!	Gamelyn Games	12,458
8	The 7th Continent — Explore. Survive. YOU are the Hero!	Serious Pulp	12,103
9	Epic Card Game	Robert Dougherty	11,858
10	The Others: 7 Sins	CoolMiniOrNot	10,136

INDUSTRY OVERVIEW

Top 10 Tabletop Game Kickstarter Projects by number of Backers (2014)

Ranking	Game	Publisher	Number of backers
1	Zombicide: Season3	CoolMiniOrNot	12,011
2	Tiny Epic Kingdoms	Gamelyn Games	8,979
3	Coup Reformation — Kickstarter Edition	Travis	7,993
4	Paris: A New Classic Pub Game	Cheapass Games	7,781
5	The Resistance — Hostile Intent & Hidden Agenda	Indie Boards and Cards	7,058
6	Super Dungeon Explore: Forgotten King	Soda Pop Miniatures	6,589
7	HARBOUR — Master markets in a fantasy port	Michael Mindes	6,199
8	Province — A Competitive Building Microgame for for 2 Players	Laboratory	6,138
9	Dungeon Saga: The Dwarf King's Quest	Mantics Games	5,963
10	“Viceroy” Fantasy Pyramid Card/Board Game 1–4 Players 45 Min	Seth Hiatt	5,887

Sources: Kickstarter

MARKET DRIVERS FOR THE TABLETOP GAME INDUSTRY

According to the Ipsos Report, three key market drivers are expected to facilitate future growth in tabletop game industry:

1. Power of social connection

Playing tabletop games is not a solitary activity but requires a group of players. Those groups can form informally, through players recruiting new players to a group, or through more formal programs to bring players together in commercial venues. The development of organised play programs in hobby game stores, board game nights at bars and restaurants, and game cafes, restaurants with an ongoing game play component, have all driven hobby game sales upward over the past decade.

2. Increasing formal game demonstration and guidance

Playing a tabletop game is an activity with considerable complexity that the player may need some guidance. That can be done in a variety of ways: by a commercial representative of a retailer or game company, by another player, by viewing a video of play or by reading the rule books himself. Recent years in the USA have seen a rapid expansion in new opportunities on learning how to play hobby games, which has been correlated with a rapid expansion in sales. Some of those new opportunities, such as programs to demonstrate game play at conventions, in stores, and in other venues, or the creation of videos to teach people how to play games, have been organised by game companies in a formal way as a way to stimulate their sales.

3. Balance between consumer leisure time and disposable income

Consumers must have sufficient time and disposable income for having tabletop games as entertainment. A consumer that is working two jobs just to make ends meet is not likely to divert money from necessities, or time from income-producing activities to tabletop games. Right now, the USA economy appears to be in a sweet spot for

tabletop games: many consumers have enough time and money for some entertainment activities, but they do not feel so well off that they are ignoring value in their entertainment choices.

ENTRY BARRIERS FOR THE TABLETOP GAME INDUSTRY

According to the Ipsos Report, there are three key entry barriers for the tabletop game industry:

1. Lack of product awareness

New companies, starting from scratch, have the very difficult task of educating consumers about their products and communicating reasons to buy. In the USA, unlike in some other markets, novelty is not necessarily an asset in selling a tabletop game; there are too many entertainment choices with high odds of delivering a satisfying experience for consumers. Tabletop games from companies with a good reputation, or created by people that have designed successful games in the past, or ones which are tied to a well-known license can all help overcome this barrier, but for a new or unfamiliar company, this barrier is often insurmountable.

2. Access to distribution is limited for lesser known companies

Tabletop game wholesalers have limited resources, and perhaps more importantly, their retailer customers expect them to curate their offerings to at least some extent. As the number of hobby game releases increase, this becomes an even more challenging problem to wholesalers. Even if the tabletop game is offered by a wholesaler, many retailers will not stock a new unknown game without requests from customers or some other indication that the game will be a success. These gatekeepers at the wholesale and retail levels limit access to consumers and present a significant barrier to new game companies and products.

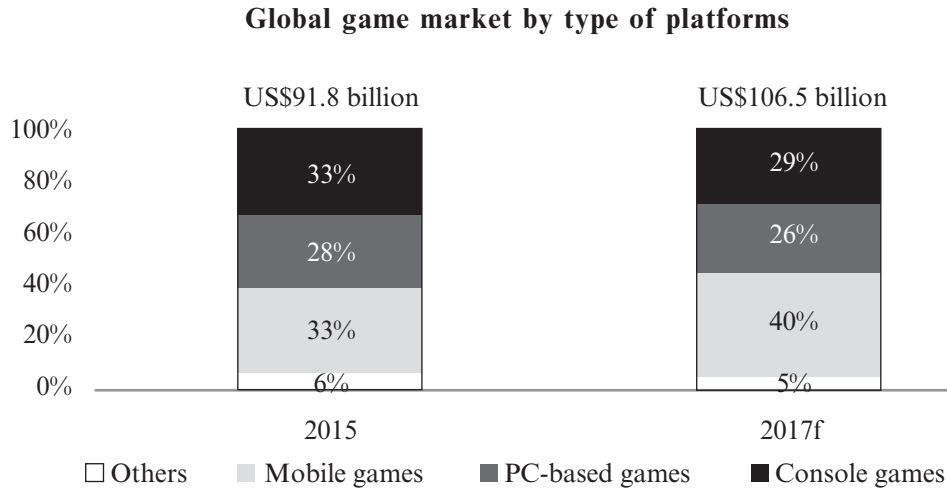
3. Failure to create an organised play program to demonstrate the game and build a network of engaged players

Forming a play program is a non-trivial task, as it requires interacting with hundreds or thousands of retailers, creating programs and tools to support the retailers, and incentivising the retailers to participate. Therefore, it may be difficult as well as costly for a new game publisher to achieve this.

INDUSTRY OVERVIEW

COMPETITION FROM OTHER GAMING PLATFORMS

The global game market mainly consists of console games, PC-based games and mobile games while tabletop games together with other games are relatively small players. The following chart sets forth the global game market by type of platforms in 2015 and 2017.



The tabletop game industry has faced and will continue to face challenges from other key game platforms. In 2017, although the total market size of other games (including tabletop games) remains relatively stable, it is expected that it will experience a decline in market share of the global game market mainly resulting from the significant growth of mobile games as there are minimal initial costs associated with the set-up of mobile games and the costs required for subsequent game updates are also low as compared to console games and PC-based games, which often require updates to hardware. In 2015, the mobile gaming segment has already surpassed the console gaming segment and it is expected that mobile gaming platform will continue to take share from other gaming platforms.

Comparing with mobile games, console games and PC-based games, the logistics involved in game distribution and the requirements of rules consultation and moves and score tracking are deterrent factors of tabletop games to capture a broader consumer group. On the other hand, tabletop games are less technology driven and have the unique competitive strength of offering players a richer and more authentic social experience as tabletop game play requires a more intimate and face to face connection with others. The tabletop games platform stands out as providing a unique human to human opportunity to connect, engage and learn from others.

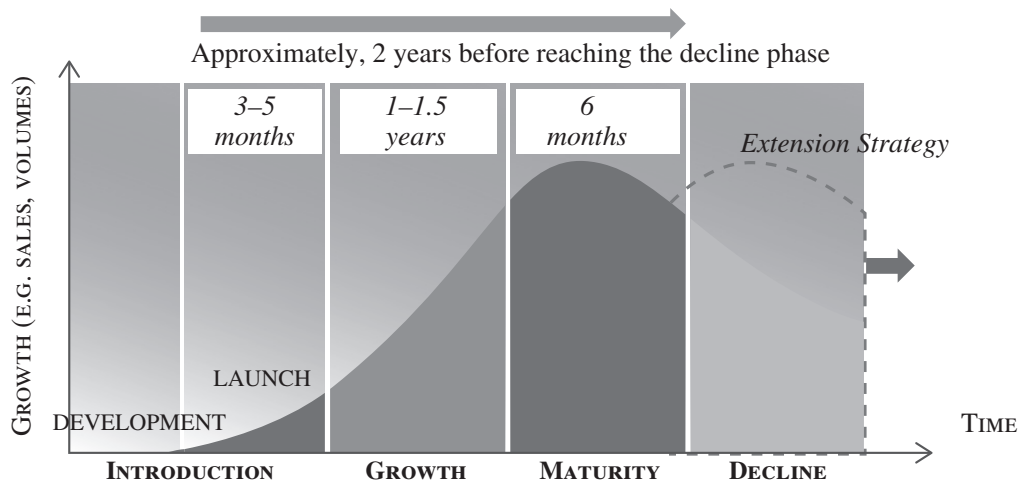
DECAY EXPERIENCE OF POPULARITY OF TABLETOP GAMES AND MOBILE GAMES

Tabletop game life cycle

A traditional tabletop game usually undergoes a semi-lengthy lifespan with approximately 2 years before experiencing decay.

- **Introduction Phase:** A traditional tabletop game usually requires 3–5 months for the launch period, which may take place at industry annual conferences and exhibitions.
- **Growth Phase:** The growth phase is estimated to last up to additional 1.5 years as publishers will face the following challenges:
 - ✓ Management of logistics and distribution to place products in the physical stores;
 - ✓ Increasing awareness and adoption through marketing activities and expanding reach to a wider target group.
- **Maturity Phase:** Once the tabletop game reaches its peak, its popularity is expected to sustain for approximately another 6 months before entering the decline phase. Usually at this point in time, the game will face competition from the newly released games.

Typical Tabletop Game Life Cycle



Sources: Ipsos research and analysis; Various sources

Trends in tabletop game life cycle

It is estimated that the average life cycle for tabletop games is generally more than 8 years however with product extensions this timeframe may be extended.

Publishers often extend the life of the successful games by introducing sequels, expansions, or limited edition to the game titles. However, some tabletop games may suffer with extension strategy as the games are not story-driven. Typically the tabletop games in the role-playing category can sustain a rather longer life cycle.

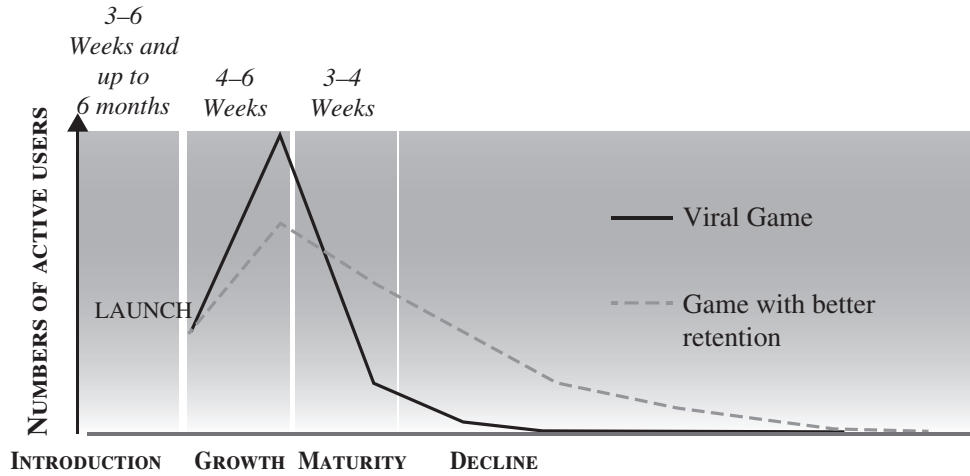
With the emergence of new technologies in mobile applications, publishers can integrate mobile functions to open up new scenarios for players and remove some of the activities in traditional tabletop games that are often considered tedious such as rule codices, visual dice rolls, player statistics, and visual maps for strategy planning. This will help promoting the game experience and interest beyond the game enthusiast groups to sustain its growth and maturity phase.

Mobile game life cycle

A mobile game typically undergoes a significantly shorter life cycle comparing to that of the tabletop game. Its total life span can be as short as 6 months.

- **Introduction Phase:** The introduction phase lasts about 3 to 6 weeks during which the research and test launch of the game applications are conducted, followed by launch into the gaming platform. During this period the user retention rate or the active user rate usually reaches 65–80%.
- **Growth Phase:** The application reaches its peak growth with 100% user retention and sales. This period usually lasts approximately 4 to 6 weeks. Such rapid uptake of the game is contributed by the accessibility of the games of application stores. The popularity can also be gained through the rating systems on the app stores.
- **Maturity Phase:** In this phase the user retention typically drops to about 30% and the sales growth stagnates. This maturity phase lasts approximately 3 to 4 weeks. Like tabletop games, mobile games face competition from new games and gamers drop off the games much quicker once they lose interest.
- **Decline Phase:** The decay period during which the product dies down with 0% user retention lasts for few weeks to a month depending on the acceptance in the mass market. On a random application case, this phase is faster and lasts for a week. However, it can last for years for some successful games such as *Candy Crush* and *Angry Birds*.

Typical Mobile Game Life Cycle



Sources: Ipsos research and analysis; Various sources

Trends in mobile game life cycle

The lifecycle of mobile games is becoming increasingly shorter. The introduction phase is expected to be accelerated to not more than 6 months but will be made up during the extension phase, as developers cannot dwell on the ideas before the ideas become obsolete in such fast-paced industry. The number of active users after few weeks of launch has been increasingly shrinking. This trend was further accelerated by the increasing presence of small scale developers who offer more game choices to consumers.

Large game developers have been exerting efforts to extend the life span by increasing consumer loyalty by measures such as introduction and open-up of new levels or contents in the game, adding holiday events, and usage of push notification to increase engagement and audience sharing features.

REGULATORY OVERVIEW

UNITED STATES

This section summarises the material current laws and regulations in the United States that are relevant to our operations.

Taxation

The US federal government imposes a number of taxes on corporations, including corporate income taxes, employment taxes and a wide variety of excise taxes on such things as alcohol, tobacco, firearms, motor and aviation fuels, and medical devices. States (and even some local jurisdictions, such as cities and towns) generally also impose some form of corporate income tax, as well as ad valorem property taxes (many times on both real and personal property), sales and use taxes, and a variety of business license taxes.

US federal income taxing jurisdiction is based on one of two grounds, residence or source. US domestic corporations (i.e., corporations organised under the laws of the United States, any state thereof or the District of Columbia), such as CMON Inc. and CMON Conventions, are generally subject to US federal income taxation on their worldwide income. Non-US corporations, including the other members of our Group, are generally subject to US federal income taxation on certain types of income (usually passive or investment income) from US sources and on income effectively connected with the conduct of a trade or business within the United States (ECI). In certain circumstances, the US “anti-inversion” rules can apply to treat a non-US corporation as a domestic corporation and thus subject to US federal income taxation on its worldwide income. US transfer pricing rules can re-allocate income, deductions, credits or allowances between corporations (including non-US corporations) that are owned or controlled by the same interests so that transactions between controlled parties reflect pricing on an arm’s-length basis.

State taxation of business activity and corporations is constrained by US constitutional principles and usually requires some minimum connection or “nexus” with the state seeking to impose the tax. In addition, even with nexus, the state may tax only income “fairly apportioned” to that state. Apportionment of income ordinarily involves apportionment factors (historically a payroll factor, a property factor and a sales factor) which are ratios of in-state versus total amounts. But each state has its own peculiar method of determining what factors are used, how to compute and weigh those factors, and how to determine if items are treated as in-state or out-of-state. And there are large variations among the states in the income subject to apportionment.

The minimum level of business activity necessary to establish state taxing nexus is currently very much in flux. Existing US Supreme Court precedent suggests some type of physical presence by or on behalf of a business entity is required (e.g., an office or other fixed place of business or regular presence by employees or agents). In addition, federal law dictates that certain types of activities (e.g., mere solicitation in a state of orders for the sale of tangible personal property when orders are accepted and filled from outside the state) cannot confer nexus. However, many states are introducing an economic nexus concept, under which merely having customers or suppliers within a jurisdiction provides sufficient

REGULATORY OVERVIEW

nexus. Whether this concept will ultimately pass constitutional muster is still an open question. Nexus issues are also present in states' attempts to force out-of-state retailers to collect sales tax on sales to in-state residents.

Non-US corporations are subject to US federal income tax on (i) US source fixed or determinable annual or periodic income (FDAPI) and (ii) ECI. We do not expect that any non-US members of our Group will be engaged in a US trade or business and, accordingly, we do not expect any of those members to have ECI.

FDAPI includes interest, dividends, rents, royalties, salaries and the like (but does not include capital gains) and is subject to a gross 30% US tax (that is, without deductions) enforced through a withholding obligation imposed on the payor of the income. The obligation to withhold does not apply, however, to ECI (the recipient provides IRS Form W-8ECI to the payor to perfect this exemption), interest on certain "portfolio debt" (IRS Form W-8BEN-E is used by corporate recipients to perfect this exemption) and interest on bank deposits. Portfolio debt specifically excludes most related party or intercompany debt. The 30% withholding rate can be reduced or eliminated under an applicable income tax treaty for recipients eligible for the benefits of the treaty. Corporate recipients provide IRS Form W-8BEN-E to the payor to claim the benefits of an income tax treaty. Under US legislation known as FATCA, non-US corporations that are not financial institutions (as broadly defined by FATCA) can be subject to a 30% US withholding tax (which cannot be reduced or eliminated by a treaty) on US source FDAPI and, after December 31, 2018, on the gross proceeds of sales or dispositions of property that gives rise to US source interest or dividends, unless those non-US corporations provide specified information (in the manner provided by FATCA as modified by any applicable intergovernmental agreement) regarding their US owners.

Wages paid to employees are subject to income tax withholding and to a number of employment taxes, both federal and state, imposed on both employee and employer. Payments to independent contractors are not subject to these taxes. Although independent contractors are subject to analogous tax regimes (e.g., self-employment taxes), income tax withholding is usually not required, and there are generally no independent contractor-related taxes imposed on the person or company hiring an independent contractor. Hiring independent contractors rather than employees can thus be beneficial, as a corporate employer thereby avoids withholding of federal and state and local income tax and the employer's share of state unemployment, Social Security (including Medicare) and federal unemployment taxes. In addition, employer-sponsored benefit plans and wage and hour laws do not apply. However, if a corporation misclassifies an employee as an independent contractor, the penalties can be severe. An employer may be liable for employment taxes, interest, penalties and retroactive benefits. Penalties may also be imposed for failure to file required tax forms.

REGULATORY OVERVIEW

Consumer Product Safety Regulations

The Consumer Product Safety Act (15 U.S. C. §§2051–2084) established the United States Consumer Product Safety Commission (the “CPSC”). The CPSC is an independent federal agency empowered to protect the public from unreasonable risks of injury associated with consumer products. The CPSC develops and enforces safety standards and rules for consumer products, including a ban on lead in surface coatings on children’s products and rules concerning products that could present a choking hazard for young children. If a business becomes aware that a product it manufactures, imports, distributes, or sells does not comply with a CPSC product safety standard or otherwise contains a defect which could create a substantial product hazard or an unreasonable risk of serious injury or death, it must immediately report that information to the CPSC. Such hazardous products are subject to recall. The CPSC also can ban types of products that present an unreasonable risk of injury and for which no feasible consumer product safety standard for the product could adequately protect the public.

The CPSC requires importers and domestic manufacturers to issue compliance certificates for children’s products, which are those products primarily intended for children 12 years of age or younger. General use products are consumer products not designed or intended primarily for use by children 12 years of age or younger, and they require compliance certificates if they are subject to a specific CPSC safety standard. Considering that (i) we generally label our products with statements that our products are intended for consumers 13 years of age or older, (ii) the marketing, promotion and packaging of our products do not target children 12 years of age or younger, and (iii) we do not believe our products are commonly recognised as being intended for children 12 years of age or younger, our products are general use products rather than children’s products. Furthermore, none of our products are subject to a specific CPSC safety standard and thus do not require compliance certificates. The products, however, are subject to the CPSC’s defect reporting and recall requirements.

Any consumer product offered for importation may be refused admission and/or seized if the product fails to comply with an applicable product safety standard, or a specified labeling or certification requirement, or if it is determined to present a substantial product hazard.

During the Track Record Period, we did not report any defective or dangerous products to the CPSC, as no facts or circumstances, after reasonable care and consideration, indicated such reporting obligation on us. In addition, during the same period, we were not subject to any product recalls nor did we receive any penalties from the CPSC for violations of US consumer safety laws and regulations. We are advised by our US Legal Advisers that, based on the type of products we sold in the United States and their intended users, as of the Latest Practicable Date, we were not required by the CPSC to obtain any certificates, permits, licenses or testing to sell our products in the United States.

REGULATORY OVERVIEW

Product Liability Law

US state law generally imposes liability on all manufacturers and sellers (and parties in the supply chain) for damages and injuries that result from unsafe, defective and dangerous products sold to consumers. Product liability claims can be brought based on theories of negligence, strict liability, or breach of warranty, depending on the jurisdiction within which the claim is based. Product liability claims are commonly brought as a strict liability offense because strict product liability offenses do not depend on the degree of carefulness by the defendant. A defendant is liable if proven that the product was defective at the time it left the hands of the manufacturer.

On the other hand, negligence product liability claims will require the plaintiff to show that (i) the defendant owed the plaintiff a legal duty to exercise reasonable care; (ii) the defendant failed to exercise reasonable care by placing a defective product in the market; and (iii) the defendant's failure to exercise reasonable care caused the plaintiff's injury.

Breach of warranty product liability claims are governed by contract law. The Uniform Commercial Code, adopted by every state in the United States, governs the sale of goods. A warranty is a written or oral statement made by the manufacturer or seller of a product assuring the buyer that the quality of the product meets certain standards. In product liability claims brought under the theory of breach of warranty, the plaintiff asserts that an express or implied warranty exists between the plaintiff and defendant. An express warranty is a contract establishing privity between the manufacturer or seller and the buyer. Products are presumed to carry an implied warranty that the product is fit and safe for its intended use.

We are advised by our US Legal Advisers that, according to search results of the US federal court docket system, the state court system of the state of Delaware and the state superior court system of Fulton County and Forsyth County in the state of Georgia, we were not subject to any product liability legal actions, proceedings and claims in the US federal courts or in the relevant state courts of Delaware and Georgia, where we are incorporated and reside, respectively, that would materially and adversely affect our business operations as of the Latest Practicable Date. During the Track Record Period, we maintained a general liability insurance policy to protect us from potential legal actions in the United States, and we intend to continue to maintain such policy in the future.

E-commerce

The US Federal Trade Commission (the "FTC") is the primary agency that regulates e-commerce activities, including commercial e-mail, online advertising and consumer privacy. The Payment Card Industry Security Standards Council provides security standards and regulations for handling and storing customer financial data. Businesses operating a commercial website are required to post a privacy policy. The FTC has provided guidance on the information to disclose in a privacy policy, including but not limited to the categories of personally identifiable information collected through the site, the categories of third parties with whom the information is shared and how the information collected will be used or stored. Most states, including Georgia, have adopted laws prohibiting unfair or deceptive acts and practices.

REGULATORY OVERVIEW

E-commerce businesses are also governed by applicable US federal and state laws for online advertising, which are designed to prevent deceptive and unfair acts or practices. The Controlling the Assault of Non-Solicited Pornography and Marketing Act (the “**CAN-SPAM Act**”) regulates businesses that engage in email marketing. Under the CAN-SPAM Act, any commercial email message sent must include notice that the message is an advertisement, opt-out information and the business postal address. Each email sent that violates the CAN-SPAM Act may be subject to penalties of up to US\$16,000. Many states, including Georgia, have also enacted laws to target false or misleading commercial emails.

We are advised by our US Legal Advisers that, based on our e-marketing activities and policy, during the Track Record Period, our e-commerce activities were materially in compliance with US federal and state laws and regulations in relation to consumer privacy and online advertising.

Labor and Employment Law

The Fair Labor Standards Act (29 U.S. C. §§201–219) (“**FLSA**”) establishes standards for, among other things, minimum wages and overtime pay, with exemptions for certain types of businesses and employees. For example, employees classified as “executive, administrative or professional employees” are exempt from FLSA’s minimum wage and overtime pay standards. A number of states have adopted higher minimum wages and extended their laws to cover employees who are excluded under FLSA or to provide rights that federal laws fail to provide. In the State of Georgia, the Minimum Wage Law (O.C.G.A. Title 34 Chapter 4 Subsection 3) provides the minimum wages for employees not subject to minimum wage provisions of FLSA.

The FLSA and the laws of many states, including Georgia, also regulate the employment of minors under age 18 by restricting the occupations in which they can work and the number of hours that they can work in a given day. Such child labor laws are structured so that the younger the child, the greater the restrictions on the types of jobs and tasks the child is allowed to perform.

The Occupational Safety and Health Act (29 U.S. C. §651 et seq.) (“**OSHA**”) requires employers to, among other things, provide a workplace free from recognised hazards that are causing or likely to cause death or serious physical harm to employees and comply with occupational safety and health standards promulgated under OSHA. The State of Georgia has not adopted its own regulatory program addressing occupational safety and health in private workplaces and as such, OSHA prevails in Georgia.

Under the Patient Protection and Affordable Care Act, employers with 50 or more full-time equivalent employees may face tax penalties for failure to offer “affordable, minimum value” health insurance to at least 95% of its full-time employees. The amount of the penalty depends on the degree and method of noncompliance.

REGULATORY OVERVIEW

In the United States, workers' compensation systems are established and administrated at the state level, while the federal government has its own workers' compensation program for federal employees. Generally, workers' compensation state laws require employers to obtain insurance to cover potential workers' compensation claims. Some state laws also protect employers by limiting the amount an injured employee can recover from an employer for work-related injuries. In the State of Georgia, the Workers' Compensation Act (O.C.G.A. Title 34 Chapter 9) requires every employer regularly employing three or more persons, part-time or full time, to obtain workers' compensation insurance coverage for each employee. The Enforcement Division of the State Board of Workers' Compensation is responsible for maintaining, monitoring, and enforcing of the requirements which hold employers responsible for maintaining workers' compensation insurance coverage. A historical record of insurance coverage is maintained by this division and is used to confirm the responsible insuring entity in the event of a work-related accident or injury.

A variety of federal civil rights laws require that employers apply work rules without harassing or discriminating against employees on the basis of certain criteria, including race, national origin, religion, sex, pregnancy, age, disability, veteran status and genetic information. Such laws also generally prohibit employers from retaliating against employees who complain that they are being unlawfully harassed or discriminated against. Laws prohibiting discrimination and retaliation on such basis include, but are not limited to Title VII of the Civil Rights Act of 1964 (applicable to employers with 15 or more employees), Section 1981 of the Civil Rights Act of 1866, the Age Discrimination in Employment Act of 1967 (applicable to employers with 20 or more employees), the Genetic Information Nondiscrimination Act of 2008 (applicable to employers with 15 or more employees), the Uniform Services Employment and Reemployment Rights Act, and the Americans with Disabilities Act (applicable to employers with 15 or more employees). These laws are enforced by federal agencies, including the Equal Employment Opportunity Commission and the United States Department of Labor. Employees may also generally file suit to enforce their rights once they have exhausted any mandatory administrative remedies.

We are advised by our US Legal Advisers that, during the Track Record Period, we materially complied with the relevant US federal and State of Georgia laws and regulations in relation to labor and employment, and duly maintained workers' compensation policies for all of our US employees in accordance with the laws of the State of Georgia.

REGULATORY OVERVIEW

Trade and Customs Law

The United States Customs and Border Protection (the “**CBP**”) regulates the importation of goods into the United States. Imported goods are not considered to have legally entered into the United States until (a) the shipment has arrived at the port of entry, (b) delivery of the goods has been authorized by CBP, and (c) the estimated tariff has been paid. The CBP examines goods and related documents to determine, among other things, (i) the value of the goods for customs purposes and their dutiable status; (ii) whether the goods need to be marked with their country of origin or require special marking or labeling, and if so, whether they are marked in the manner required; (iii) whether the shipment contains prohibited articles; and (iv) whether the goods are correctly invoiced.

The United States Customs Modernization Act (19 U.S.C. §§1508, 1509 and 1510) established the legal requirement that parties exercise “reasonable care” when importing goods into the United States. Every importer of record has a duty to provide the CBP with accurate information regarding the admissibility, tariff, classification, value, and origin of the imported goods. The importer is also responsible for providing any other documentation or information necessary to enable the CBP to determine whether all legal requirements have been met. The country of origin of goods must be marked in a conspicuous place as legibly, indelibly and permanently as the nature of the article or container will permit. The importers must properly mark and number the packages in which goods are contained, list each package’s contents on the invoice, and place marks and numbers on the invoices that correspond to those packages.

Every good imported into the United States must be assigned a tariff classification under the Harmonized Tariff Schedule (the “**HTS**”) of the United States. The HTS tariff classification of a product dictates the applicable rate of duty applied to that product upon importation into the United States. The classification of a product is also a key factor in determining whether it is subject to quotas, restraints, embargoes or other restrictions, or whether it is entitled to special tariff preferences.

During the Track Record Period, we did not receive any fines or penalties for violations of, or non-compliance with, any US trade and customs laws and regulations.

Intellectual Property Law

The United States has a wide body of federal and state intellectual property laws, which includes copyright and trademark laws. The Copyright Act of 1909, as amended (17 U.S.C. §§101–810) is the fundamental copyright law in the United States. The owner of a copyright has exclusive rights in the copyrighted work, including the right to reproduce the copyrighted work and to distribute copies of the copyrighted work to the public by sale, subject to certain limitations such as fair use. Generally, copyright in a work created on or after 1 January 1978 endures for a term consisting of the life of the author and 70 years after the author’s death. Registration of a copyright is voluntary. Copyrights exist from the moment the work is created. However, registration is requisite in order to bring a lawsuit for infringement of a work in a United States court.

REGULATORY OVERVIEW

The primary legislation that governs trademark law in the United States is the Trademark Act of 1976, as amended (15 U.S.C. §1051 et seq.), as well as Title 37 of the Code of Federal Regulations (37 C.F.R. §2.1 et seq.). In the United States, the first to use a trademark in interstate commerce is generally granted common law protection. Federal trademark registration provides national protection, whereas state or common law use of a mark provides protection within a particular state and/or geographical location in which the mark is being used.

The CBP examines goods entering the United States to check whether or not an importation infringes on recorded intellectual property rights. The CBP maintains an intellectual property right database of trademarks, trade names and copyrights that have been recorded with the CBP. The CBP may detain and seize imported goods that violate intellectual property rights in the United States.

As of the Latest Practicable Date, we had two trademarks registered in the United States. We are advised by our US Legal Advisers that, according to search results of the US federal court docket system, the state court system of the state of Delaware and the state superior court system of Fulton County and Forsyth County in the state of Georgia, during the Track Record Period, we were not involved in any ongoing or pending suits or judgments in the US federal courts or in the relevant state courts of Delaware and Georgia, where we are incorporated and reside, respectively, in relation to the infringement of any intellectual property rights of third parties, nor were we aware of any threatened or potential claims against us.

SINGAPORE

This section summarises the material current laws and regulations in Singapore that may be relevant to our operations in Singapore.

Income Tax (General)

Singapore tax residents are subject to Singapore income tax on income that is accrued in or derived from Singapore and on foreign income received or deemed received in Singapore, subject to certain exceptions.

For resident corporate taxpayers, all foreign-sourced dividends, branch profits and service income received/remitted are tax exempt in Singapore provided that certain prescribed conditions are met, including the condition that the foreign-sourced dividends, branch profits and service income have been subject to tax in a jurisdiction with a headline (or highest published) rate of tax of at least 15.0% and on which tax, with certain exceptions, has been imposed.

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore. An individual is tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

REGULATORY OVERVIEW

Non-resident corporate taxpayers are subject to income tax on income that is accrued in or derived from Singapore, and on foreign income received or deemed received in Singapore, subject to certain exceptions. All individuals, resident and non-resident, subject to certain exceptions, are subject to income tax on the income accrued in or derived from Singapore. All foreign-source income received in Singapore by all individuals will be exempt from Singapore tax. The latter exemption will not apply to such income received by a partnership in Singapore.

The corporate tax rate in Singapore is currently 17% after allowing for tax exemption on three quarters of up to the first S\$10,000 and up to one-half of the next S\$290,000 of a company's chargeable income. The above tax exemption does not apply to Singapore dividends received by companies. The remaining chargeable income (after the tax exemption) is taxed at 17.0%.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's level of chargeable income but is subject to a current maximum rate of 20.0%.

Dividend Distributions

One-tier corporate taxation system

With effect from 1 January 2003, the one-tier corporate tax system replaced the imputation system in Singapore. Under the one-tier corporate tax system, the tax collected from corporate profits is final and all Singapore dividends paid by Singapore tax resident companies to their shareholders are exempt from tax. However, foreign Shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Withholding taxes

Under the Income Tax Act (Chapter 134, Singapore), when a person makes payment of a specified nature to a non-resident, he has to withhold a percentage of that payment and pay the amount withheld to the Inland Revenue Authority of Singapore. Withholding tax is applicable to certain limited payments made to non-residents such as interest on loans, and for technical assistance and management fees, if the services are provided in Singapore. The rate of withholding tax depends on the nature of the payment. Depending on the nature of the payment, the withholding tax rate could be either 10%, 15%, at the prevailing corporate tax rate of 17%, or the rate specified under the Income Tax Act.

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders. However, foreign Shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Central Provident Fund

The Central Provident Fund is a compulsory social security savings plan for working Singapore citizens and Singapore permanent residents primarily to fund their retirement, healthcare and housing needs. It is administered by the Central Provident Fund Board, a statutory board of Singapore. Both employer and employee have to contribute to the Central Provident Fund.

Intellectual Property Laws

Copyright

Copyrights in Singapore are governed by the Singapore Copyright Act (Cap. 63). In Singapore, a copyright exists immediately upon its creation. There is no system of registration of copyrights in Singapore and there are no formal steps required to be taken in order for a copyright to exist. The general position is that the person who created the work in question is the owner of the copyright and, in the case of a work created in the course of employment, the copyright would belong to the employer.

Trademark

The formal system for trade mark registration in Singapore is governed by the Singapore Trade Marks Act (Cap. 332). For registration under the Trade Marks Act, the trade mark in question has to be registered with the Singapore Registry of Trade Marks. Upon registration, the registrant will have exclusive rights to use the trademark in Singapore and this lasts for 10 years and can be renewed for additional 10-year periods.

THE EU

This section summarises the material current laws and regulations in the EU that may be relevant to our operations in the EU.

The regulatory framework of the EU attempts to achieve, *inter alia*, a common standard with regards to trade laws across the different member states of the EU (“**Member States**”); through the provision of regulations (which have automatic direct legal effect in Member States, without the need for further implementing legislation by Member States) and directives (which Member States need to implement through their own national law).

Subject to the above, implementation of EU regulations and directives is at the discretion and exclusive competence of the national authorities of the Member States; and as such may vary in terms of legislation and enforcement across the Member States.

Taxation

Customs tariff

Customs tariffs are, in general, imposed on goods imported into the EU from any foreign country. The EU comprises a customs unit which imposes a common customs tariff on goods imported into the EU (irrespective of any customs clearance conducted by the relevant Member State). The common customs tariff provides for a classification of the goods, which determines the applicable tariff rate.

Value added tax (“VAT”)

The EU regulatory framework provides its Member States with a common VAT and import VAT standard. Based on such standard, each Member State has the discretion to determine the applicable common VAT and Import VAT tax rates accordingly.

The supply of goods and services rendered within the EU is generally subject to VAT. VAT is generally due upon the supply of goods or the rendering of services within the EU. The actual VAT rate depends on the circumstances and the place of supply or service within the EU.

Additionally, goods imported into the EU are generally subject to import VAT (“**Import VAT**”). Import VAT is generally due upon the importation of goods into the EU at the point where such goods are cleared at the relevant customs. The applicable import VAT rate depends on the circumstances and the place of importation within the EU where customs clearance is conducted. If certain requirements are met, Import VAT may be refundable for the supplier of goods upon application.

Anti-dumping/Anti-subsidy

According to regulations of the European Council (No. 1225/2009 of 30 November 2009 and No. 597/2009 of 11 June 2009), imports into the EU may be subject to additional anti-dumping or anti-subsidy duties imposed by the European Commission. In considering whether such duties are applicable, the European Commission determines (i) whether the product is sold within the EU at less than its market value (i.e. “dumped”); (ii) whether the product benefits from subsidies provided through foreign government programs and (iii) whether the release of such product for free circulation within the EU would potentially adversely affect the European industry.

The European Commission initiates such investigations upon a complaint or at its own discretion. Depending on the findings, the European Commission may temporarily or permanently impose additional duties on a product. Alternatively, it may accept certain offers submitted by the concerned parties to revise their prices, or it may accept offers submitted by the country of origin to reduce the respective subsidy, in order to permit the product to be circulated freely within the EU without adversely affecting the European industry. The European Commission is not obliged to accept such an offer and may still impose additional duties if the agreed conditions are not met or if it is of the opinion that a circumvention of anti-dumping or anti-subsidy measures is taking place.

REGULATORY OVERVIEW

Applicable laws and regulations in the UK

This section summarises the material current laws and regulations in the UK that may be relevant to our operations in the UK.

Taxation

We are not subject to UK business taxes as we are neither a corporation incorporated in the UK or managed or controlled from the UK.

VAT is charged on goods imported into the UK from outside the EU, which is payable by the importer at the same rate as if the goods were supplied within the UK. The UK standard rate of VAT is 20%.

Customs duty and excise duty may also be payable on imported goods, depending on their classification for import duty purposes. In addition, in certain cases goods imported into the EU may be subject to specific anti-dumping levies.

Where we are responsible for the direct importation of goods into the UK, we will be liable for the payment of import duties or any anti-dumping levies which are or may become applicable to the goods.

Applicable laws and regulations in Germany

This section summarises the material current laws and regulations in Germany that may be relevant to our operations in Germany.

Taxation

VAT is charged on goods imported into Germany from outside the EU, which is payable by the importer at the same rate as if the goods were supplied within Germany. The German standard rate of VAT is 19%.

Customs duty and excise duty may also be payable on imported goods, depending on their classification for import duty purposes. In addition, in certain cases goods imported into the EU may be subject to specific anti-dumping levies.

Applicable laws and regulations in France

This section summarises the material current laws and regulations in France that may be relevant to our operations in France.

Taxation

VAT is charged on goods imported into France from outside the EU, which is payable by the importer at the same rate as if the goods were supplied within France. The French standard rate of VAT is 20%.

Customs duty and excise duty may also be payable on imported goods, depending on their classification for import duty purposes. In addition, in certain cases, goods imported into the EU may be subject to specific anti-dumping levies.

OUR CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands on 16 June 2015. Pursuant to the Reorganisation, our Company became the holding company of our Group. Please refer to the paragraph headed “Reorganisation” below for more details on the Reorganisation.

The origins of our business can be traced to 2001 when Mr. Ng and Mr. Doust jointly conceptualised “CoolMiniOrNot” and founded the website www.coolminiornot.com, which began as an online community website for registered users to upload and vote on pictures of painted miniatures. The website was financed jointly by each of Mr. Ng and Mr. Doust through each of their personal funds.

On 18 September 2009, Mr. Ng and Mr. Doust jointly incorporated CoolMiniOrNot Inc. in the State of Delaware, USA, and held CoolMiniOrNot Inc. in equal shares, with the intention that CoolMiniOrNot Inc. would function as the corporate licensee and distributor of any games developed or owned by Mr. Doust and/or Mr. Ng, as well as the distributor and publisher of other tabletop games developed both in-house and by third parties.

CoolMiniOrNot Inc. published its first licensed board game, *Super Dungeon Explore* in October 2011. Thereafter, CoolMiniOrNot Inc. published and distributed a number of tabletop games including but not limited to *Zombicide*, *Zombicide: Season 2*, *Zombicide: Season 3*, *Kaosball*, *Wrath of Kings*, *XenoShyft: Onslaught*, *Arcadia Quest* and *Rum & Bones*. Please refer to the section headed “Business” in this prospectus for more information on our games.

Following the successful publishing of *Zombicide*, and upon identifying the market opportunity to expand the then existing business of CoolMiniOrNot Inc. (the “**Business**”), in 2012, Mr. Ng and Mr. Doust decided that Mr. Ng would enlist the assistance and expertise of each of the Minority Strategic Shareholders, who each agreed to contribute towards the continuous growth of the Business, with the aim of taking the Business for an initial public offering (“**Proposed Listing**”).

In late 2013, based on the past performance and future prospects of the Business, and in view of the contributions by each of Mr. Doust, Mr. Ng and each of the Minority Strategic Shareholders from 2012 to 2013, the following Verbal Agreements were entered into on 30 November 2013 in order to set out the role and contributions that the respective parties had performed and/or would continue to perform in connection to the Proposed Listing:

- (a) Verbal Agreement between Mr. Doust and Mr. Ng whereby Mr. Doust agreed to, among other things, transfer his interest in the existing business of CoolMiniOrNot Inc. and in the tabletop game entitled *Dark Age* (and all IPs therein) to the group proposed to be formed (“**Proposed Group**”) for the purposes of the Proposed Listing; and continue to provide his expertise, business acumen and contacts to the Proposed Group; in return for a 22.5% stake in the Proposed Group;

HISTORY AND CORPORATE STRUCTURE

- (b) Verbal Agreement between Mr. Preti and Mr. Ng whereby Mr. Preti agreed to continue to contribute his game development expertise and business acumen to the Proposed Group, as well as manage and introduce his contacts and business relationships in the board game industry for the benefit of the Business; in return for a 10.0% stake in the Proposed Group;
- (c) Verbal Agreement between Mr. Lui and Mr. Ng whereby Mr. Lui agreed to continue to provide his expertise in financial consulting and general guidance on fund raising and the Proposed Listing to the Proposed Group, in return for a 5.0% stake in the Proposed Group;
- (d) Verbal Agreement between Maverick⁽¹⁾ (which was represented by Mr. Tan ML) and Mr. Ng whereby Maverick agreed to continue to provide its expertise in the global consumer business, business acumen, contacts and guidance on matters of corporate strategy, introducing government bodies and strategic investors as well as general marketing and business development of the Business; in return for a 5.0% stake in the Proposed Group; and
- (e) Verbal Agreement between Mr. Lee and Mr. Ng whereby Mr. Lee agreed to continue to provide his expertise on IT systems, business acumen and contacts as well as general guidance on information management to the Proposed Group; in return for a 5.0% stake in the Proposed Group.

In consideration of the respective undertakings provided by Mr. Doust and each of the Minority Strategic Shareholders under each of their respective Verbal Agreement, Mr. Ng agreed with Mr. Doust and each of the Minority Strategic Shareholders to, among other things, transfer his interest in existing business of CoolMiniOrNot Inc. as well as his interest in the tabletop game entitled *Zombicide* and any other IPs which he had owned or would own, conceptualise and/or develop to the Proposed Group; and continue to provide his expertise, business acumen and contacts to the Proposed Group; in return for a 52.5% stake in the Proposed Group.

In December 2013, in anticipation of the further expansion of the Business and in order to establish designated and separate functions for each company in our Group, Mr. Ng and Mr. Doust decided to segment and allocate each of the business functions and operations of CoolMiniOrNot Inc. separately to different companies in the Group. To this end, they decided to incorporate CMON SG (for the purposes of ultimately performing the administrative and human resource functions of our Group as well as employment of some of our Group's employees); CMON Productions (for the purposes of holding the relevant IPs of our Group); CMON Global (for the purposes of procuring manufacturing and coordinating the global sales and marketing of our Group) and CMON Inc. (for the purposes of performing our Group's dedicated sales in the USA).

Our Group was formed pursuant to the Reorganisation and as contemplated by and in line with the terms of the Verbal Agreements. On 15 July 2015, the parties to each Verbal Agreement confirmed the terms of their respective Verbal Agreements in writing in the form

¹ Maverick is a limited liability company incorporated in the Republic of Seychelles on 28 October 2005, and is wholly owned by Mr. Tan ML.

HISTORY AND CORPORATE STRUCTURE

of a confirmation letter (each a “**Confirmation Letter**” and collectively the “**Confirmation Letters**”). For more information on the terms of each Verbal Agreement, the Confirmation Letters and the Reorganisation, please see the paragraph headed “Reorganisation” below.

Following the completion of designating and separating the business functions of CoolMiniOrNot Inc. to each company within our Group in July 2015, CoolMiniOrNot Inc. became a dormant company and does not form part of our Group.

In February 2016, we incorporated CMON Conventions for the purpose of representing our Group when we attend or organise game conventions.

Business Milestones

The following table illustrates the key milestones in the development of our business:

2011

October 2011 We published our first board game, *Super Dungeon Explore*, after acquiring the license of the game from Sodapop Miniatures LLC.

2012

June 2012 We published *Zombicide*, a collaborative board game where players take the role of survivors battling a zombie horde. *Zombicide* was our Group’s first Kickstarter project, which successfully attracted 5,258 backers and raised US\$781,597.

2013

We launched a total of four tabletop games in 2013. All of these games were launched on Kickstarter, and successfully attracted an aggregate of 17,060 backers and raised an aggregate of US\$3,912,238.

2014

We launched a total of six board games in 2014. All of these games were launched on Kickstarter, and successfully attracted a total of 27,589 backers and raised an aggregate of US\$4,773,685. *Zombicide: Season 3* was the top tabletop game Kickstarter project by funding and number of backers in 2014.

2015

We launched our board game *Zombicide: Black Plague* on Kickstarter in June 2015, which successfully attracted more than 20,000 backers and raised over US\$4.0 million.

We launched our first mobile game, *XenoShyft (mobile)* on the Apple App Store and Google Play in June 2015.

2016 up to the Latest Practicable Date

We launched a total of four board games on Kickstarter and successfully attracted a total of 43,415 backers and raised an aggregate of US\$5,872,872.

OUR SUBSIDIARIES

Our Subsidiary in Singapore

CMON SG

CMON SG was incorporated in Singapore as a private company limited by shares on 2 January 2014. As at the date of its incorporation, two (2) ordinary shares of S\$1.00 each (“**CMON SG Shares**”) were allotted and issued to Tan Yuh Ling (who is the spouse of Mr. Ng). Pursuant to a deed of declaration of trust dated 2 January 2014 (“**CMON SG Deed**”), Tan Yuh Ling confirmed that she would hold the CMON SG Shares as trustee for and on behalf of Mr. Ng, and deal with the CMON SG Shares (including the exercise of all voting and other rights conferred upon her as holder of the CMON SG Shares) only in such a manner as Mr. Ng may direct from time to time.

As part of the Reorganisation, on 15 July 2015, Tan Yuh Ling (at the instructions of Mr. Ng) transferred the CMON SG Shares to CMON Global as part of the consideration for CMON Holdings issuing 524 new ordinary shares to Mr. Ng. The CMON SG Deed was terminated on the same date and the rights, liabilities and obligations of the parties arising from the CMON SG Deed were extinguished. Upon completion of the aforesaid transfer, the issued share capital of CMON SG, comprising the CMON SG Shares, was wholly-owned by CMON Global; and CMON SG became one of our subsidiaries.

CMON SG currently performs the administrative function and human resource functions of our Group, and employs some of our Group’s employees.

Our Subsidiaries in the USA

CMON Inc.

CMON Inc. was incorporated in the State of Delaware, the USA on 6 October 2014, with an authority to issue a total number of 1,000 shares at no par value.

Pursuant to a stock subscription agreement dated 17 October 2014, CMON Global subscribed for one (1) share in the capital of CMON Inc. at a subscription price of US\$1.00 (“**CMON Inc. Share**”). Upon completion of the aforesaid subscription, the issued share capital of CMON Inc., comprising the CMON Inc. Share, was wholly-owned by CMON Global; and CMON Inc. became one of our subsidiaries.

As part of the Reorganisation, on 18 June 2015, CMON Inc. and CoolMiniOrNot Inc. entered into an asset purchase agreement and bill of sale, pursuant to which CoolMiniOrNot Inc. sold its inventories and certain office equipment to CMON Inc. for a consideration of US\$240,751, which was based on the book value of such inventory and office equipment at that point in time.

Our Group’s dedicated sales and distribution functions in the USA are currently performed by CMON Inc..

HISTORY AND CORPORATE STRUCTURE

CMON Conventions

CMON Conventions was incorporated in the State of Delaware, the USA on 25 February 2016, with an authority to issue a total number of 1,000 shares at no par value.

Pursuant to a stock subscription agreement dated 28 February 2016, CMON Global subscribed for 1,000 shares in the capital of CMON Conventions at a subscription price of US\$1.00 (the “**CMON Conventions Share**”). Upon completion of the aforesaid subscription, the issued share capital of CMON Conventions, comprising the CMON Conventions Share, was wholly-owned by CMON Global and CMON Conventions became one of our subsidiaries.

CMON Conventions represents the Group when we attend or organise game conventions.

Our Subsidiary in the BVI

CMON Productions

CMON Productions was incorporated in the BVI on 11 June 2014, with the authority to issue a maximum of 50,000 shares. At the date of its incorporation, one (1) ordinary share was allotted and issued to CMON Holdings for a consideration of US\$1.00 (“**CMON Productions Share**”).

As part of the Reorganisation, on 15 July 2015, the Company and CMON Holdings entered into a share transfer agreement, pursuant to which the Company agreed to acquire the CMON Productions Share from CMON Holdings for a consideration of US\$1.00. Upon completion of the aforesaid transfer, the issued share capital of CMON Productions, comprising the CMON Productions Share, was wholly-owned by the Company; and CMON Productions became one of our subsidiaries.

CMON Productions holds the IPs of our Group.

Our Subsidiary in the Cayman Islands

CMON Global

CMON Global was incorporated in the Cayman Islands on 18 September 2014, with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of par value of US\$1.00 each. At the time of its incorporation, one (1) ordinary share was allotted and issued to the initial subscriber, Campbells Nominees Limited, for the consideration of US\$1.00. On the same date, the initial subscriber transferred the single ordinary share to Mr. Ng for a consideration of US\$1.00 (“**CMON Global Share**”).

As part of the Reorganisation on 15 July 2015, CMON Productions and Mr. Ng entered into a share transfer agreement, pursuant to which Mr. Ng transferred the CMON Global Share to CMON Productions, as part of the consideration for CMON Holdings

HISTORY AND CORPORATE STRUCTURE

issuing 524 new ordinary shares to Mr. Ng. Upon completion of the said transfer, the issued share capital of CMON Global, comprising the CMON Global Share, was wholly-owned by CMON Productions; and CMON Global became one of our subsidiaries.

CMON Global currently performs the procurement and co-ordination of global sales and marketing functions of our Group.

Our Company

The Company was incorporated in the Cayman Islands on 16 June 2015, with an authorised share capital of HK\$380,000 divided into 7,600,000,000 ordinary Shares of HK\$0.00005 each. At the time of its incorporation, ten thousand (10,000) ordinary Pre-division Shares were allotted and issued to CMON Holdings, which was then 50% held by each of Mr. Ng and Mr. Doust, for the consideration of HK\$1.00.

Investment by Magic Carpet

Overview

On 17 June 2014, CMON Holdings, Mr. Ng, Mr. Doust and Magic Carpet entered into the Investment Agreement and Bond Instrument relating to an aggregate principal amount of at least US\$5,000,000 and not more than US\$10,000,000 redeemable Convertible Bonds to be issued by CMON Holdings and subscribed by Magic Carpet. Pursuant to the Investment Agreement, as at 31 January 2015, CMON Holdings issued a principal amount of US\$5.3 million redeemable Convertible Bonds to Magic Carpet. On 15 July 2015, CMON Holdings, Mr. Doust, Mr. Ng and Magic Carpet entered into the Supplemental Agreement whereby, among other things, parties agreed that any relevant special rights provided to any party in accordance with the Investment Agreement and the Bond Instrument would cease effect upon Listing.

Background of Magic Carpet

Magic Carpet is a company incorporated in the Cayman Islands and is a private equity investment fund managed by Quantum Asset Management Pte. Ltd. on a fully discretionary basis. Quantum Asset Management Pte. Ltd. is a registered fund management company under the Monetary Authority of Singapore, and holds the only issued ordinary share of Magic Carpet. The preference shares in the capital of Magic Carpet are held by several high net worth investors. Mr. Chua, our non-executive Director, beneficially owns approximately 99.99% of the issued share capital of Quantum Asset Management Pte. Ltd. Magic Carpet will be a substantial shareholder upon Listing. Our Directors confirm that prior to the Investment Agreement, each of Magic Carpet, Quantum Asset Management Pte. Ltd. and Mr. Chua was an Independent Third Party. Our Directors are of the view that the investment from Magic Carpet would enlarge the capital base and shareholders' base of the Company.

HISTORY AND CORPORATE STRUCTURE

Principal terms of the Investment Agreement

Date of Investment Agreement	Holder of the Convertible Bonds	Aggregate principal amount of Convertible Bonds issued	Issuance date of the Convertible Bonds	Number and approximate percentage of shareholding upon full conversion of the Convertible Bonds issued and the transfer of Shares from existing Shareholders prior to the Placing	Cost per Share	Discount to the IPO price
17 June 2014	Magic Carpet	US\$5,300,000	31 January 2015	339,669,232 Shares, or, approximately 22.64% of the issued share capital of the Company	HK\$0.12	47.8%

The terms of the Investment Agreement and the Bond Instrument were arrived at after arm's length negotiation between Magic Carpet, Mr. Ng and Mr. Doust. The summary of the principal terms of the Investment Agreement and the Bond Instrument, as amended and varied by the Supplemental Agreement, is as follows:

Redemption Interest Rate : 12% per annum for the initial 12 months commencing from the date of issuance of the Convertible Bonds and 18% per annum for any extension period thereafter

Redemption : Repayment of interest and the principal amount of the Convertible Bonds is payable in the following manner:

- (a) in the event that (i) the Company fails to qualify for the Listing for any reason whatsoever within 12 months from the issuance date (or any other extended period of up to 6 months as may be agreed by Magic Carpet); or (ii) the Company fails to achieve a net profit after tax in the financial year ended 31 December 2014 of US\$4,000,000 or above, and upon CMON Holdings having duly received a redemption notice in accordance with the Investment Agreement, CMON Holdings shall pay to Magic Carpet interest at the rate of 12% per annum on the full principal amount for the initial 12 months period, and further interest at the rate of 18% per annum on the full principal amount for any extension period beyond the initial 12 months; and

HISTORY AND CORPORATE STRUCTURE

- (b) in the event that (i) the Company qualifies for the Listing as determined by the Sole Sponsor but chooses not to proceed with the Listing; (ii) there is a breach of any of the terms, conditions, warranties, representations or covenants in the Investment Agreement by any of CMON Holdings, Mr. Ng, or Mr. Doust; or (iii) the occurrence of any event of default, and upon CMON Holdings having duly received a redemption notice in accordance with the Investment Agreement, CMON Holdings shall pay to Magic Carpet interest at the rate of 12% per annum on the full principal amount for the initial 12 months period, and further interest at the rate of 18% per annum on the full principal amount for any extension period beyond the initial 12 months; and additional compensation costs at the annual rate of 30% per annum on the full principal amount.

Magic Carpet has, on 19 May 2016 confirmed to CMON Holdings that it shall not, from 1 January 2015 and up to (a) 31 December 2016; (b) the date on which the Company's application for the Listing is withdrawn or rejected; or (c) the date of the Listing (whichever is earlier), exercise its redemption rights pursuant to the Investment Agreement (as amended and varied by the Supplemental Agreement).

- Aggregate Principal Amount** : US\$5.0 million to US\$10.0 million
- Final Maturity Date** : The date falling 12 months commencing from the date of issuance of the Convertible Bonds, subject to an extension of a further six months at the discretion of the bondholder
- Transferability** : The bondholder may assign or transfer any of its rights and/or obligations under the Investment Agreement to any of its related companies, subject to written notification being provided to CMON Holdings no later than five Business Days after the date of such assignment or transfer. CMON Holdings may only assign or transfer any of its rights and/or obligations under the Investment Agreement with the prior written consent of the bondholder (such consent not to be unreasonably withheld)

HISTORY AND CORPORATE STRUCTURE

Conversion : CMON Holdings shall, as soon as practicable after the Company receives approval for the Listing, and in any case no later than the Listing Date, exchange the aggregate principal amount of Convertible Bonds for fully paid Shares (equivalent to approximately 20.38% of the issued share capital of the Company immediately prior to the Placing)

$$X = \frac{\text{Aggregate Consideration}}{\text{US\$26 million}} \times 100\%$$

Where:

X means the % of Shares immediately prior to the Placing in the issued share capital of the Company to be transferred by CMON Holdings to Magic Carpet.

Special Rights : *Information rights*

CMON Holdings undertakes to notify Magic Carpet in writing of all material litigation, arbitration or administrative proceedings to which any company in the Group is or may become a party, in whatever capacity, as well as any court orders issued or pending against any company of the Group or any part of its or their assets.

CMON Holdings undertakes to notify Magic Carpet in writing of any event or change which has a material adverse effect on the Group which is likely to have a substantial effect on the Group's profits or business, such as a strike, lock-out, lay-off, suspension of work, revocation of licences, permits, consents or certificates or any other events likely to materially affect the Group's business or operations, and of any litigation, arbitration or administrative proceedings being threatened or initiated against the Group which is likely to affect materially and adversely the financial condition of the Group.

In the event CMON Holdings becomes aware of an event of default (as described below) or potential event of default, CMON Holdings shall notify Magic Carpet in writing and provide full details of any steps which CMON Holdings is taking or considering taking in order to remedy or mitigate the event of default.

No more favourable terms

CMON Holdings may only undertake one subsequent round of fund raising from other investors for an aggregate value up to US\$10 million, provided always that such subsequent fund raising shall be completed within 365 calendar days from the completion of the subscription of the Convertible Bonds and shall be on terms not more favourable than those provided under the Investment Agreement to Magic Carpet.

Any other fund raising shall only be allowed with the written consent of Magic Carpet, who shall have the right of first refusal for such fund raising. In the event CMON Holdings obtains any other funding on terms more favourable than the Investment Agreement, Magic Carpet shall be entitled to participate in such funding on such terms as investors, and CMON Holdings shall amend the terms of the Investment Agreement to include such more favourable terms.

Director nomination rights

Magic Carpet shall be entitled to appoint one director on the board of CMON Holdings.

Prior Consent

Save with the prior written consent of Magic Carpet, each company in the Group shall not:

- (i) change the objects and the scope of its core business, suspend any part of its present business operations or change its business direction;
- (ii) amend or alter any provisions in its memorandum and articles of association and/or by-laws or other constitutional documents, which may materially affect the transactions contemplated under the Investment Agreement;

HISTORY AND CORPORATE STRUCTURE

- (iii) effect any form of reconstruction or amalgamation by way of a scheme of arrangement (or otherwise) or approve, permit or suffer any change of ownership or transfer of any part of its issued share capital or effect any change in its shareholdings or issue or allot any further shares or obligations convertible into shares, whether fully paid or otherwise, or dispose of its substantial business undertakings;
- (iv) sell, transfer or dispose of a material part of its properties or assets, or increase its bank borrowings materially;
- (v) grant loans, advances or other credit facilities to any person or party, nor issue or give guarantees for the account of any person or party or otherwise become contingently liable for or in connection with the obligations or indebtedness of any person or party, save for advances or facilities to be granted by the relevant company in the Group in its ordinary course of business to any other corporation in which the relevant company in the Group has an equity stake (direct or indirect) of more than 20% at the time the loans, advances or credit facilities are made;
- (vi) pay dividends or make any other distribution (whether in kind or in specie);
- (vii) transfer any of its technology, patents, service marks, domain names or any other intangible assets to any third parties not within the Group;
- (viii) take any action in connection with the dissolution, liquidation, or winding up of any entity in the Group;
- (ix) redeem or repurchase any of its capital;
- (x) satisfy or discharge any indebtedness, or make payment of any obligation, other than in the ordinary course of business; and

HISTORY AND CORPORATE STRUCTURE

- (xi) (for so long as any part of the Convertible Bonds remain unredeemed), make any investment in any company, business or undertaking or enter into any investment, acquisition or subscription agreement for the same where the aggregate amount of such investment exceeds 10% of the Group's consolidated or combined net tangible assets.

Tag-along rights

In the event that the Convertible Bonds have been duly exchanged for Shares, and Mr. Ng and/or Mr. Doust desire to sell their Shares to a third party, Magic Carpet shall be granted the right to tag along to such sale, and the third party purchaser shall agree to acquire, on a pro-rata basis, the Shares held by Magic Carpet, on terms that are no less favourable than those in relation to the sale by Mr. Ng and/or Mr. Doust, but without prejudice to any other rights that Magic Carpet may have under the Investment Agreement. In the event the third party purchaser does not agree to such tag along rights for Magic Carpet, Mr. Ng and/or Mr. Doust shall not be permitted to sell their Shares to the third party purchaser.

Anti-dilution

Upon the issue of any new Shares to any person other than Magic Carpet, CMON Holdings shall transfer or shall transfer to be procured to Magic Carpet, at the same time as any new Shares are issued, such number of Shares so that at all times prior to the Placing, Magic Carpet's proportionate shareholding in the Company shall be maintained at no less than X% (calculated in accordance with the term headed "Conversion" in this paragraph) of the share capital of the Company prior to the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme).

HISTORY AND CORPORATE STRUCTURE

Adjustment Mechanism

In the event that the Company achieves a net profit after tax in the financial year ended 31 December 2014 of lower than US\$4,000,000, for the purposes of calculating the number of Shares to be exchanged for the Convertible Bonds, CMON Holdings shall, if Magic Carpet chooses, procure that the then shareholders of the Company (other than Magic Carpet) transfer Shares to Magic Carpet based on the following formula in their respective proportions (the “**Adjustment Mechanism**”):

$$\frac{\text{US\$4,000,000} - \text{actual reported profit}}{\text{US\$4,000,000}} \times 100\% \times 0.5$$

Provided that such additional Shares shall not exceed 2.26% of the issued share capital of the Company prior to the Placing.

Put Option

If the Listing does not take place for any reason whatsoever within three (3) months from the date falling twelve (12) months from the date of issuance of the Convertible Bonds, Magic Carpet may require Mr. Ng and Mr. Doust (on a pro-rata basis) to purchase from Magic Carpet all of the Shares held by Magic Carpet arising from the conversion of the Convertible Bonds.

Magic Carpet has, on 19 May 2016, confirmed to CMON Holdings that it shall not, from 1 January 2015 and up to (a) 31 December 2016; (b) the date on which the Company’s application for the Listing is withdrawn or rejected; or (c) the date of the Listing (whichever is earlier), exercise its put option right pursuant to the Investment Agreement (as amended and varied by the Supplemental Agreement).

Save for the tag-along rights, all special rights will be terminated upon Listing.

Early Redemption

: There shall not be any early redemption by CMON Holdings of any part of the Convertible Bonds prior to the Listing unless prior written consent from Magic Carpet is obtained.

HISTORY AND CORPORATE STRUCTURE

Events of Default : The events of default in the Investment Agreement include (among others) the following:

- (a) any of the parties to the Investment Agreement or the Group breaching or not performing any of their representations, warranties, undertakings or obligations or any conditions under the Investment Agreement or any documents entered pursuant to, or in accordance with, the transactions contemplated under the Investment Agreement (the “**Transaction Documents**”) and, if such breach is capable of remedy, it is not remedied within thirty (30) calendar days of the breach;
- (b) any company of the Group ceasing to carry or threatening to cease carrying on the whole of substantially the whole of its business;
- (c) any legal proceedings, suits or action of any kind whatsoever (whether civil or criminal) is instituted against any company of the Group which materially and adversely affects its ability to perform its payment obligations, or any company of the Group’s material obligations, under any Transaction Document; and
- (d) the occurrence of any event or series of events which have or is reasonably likely to have a material adverse effect on the ability of any company in the Group to perform its payment obligations or any other material obligations, under any Transaction Document.

Lock-up period : There is no lock-up period for the Shares exchanged pursuant to conversion of the Convertible Bonds.

Use of Proceeds

The proceeds derived from the issue of the Convertible Bonds were used for (i) the Group’s acquisition of IPs; (ii) the exploration of licensing opportunities; and (iii) expansion and general working capital purposes. As at the Latest Practicable Date, the Convertible Bond proceeds have been fully utilised.

HISTORY AND CORPORATE STRUCTURE

Completion of investment by Magic Carpet

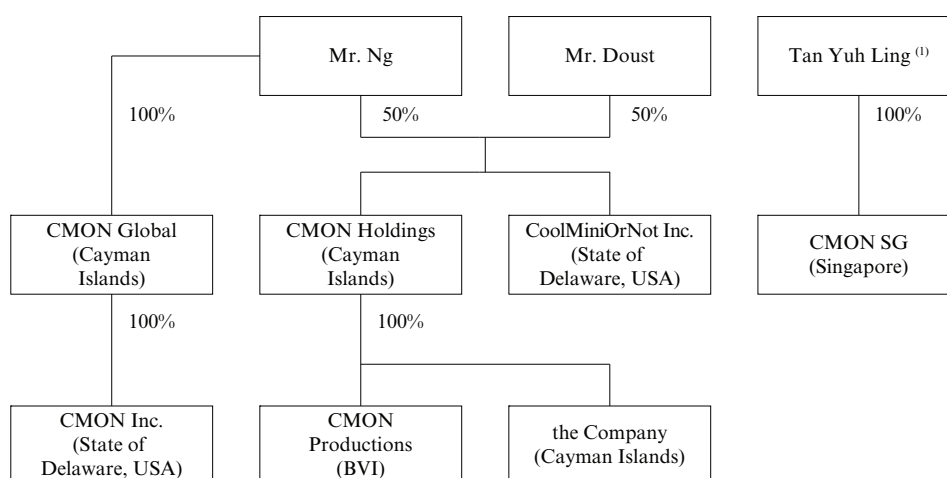
The investment by Magic Carpet has been completed on 31 January 2015 and the entire funds from Magic Carpet have been irrevocably settled and received by our Group 28 clear days before the date of submission of the application for Listing.

Sponsor's Confirmation

The Sole Sponsor is not aware of any terms of the investment by Magic Carpet which are not in compliance with Guidance Letters HKEx-GL43-12 and HKEx-GL44-12, and is of the view that the investment by Magic Carpet is in compliance with the Interim Guidance on pre-IPO investments announced by the Listing Committee on 13 October 2010 (as amended) and Guidance Letters HKEx-GL43-12 and HKEx-GL44-12.

Corporate Structure

The shareholding and corporate structure of the Group prior to the Reorganisation is set out as below:



Notes:

- (1) Ms. Tan Yuh Ling is the spouse of Mr. Ng and was holding the entire issued share capital of CMON SG as trustee for and on behalf of Mr. Ng.

Reorganisation

Issuance of shares pursuant to the Verbal Agreements

On 16 July 2015, Mr. Ng transferred one ordinary share of CMON Holdings (representing Mr. Ng's entire interest in CMON Holdings) to CA SPV for a consideration of US\$0.10. On the same date, Mr. Doust transferred one ordinary share of CMON Holdings (representing Mr. Doust's entire interest in CMON Holdings) to DD SPV for a consideration of US\$0.10. Pursuant to the terms of each of the Verbal Agreements (which were confirmed in writing in the form of the respective Confirmation Letters), each of CA SPV (being Mr. Ng's nominee), DD SPV (being Mr. Doust's nominee), DP SPV (being Mr.

HISTORY AND CORPORATE STRUCTURE

Preti's nominee), LTK SPV (being Mr. Lui's nominee), Maverick and LN SPV (being Mr. Lee's nominee) entered into separate subscription letters all dated 16 July 2015 with CMON Holdings. Pursuant to the terms of the respective subscription letters and in consideration of the performance by each of the parties of his/its respective obligations under the respective Confirmation Letters, CMON Holdings:

- (a) issued 524 new ordinary shares to CA SPV (being Mr. Ng's nominee) at an aggregate issue price of US\$52.40 ("**CA's Holding Shares**"), representing 52.4% of the enlarged share capital of CMON Holdings in consideration for Mr. Ng (i) transferring his interest in the existing business of CoolMiniOrNot Inc. to the Group; (ii) procuring the transfer of the CMON SG Shares from Tan Yuh Ling to CMON GLOBAL; (iii) transferring the CMON Global Share to CMON Productions; (iv) procuring the transfer of the CMON Productions Share from CMON Holdings to the Company; (v) assigning his contractual rights (arising from the termination of licensing agreements previously entered into with CoolMiniOrNot Inc. and CMON SG) to CMON Inc.; (vi) procuring the novation of all the rights, interests and obligations of CoolMiniOrNot Inc. in relation to agreements to which CoolMiniOrNot Inc. is a party concerning the business of CoolMiniOrNot to the Group; (vii) transferring his interest and ownership in the relevant websites held by him to CMON Productions; (viii) novating all of his rights, interests and obligations in relation to the tabletop game entitled *Zombicide* (and all IPs therein which he had acquired from Guillotine Games in January 2012) as well as the IPs of *Wrath of Kings*, *XenoShyft: Onslaught*, *Rum & Bones*, *Kaosball*, *Dogs of War*, *Arcadia Quest* (which he had created, conceptualised and developed) to the Group; and (ix) providing his expertise, business acumen and contacts to the Group;
- (b) issued 224 new ordinary shares to DD SPV (being Mr. Doust's nominee) at an aggregate issue price of US\$22.40, representing 22.4% of the enlarged share capital of CMON Holdings in consideration for Mr. Doust (i) transferring his interest in the existing business of CoolMiniOrNot Inc. to the Group; (ii) procuring the transfer of the CMON Productions Share from CMON Holdings to the Company; (iii) assigning his contractual rights (arising from the termination of licensing agreements previously entered into with CoolMiniOrNot Inc.) to CMON Inc.; (iv) procuring the novation of all the rights, interests and obligations of CoolMiniOrNot Inc. in relation to agreements to which CoolMiniOrNot Inc. is a party concerning the business of CoolMiniOrNot to the Group; (v) transferring his interest and ownership in the intellectual property rights in connection to the tabletop game entitled *Dark Age* (and all IPs therein) to the Group; and (vi) providing his expertise, business acumen and contacts to the Group.
- (c) issued 100 new ordinary shares to DP SPV (being Mr. Preti's nominee) at an aggregate issue price of US\$10, representing 10.0% of the enlarged share capital of CMON Holdings in consideration for the services he had already fully rendered by 30 November 2013 (such services including providing his game development

HISTORY AND CORPORATE STRUCTURE

expertise, business acumen and contacts in the board games industry, introducing distribution partners and management of such relationships as well as procuring new sales avenues for the Group);

- (d) issued 50 new ordinary shares to LTK SPV (being Mr. Lui's nominee) at an aggregate issue price of US\$5, representing 5.0% of the enlarged share capital of CMON Holdings in consideration for the services he had already fully rendered by 30 November 2013 (such services including providing his expertise in financial consulting, guidance on the Proposed Listing, introduction of suitable venture capital partners or investors as well as securing the necessary funding for the expenses in relation to the Listing);
- (e) issued 50 new ordinary shares to Maverick at an aggregate issue price of US\$5, representing 5.0% of the enlarged share capital of CMON Holdings in consideration for the services Maverick had already fully rendered by 30 November 2013 (such services include providing its expertise in the global consumer business, business acumen, contacts and guidance on matters of corporate strategy, introducing government bodies and strategic investors as well as general marketing and business development of the business of the Group); and
- (f) issued 50 new ordinary shares to LN SPV (being Mr. Lee's nominee) at an aggregate issue price of US\$5, representing 5.0% of the enlarged share capital of CMON Holdings in consideration for the services he had already fully rendered by 30 November 2013 (such services including providing his expertise on IT systems and infrastructure, business acumen and contacts as well as providing general guidance on information management to the Group).

For the avoidance of doubt, the interests granted to each party under the relevant Verbal Agreement (as confirmed in writing by the respective Confirmation Letter) vest immediately and unconditionally as at the date of the relevant Verbal Agreement, without any conditions for further period of services or incurring additional obligations on the respective party or his/its nominees.

Special Right

No special right has been granted to any of the Minority Strategic Shareholders.

Formation of the Group

- (a) On 15 July 2015, the Company and CMON Holdings entered into a share transfer agreement, pursuant to which the Company agreed to acquire the CMON Productions Share from CMON Holdings for a consideration of US\$1.00. Upon completion of the aforesaid transfer, the entire issued share capital of CMON Productions, comprising one (1) share, was legally and beneficially owned by the Company.

HISTORY AND CORPORATE STRUCTURE

- (b) On 15 July 2015, CMON Productions and Mr. Ng entered into a share transfer agreement, pursuant to which Mr. Ng transferred the CMON Global Share to CMON Productions, as part of the consideration for the issue of the CA's Holdings Shares. Upon completion of the said transfer, the entire issued share capital of CMON Global, comprising one (1) share, was wholly-owned by CMON Productions.
- (c) On 15 July 2015, the nominee arrangement whereby Tan Yuh Ling was holding shares in and acting as nominee director of CMON SG for Mr. Ng was terminated, and Mr. Ng procured the transfer of the CMON SG Shares to CMON Global, as part of the consideration for the issue of the CA's Holdings Shares. Upon completion of the said transfer, the entire issued share capital of CMON SG, comprising two (2) shares, was wholly-owned by CMON Global.

Assignment of debt and capitalisation

In accordance with the terms of Investment Agreement and the Bond Instrument, as of 31 January 2015, Magic Carpet had irrevocably disbursed an aggregate of (a) US\$3.0 million to CMON SG, at the instructions of CMON Holdings (the “**CMON SG Debt**”) and (b) US\$2.3 million to CMON Global, at the instruction of CMON Holdings (the “**CMON Global Debt**”).

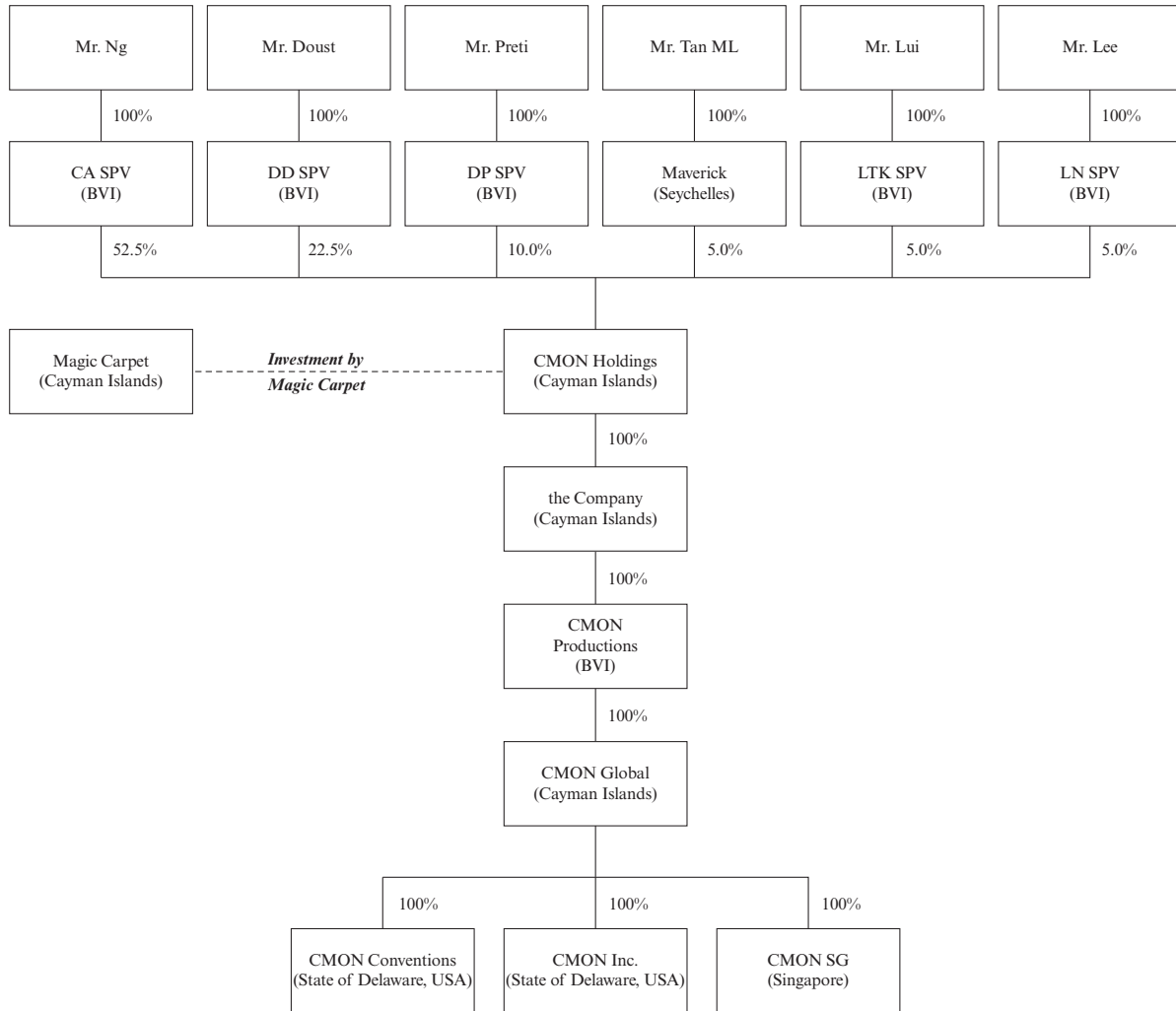
On 16 July 2015, CMON SG, CMON Global, the Company and CMON Holdings entered into two separate deeds of assignment of debt and capitalisation (“**Deeds of Assignment of Debt**”) pursuant to which, among other things:

- (a) CMON Holdings assigned all of CMON Holding's beneficial rights, interests, title and benefits in the CMON SG Debt to the Company in consideration for the Company's allotment and issuance of 424,522,642 new Pre-division Shares to CMON Holdings credited as fully paid upon issuance (the “**CMON SG Capitalisation Shares**”), and CMON Holdings, CMON SG and the Company agreed that the consideration for the assignment of all of CMON Holding's beneficial rights, interests, title and benefits in the CMON SG Debt shall be wholly satisfied by the Company allotting and issuing the CMON SG Capitalisation Shares to CMON Holdings; and
- (b) CMON Holdings assigned all of CMON Holding's beneficial rights, interests, title and benefits in the CMON Global Debt to the Company in consideration for the Company's allotment and issuance of 325,467,358 new Pre-division Shares to CMON Holdings credited as fully paid upon issuance (the “**CMON Global Capitalisation Shares**”), and CMON Holdings, CMON Global and the Company agreed that the consideration for the assignment of all of CMON Holding's beneficial rights, interests, title and benefits in the CMON Global Debt shall be wholly satisfied by the Company allotting and issuing the CMON Global Capitalisation Shares to CMON Holdings.

HISTORY AND CORPORATE STRUCTURE

Pursuant to the completion of the Deeds of Assignment of Debt, and the issue of both the CMON SG Capitalisation Shares and the CMON Global Capitalisation Shares, the entire issued share capital of the Company (comprising 750,000,000 Pre-division Shares) was held by CMON Holdings.

The shareholding and corporate structure of the Group after the Reorganisation but before the repurchase of shares by CMON Holdings, the completion of the full conversion of the Convertible Bonds and the exercise of the Adjustment Mechanism is set out as below:



HISTORY AND CORPORATE STRUCTURE

Sub-division of shares of the Company

On 31 October 2016, each of the issued and unissued Pre-division Shares of the Company of nominal value of HK\$0.0001 were sub-divided into two Shares of HK\$0.00005 each resulting in an authorised share capital of HK\$380,000 divided into 7,600,000,000 Shares of nominal value of HK\$0.00005 each, of which 1,500,000,000 Shares were issued to CMON Holdings.

Repurchase of shares by CMON Holdings from the shareholders of CMON Holdings

Prior to the Listing, on 14 November 2016, CMON Holdings repurchased an aggregate of 1,000 ordinary shares in the capital of CMON Holdings from each of CA SPV, DD SPV, DP SPV, Maverick, LTK SPV and LN SPV. The consideration for the repurchase was satisfied by the transfer by CMON Holdings of an aggregate of 1,194,230,768 Shares to each of CA SPV, DD SPV, DP SPV, Maverick, LTK SPV and LN SPV (in their respective proportions) (the “**Repurchase Exercise**”). Details of the Repurchase Exercise are as follows:

- (a) On 14 November 2016, CMON Holdings repurchased 525 ordinary shares of CMON Holdings from CA SPV (representing 52.5% of the issued share capital of CMON Holdings), in consideration for CMON Holdings transferring 626,971,154 existing Shares held by CMON Holdings to CA SPV (representing 41.80% of the then issued share capital of the Company following completion of the Repurchase Exercise). On the same date as and immediately prior to the Repurchase Exercise, CA SPV subscribed for one ordinary share in the capital of CMON Holdings for the consideration of US\$0.10;
- (b) On 14 November 2016, CMON Holdings repurchased 225 ordinary shares of CMON Holdings from DD SPV (representing 22.5% of the issued share capital of CMON Holdings), in consideration for CMON Holdings transferring 268,701,924 existing Shares held by CMON Holdings to DD SPV (representing 17.91% of the then issued share capital of the Company following completion of the Repurchase Exercise);
- (c) On 14 November 2016, CMON Holdings repurchased 100 ordinary shares of CMON Holdings from DP SPV (representing 10.0% of the issued share capital of CMON Holdings), in consideration for CMON Holdings transferring 119,423,076 existing Shares held by CMON Holdings to DP SPV (representing 7.96% of the then issued share capital of the Company following completion of the Repurchase Exercise);
- (d) On 14 November 2016, CMON Holdings repurchased 50 ordinary shares of CMON Holdings from LTK SPV (representing 5.0% of the issued share capital of CMON Holdings), in consideration for CMON Holdings transferring 59,711,538 existing Shares held by CMON Holdings to LTK SPV (representing 3.98% of the then issued share capital of the Company following completion of the Repurchase Exercise);

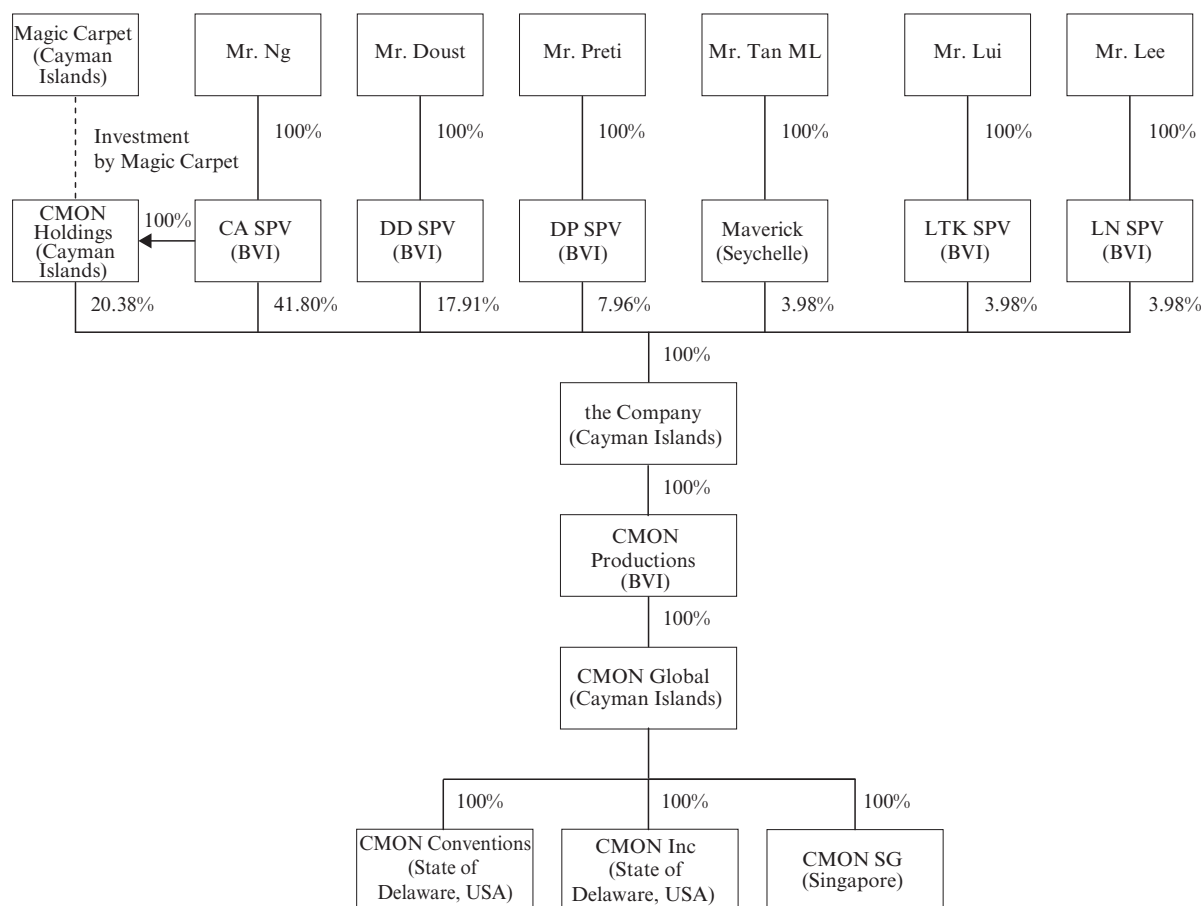
HISTORY AND CORPORATE STRUCTURE

- (e) On 14 November 2016, CMON Holdings repurchased 50 ordinary shares of CMON Holdings from Maverick (representing 5.0% of the issued share capital of CMON Holdings), in consideration for CMON Holdings transferring 59,711,538 existing Shares held by CMON Holdings to Maverick (representing 3.98% of the then issued share capital of the Company following completion of the Repurchase Exercise); and
- (f) On 14 November 2016, CMON Holdings repurchased 50 ordinary shares of CMON Holdings from LN SPV (representing 5.0% of the issued share capital of CMON Holdings), in consideration for CMON Holdings transferring 59,711,538 existing Shares held by CMON Holdings to LN SPV (representing 3.98% of the then issued share capital of the Company following completion of the Repurchase Exercise).

The Shares that were transferred to LTK SPV, Maverick and LN SPV in conjunction with the Repurchase Exercise (for the consideration as set out above) will be considered as part of the public float in accordance with Rule 11.23 of the GEM Listing Rules. Mr. Preti, the 100% beneficially and legal owner of DP SPV, is our creative director. However, Mr. Preti is not a Director, chief executive or substantial Shareholder nor is he a close associate of any of our chief executive, Director or substantial Shareholder. His interest in the Shares was financed by him contributing his game development expertise and business acumen to the Proposed Group, as well as managing and introducing his contacts and business relationships in the board game industry for the benefit of the Business. Accordingly, the Shares held by DP SPV will also be considered as public (as defined in the GEM Listing Rules) as at the time of the Listing. The Shares held or to be held by Mr. Preti or DP SPV will be subject to a lock-up period of one year after the Listing, and the Shares held or to be held by Magic Carpet, Maverick, Mr. Lui or LTK SPV, and Mr. Lee or LN SPV will be subject to a lock-up period of six months after the Listing.

HISTORY AND CORPORATE STRUCTURE

The shareholding and corporate structure of the Group after the Reorganisation but before completion of the full conversion of the Convertible Bonds and the exercise of the Adjustment Mechanism is set out as below:



Conversion of the Convertible Bonds

Prior to the Listing, on 14 November 2016, in accordance with the terms of the Investment Agreement and Bond Instrument (both as amended by the Supplemental Agreement), the Convertible Bonds have been converted by Magic Carpet in exchange for the transfer of 305,769,232 Shares held by CMON Holdings to Magic Carpet which represents 20.38% of the entire issued share capital of the Company prior to the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), ranking pari passu with the Shares in issue at that date.

Exercise of the Adjustment Mechanism by Magic Carpet

Pursuant to the Adjustment Mechanism, in the event our Group does not achieve a net profit after tax of US\$4.0 million as at 31 December 2014 (“**Profit Target**”), Magic Carpet shall be entitled to receive additional Shares (not exceeding 2.26% of the total number of issued Shares on a pre-IPO basis) through Magic Carpet’s exercise of the Adjustment

HISTORY AND CORPORATE STRUCTURE

Mechanism. Such Shares are to be transferred from the then existing shareholders of the Company (other than Magic Carpet) to Magic Carpet (in their respective proportions and based on the terms of the Adjustment Mechanism).

Pursuant to the Adjustment Mechanism, on 14 November 2016, the existing shareholders of the Company (other than Magic Carpet) transferred an aggregate of 33,900,000 Shares to Magic Carpet (in their respective proportions) as follows:

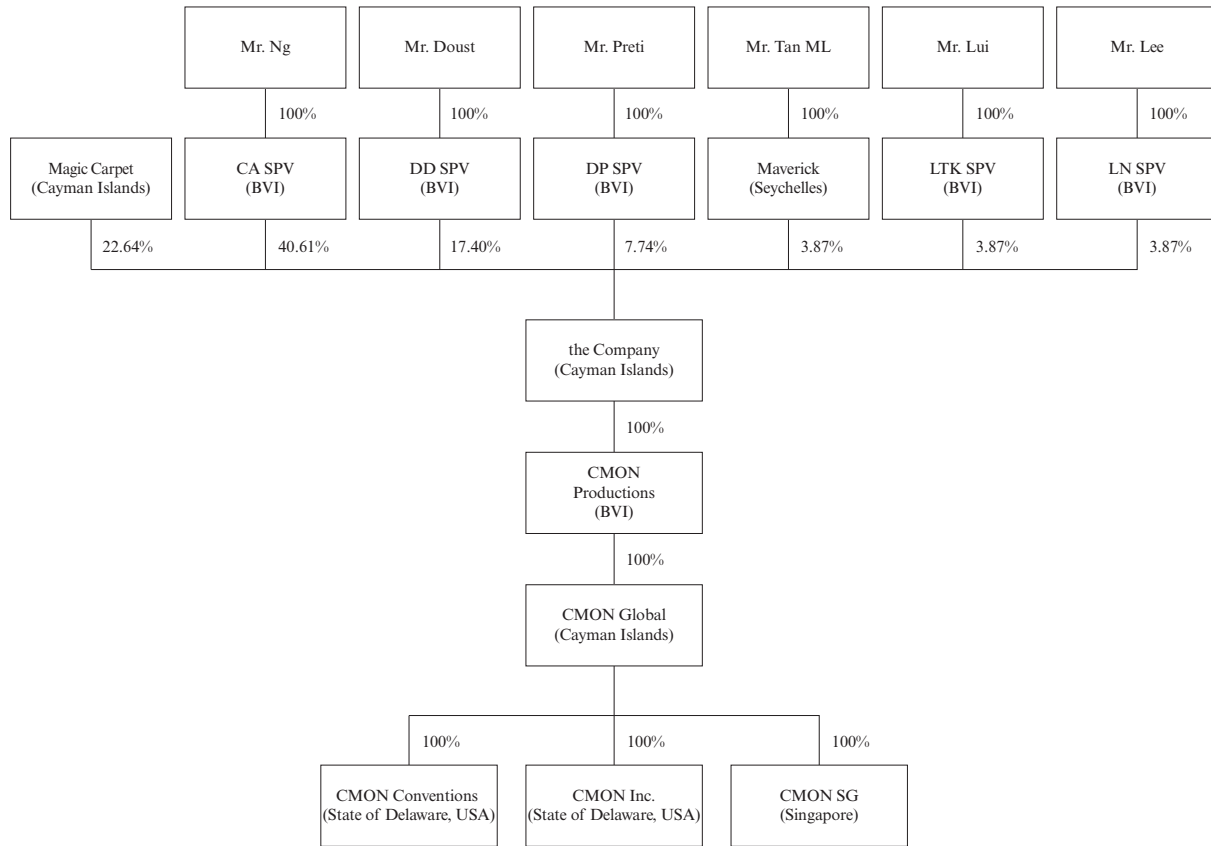
- (a) CA SPV transferred 17,797,500 Shares to Magic Carpet;
- (b) DD SPV transferred 7,627,500 Shares to Magic Carpet;
- (c) DP SPV transferred 3,390,000 Shares to Magic Carpet;
- (d) LTK SPV transferred 1,695,000 Shares to Magic Carpet;
- (e) Maverick transferred 1,695,000 Shares to Magic Carpet; and
- (f) LN SPV transferred 1,695,000 Shares to Magic Carpet

(collectively, the “**Adjustment Mechanism Share Transfers**”).

Upon completion of the Adjustment Mechanism Share Transfers, Magic Carpet held an aggregate of 339,669,232 Shares, which represents 22.64% of the entire issued share capital of the Company prior to the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme).

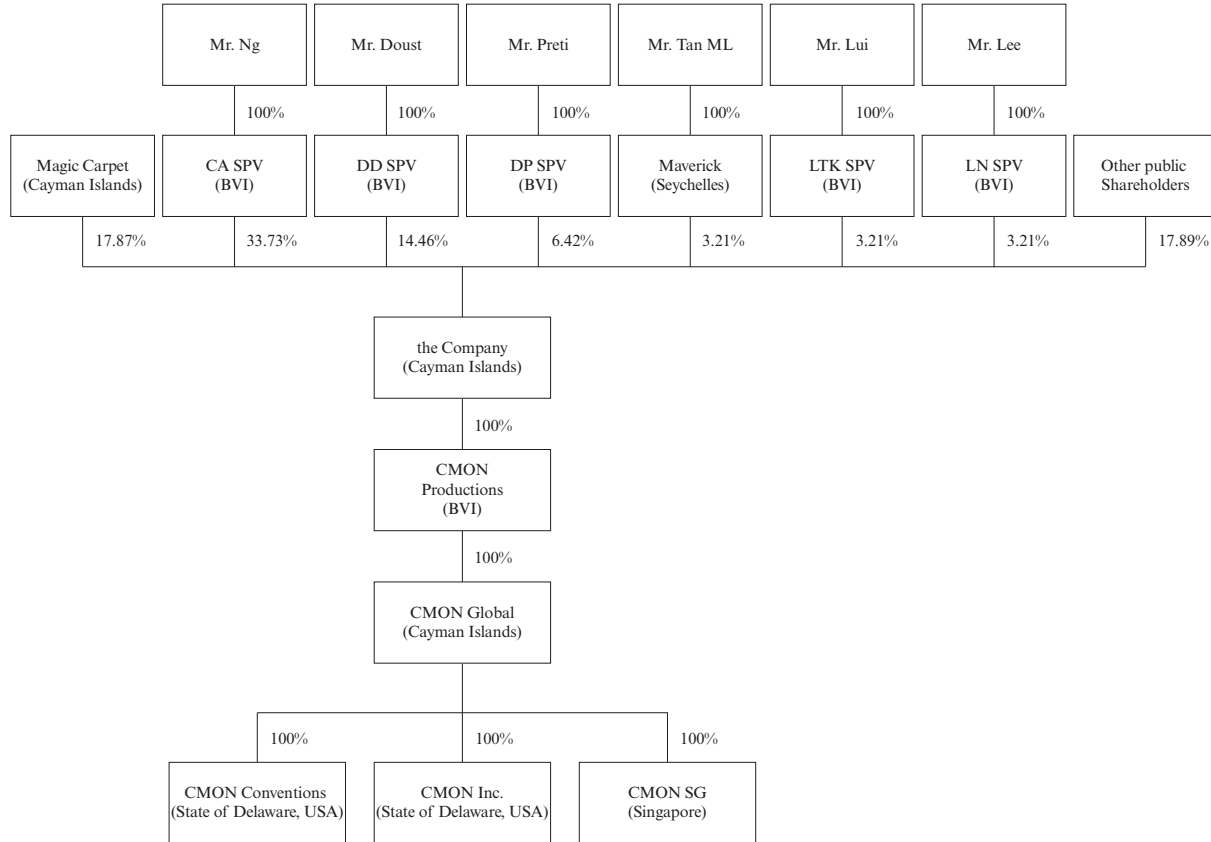
HISTORY AND CORPORATE STRUCTURE

The shareholding and corporate structure of the Group after the Reorganisation and immediately after completion of the full conversion of the Convertible Bonds and the exercise of the Adjustment Mechanism is set out as below:



HISTORY AND CORPORATE STRUCTURE

The shareholding and corporate structure of the Group immediately following the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme) is as follows:



⁽¹⁾ Shares held by Maverick, LTK SPV, LN SPV and other public Shareholders will be considered as public (as defined in the GEM Listing Rules) at the time of Listing. Mr. Preti, the 100% beneficially and legal owner of DP SPV, is our creative director. However, Mr. Preti is not a Director, chief executive or substantial Shareholder nor is he a close associate of any of our chief executive, Director or substantial Shareholder. His interest in the Shares was financed by him contributing his game development expertise and business acumen to the Proposed Group, as well as managing and introducing his contacts and business relationships in the board game industry for the benefit of the Business. Accordingly, the Shares held by DP SPV will also be considered as public (as defined in the GEM Listing Rules) as at the time of the Listing.

OVERVIEW

We are a fast growing hobby games publisher specialising in developing and publishing mainly tabletop games (including board games and miniature war games). Since our establishment, we had offered a total of 43 games, comprising 39 board games, three miniature war games and one mobile game. As at the Latest Practicable Date, we had a portfolio of 40 games.

We publish both self-owned games and licensed games. Self-owned games refer to games whose IP rights are developed in-house or transferred by our Controlling Shareholders or acquired from third parties. Licensed games are games whose IP rights are licensed from third party game developers under licensing agreements and games with Brand IPs being licensed from third parties but developed by us. A majority of our tabletop games are launched through Kickstarter, an internet based crowd funding platform for creative projects, where project creators may raise funds to complete a project. Through Kickstarter, we believe we create an initial awareness and publicity for our games and with each successful release, our fan base grows, which we can tap on for subsequent releases. On top of our self-owned and licensed tabletop games, we also distribute third-party tabletop games.

Our tabletop games are sold to mainly North America (including the USA and Canada) and Europe (including France, Germany, the UK and Spain). We sell our tabletop games mainly through Kickstarter and wholesalers. We also sell directly to end-users through our own online store and at game conventions.

The idea of each new game is normally initiated by our management, based on their market acumen and research. The management also sources for potential licensing opportunities with third party game developers. For our self-developed games including these licensed games under Brand IPs, external third party creatives are engaged to design our games and develop the IP art assets of the games. For all the tabletop games that are not developed by us, we engage external third party creatives to develop, modify and/or fine tune the IP art assets of the games. We outsource all the production to Supply Chain Managers who are responsible for the entire production process of our tabletop games according to our requirements while we focus on production planning and oversight. For mobile games, our mobile apps development team, together with our management, is responsible for developing and testing our mobile games.

For our portfolio of 40 games as at the Latest Practicable Date, 20 were self-owned by us, 10 were licensed from third party game developers, and 10 were third party games we distributed. Our most popular games during the Track Record Period, in terms of revenues, were *Zombicide: Black Plague*, *Zombicide: Season 3*, *Zombicide: Season 2*, *Zombicide* and *Arcadia Quest*, all of which were self-owned as at the Latest Practicable Date.

We have expanded into the mobile game market in June 2015 by launching our first mobile game, *XenoShyft (mobile)*, based on our self-owned tabletop game *XenoShyft: Onslaught*, on the Apple App Store and Google Play. We intend to launch another mobile game, *Zombicide (mobile)*, which is based on our self-owned *Zombicide* tabletop game series, in 2017. We consider that our mobile games are complementary to our tabletop

BUSINESS

games. Therefore, our long-term strategy is to maintain our core focus on developing and improving our tabletop games while selectively developing mobile games by leveraging elements of our successful tabletop games.

Our revenue is mainly derived from sales of our tabletop games (including both board games and miniature war games) and includes shipping income arising from the sale of our products. Our revenue increased by approximately 36.5% from approximately US\$12.6 million for the year ended 31 December 2014 to approximately US\$17.2 million for the year ended 31 December 2015. Due to the growth in our revenue, we achieved a gross profit growth of approximately 46.7% from approximately US\$6.0 million for the year ended 31 December 2014 to approximately US\$8.8 million for the year ended 31 December 2015. Our revenue decreased by approximately 9.3% from approximately US\$4.3 million for the five months ended 31 May 2015 to approximately US\$3.9 million for the five months ended 31 May 2016, which was mainly due to the decrease in sales from Kickstarter by US\$870,022 as the product shipment of our five Kickstarter projects launched since the second half of 2015 up to 31 May 2016 only takes place after the Track Record Period, and we can only recognise the relevant revenue after the products are shipped. Out of the five Kickstarter projects, (i) *The Others: 7 Sins* and *XenoShyft: Dreadmire* had completed shipment as at the Latest Practicable Date; (ii) the shipment of *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia* and *Rum & Bones: Second Tide* is expected to take place by the end of 2016; and (iii) the shipment of *Massive Darkness* is expected to take place in the first quarter of 2017. The relevant revenue will be recognised when the products are shipped. During the period from 1 June 2016 to the Latest Practicable Date, the Group has also launched 13 new games through wholesalers and/or game conventions. Taking into account the expected completion of shipping the outstanding Kickstarter games and the expected increase in sales from wholesalers, the Directors are of the view that the Group will not be loss making for the year ending 31 December 2016 and the financial results will not be materially deteriorated when compared with that for the year ended 31 December 2015, save for the impact of the listing expenses as discussed in the paragraph headed “Financial Information — P. Listing Expenses” of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following strengths are the key factors contributing to our success in the past and will continue to position us well in the global tabletop game industry:

Established brand recognition and a proven track record via Kickstarter and our wholesalers

We primarily operate a two pronged strategy for marketing and sales of our tabletop games, which we believe have been crucial to our success of driving sales of our tabletop games during the Track Record Period. One channel is via Kickstarter, an online crowd funding platform, and the other is via wholesalers, who sell our tabletop games in various countries.

We are one of the active publishers of tabletop games on Kickstarter. Up to the Latest Practicable Date, we had successfully launched 23 tabletop games on Kickstarter, received over 159,655 backings and had in aggregate, funding of over US\$26 million. As a testament to that, all of our Kickstarter projects had been launched successfully, and had been

BUSINESS

oversubscribed. We have achieved a 100% success rate in launching new tabletop games through Kickstarter as all our tabletop game projects launched on Kickstarter have been successfully funded within the stipulated funding deadlines with over-subscription. Our most successful tabletop game series, namely *Zombicide*, *Zombicide: Season 2*, *Zombicide: Season 3* and *Zombicide: Black Plague* had funding percentages of approximately 3,907%, 9,020%, 2,849% and 3,263% respectively. Another tabletop game series, *Arcadia Quest* and *Arcadia Quest: Inferno*, had funding percentages of approximately 1,548% and 1,710% respectively.

We believe that such proven success on Kickstarter is attributed to our established brand recognition and credentials built over the years of successful launches which help to retain, and further attract more enthusiastic game players to support our new tabletop games during their launches on Kickstarter. We believe that the positive reception of our tabletop games on Kickstarter also translate to the marketability and future sales performance of such games. The number of backers of *Zombicide: Black Plague*, *Zombicide: Season 3* and *Blood Rage* are set out below, showing our ability to consistently attract new backers:

Game	Total number of backers of the project	Number of first time backers	Percentage of first time backers to total backers of the project
<i>Zombicide: Black Plague</i>	20,915	9,952	47.6%
<i>Zombicide: Season 3</i>	12,011	6,750	56.2%
<i>Blood Rage</i>	9,825	5,537	56.4%

In addition, through using Kickstarter, given that backers' pledges are committed before we commence production and sales to wholesalers, we can better manage our cash flow and reduce our inventory risk. We also believe that by launching our games on Kickstarter, we are able to market our games early, and to solicit valuable feedback from customers whilst the game is still under development. Please refer to the paragraphs headed "Kickstarter" in this section for more details of our Kickstarter projects.

In addition to Kickstarter, our growth has also been driven by our strong international wholesale network, where we are able to sell our tabletop games through selected wholesalers across overseas markets such as the USA, Canada, France, Germany, the UK, Spain and Australia. We are committed to further expanding our coverage to markets such as Russia, China, Japan, Brazil and Mexico. To this end, as at the Latest Practicable Date, we had already published selected titles of our games in Russian and Chinese.

Established online community which drives sales for our new tabletop games and provides us with valuable insights of market trends

Our website, www.coolminiornot.com, which started in 2001, has grown to become one of the leading tabletop gaming websites, including a miniatures gallery, collection of gaming articles, web forum, blogs, and an online store, for gaming enthusiasts. According to Similarweb, an international company that provides services in web analytics, www.coolminiornot.com is ranked in the top three websites for games (miniatures) and is among the top 73,000 trafficked websites in the world as at 17 November 2016. As at the Latest Practicable Date, we had approximately 96,000 registered members on our website, and approximately 61,000 followers on our *Facebook* page.

We believe that our early start in 2001 has helped us to establish an online community which in turn allows us to use it as a channel to market and advertise our tabletop games to the market in a timely and effective manner. Leading to and at the launch of a new tabletop game, we first inform registered members of our website and backers of our previous Kickstarter projects, who have subscribed for these announcements, and also post the launch details on our Facebook page. We believe that our strong online presence has in part translated to our strong showing on Kickstarter, where all of our tabletop games have been successfully funded before the funding deadline with over-subscription. According to Kicktraq, an online tracker of Kickstarter projects, *Zombicide: Black Plague* and *Zombicide: Season 3* received more than US\$850,000 and US\$450,000 in pledges from more than 6,000 and 3,000 backers respectively; whilst *Arcadia Quest: Inferno* received more than US\$350,000 in pledges from more than 3,700 backers, solely on the first day of their respective launches on Kickstarter. The number of backers that pledge our projects on Kickstarter increased from 27,589 for the year ended 31 December 2014 to 55,641 for the year ended 31 December 2015, which represents a year-on-year growth of approximately 101.7%; and increased from 14,599 for the five months ended 31 May 2015 to 21,054 for the five months ended 31 May 2016, which represents a period-on-period growth of approximately 44.2%.

The total number of our backers and the total amount we raised on Kickstarter projects during the periods indicated are set out in the table below:

Year ended 31 December	Number of our backers	Amount we raised (US\$)
2012	15,950	2,759,326
2013	17,060	3,912,238
2014	27,589	4,773,685
2015	55,641	8,727,438
 Five months ended 31 May		
2015	14,599	1,473,032
2016	21,054	2,312,229

We achieved a CAGR of approximately 46.8% for the amount raised via Kickstarter from the year ended 31 December 2012 to the year ended 31 December 2015.

As at the Latest Practicable Date, all of our Kickstarter projects had been launched successfully, and had been oversubscribed, from a range of approximately 266% to approximately 9,020%.

In addition, through the purchase patterns and feedback provided by our members on the web forum and blogs and operation of our online store where we sell third party products in addition to our own games, we accumulate useful insights into the dynamics and market trends of the tabletop game industry, and genre and design preferences of players in general, which further enhances our game development capabilities.

Proven track record of publishing tabletop games with numerous awards

We are committed to publishing quality tabletop games. Since our establishment, we had offered a total of 42 tabletop games. During the Track Record Period, our Directors have confirmed that all games under development at the start of the Track Record Period have been successfully launched and we have not cancelled any of our pipelined games. We believe our continued ability to launch tabletop games successfully throughout the Track Record Period is attributed to the quality of our games, whereby we pride ourselves on the design and production quality of the artwork and miniatures of our tabletop games. We believe this enhances the playing experience of the players and gives the players a superior un-boxing experience. Our tabletop games' quality and popularity are evidenced by the positive reviews and awards we have received, and the level of backings we received for all the new games launched on Kickstarter.

We have been awarded accolades such as the "Seal of Excellence" for *Arcadia Quest*, *Kaosball*, *Rivet Wars*, *Zombicide* and *Super Dungeon Explore*, and the "Seal of Approval" for *Dogs of War* and *Sedition Wars: Battle for Alabaster*; by The Dice Tower, an independent third party network of video and audio podcasts that promote and review board games and card games. *Super Dungeon Explore* and *Zombicide* were also nominated for The Dice Tower Awards in 2011 and 2012 respectively for "Best Production Values", and *Arcadia Quest* was nominated for "Best Board Game Components" by The Dice Tower in 2014. *Blood Rage*, *Rum & Bones*, and *XenoShyft: Onslaught* were featured in the "Top 10 Games of 2015" by The Dice Tower.

One of our games, *Dark Age*, also had two nominations for "Best Miniature Figure Line" in the 2015 Origins Awards organised by ICv2, a website which provides news and information on pop culture products and games.

While we continue to enjoy recurring revenue from our existing portfolio of games, we remain committed to further diversifying our games portfolio. As at the Latest Practicable Date, we had a strong pipeline of 18 games. Please see the paragraph headed "Game Pipeline" in this section for more details on our pipeline.

We believe our track record of launching new tabletop games successfully, coupled with the quality of our tabletop games which offer players a superior gaming experience helps to enhance the value of our “CoolMiniOrNot” brand as a reputable and established game developer and publisher of tabletop games, and enables us to differentiate ourselves from our competitors.

Our relationship with experienced creatives

We have stable business relationships with third party creatives (which include game designers, graphic designers, artists, sculptors and illustrators), who we regularly engage, on a project-by-project basis, to assist us with the design of our gaming rules, artwork and/or miniatures. Many of these creatives we work with are experienced and skilled in their respective areas of work, and have won prizes in their respective fields. Please refer to the paragraph headed “Creatives” in this section for more information on the awards won by these creatives.

In our management’s view and understanding, our ability to maintain the business relationship with such creatives is crucial to our continued success to develop new games that are popular with players. As at the Latest Practicable Date, the number of years of business relationship we had with our key creatives ranged from two to five years. We believe that these key creatives enjoy working with our Group because of our commitment to contractual obligations, close working relationship between the creatives and our management to develop new games and provision of sufficient time and creative space to perform their works.

Experienced management team with an asset-light business model and a lean and efficient workforce

We believe we have a visionary management team with extensive experience in the hobby games and IT industry which has enabled us to consistently develop and publish games that have been successfully launched throughout the Track Record Period.

Mr. Ng, our chairman, chief executive officer, executive Director and co-founder has over 10 years of experience in the global tabletop game and video game industry. Prior to founding the Group, Mr. Ng founded Razer (Asia Pacific) Pte. Ltd. (“**Razer**”), a company in the business of designing and manufacturing gaming peripherals in December 2003. Mr. Ng was appointed as the chief executive officer of Razer in April 2005, and took on that role to August 2006, where he was in charge its business operations. He then stepped into the role of chief technological officer of Razer from September 2006 to May 2008, where he was responsible for sourcing new technologies, managing technical abilities, conceptualising new products and creating various inventions for patents.

Mr. Doust, our co-founder, executive Director and president of CMON Inc., is a veteran in the global tabletop game industry. Mr. Doust founded Dark Age Games, Inc., which was a publisher of *Dark Age*, a miniature war game which Mr. Doust had developed and subsequently transferred to our Group.

Mr. Preti, our creative director, has over nine years of experience in the gaming industry, and he is responsible for the *Zombicide* series and other titles. Prior to joining us in April 2016, Mr. Preti had been working with us as a consultant in developing tabletop games. Mr. Preti has also been a director and shareholder of Dustgame Limited and Guillotine Games.

Our marketing director, Roumpini Nikolopoulou, and sales director, Jules Vautour, were both previously employed by a game company which is one of our competitors.

Please refer to the section headed “Directors and Senior Management” in this prospectus for biographies of each member of the management.

Under the leadership of our management, we have maintained an asset light business model where we keep a lean and efficient workforce. We believe such an operating structure has enabled us to react quickly to changing market conditions and trends, and also focus on work such as generation of game ideas, marketing, publishing and distribution of games, whilst allowing us to effectively outsource tasks such as manufacturing, design of gaming rules and sculpting of miniatures to other highly qualified specialty third party suppliers. As a result, we have been able to build a solid track record of developing and distributing new games at a relatively high rate into the market throughout the Track Record Period, and our Directors believe that due to our asset light business model, we are also better positioned to generate a higher level of return on equity for our Shareholders.

OUR VISION

We strive to become a leading developer and publisher of quality games in the hobby game industry. In the long term, our vision is to become a publisher that leverages our IPs on various scales, mediums and channels, which would include hobby and other games, comics, film, television, and toys.

OUR STRATEGIES

We plan to achieve our plans and visions through the following strategies:

Achieve organic growth by publishing more high-quality games

We will continue to publish quality games with strong emphasis on the design and production quality of the artwork and miniatures which we believe will offer players a superior gaming experience. In terms of game genres, we also intend to publish games that cater to different market segments such as the mass market, including but not limited to, family-friendly tabletop games and dexterity games. We believe the diversification of the game genres in our portfolio would help in expanding our market share and brand influence.

We also believe publishing games at high frequencies not only allows us to further establish our industry reputation and track record, but also enables us to quickly capture the latest trends in the hobby game industry and players’ preferences. As a result of our proven track record of publishing quality games and our strong and established relationship

with experienced suppliers of creative services, we believe we are well positioned to continually develop and publish new games with high standards of quality successfully, including sequels for our existing successful games.

Pursue strategic acquisition, business and licensing opportunities

In addition to organic growth, we intend to increase our market share by adding more high quality games into our portfolio through title acquisition or licensing. We plan to identify high quality games that have potential for commercial success from other game developers, and either acquire them or obtain licenses to publish or distribute such games. We have entered into various agreements with third party games developers to distribute their tabletop games. Please refer to the paragraph headed “Game Pipeline” in this section for details. We believe we are well positioned to achieve commercial success when launching or distributing such licensed or acquired games due to our experience and track record in marketing and distribution of our games in the past, including the use of our online community, Kickstarter, and our network of wholesalers.

We also intend to explore licensing agreements to adapt Brand IPs into our games. We believe that pursuing such unique licensing opportunities of Brand IPs as and when they are available will allow us to leverage on the brand and history of such Brand IPs and at the same time, enrich the diversity of our game portfolio. As at the Latest Practicable Date, we had launched a board game based on the video game *Bloodborne* and have announced that we are in the process of developing games based on the film *The Godfather* and have entered into a non-exclusive licensing agreement to develop tabletop games based on the Brand IPs.

We are currently not in negotiations with any potential acquisition or licensing targets. It is our current intention to consider and explore game developers, publishers and European-based distributors as potential strategic acquisitions and licensing targets in the future, with emphasis to be placed on the following criteria:

- popularity of the game or the Brand IP and whether it complements the Group’s current portfolio of games;
- the financial condition and reputation of the target for strategic acquisition;
- the consideration to be paid in relation to the potential strategic acquisition and/or the business and licensing opportunity, and whether such consideration is justifiable based on the annual revenue to be generated by the relevant game or Brand IP; and
- the budget of the Group and whether such budget is better spent on a single strategic acquisition or business and licensing opportunity as compared to multiple strategic acquisitions and business and licensing opportunities.

Further strengthen our sales and marketing capability and broaden reach into new markets to capture market opportunities

For the two years ended 31 December 2015 and the five months ended 31 May 2016, we generated revenue of approximately US\$4.4 million, US\$6.9 million and US\$2.8 million respectively from our wholesalers, which accounted for approximately 34.9%, 39.9% and 72.8% of our total revenue, respectively. We intend to further leverage the sales network, marketing resources and capability of our wholesalers, which we believe will enable us to broaden our market coverage and channels to reach out to potential players worldwide and promote our tabletop games. We target to achieve this by devoting more resources to selected wholesalers to strengthen our business relationship and to solicit more qualified wholesalers to promote and sell our tabletop games.

We plan to invest in, and expand, our sales capabilities by continuing to recruit and train new sale personnel, building a more sizable sales team and setting up a sales office in Canada. In early 2016, we have recruited a new sales director and a new marketing director. We believe this will enable us to tap on their respective networks and reach out to more wholesalers and further improve our customer service for our wholesalers. At the same time, we intend to increase our presence in international game conventions such as the *Internationale Spieltage SPIEL* in order to raise awareness among potential customers for our tabletop games.

We also intend to expand our direct sales channels by making use of other universally recognised online platforms for the sales and distribution of our tabletop games.

Our volunteer network, the legion, helps to market our tabletop games in various hobby games retail stores, gaming clubs and game conventions mainly in the USA. Through game demonstrations, new players are able to learn about our tabletop games and their rules from legion members, and get a chance to try our tabletop games prior to purchasing them. The legion will also organise other events such as tournaments and hobby nights, which can increase exposure to new players and improve the player experience by strengthening the local community of players of our tabletop games. As at the Latest Practicable Date, the legion comprised over 400 members. We plan to increase the legion's volunteer network by recruiting and training more new members, strengthening our incentive points system, and offering more rewards to such volunteers. The legion is active in the USA and depending on our business growth outside of the USA, we will consider to expand the legion outside of the USA in the future. Further details of the legion are set out in the paragraph headed "Marketing" in this section.

For the two years ended 31 December 2015 and the five months ended 31 May 2016, approximately 90.9%, 91.6% and 91.5%, respectively, of our total revenue was generated in North America and Europe combined.

Our exposure to markets outside North America and Europe is still fairly limited. As such, we aim to further expand our reach in markets such as Russia, China, Japan and South America. To this end, we will arrange for translation of selected games into local versions that are better suited to individual markets and we target to enter these markets by engaging selected wholesalers in each respective country. We will select suitable wholesalers

based on their network of game retailers that they serve in each country, experience, level of access to the local market, track record, understanding of different gaming preference of game players in those countries, industry reputation, and credit-worthiness, which we believe can help us to successfully penetrate the respective markets. As at the Latest Practicable Date, we had already published selected titles of our tabletop games such as *Zombicide* into English, French, Spanish, German, Chinese and Russian. We believe that the expansion in these new markets can be an important growth driver for our Group going forward.

Expand into the mobile game market

We recognise the significant potential in the mobile game market, and we intend to develop mobile games based on our existing tabletop games to capture such market share. We are able to leverage on our accumulated knowledge and experience in game development to expand into the mobile game market. We first tapped into the mobile game market with the launch of *XenoShyft (mobile)*, which is based on our tabletop game *XenoShyft: Onslaught*, in June 2015. We intend to launch our second mobile game, *Zombicide (mobile)* which is based on our *Zombicide* tabletop game series, in 2017. We intend to continue developing mobile games that leverage elements of our successful tabletop games. We believe the success of our existing games coupled with our existing customer base enables us to be well positioned to promote and market our mobile games and tap in the mobile game market for further growth. Further details of our mobile game development are set out in the paragraph headed “Mobile Games” in this section.

GAMES OVERVIEW

We are a fast growing hobby game publisher specialising in developing and publishing board games and miniature war games. Since our establishment, we had offered a total of 43 games, comprising 39 board games, three miniature war games, and one mobile game. Our game portfolio as at the Latest Practicable Date comprised 40 games. We publish both self-owned games and licensed games. Self-owned games refer to games whose IP rights are developed in-house or transferred by our Controlling Shareholders or acquired from third parties. Licensed games are games whose IP rights are licensed from third party game developers under licensing agreements and games with Brand IPs being licensed from third parties but developed by us. We only license third party games that we consider to be of high quality with potential for commercial success. On top of our self-owned and licensed tabletop games, we also distribute third party tabletop games. As at the Latest Practicable Date, our games were targeted at players aged 13 and above.

BUSINESS

The table below sets out the breakdown of revenues of our games by ownership as at the Latest Practicable Date, during the Track Record Period:

	Year Ended 31 December				For the five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
Games owned by the Group								
Self-developed games ¹	5,241,360	41.6	9,610,722	55.9	2,328,675	53.6	1,835,991	47.2
Games transferred by Controlling Shareholders ²	4,057,242	32.2	4,179,567	24.3	1,786,121	41.1	962,203	24.7
Games acquired from third parties ³	—	—	1,577,391	9.2	—	—	591,537	15.2
Sub-total	9,298,602	73.8	15,367,680	89.4	4,114,796	94.7	3,389,731	87.1
Games licensed by the Group ⁴	2,629,215	20.8	1,082,580	6.3	26,967	0.6	192,255	4.9
Games distributed by the Group ⁵	—	—	89,725	0.5	—	—	213,144	5.5
Total revenue from games	11,927,817	94.6	16,539,985	96.2	4,141,763	95.3	3,795,130	97.5
Other products ⁶	687,252	5.4	645,370	3.8	206,061	4.7	96,783	2.5
Total	12,615,069	100.0	17,185,355	100.0	4,347,824	100.0	3,891,913	100.0

¹ *Zombicide: Season 2, Zombicide: Season 3, Zombicide: Black Plague and XenoShyft (mobile)*

² *Dark Age, Zombicide, Kaosball, Wrath of Kings, Arcadia Quest, Dogs of War, XenoShyft: Onslaught and Rum & Bones*

³ *Blood Rage*

⁴ *Sedition Wars: Battle for Alabaster (license expired in January 2016), Relic Knights (license mutually terminated in August 2014), Guilds of Cadwallon (expires in April 2017), Rivet Wars (expires in January 2017), The World of Smog: On Her Majesty's Service (expires in June 2019), B-Sieged: Sons of the Abyss (expires in February 2017) and Queen's Necklace (expires in September 2018)*

⁵ *The Grizzled and Krosmaster Quest*

⁶ *Other products mainly consist of revenue from sales by our online store of accessories products that we sourced from other third party publishers and game companies. Please refer to the paragraph headed "Business — Our Online Store and Game Conventions" in this prospectus for details*

BUSINESS

The table below sets out the revenue contribution of our games during the Track Record Period:

Games	Launch Date	Expected Game Life ⁽¹⁾ (Not less than)	Ownership as at the Latest Practicable Date	Revenue			
				Year ended 31 December 2014 US\$	December 2015 US\$	Five months ended 31 May 2015 US\$ (Unaudited)	31 May 2016 US\$
<i>Arcadia Quest</i>	February 2014	10 years	Owned	1,468,171	490,362	168,930	270,911
<i>B-Sieged: Sons of the Abyss</i>	April 2015	3 years	Licensed	—	700,017	—	158,473
<i>Blood Rage</i>	March 2015	10 years	Owned	—	1,577,391	—	591,537
<i>Dark Age</i>	2002	15 years ⁽²⁾	Owned	124,639	138,130	48,409	32,682
<i>Dogs of War</i>	April 2014	10 years	Owned	189,483	53,727	2,805	2,048
<i>Guilds of Cadwallon</i>	December 2012	5 years	Licensed	2,607	5,148	887	979
<i>Kaosball</i>	June 2013	10 years	Owned	554,804	46,300	31,204	14,217
<i>Krosmaster Quest</i>	April 2016	1 year	Third party	—	—	—	151,101
<i>Queen's Necklace</i>	September 2015	3 years	Licensed	—	24,807	—	3,377
<i>Relic Knights</i>	August 2012	N/A ⁽³⁾	N/A	1,467,201	—	—	—
<i>Rivet Wars</i>	January 2013	5 years	Licensed	1,116,866	152,116	23,992	21,145
<i>Rum & Bones</i>	December 2014	10 years	Owned	—	1,336,607	397,762	162,396
<i>Sedition Wars:</i>	May 2012	N/A ⁽⁴⁾	N/A	42,541	5,151	2,088	565
<i>Battle for Alabaster</i>							
<i>The Grizzled</i>	September 2015	5 years	Third party	—	89,725	—	62,043
<i>The World of Smog:</i>	October 2014	4 years	Licensed	—	195,341	—	7,716
<i>On Her Majesty's Service</i>							
<i>Wrath of Kings</i>	August 2013	10 years	Owned	675,123	537,131	437,097	66,115
<i>XenoShyft (mobile)</i>	June 2015	1 year	Owned	—	22,211	—	15,462
<i>XenoShyft: Onslaught</i>	June 2014	10 years	Owned	—	485,076	304,061	43,837
<i>Zombicide</i>	April 2012	20 years ⁽⁵⁾	Owned	1,045,022	1,092,234	395,853	369,997
<i>Zombicide: Black Plague</i>	June 2015	20 years ⁽⁵⁾	Owned	—	6,568,689	—	1,388,977
<i>Zombicide: Season 2</i>	March 2013	20 years ⁽⁵⁾	Owned	1,827,925	703,500	369,483	55,235
<i>Zombicide: Season 3</i>	June 2014	20 years ⁽⁵⁾	Owned	3,413,435	2,316,322	1,959,192	376,317
Total revenue from games				11,927,817	16,539,985	4,141,763	3,795,130

Notes:

- (1) Save for the *Zombicide* series of games and *Dark Age*, our Directors estimate the expected game life of our self-owned games to be 10 years based on (i) the performance of our self-owned games based on their respective track record; (ii) the thematic element of our self-owned games supported by the artwork and design of each game; and (iii) the launching of sequel games to the original for some of our self-owned games as at extension strategy. This is a base estimate by our Directors and may be extended. The expected game life of our licensed and third party games is based on the relevant licensing agreement and distribution agreement and may be extended accordingly based on the last major use of the license or after renewal.
- (2) Our Directors estimate *Dark Age* to have an expected game life of 15 years as new miniatures continue to be released for *Dark Age* on an incremental basis, and based on the past performance of the game.
- (3) The license agreement was mutually terminated by the licensor and us in August 2014.
- (4) The license agreement had expired in January 2016.
- (5) Our Directors estimate the *Zombicide* series of games to have an expected game life of 20 years as the Directors expect to launch future sequels under this series due to its overwhelming response and popularity, and our Directors intend to continue to invest in developing the *Zombicide* series.

For a more detailed breakdown and analysis of the revenue of our games during the Track Record Period, please refer to the paragraph headed “Financial Information — F. Principal components of our results of operations — Revenue — Our games’ revenue by individual games” in this prospectus.

BUSINESS

The table below sets out the detailed information of the games that we had offered since our establishment:

No.	Game	Launch Date	Expected Game Life ¹ (Not less than)	Genre	Game Type	Languages ²	MSRP (US\$)	Ownership as at the Latest Practicable Date
1.	<i>Dark Age</i>	2002 ³	15 years ⁴	Science fiction	miniature war game	English	10-60 ⁶	Owned
2.	<i>Super Dungeon Explore</i> ⁸	October 2011	N/A	Fantasy	board game	English French Spanish	90	N/A
3.	<i>Zombicide</i>	April 2012	20 years ⁵	Post-apocalyptic	board game	English French Spanish German Chinese Russian	90	Owned ⁷
4.	<i>Sedition Wars: Battle for Alabaster</i> ⁹	May 2012	N/A	Science fiction	board game	English	100	N/A
5.	<i>Relic Knights</i> ¹⁰	August 2012	N/A	Science fiction	miniature war game	English	10-60 ⁶	N/A
6.	<i>Guilds of Cadwallon</i>	December 2012	5 years	Fantasy	board game	English	25	Licensed
7.	<i>Rivet Wars</i>	January 2013	5 years	Steam punk	board game	English French Spanish	100	Licensed
8.	<i>Zombicide: Season 2</i>	March 2013	20 years ⁵	Post-apocalyptic	board game	English French Spanish German	100	Owned
9.	<i>Kaosball</i>	June 2013	10 years	Fantasy sports	board game	English	100	Owned ⁷
10.	<i>Wrath of Kings</i>	August 2013	10 years	Fantasy	miniature war game	English	10-60 ⁶	Owned ⁷
11.	<i>Arcadia Quest</i>	February 2014	10 years	Chibi fantasy	board game	English French Spanish German	100	Owned ⁵
12.	<i>Dogs of War</i>	April 2014	10 years	Strategy	board game	English French Spanish German	60	Owned ⁷
13.	<i>XenoShyft: Onslaught</i>	June 2014	10 years	Science fiction	board game	English	60	Owned ⁷
14.	<i>Zombicide: Season 3</i>	June 2014	20 years ⁵	Post-apocalyptic	board game	English French Spanish German	100	Owned
15.	<i>The World of Smog: On Her Majesty's Service</i>	October 2014	4 years	Steam punk	board game	English French Spanish	60	Licensed
16.	<i>Rum & Bones</i>	December 2014	10 years	Fantasy	board game	English	100	Owned ⁷
17.	<i>Blood Rage</i>	March 2015	10 years	Fantasy	board game	English	80	Owned ¹¹
18.	<i>B-Sieged: Sons of the Abyss</i>	April 2015	3 years	Fantasy	board game	English	90	Licensed
19.	<i>Zombicide: Black Plague</i>	June 2015	20 years ⁵	Fantasy	board game	English French Spanish German Italian	100	Owned
20.	<i>XenoShyft (mobile)</i>	June 2015	1 year	Science fiction	mobile game	English	6	Owned
21.	<i>The Others: 7 sins</i>	September 2015	3 years	Horror	board game	English	100	Licensed
22.	<i>The Grizzled</i>	September 2015	5 years	World war	board game	English	20	Third party
23.	<i>Queen's Necklace</i>	September 2015	3 years	European	board game	English	30	Licensed
24.	<i>Arcadia Quest: Inferno</i>	November 2015	10 years	Chibi fantasy	board game	English	100	Owned
25.	<i>XenoShyft: Dreadmire</i>	January 2016	10 years	Science fiction	board game	English	60	Owned
26.	<i>Masmorra: Dungeons of Arcadia</i>	February 2016	10 years	Chibi fantasy	board game	English	65	Owned
27.	<i>Sheriff of Nottingham</i>	March 2016	10 years	Medieval	board game	English French German Italian Polish Portuguese Spanish Chinese	35	Owned

BUSINESS

No.	Game	Launch Date	Expected Game Life ¹ (Not less than)	Genre	Game Type	Languages ²	MSRP (US\$)	Ownership as at the Latest Practicable Date
28.	<i>Rum & Bones: Second Tide</i>	April 2016	10 years	Fantasy	board game	English	100	Owned
29.	<i>Krosmaster Quest</i>	April 2016	1 year	Fantasy	board game	English	90	Third party
30.	<i>Play Me</i>	June 2016	3 years	Fantasy	board game	English	25	Licensed
31.	<i>Massive Darkness</i>	June 2016	10 years	Fantasy	board game	English	120	Owned ⁷
32.	<i>Bloodborne</i>	July 2016	1 year	Fantasy	board game	English	35	Brand IP
33.	<i>Potion Explosion</i>	July 2016	5 years	Family	board game	English	50	Third party
34.	<i>Kreo</i>	August 2016	5 years	Fantasy	board game	English	25	Third party
35.	<i>Krosmaster Arena</i>	August 2016	1 year	Fantasy	board game	English	70	Third party
36.	<i>Looterz</i>	August 2016	3 years	Family	board game	English	25	Licensed
37.	<i>Ta-Da!</i>	August 2016	10 years	Family	board game	English	25	Owned
38.	<i>Unusual Suspects</i>	August 2016	5 years	Family	board game	English French Spanish	30	Third party
39.	<i>Cthulhu in the House</i>	September 2016	3 years	Party	board game	English	25	Third party
40.	<i>Kaleidos</i>	September 2016	5 years	Party	board game	English	40	Third party
41.	<i>Masques</i>	September 2016	3 years	Fantasy	board game	English	25	Licensed
42.	<i>Waka Tanka</i>	September 2016	5 years	Family	board game	English	25	Third party
43.	<i>Rumble in the Dungeon</i>	October 2016	3 years	Family	board game	English	25	Third party

¹ Save for the *Zombicide* series of games and *Dark Age*, our Directors estimate the expected game life of our self-owned games to be 10 years based on (i) the performance of our self-owned games based on their respective track record; (ii) the thematic element of our self-owned games supported by the artwork and design of each game; and (iii) the launching of sequel games to the original for some of our self-owned games as at extension strategy. This is a base estimate by our Directors and may be extended. The expected game life of our licensed and third party games is based on the relevant licensing agreement and distribution agreement and may be extended accordingly based on the last major use of the licence or after renewal.

² Our games are translated from English by our wholesalers and we do not retain ownership of the translated text.

³ *Dark Age* was initially developed and launched by Mr. Doust in 2002. The IP of *Dark Age* was subsequently transferred to the Group pursuant to the Verbal Agreements.

⁴ Our Directors estimate *Dark Age* to have an expected game life of 15 years as new miniatures continue to be released for *Dark Age* on an incremental basis, and based on the past performance of the game.

⁵ Our Directors estimate the *Zombicide* series of games to have an expected game life of 20 years as the Directors expected to launch future sequels under this series due to its overwhelming response and popularity, and our Directors intend to continue to invest in developing the *Zombicide* series.

⁶ There is a range of MSRPs for our miniature war games as these are retailed in packs of varying configurations.

⁷ The IPs of *Zombicide*, *Kaosball*, *Wrath of Kings*, *Arcadia Quest*, *Dogs of War*, *XenoShyft: Onslaught*, *Rum & Bones* and *Massive Darkness* were transferred to the Group by Mr. Ng pursuant to the Verbal Agreements.

⁸ Pursuant to the licensor's request due to its own business consideration and at the agreement of our Group after commercial negotiation between the parties taking into account factors including but not limited to the business relationship with the licensor and the potential competition between the subject

BUSINESS

game and other pipelined games of the Group, the Group's license to publish and sell *Super Dungeon Explore* was mutually terminated by both the Group and the licensor in April 2014. The licensor is a game developer incorporated in the USA and an Independent Third Party.

- ⁹ The Group's license to publish and sell *Sedition Wars: Battle for Alabaster* had expired in January 2016 and was not renewed after considering the sales performance of the game. The subject licensor is a game developer incorporated in the UK and an Independent Third Party.
- ¹⁰ Pursuant to the licensor's request due to its own business consideration and at the agreement of our Group after commercial negotiation between the parties taking into account factors including but not limited to the business relationship with the licensor and the potential competition between the subject game and other pipelined games of the Group, the Group's license to publish and sell *Relic Knights* was mutually terminated by both the Group and the licensor in August 2014. The licensor is a game developer incorporated in the USA and an Independent Third Party.
- ¹¹ Before 20 October 2015, the IP of *Blood Rage* was licensed to the Group by Guillotine Games pursuant to a licensing agreement. The IP was subsequently transferred to the Group on 20 October 2015 pursuant to an IP sale agreement.

Save for two undisclosed titles which are part of the *Zombicide* series of games not yet included in our game pipeline, all games transferred by Mr. Ng and Mr. Doust to the Group pursuant to the Verbal Agreements are included in our portfolio above and have been successfully launched. The two undisclosed titles have not been included in our game pipeline as these games are not expected to be launched by the end of 2017. No game development costs have been incurred for these games during the Track Record Period.

Our most popular self-owned games during the Track Record Period, in terms of revenues, are *Zombicide: Black Plague*, *Zombicide: Season 3*, *Zombicide: Season 2*, *Zombicide*, and *Arcadia Quest*. Further details of our most popular self-owned games are set out below.

Zombicide

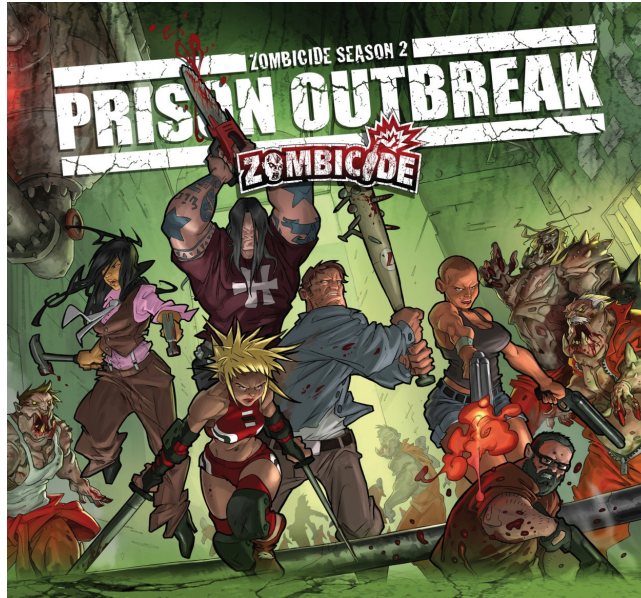


Zombicide was launched on Kickstarter in April 2012. As at the Latest Practicable Date, *Zombicide* is available in six different languages, namely English, French, Spanish, German, Chinese and Russian. Since its launch to 31 May 2016, *Zombicide* has sold 129,117 copies, generating an aggregate revenue of approximately US\$5.3 million.

Zombicide is a post-apocalyptic genre collaborative board game for one to six players. Each player controls from one up to four “survivors”, who are human beings in a zombie-infested town and who may change to “hunters” to smash zombies. *Zombicide* is a fun and easy game with miniatures in an archetypical, popular and comics-inspired environment.



Zombicide: Season 2



Zombicide: Season 2, a sequel to *Zombicide* was launched on Kickstarter in March 2013. As at the Latest Practicable Date, *Zombicide: Season 2* is available in four different languages, namely English, French, Spanish and German. Since its launch to 31 May 2016, *Zombicide: Season 2* has sold 117,304 copies generating an aggregate revenue of approximately US\$6.1 million.

Zombicide: Season 2 is a post-apocalyptic genre collaborative board game for one to six players. Each player controls from one up to four “survivors”, who are human beings in a prison and who may change to “hunters” to smash zombies. Through the missions featured in the game, the players try to clean out the prison and make it into a safe haven. *Zombicide: Season 2* is designed as a stand-alone game which can be played without reference to *Zombicide*.



Zombicide: Season 3



Zombicide: Season 3, a sequel to *Zombicide* and *Zombicide: Season 2*, was launched on Kickstarter in June 2014. As at the Latest Practicable Date, *Zombicide: Season 3* is available in four different languages, namely English, French, Spanish and German. Since its launch to 31 May 2016, *Zombicide: Season 3* has sold 77,487 copies, generating an aggregate revenue of approximately US\$6.1 million.

Zombicide: Season 3 is a post-apocalyptic genre collaborative board game for one to 12 players. Set in a hospital, each player controls a team of “survivors” as they fight off a zombie horde. *Zombicide: Season 3* is designed as a stand-alone game, or as an “expansion set” from either *Zombicide* or *Zombicide: Season 2*.



Zombicide: Black Plague



Zombicide: Black Plague, was launched on Kickstarter in June 2015. As at the Latest Practicable Date, *Zombicide: Black Plague* is available in five different languages, namely English, German, French, Italian, and Spanish. Since its launch to 31 May 2016, *Zombicide: Black Plague* has sold 75,685 copies, generating an aggregate revenue of US\$8.0 million.

Zombicide: Black Plague is a fantasy genre collaborative board game for one to six players. *Zombicide: Black Plague* is a re-invention of *Zombicide*, set in a medieval fantasy setting. Each player controls a team of “survivors” as they fight to rid the land of an invasion of zombies. *Zombicide: Black Plague* is a standalone game.



Arcadia Quest



Arcadia Quest was launched on Kickstarter in February 2014. As at the Latest Practicable Date, *Arcadia Quest* is available in four different languages, namely English, French, Spanish and German. Since its launch to 31 May 2016, *Arcadia Quest* has sold 42,519 copies, generating an aggregate revenue of approximately US\$2.2 million.

Arcadia Quest is a Chibi fantasy genre board game for two to four players. Each player controls a guild of three heroes, competing to claim the mighty land of Arcadia for their own. As only one guild may lead in the end, players must battle against each other as well as against the monstrous occupying forces. Through the branching scenarios of the campaign, the heroes gain weapons and abilities, and the game remembers the heroic deeds of players from one session to the next, unlocking exciting new possibilities in future scenarios.



Since our establishment, we had offered a total of 43 games. During the Track Record Period, we had launched six, eight and five games for the years ended 31 December 2014 and 2015, and the five months ended 31 May 2016 respectively. Our Directors believe that there are no key cyclical factors that affect the hobby game industry beyond the wider economy. Rather, it is the design and appeal of individual games and the marketing effectiveness of publishers that tend to drive demand for games in the tabletop game industry. Also, a successful or popular tabletop game may enjoy sustained demand from the market over a long period of time, stretching years and even decades. For example, one of our best selling games, *Zombicide*, was launched in 2012, but has been on sale for five years and still recorded sales in 2016. As at the Latest Practicable Date, all of our self-owned games (including self-developed games, games transferred by our Controlling Shareholders and games acquired from third parties) had been available for sale since their launches or were pending for shipping. Therefore, based on their respective launch dates, except for *Dark Age* which Mr. Doust launched it in 2002, our self-owned games had game lives up to five years as at the Latest Practicable Date. For our licensed and third party games, their game lives are based on the length of the relevant licensing agreements and distribution agreements, which can range from one to five years and may be extended accordingly based on the last major use of the licence or if the respective license agreement is renewed.

To capitalise on the warm reception to our popular tabletop games such as *Zombicide*, *Arcadia Quest*, *XenoShyft: Onslaught* and *Rum & Bones*, we also launch sequel games (for example, *Zombicide: Season 2*, *Zombicide: Season 3*, *Zombicide: Black Plague*, *Arcadia Quest: Inferno*, *XenoShyft: Dreadmire* and *Rum & Bones: Second Tide*) to the original. We believe that the sequels further create demand for the original game, and that each sequel can build new fans who are interested in the series. Our sequels, although connected by storyline or theme, are designed as stand-alone games which can be played without reference to the original. They are also independent from the original in terms of game design, and character design of the miniatures.

MOBILE GAMES

We believe that the mobile game market worldwide has great potential for growth as a result of the rising usage of smartphones and tablets, 3G and 4G mobile and Wi-Fi networks.

Our Group has expanded into the mobile game market by the launch of our first mobile game, *XenoShyft (mobile)*, based on the original board game *XenoShyft: Onslaught*, on Apple App Store and Google Play in June 2015. We intend to launch another mobile game, *Zombicide (mobile)*, based on our *Zombicide* tabletop game series, in 2017.

XenoShyft: Onslaught is a science fiction game in which players take on the role of a commander in a base camp, tasked with defending their division against horrific aliens. Using a wide array of troops, weapons, armors, and technology cards, players must last nine rounds as waves of aliens attempt to bombard and destroy the base. *XenoShyft (mobile)* closely follows the gameplay of *XenoShyft: Onslaught* and just like the board game version, can be played by one to four players.

For *XenoShyft (mobile)*, after the first stage of development during which our mobile apps development team worked on the translation of the original tabletop game to its mobile version, the beta version of the mobile game was playtested. Our mobile apps development team and the management then tested the mobile game for technical issues, gameplay sequences and general troubleshooting. After playtesting, necessary adjustments and finetuning were made. Our mobile games are available for download on Apple App Store and Google Play. The entire process from project set-up to launch of the mobile games took about nine months.

Zombicide (mobile) is a digital version of our board game, *Zombicide*, which uses similar mechanics and characters to *Zombicide*, with 3D graphics on a mobile platform. *Zombicide (mobile)* can be played as a single-player game.¹

We have entered into a development, publishing and distribution agreement with a reputable game company, who is an Independent Third Party for the development of *Zombicide (mobile)* as a free-to-play mobile game. Pursuant to the development, publishing and distribution agreement, the game company will provide an advance to us for the development of *Zombicide (mobile)*, and publish *Zombicide (mobile)* for a period of two years, with royalties received from app stores to be shared between our Group and the game company. We intend to continue publishing *Zombicide (mobile)* after the two year term. We have engaged a mobile app developer incorporated in France, an Independent Third Party, to develop *Zombicide (mobile)*.

We intend to review and improve our operations, development process or model as we produce more mobile games in the future.

Generally, our mobile games may include cash purchases for in-game items or features. For *XenoShyft (mobile)*, there is an upfront cost to download the mobile game.

We believe that the benefits of expanding into the mobile game market are as follows:

- Mobile games do not have traditional costs of goods, physical inventory, and production lead time as compared to tabletop games as there are no physical components such as miniatures, paper boards, rulebooks and accessories. We currently have a dedicated in-house mobile apps development team.
- As the retail prices of mobile games are significantly lower than that of tabletop games, and as they can be downloaded anywhere with an internet connection, there is potentially a larger player community and customer base to drive our future growth. We believe that our Group's tabletop games and mobile games target different customer segments, being tabletop games players and mobile or tablet users respectively. However, we believe that our mobile games can also be complementary, and a driving force for the demand and sales of our tabletop games, as customers of our mobile games may become potential players of tabletop

¹ Subject to change in the course of game development

games and vice-versa. We believe the level of loyalty of customers to our brand and our tabletop games will also be enhanced when customers play mobile games of the same title to our tabletop games.

- With the internet, mobile devices give players and potential customers access to games anytime and anywhere in the world. Compared to conventional tabletop games, players using mobile devices can enjoy individual gameplay without the need to look for gaming partners. The increasingly larger and higher-resolution touchscreens of mobile devices also enable the display of detailed and high-resolution graphics. As such, we believe that developing mobile games will offer our customers greater flexibility and enjoyment in our games.

We intend to utilise Apple App Store and Google Play as our primary platforms for providing customers with easy access to our mobile games, which we believe can help us to attract new players, build brand recognition among mobile device users, and increase our market exposure in the overall gaming industry. We may also engage third parties to publish our mobile games, such as the game company who will publish *Zombicide (mobile)* for the first two years.

BUSINESS

GAME PIPELINE⁽¹⁾

Our future growth will depend in part on our ability to continuously launch new board games and mobile games that are able to meet the changing preferences of players. During the Track Record Period, all games which we were under development at the start of the Track Record Period have been successfully launched and we have not cancelled any of our pipelined games. As at the Latest Practicable Date, we had 18 games in our pipeline, comprising 16 board games, one miniature war game and one mobile game which we expect to launch by the end of 2017, details of which are set out below:

No.	Project Title of Our Games in Development	Expected Launch Date	Expected Game Life ⁽¹⁾ (Not less than)	Genre	Game Type	Ownership
1.	Project Otter	By end of 2017	1 year	Family	board game	Third Party ⁽²⁾
2.	Project Armadillo	By end of 2017	3 years	Family	board game	Licensed ⁽³⁾
3.	Project Panda	By end of 2017	N/A ⁽⁴⁾	Martial arts	board game	Licensed ⁽⁴⁾
4.	Project Snake	By end of 2017	N/A ⁽⁵⁾	Fantasy	board game	Licensed ⁽⁵⁾
5.	Project Eagle	By end of 2017	3 years	Fantasy	board game	Licensed ⁽⁶⁾
6.	Project Cobra	By end of 2017	10 years	Family	board game	Owned
7.	Project Jaguar	By end of 2017	10 years	Post-apocalyptic	board game	Owned
8.	Project Porcupine	By end of 2017	3 years	Science fiction	board game	Licensed ⁽⁷⁾
9.	Project Giraffe	By end of 2017	2 years	Fantasy	board game	Licensed ⁽⁸⁾
10.	Project Lynx/ <i>Zombicide</i> <i>(mobile)</i>	By end of 2017	1 year	Post-apocalyptic	mobile game	Owned
11.	Project Turtle	By end of 2017	1 year	Fantasy	board game	Third Party ⁽⁹⁾
12.	Project Sloth	By end of 2017	4 years	Fantasy	miniature war game	Brand IP ⁽¹⁰⁾
13.	Project Hyena	By end of 2017	1 year	Adventure	board game	Brand IP ⁽¹¹⁾
14.	Project Lion	By end of 2017	3 years	Super heroes	board game	Brand IP ⁽¹²⁾
15.	Project Alligator	By end of 2017	3 years	Fantasy	board game	Licensed ⁽¹³⁾
16.	Project Zebra	By end of 2017	2 years	Mafia	board game	Brand IP ⁽¹⁴⁾
17.	Project Hawk	By end of 2017	N/A ⁽¹⁵⁾	Post-apocalyptic	board game	Licensed ⁽¹⁵⁾
18.	Project Condor	By end of 2017	N/A ⁽¹⁶⁾	Family	board game	Licensed ⁽¹⁶⁾

Note 1: The expected game life of our self-owned games in our pipeline is the best estimate made by our Directors. The expected game life of our licensed and third party games in our pipeline is based on the relevant licensing agreement or distribution agreement.

Note 2: An exclusive reseller agreement in respect of the reselling of games within the USA and other countries where first official language in English, was entered into between the licensor and our Group.

Note 3: A non-exclusive licensing agreement was entered into between the licensor and our Group.

Note 4: The licensor and our Group are in the process of negotiating a formal agreement and therefore the game life cannot be estimated as at the Latest Practicable Date.

Note 5: The licensor and our Group are in the process of negotiating a formal agreement and therefore the game life cannot be estimated as at the Latest Practicable Date.

⁽¹⁾ The game pipeline may be subject to amendment or changes based on market or game development exigencies

BUSINESS

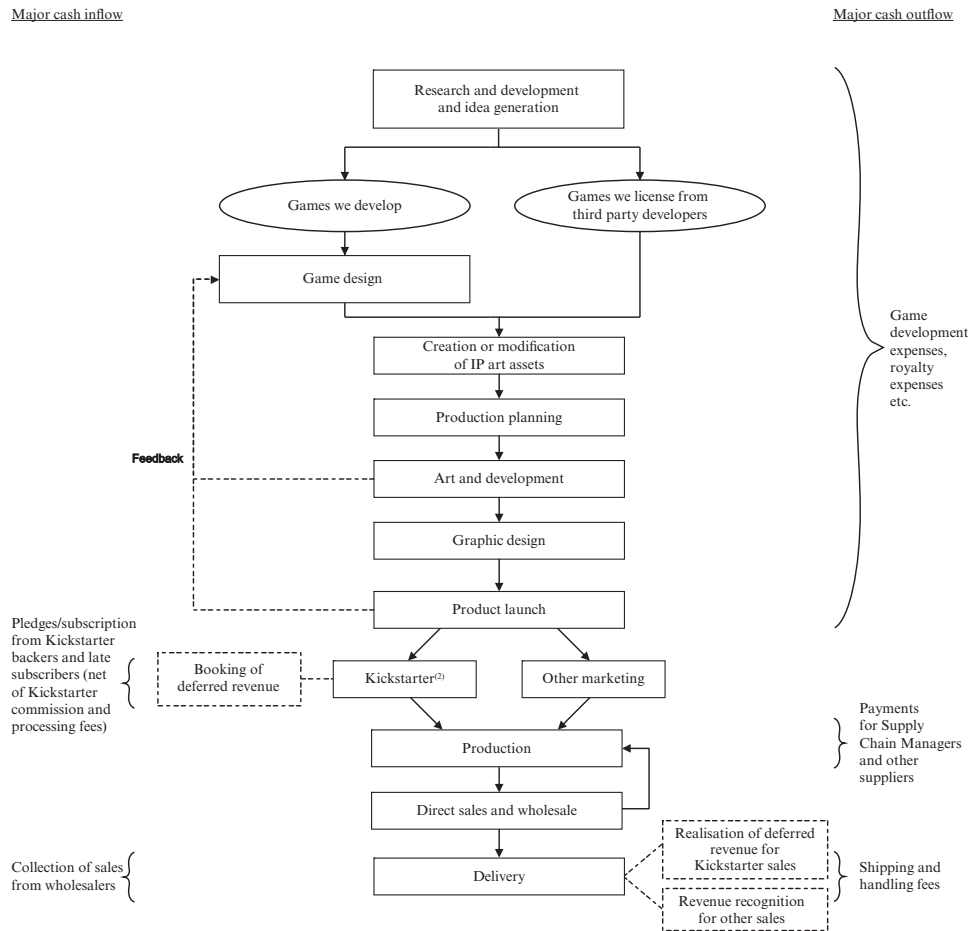
- Note 6:* An exclusive licensing agreement was entered into between the licensor and our Group.
- Note 7:* An exclusive licensing agreement was entered into between the licensor and our Group.
- Note 8:* A worldwide, exclusive licensing agreement was entered into between the licensor and our Group.
- Note 9:* An exclusive reseller agreement in respect of the reselling of games within the USA and other countries where first official language in English, was entered into between the licensor and our Group.
- Note 10:* A limited, revocable, exclusive licensing agreement in the USA was entered into between the licensor and our Group.
- Note 11:* A non-exclusive licensing agreement in respect of the sale of games in the USA, Canada, and Brazil was entered into between the licensor and our Group.
- Note 12:* A worldwide, non-exclusive licensing agreement was entered into between the licensor and our Group.
- Note 13:* An exclusive licensing agreement was entered into between the licensor and our Group.
- Note 14:* A non-exclusive licensing agreement was entered into between the licensor and our Group.
- Note 15:* The licensor and our Group are in the process of negotiating a formal agreement and therefore the game life cannot be estimated as at the Latest Practicable Date.
- Note 16:* The licensor and our Group are in the process of negotiating a formal agreement and therefore the game life cannot be estimated as at the Latest Practicable Date.

OUR BUSINESS MODEL

We primarily publish both self-owned and licensed tabletop games. Self-owned games refer to games whose IP rights are developed in-house, transferred by our Controlling Shareholders or acquired from third parties. Licensed games are games whose IP rights are licensed from third party game developers under licensing agreements and games with Brand IPs being licensed from third parties but developed by us.

Game Development Process

The time taken to develop our self-developed (including games under Brand IPs) tabletop games and tabletop games which we license from third party developers may vary. Generally, around one year is required from the game design stage to the delivery stage, depending on the type and complexity of the tabletop game being developed. As our mobile games are mobile versions of existing tabletop games, the existing tabletop game development process does not apply to them. Please refer to the paragraph headed “Mobile Games” in this section for more information on the game development process of our mobile games. Generally, our game development process can be divided into 10 or 11 stages as set forth in the diagram below:⁽¹⁾



⁽¹⁾ The chart is for general illustration purpose only. Depending on the actual situation, some of the games may not go through all the processes as stated above or may have several processes being conducted concurrently or in a different order.

⁽²⁾ Please refer to the paragraph headed “Kickstarter” in this section for our general processes of launching games on Kickstarter.

Research and Development and Idea Generation

Our management continually reviews and assesses the hobby game market for trends. They are also kept updated on the market by communicating with game designers, tracking new games that are launched, visiting retail shops, attending hobby game conventions, and analyzing the data compiled from our online store. Based on such assessment, our management will at every quarter discuss and initiate ideas for new games which we believe will cater to the market's demands. However, not all ideas initiated by management will be converted into a pipelined game which we will devote resources for game design or subsequent development.

Through their networking, our management also sources for potential licensing opportunities of games developed, or in the process of development, or of Brand IPs which may be adapted into tabletop games. Our management then negotiates the relevant licensing arrangement with these game developers or Brand IP owners. Game developers or Brand IP owners may also approach our management to propose a licensing arrangement. Licensed games are included in our game pipeline when management has reached an advanced stage of negotiations to enter into a formal licensing agreement.

Game Design

For self-developed games (including games under Brand IPs), upon deciding on a particular game idea and content, we will deliberate and work on the basic building blocks of the potential game, including its name, genre, concept, number of players, play time, number of components, budget and other factors. The potential game's design brief is then prepared and depending on factors such as nature and type of game, resources, experience and availability of game designers, the appropriate external third party game designers are engaged to come up with a full and detailed set of the game's design and rules. At this stage, the game is officially included in our game pipeline.

Creation or Modification of IP Art Assets

We will work on the creation of the prototype sketches of the potential game's characters, landscapes, buildings and other features (collectively the "**IP Art Assets**") for our self-developed games (including games under Brand IPs), and make necessary modification to the IP Art Assets provided by third party game developers for our licensed games. We will generally work with external third party illustrators, which we engage on a project by project basis for the creation or modification of the relevant IP Art Assets.

Production Planning

To ensure a smooth production process during the latter stages, we typically conduct our production planning at relatively early stages of the potential game's creation. Since all production is outsourced to our Supply Chain Managers, we will, at this stage, work closely with the Supply Chain Managers on the viability of the potential game from a production and industrialisation perspective, including matters relating to production timeline, costs, inventory planning and other logistic and practical issues.

Art and Development

After the potential game's IP Art Assets are being finalised, 3D assets such as miniatures will be sculpted by external third party sculptors based on such IP Art Assets. At the same time, development of the potential game takes place by intensive play testing by management, employees of the Company and occasionally, selected fans of the Group, aiming to improve various facets of the potential game such as the game's rules and design. The play testing phase may result in changes of the potential game's design or rules so as to make the potential game more appealing and market ready.

Graphic Design

This stage involves the graphic design of the potential game's rulebooks, play cards and cover box. This may be designed internally or externally, depending on the nature of the potential game, resources, and timeline.

Product Launch

Kickstarter

Most of our games have been launched through Kickstarter, and such games have been successfully funded on the platform. For more information on how we launch our games on Kickstarter, please refer to the paragraph headed "Kickstarter" in this section.

Other Marketing

We will also interact with our network of wholesalers to gauge their level of interest in our new games. Some wholesalers might give us an indicative order level but no formal contract or agreement would be entered at this stage as wholesalers would typically only place direct orders on a purchase order basis with us when our games are ready to enter formal production stage.

If a new game is not launched on Kickstarter, we will market it on our website at www.coolminiornot.com, our *Facebook* page, at the game conventions we attend, as well as any other appropriate or suitable medium. We also approach our wholesalers, informing them of the new game and securing their orders thereafter.

Production

We focus only on the production planning and overseeing process and outsource the production of our games to our Supply Chain Managers, and do not undertake any production processes in-house. After taking into account the number of committed backers and late subscribers for games launched on Kickstarter and/or the level of indicative interests in our new games that our wholesalers have shown, we will finalise our production plan and schedule, including but not limited to number of units, production costs, time-table and also finalising our selected Supply Chain Manager. We also typically keep a certain level of inventory to facilitate our direct sales through our online store and to meet ongoing purchases from wholesalers. Our inventory is maintained based on factors such as

our cash-flow planning, internal sales forecasts based on historical sales, as well as wholesalers' order forecasts. Depending on the sales performance and any resulting repeat orders, a game may go through subsequent round(s) of production.

Further details of our production process and relationship with our Supply Chain Managers are set out in the paragraph headed "Production" in this section.

Direct Sales and Wholesale

We primarily sell our products through two sales channels, namely direct sales and wholesaler sales. For direct sales, we sell directly to end users through Kickstarter, our online store and at game conventions which we attend.

In terms of our wholesaler sales, we currently sell to wholesalers based in various countries (including the USA, Canada, France, Germany, the UK and Spain). Before and upon the launch of a game, our sales team would begin to engage our wholesalers on the potential sale orders for such game. Where games are also launched on Kickstarter, we believe that our wholesalers typically gauge their size of orders based on the popularity of the game on Kickstarter. Further details of our sales platforms are set out in the paragraph headed "Game Sales Channels" in this section.

Delivery

(i) Delivery to backers and late subscribers of our games on Kickstarter

For delivery to backers and late subscribers on Kickstarter in the USA, our games are first shipped from our Supply Chain Managers to our USA office and warehouse, then delivered to our backers and late subscribers. For delivery to backers and late subscribers outside the USA, we engage various logistic service providers to ship our games from our Supply Chain Managers in the PRC to our backers and late subscribers.

(ii) Delivery to our wholesalers

For USA wholesalers, our games are usually shipped to our USA warehouse and collected directly by the wholesalers. Our other wholesalers (outside the USA) pick up their orders directly from the Supply Chain Managers.

(iii) Delivery to direct customers of our online store

Orders made on our online store are managed and delivered directly by our USA office and warehouse.

Save for the above, we also enter into agreements with third party game developers to distribute third party tabletop games pursuant to the terms of these agreements. We order the third party tabletop games directly from the third party game developers and distribute them to our wholesalers and direct customers of our online store.

OUR GAMES

As at the Latest Practicable Date, we had a portfolio of 40 games, 20 of which were owned by us, 10 of which were licensed from third party game developers and 10 of which are third party games we distribute.

A. Self-owned games

The following lists out our self-owned games launched as at the Latest Practicable Date:

1. *Arcadia Quest*¹
2. *Arcadia Quest: Inferno*
3. *Blood Rage*²
4. *Dark Age*³
5. *Dogs of War*¹
6. *Kaosball*¹
7. *Masmorra: Dungeons of Arcadia*
8. *Rum & Bones*¹
9. *Rum & Bones: Second Tide*
10. *Sheriff of Nottingham*
11. *Wrath of Kings*¹
12. *XenoShyft: Dreadmire*
13. *XenoShyft (mobile)*
14. *XenoShyft: Onslaught*¹
15. *Zombicide*¹
16. *Zombicide: Black Plague*
17. *Zombicide: Season 2*
18. *Zombicide: Season 3*
19. *Massive Darkness*¹
20. *Ta-Da!*

¹ The IPs of *Zombicide*, *Kaosball*, *Wrath of Kings*, *Arcadia Quest*, *Dogs of War*, *XenoShyft: Onslaught*, *Rum & Bones* and *Massive Darkness* were transferred to the Group by Mr. Ng pursuant to the Verbal Agreements.

² Before 20 October 2015, the IP of *Blood Rage* was licensed to the Group by Guillotine Games pursuant to a licensing agreement. The IP was subsequently transferred to the Group on 20 October 2015 pursuant to an IP sale agreement.

³ *Dark Age* was initially developed and launched by Mr. Doust in 2002. The IP of *Dark Age* was subsequently transferred to the Group pursuant to the Verbal Agreements.

B. Licensed Games

The Group entered into licensing agreements to publish games whilst ownership of such games remained with their respective game developers. The licensors are game developers located in the USA, Europe, Brazil and Hong Kong. Save for Guillotine Games, the licensor of *The World of Smog: On Her Majesty's Service* and *The Others: 7 Sins*, which is 37% held by Mr. Preti, our creative director, to the best knowledge, information and belief of the Directors, none of the licensors have any past or present relationship with the Company, its subsidiaries, their directors, shareholders, senior management, or any of their respective associates. The table below sets out an overview of the key terms of the licensing agreements we had entered into for our licensed games launched as at the Latest Practicable Date:

	Game	Term	Licensor background	Exclusivity	Territory
1.	<i>Guilds of Cadwallon</i>	April 2012 to April 2017	Game developer incorporated in France	Exclusive	Worldwide
2.	<i>Rivet Wars</i>	February 2012 to January 2017	Game developer incorporated in New Jersey, USA	Exclusive	Worldwide
3.	<i>The World Of Smog: On Her Majesty's Service</i>	April 2013 to June 2019	Game developer incorporated in Hong Kong	Exclusive	Worldwide
4.	<i>B-Sieged: Sons of the Abyss</i>	February 2014 to February 2017	Game developer incorporated in Spain	Exclusive	Worldwide
5.	<i>The Others: 7 Sins</i>	January 2015 to January 2018 ⁽¹⁾	Game developer incorporated in Hong Kong	Exclusive	Unspecified
6.	<i>Queen's Necklace</i>	September 2015 to September 2018 ⁽¹⁾	Game developer residing in France	Non-exclusive	Worldwide
7.	<i>Play Me</i>	November 2015 to November 2018	Game developer incorporated in France	Exclusive	Worldwide
8.	<i>Bloodborne</i>	September 2015 to May 2017	Video interactive entertainment console developer incorporated in the USA	Non-exclusive	USA, Canada and Brazil
9.	<i>Looterz</i>	August 2016 to August 2019 ⁽¹⁾	Game developer incorporated in Brazil	Non-exclusive	Unspecified
10.	<i>Masques</i>	March 2016 to March 2019 ⁽¹⁾	Game developer incorporated in France	Exclusive	Unspecified

In respect of *Guilds of Cadwallon*, *Rivet Wars*, *The World of Smog: On Her Majesty's Service* and *B-Sieged: Sons of the Abyss*, we entered into license agreements whereby we were appointed as the exclusive publisher and manufacturer of the relevant products and product lines of the above licensed games worldwide. We pay the licensor a royalty based on payments received from sales of such products. In addition, the licensor grants our Group a worldwide, non-exclusive, royalty free, fully paid-up right and license, to use, adapt, make, or have made derivative works of the product or its documentation, solely for the use and sale of the relevant product. The term of the license is three to five years from the date of release of the game.

(1) *The term of this license depends on the last major use of the licence, and may be later than the date specified above. Further details on the term of the licence is set out below.*

In respect of *The Others: 7 Sins*, we entered into a license agreement whereby the licensor granted our Group all rights and licenses, on an exclusive basis, to make use of the IP of the licensor to manufacture, market, and distribute products based on such IP. We pay the licensor a royalty based on revenue received from future sales of such products. In addition, the licensor grants our Group a worldwide, exclusive, royalty free, fully paid-up right and license, to use, adapt, make, or have made derivative works based on the licensor's IP. The term of the license is three years from the last major use of the license.

In respect of *Queen's Necklace*, we entered into a licensing agreement whereby the licensor granted us a non-exclusive license for the IP of the licensor for the game. We pay the licensor a royalty based on payments received from future sales of such products. The term of the license is three years from the last major use of the license.

In respect of *Play Me*, we entered into a licensing agreement whereby the licensor granted us an exclusive, worldwide license for the English version of the game. We pay the licensor a royalty of EUR 2 per box produced and will pay an advance payment of EUR 20,000 which will be credited against future royalties payable. The term of the license is three years from the date of the license agreement.

In respect of *Looterz*, we entered into a licensing agreement whereby the licensor granted us a non-exclusive license for the game design and related materials for the game. We pay the licensor an advance royalty upon signing the licensing agreement, and a royalty based on payments received from future sales of the game. The term of the license is three years from the last major use of the license.

In respect of *Masques*, we entered into a licensing agreement whereby the licensor granted our Group all rights and licenses, on an exclusive basis, to make use of the IP of the licensor to manufacture, market and distribute products based on such IP. We pay the licensor an advance royalty within two weeks of the date of the licensing agreement, and a royalty based on payments received from future sales of such products. In addition, the licensor grants our Group a worldwide, exclusive, royalty free, fully paid-up right and license, to use, adapt, make or have made derivative works based on the licensor's IP. The term of the license is three years from the last major use of the license.

We had also previously entered into separate license agreements for (i) *Super Dungeon Explore* and *Relic Knights*; and (ii) *Sedition Wars: Battle for Alabaster*. The license agreements for *Super Dungeon Explore* and *Relic Knights* were mutually terminated by the licensor and the Group in April 2014 and August 2014, respectively as a mutual commercial decision following a request of the licensor due to its own business consideration and at the agreement of our Group after commercial negotiations between the Group and the licensor taking into account factors including but not limited to the business relationship with the licensor and the potential competition between the subject game and other pipelined games of the

Group. The licensing agreement for *Sedition Wars: Battle for Alabaster* had expired in January 2016 and we chose not to renew the license after considering the sales performance of the game.

The royalty expenses were US\$47,545, US\$134,484 and US\$23,145 for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively, and are primarily payable to game developers of the games that we licensed.

We are selective in the games that we license and only license third party games that we consider to be of high quality with potential for commercial success. We believe that the expertise we have developed through our game development process enables us to identify other top quality games and to effectively evaluate their commercial viability. Where necessary, we also propose modifications to the games we license, improve the game play or artwork, which in our view could make our licensed games more commercially successful.

Apart from the above, we have entered into various licensing agreements for some of our licensed pipelined games. Please refer to the paragraph headed “Game Pipeline” in this section for further information.

Depending on market performance, we may consider acquiring the IP of some of our licensed games. For example, we acquired the IP of *Blood Rage*, which was previously a licensed game, from Guillotine Games in October 2015. *Blood Rage* then became one of our self-owned games.

We have also begun exploring licensing arrangements to adapt Brand IPs such as popular literatures, comics, movies, television serials and/or animations into our games. As at the Latest Practicable Date, we had launched a board game based on the video game *Bloodborne* and are in the process of developing games based on the film *The Godfather* and entered into non-exclusive licensing agreements to develop board games based on the Brand IPs. However, no games with Brand IPs being licensed from third parties but developed by us were launched or shipped during the Track Record Period.

In respect of *Bloodborne*, we entered into a merchandise license agreement where the licensor grants us a non-exclusive, non-transferable license in USA, Canada and Brazil to use the interactive video entertainment properties of the video game *Bloodborne* in connection with the marketing, advertisement, distribution and sale of *Bloodborne*, together with a license to use the trademarks, service marks, trade dress, logos, logotypes and icon for *Bloodborne*. We pay a royalty based on net sales of *Bloodborne* to the licensor. The term of the license is from September 2015 to May 2017. We had launched the board game *Bloodborne* in July 2016 and the products were available for sale as at the Latest Practicable Date.

C. Third Party Games

The table below sets out an overview of the key terms of the agreement we had entered into for the distribution of third party games launched as at the Latest Practicable Date:

	Licensor	Term	Products covered
1.	Sweet November Sarl	September 2015 to September 2020	English language version of <i>The Grizzled</i>
2.	Ankama Products	January 2016 to January 2017	<i>Krosmaster Quest</i> , <i>Krosmaster Arena</i> , Project Turtle, Project Otter, and undisclosed titles not yet included in our game pipeline
3.	Horrible Games srl a Socio Uncio	June 2016 to June 2021	<i>Potion Explosion</i>
4.	Sweet November Sarl	January 2016 to January 2021	English language version of <i>Kreo</i>
5.	Cranio Creations Srl	February 2016 to February 2021	English language version of <i>Unusual Suspects</i>
6.	Flatlined Games	April 2016 to April 2019	English language version of <i>Cthulhu in the House</i> and <i>Rumble in the Dungeon</i>
7.	Sweet November Sarl	January 2016 to January 2021	English language version of <i>Waka Tanka</i>
8.	KaleidosPublishing srl	February 2016 to February 2021	English, French and Spanish language versions of <i>Kaleidos</i>

In respect of Sweet November Sarl, we entered into separate worldwide, exclusive licensing and distribution agreements to develop, publish, market, and distribute the English version of *The Grizzled*, the English version of *Kreo* and the English version of *Waka Tanka*, and to use the trademarks and copyrights of Sweet November Sarl in such connection, respectively. Pursuant to the licensing and distribution agreements, we purchase physical units of the respective games from the licensor. The term of each license and distribution agreements is five years from the date on which we collect the products covered from Sweet November Sarl.

In respect of Ankama Products, we entered into a reseller license agreement to be appointed as the exclusive reseller of *Krosmaster Quest* and *Krosmaster Arena* (and Project Turtle, Project Otter, and undisclosed titles not yet included in our game pipeline) in the USA. We are granted the right to resell the abovementioned products to consumers, and to distribute and grant sublicenses for such products to customers on an exclusive basis in the USA, to have our logo displayed on the product packaging, and a non-exclusive, limited license to use the licensor's trademarks and logos. Pursuant to the reseller license agreement, we purchase physical units of the respective games from the licensor based on their price list. There is no obligation to place any orders, but if orders are placed, a minimum order quantity must be fulfilled. The term of the licensing agreement is one year from the date of the agreement, renewable automatically if a minimum quota is met or no party gives notice of termination.

In respect of Horrible Games srl a Socio Uno, we entered into a merchandise license agreement for an exclusive, worldwide (excluding countries where a localised edition is present) license to develop, publish, market and distribute the English language version of *Potion Explosion*, and to use the trademarks of the licensor and the

BUSINESS

game in such connection. Pursuant to the merchandise license agreement we purchase physical units of *Potion Explosion* from the licensor at an agreed cost, with an advance payment of 50%. The term of the merchandise license agreement is for 60 months after the date on which we collect the products from the licensor.

In respect of Cranio Creations Srl, we entered into a worldwide, exclusive merchandise license agreement to develop, publish, market and distribute the English version of *Unusual Suspects* and to use the trademarks and copyrights of Cranio Creations Srl in this connection. Pursuant to the licensing and distribution agreement, we purchase physical units of the respective games from the licensor. The term of the merchandise license agreement is five years from the date on which we collect the products covered from Cranio Creations Srl.

In respect of Flatlined Games, we entered into a worldwide, exclusive merchandise license agreement to develop, publish, market and distribute the English version of *Cthulhu in the House* and *Rumble in the Dungeon* and to use the trademarks and copyrights of Flatlined Games in this connection. Pursuant to the merchandise license agreement, we purchase physical units of the game from the licensor. The term of the merchandise license agreement is three years from the date on which we collect the products covered from Flatlined Games.

In respect of KaleidosPublishing srl, we entered into a merchandise license agreement for a non-exclusive license (only for the USA, Canada, UK, Ireland, Australia, New Zealand, South Africa and South America (with the exception of Brazil)) to develop, publish, market and distribute the English, French and Spanish versions of *Kaleidos* and to use the trademarks and copyrights of KaleidosPublishing srl in this connection. Pursuant to the merchandise license agreement, we purchase physical units of *Kaleidos* from the licensor at an agreed cost, with an advance payment of 50%. The term of the merchandise license agreement is five years from the date on which we collect the products covered from KaleidosPublishing srl, as long as we order a minimum quantity of 5,000 products every year.

We have entered into various agreements for some of our third party pipelined games. Please refer to the paragraph headed “Game Pipeline” in this section for further information.

PRODUCTION

We outsource the production of our self-owned and licensed tabletop games to Supply Chain Managers, allowing us to focus our resources on product development and/or marketing, and to operate our business in a cost-effective manner. Our Supply Chain Managers are responsible for the entire production process of our self-owned and licensed tabletop games strictly according to our specifications and requirements. For selection of the Supply Chain Managers, our management assesses and takes into account various factors such as price, projected timeline, quality, work portfolio, reputation and previous working experience.

BUSINESS

Due to more efficient coordination of work and better quality control, we currently engage a small pool of Supply Chain Managers with production facilities in Guangdong province, the PRC to manage our manufacturing process. As at the Latest Practicable Date, the Group engaged two Supply Chain Managers, who were international games manufacturers and specialist packaging solutions providers based in the PRC. Each of them accounted for approximately US\$2.5 million and US\$814,495 of our cost of inventories respectively (representing approximately 37.9% and 12.2% of our total cost of sales respectively) for the year ended 31 December 2014, and approximately US\$2.6 million and US\$2.3 million of our cost of inventories respectively (representing approximately 30.7% and 27.1% of our total cost of sales respectively) for the year ended 31 December 2015, and approximately US\$892,259 and US\$208,531 of our cost of inventories respectively (representing approximately 35.4% and 8.3% of our total cost of sales respectively) for the five months ended 31 May 2016. We have maintained a business relationship of two to four years with our two Supply Chain Managers.

The Supply Chain Managers give input to issues such as commercial feasibility, product costing, technical specifications, and project timelines. Upon successful completion of a product launch, we will engage the Supply Chain Managers to manufacture the new tabletop game. At this juncture, the production cost per game is negotiated between the Group and the Supply Chain Managers. For subsequent production orders of a tabletop game, the Supply Chain Managers will inform us of any significant price increases and the reasons for such increases.

The Supply Chain Managers are responsible for procuring the necessary raw materials and will, where necessary, sub-contract parts of the production process to various manufacturers. Where there are unique requirements of a specific component of a tabletop game, the Supply Chain Managers will seek our management's approval or views on the appropriate sub-contractor to be engaged. The Supply Chain Managers also arrange for the final products to be packaged and delivered to our designated shipment point. Our management and production team make periodic site visits to the Supply Chain Managers to discuss production matters, ensure quality control, and discuss operational matters where required. Production of our tabletop games by the Supply Chain Managers takes about three to four months for new games, and about two months for existing games (repeat orders).

We do not enter into any long term master supply or production agreement with any of the Supply Chain Managers, and engage them only on a project by project basis.

As the production of our tabletop games are outsourced entirely, we do not own any major properties, facilities and equipment.

During the Track Record Period, we relied significantly on our Supply Chain Managers. To manage our concentration risk for our production, we have a practice of maintaining a good working relationship with our Supply Chain Managers by amongst others, creating goodwill and honouring payments. We will consider exploring and developing our business relationships with other suitable supply chain managers and

suppliers as part of our contingency planning. As alternative suppliers are readily available, the Directors are of the view that the Company has no material supplier concentration risk. Please refer to the paragraph headed “Risk Management” in this section for further details.

PRICING

Tabletop games

We generate a MSRP for each of our tabletop games, taking into account factors such as the prevailing market rates, competitors’ prices, quantity and quality of miniatures and also our own costs of outsourcing or purchase. Generally, the MSRP of our tabletop games ranges from about US\$20 to US\$100. Our tabletop games are sold at or close to the MSRP when pre-ordered by Kickstarter backers and late subscribers, or ordered from our online store.

We price our tabletop games to our wholesalers at a discount to the MSRP, taking into account factors such as the size of the orders (or previous orders), popularity of the games, working relations with the wholesalers, and prevailing market rates. During the Track Record Period, the amount of discount to the MSRP given to wholesalers ranged from 60% to 72%.

We do not control our wholesalers (or the retail stores to which they on-sell our tabletop games to) on the final retail price of our tabletop games. However, we provide the MSRP (adjusted for local currencies where necessary) for each of our tabletop games to our wholesalers for their guidance.

Mobile games

Our mobile games may or may not require upfront downloading cost. However, they generally include cash purchases for in-game items or features. As our mobile games are generally intended to be offered directly to our end-customers, our pricing approach is to first consider factors such as the prevailing market rates for mobile games, prices of competitor mobile games and our own costs of development before arriving at and determining the final downloading or item purchase price.

MARKETING

Our marketing team is responsible for advertising and marketing of our games, handling our social media outlets, and product design. We implement various marketing measures to promote our games, including referrals, online advertising and utilisation of social networking websites.

Tabletop games

We produce marketing videos for new game launches, which introduce our new tabletop games and show viewers the rules and gameplay sequences. These marketing videos are uploaded on Kickstarter and/or *YouTube* as a form of advertisement of our tabletop games. We also create publicity for our tabletop games on the internet through our own

websites at www.coolminiornot.com and www.tabletopgamingnews.com. Some of our tabletop games have their dedicated websites, which gives customers information on the games, the available accessories and add-ons for sale, and wallpapers for free downloading.

We advertise our tabletop games on gaming websites such as www.boardgamegeek.com, and we are regularly featured on the “Hot List” on Kicktraq when some of our tabletop games were launched as Kickstarter projects. In our opinion these are popular websites visited by hobby game enthusiasts and thus potential customers. We provide various updates about our tabletop games through social media platforms such as *Facebook* (on which we have more than 61,000 followers) and *Twitter* (on which we have more than 10,000 followers). We have also leveraged the influence of *Facebook* to target potential customers. In this regard, we supply *Facebook* with details of demographic groups we are trying to target. *Facebook* then posts advertisements of our tabletop games on the *Facebook* homepages of potential players meeting our demographic criteria. When using *Facebook* pages, interested customers can click on our advertisements and connect directly to our websites. Through our reach and marketing strategy on these social media platforms, which encourages sharing of news, pictures, and information to fellow users, we believe that our tabletop games and brand name are given further exposure and marketed to potential customers. We also send out email newsletters marketing and promoting our tabletop games, to subscribers on www.coolminiornot.com, and to previous backers of our projects on Kickstarter when a new project is being launched. These newsletters had more than 77,000 recipients in total as at the Latest Practicable Date.

In addition to gaming websites and social network platforms, we also cooperate with other online game promotional platforms, including online game informational websites and online game operational websites such as ICv2 and The Dice Tower, to increase awareness of our tabletop games.

We market our tabletop games at annual game conventions such as Gen Con in the USA. For game conventions held in the USA, we set up booths and showcase our tabletop games. We are represented at game conventions in Europe by our wholesalers (who also market games from other publishers and companies), who with a representative of our Group, help to promote and create publicity for our tabletop games. We typically take part in six to eight of such game conventions annually.

We also market our tabletop games at our own annual CoolMiniOrNot Expo held in Atlanta, USA in the first half of each year. At the CoolMiniOrNot Expo, we showcase our latest games, accessories and miniatures, provide open game playing, and also invite other game publishers to exhibit their games and products. We organise game workshops and also have discussions and panels with guest speakers who share their views and insights on the hobby game industry. We believe that organising our own CoolMiniOrNot Expo helps us to closely engage our customers (both wholesalers as well as direct customers), further building our brand and helping us to understand market demands and trends. Through the CoolMiniOrNot Expo, we are able to reach out to and foster our working relationships with the creatives.

The Legion

To further promote our games, we have in place an individuals' volunteer network programme, the legion, whose members ("**legion members**") help promote our tabletop games in various hobby games retail stores, gaming clubs and game conventions mainly in the USA. Details of all legion members are maintained in a membership register kept by us upon their registration.

The legion organises events such as game demonstrations, tournaments, hobby nights and other special events. Legion members are provided with guidance on organising various events through emails and the legion handbook that is posted on our website, and may voluntarily approach local retail stores and gaming clubs to offer to organise events for them. Legion members may also volunteer to assist us when we attend game conventions.

Through game demonstrations, legion members introduce our tabletop games by offering the opportunity for new players to learn the rules and try the tabletop game with an experienced player before purchasing it, allowing them to better understand our tabletop games. We believe other events such as tournaments and hobby nights both increase exposure to new customers, and improve the player experience by strengthening the local community of players of our tabletop games, which in turn can help us to attract more new players.

In return, legion members earn points for each event which they organise at local game retail stores or gaming clubs, or when volunteering at game conventions. Legion members self-report events or conventions which they organise or attend at our website, and points are awarded after verification by our legion coordinator, who is our employee, with the local retail store or gaming club and the number of points to be rewarded is determined according to the level of effort taken as mutually agreed between the legion member and us. For the two years ended 31 December 2015 and the five months ended 31 May 2016, 31,756, 53,592 and 42,368 reward points had been granted, respectively. These points can be used to purchase our tabletop games and accessories at discounted prices. Since the introduction of the reward scheme in 2011, the reward points have been recorded and updated in the membership register at the time when reward notifications are sent to legion members or when redemption requests from legion members have been received and processed. No disputes on the number of outstanding reward points have occurred since the introduction of the scheme. Although the legion is a volunteer network, we have an obligation to provide discounts to legion members upon their redemptions of reward points. During the two years ended 31 December 2015 and the five months ended 31 May 2016, the Group incurred costs of approximately US\$6,500, US\$7,800 and US\$5,961 respectively for fulfilling obligations in respect of the reward points, these had already been included as part of cost of sales at the time when the relevant sales were made. As at 31 December 2014, 31 December 2015 and 31 May 2016, the outstanding obligations in relation to the rewards points granted amounted to approximately US\$4,000, US\$6,900 and US\$11,000 respectively, all of which are considered to be insignificant and have not been provided for.

BUSINESS

As at the Latest Practicable Date, we had over 400 legion members, who are managed by and kept in contact with us. We recruit legion members at game conventions and through our website where potential members can apply to join the legion, and are accepted for membership after our legion coordinator has reviewed the application and considered the applicant as suitable for promoting our tabletop games. No application fee or membership fee is required to join the legion.

Mobile Games

Like our tabletop games, we advertise our mobile games by leveraging on the influence of social media platforms such as *Facebook* to target potential customers. We also advertise on our website when a new mobile game project is being launched.

GAME SALES CHANNELS

The revenue contributions from our Group's sales channels during the Track Record Period are as follows:

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
Direct								
Kickstarter	7,750,586	61.4	9,522,481	55.4	1,451,431	33.4	581,409	14.9
Online store and game conventions	458,885	3.7	781,904	4.6	233,013	5.4	462,094	11.9
Mobile games	—	—	22,211	0.1	—	—	15,462	0.4
Wholesalers	<u>4,405,598</u>	<u>34.9</u>	<u>6,858,759</u>	<u>39.9</u>	<u>2,663,380</u>	<u>61.2</u>	<u>2,832,948</u>	<u>72.8</u>
Total	<u>12,615,069</u>	<u>100.0</u>	<u>17,185,355</u>	<u>100.0</u>	<u>4,347,824</u>	<u>100.0</u>	<u>3,891,913</u>	<u>100.0</u>

BUSINESS

The table below sets out the revenue contribution of our games by sales channels during the Track Record Period:

Sales of our games by channels

	For the year ended 31 December								
	2014				2015				
	Direct Kickstarter US\$	Online store and game conventions US\$	Wholesalers US\$	Total US\$	Direct Kickstarter US\$	Online store and game conventions US\$	Mobile games US\$	Wholesalers US\$	Total US\$
<i>Arcadia Quest</i>	1,046,321	300	421,550	1,468,171	—	44,425	—	445,937	490,362
<i>B-Sieged: Sons of the Abyss</i>	—	—	—	—	664,688	—	—	35,329	700,017
<i>Blood Rage</i>	—	—	—	—	1,020,650	21,394	—	535,347	1,577,391
<i>Dark Age</i>	—	32,575	92,064	124,639	—	105,584	—	32,546	138,130
<i>Dogs of War</i>	82,233	60	107,190	189,483	—	1,362	—	52,365	53,727
<i>Guilds of Cadwallon</i>	—	50	2,557	2,607	—	485	—	4,663	5,148
<i>Kaosball</i>	430,324	1,421	123,059	554,804	—	8,002	—	38,298	46,300
<i>Queen's Necklace</i>	—	—	—	—	—	1,374	—	23,433	24,807
<i>Relic Knights</i>	1,109,910	—	357,291	1,467,201	—	—	—	—	—
<i>Rivet Wars</i>	706,745	395	409,726	1,116,866	—	15,844	—	136,272	152,116
<i>Rum & Bones</i>	—	—	—	—	818,942	31,185	—	486,480	1,336,607
<i>Sedition Wars: Battle for Alabaster</i>	—	4,522	38,019	42,541	—	1,216	—	3,935	5,151
<i>The Grizzled</i>	—	—	—	—	—	7,267	—	82,458	89,725
<i>The World of Smog: On Her Majesty's Service</i>	—	—	—	—	119,048	3,384	—	72,909	195,341
<i>Wrath of Kings</i>	675,123	—	—	675,123	215,125	75,087	—	246,919	537,131
<i>XenoShyft (mobile)</i>	—	—	—	—	—	—	22,211	—	22,211
<i>XenoShyft: Onslaught</i>	—	—	—	—	285,144	8,370	—	191,562	485,076
<i>Zombicide</i>	—	24,834	1,020,188	1,045,022	—	8,234	—	1,084,000	1,092,234
<i>Zombicide: Black Plague</i>	—	—	—	—	5,786,464	—	—	782,225	6,568,689
<i>Zombicide: Season 2</i>	554,877	60,134	1,212,914	1,827,925	—	22,296	—	681,204	703,500
<i>Zombicide: Season 3</i>	3,145,053	49	268,333	3,413,435	612,420	30,173	—	1,673,729	2,316,322
Total revenue from games	7,750,586	124,340	4,052,891	11,927,817	9,522,481	385,682	22,211	6,609,611	16,539,985
<i>Other products</i>	—	334,545	352,707	687,252	—	396,222	—	249,148	645,370
Total	7,750,586	458,885	4,405,598	12,615,069	9,522,481	781,904	22,211	6,858,759	17,185,355

BUSINESS

	For the five months ended 31 May								
	2015				2016				
	Direct		Wholesalers	Total	Direct		Mobile games	Wholesalers	Total
	Kickstarter	Online store and game conventions			Kickstarter	Online store and game conventions			
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>Arcadia Quest</i>	—	—	168,930	168,930	—	19,888	—	251,023	270,911
<i>B-Sieged: Sons of the Abyss</i>	—	—	—	—	42,739	1,956	—	113,778	158,473
<i>Blood Rage</i>	—	—	—	—	81,891	5,450	—	504,196	591,537
<i>Dark Age</i>	—	32,714	15,695	48,409	—	19,019	—	13,663	32,682
<i>Dogs of War</i>	—	120	2,685	2,805	—	80	—	1,968	2,048
<i>Guilds of Cadwallon</i>	—	75	812	887	—	474	—	505	979
<i>Kaosball</i>	—	1,700	29,504	31,204	—	1,509	—	12,708	14,217
<i>Krosmaster Quest</i>	—	—	—	—	—	3,690	—	147,411	151,101
<i>Queen's Necklace</i>	—	—	—	—	—	233	—	3,144	3,377
<i>Relic Knights</i>	—	—	—	—	—	—	—	—	—
<i>Rivet Wars</i>	—	7,394	16,598	23,992	—	3,796	—	17,349	21,145
<i>Rum & Bones</i>	397,762	—	—	397,762	74,253	11,195	—	76,948	162,396
<i>Sedition Wars: Battle for Alabaster</i>	—	846	1,242	2,088	—	169	—	396	565
<i>The Grizzled</i>	—	—	—	—	—	2,298	—	59,745	62,043
<i>The World of Smog: On Her Majesty's Service</i>	—	—	—	—	—	1,944	—	5,772	7,716
<i>Wrath of Kings</i>	215,125	59,978	161,994	437,097	—	23,092	—	43,023	66,115
<i>XenoShyft (mobile)</i>	—	—	—	—	—	—	15,462	—	15,462
<i>XenoShyft: Onslaught</i>	226,124	300	77,637	304,061	—	4,052	—	39,785	43,837
<i>Zombicide</i>	—	3,167	392,686	395,853	—	10,437	—	359,560	369,997
<i>Zombicide: Black Plague</i>	—	—	—	—	382,526	28,269	—	978,182	1,388,977
<i>Zombicide: Season 2</i>	—	6,684	362,799	369,483	—	3,034	—	52,201	55,235
<i>Zombicide: Season 3</i>	612,420	1,620	1,345,152	1,959,192	—	256,983	—	119,334	376,317
Total revenue from games	1,451,431	114,598	2,575,734	4,141,763	581,409	397,568	15,462	2,800,691	3,795,130
<i>Other products</i>	—	118,415	87,646	206,061	—	64,526	—	32,257	96,783
Total	1,451,431	233,013	2,663,380	4,347,824	581,409	462,094	15,462	2,832,948	3,891,913

Our Group's games were mainly sold through Kickstarter and wholesalers, which accounted for approximately 96.3%, 95.3% and 87.7% of our total revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, respectively.

The Group's tabletop games that are launched through Kickstarter generally record higher revenue during the first year of shipping as all funds received in advance from the Kickstarter backers and late subscribers are recognised as revenue once the products are shipped. When all the orders from the Kickstarter have been fulfilled, the Group will no longer record any sales from Kickstarter for a particular game and all subsequent sales of the game will be generated from wholesalers, game conventions and online stores.

Upon the projects being launched through Kickstarter, we will contact our wholesalers to gauge their level of interest in our new games. To the best knowledge, information and belief of the Directors, our wholesalers usually decide the size of their first few orders of each game with reference to its respective Kickstarter sales performance. After that, the wholesalers will decide subsequent order sizes based on the actual sales performance of the respective game. As tabletop games usually attract higher awareness and interest from players at the beginning, orders from wholesalers usually show a decreasing trend and tend to stabilise after the first or second year since the game is first available for sale. However, a

successful or popular tabletop game may enjoy sustained demand from the market over a long period of time. Therefore, we still record sales from some of our tabletop games which were launched several years ago.

Sales of games launched through Kickstarter with products being shipped during the Track Record Period

For *Arcadia Quest*, *Dogs of War*, *Kaosball*, *Rivet Wars*, *Wrath of Kings*, and *Zombicide: Season 3*, their respective game products were first shipped during the year ended 31 December 2014. Therefore, all of them recorded relatively high total revenue during the year ended 31 December 2014 due to the recognition of the initial Kickstarter sales and a decrease in total sales during the year ended 31 December 2015. Their sales from wholesalers were generally in line with their Kickstarter performance. *Wrath of Kings* and *Zombicide: Season 3* recorded an increase in sales from wholesalers during the year ended 31 December 2015. The game products of *Wrath of Kings* and *Zombicide: Season 3* were first shipped by late 2014 to mainly fulfill the Kickstarter orders, which therefore pushed more sales from wholesalers to the year of 2015.

For *Blood Rage*, *B-Sieged: Sons of the Abyss*, *Rum & Bones*, *The World of Smog: On Her Majesty's Service*, *Xenoshyft: Onslaught* and *Zombicide: Black Plague*, their respective game products were first shipped during the year ended 31 December 2015. Therefore, most of their sales during the year ended 31 December 2015 were contributed by Kickstarter, with sales from wholesalers being generally in line with their Kickstarter sales.

Blood Rage, *B-Sieged: Sons of the Abyss*, *Rum & Bones* and *Zombicide: Black Plague* continued to record sales from Kickstarter during the five months ended 31 May 2016 as shipment of the products started in late 2015 and the Group continued to fulfill the Kickstarter orders in 2016.

The licensing agreement of *Relic Knights* was mutually terminated by the Group and the licensor in August 2014 and therefore no sales from *Relic Knights* were recognised in 2015. Despite *Relic Knights* accounting for approximately 12.3% of our total sales from games for the year ended 31 December 2014, the Directors were of the view that the termination of the licensing agreement would not have a material adverse impact on the business and financial performance of the Group after considering the game pipeline at the time and the sales performance of other games of the Group.

Games launched through wholesalers during the Track Record Period

For *Queen's Necklace*, *The Grizzled* and *Krosmaster Quest*, they are board games launched through wholesalers and therefore no Kickstarter sales were recorded in 2015 and the five months ended 31 May 2016.

Games with products already available for sales before the Track Record Period

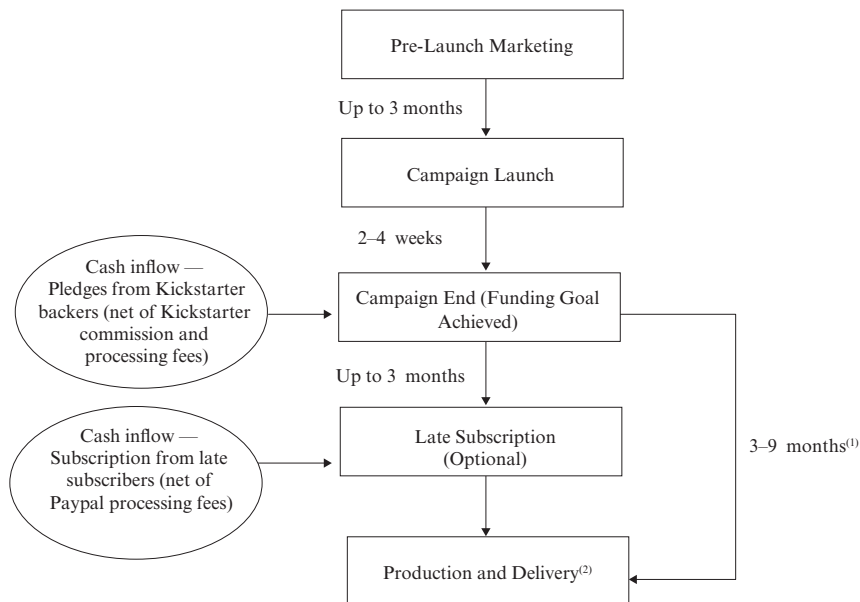
For *Dark Age*, *Guilds of Cadwallon*, *Sedition Wars: Battle for Alabaster*, *Zombicide* and *Zombicide: Season 2*, most of their sales during the Track Record Period were contributed by wholesalers. Except for *Sedition Wars: Battle for Alabaster* and *Zombicide: Season 2*, all

of them recorded a relatively stable level of sales for the years ended 31 December 2014 and 2015 as well as for the five months ended 31 May 2016 (as compared with the same period in 2015). The decrease in the sales of *Sedition Wars: Battle for Alabaster* in 2015 and the five months ended 31 May 2016 was mainly because the license was going to expire in January 2016. *Zombicide: Season 2* was first launched through Kickstarter in March 2013 and shipping started in late 2013. Therefore, the decline in sales in 2015 and the five months ended 31 May 2016 was a typical trend of a game after its first or second year of game life.

KICKSTARTER

Up to the Latest Practicable Date, we had launched 23 tabletop games through Kickstarter, an internet based crowd funding platform for creative projects. Using the Kickstarter platform, a person(s) or a team (a “project creator”) with an idea for a project may set its projects’ funding goal and funding deadline, and raise funds to complete such project. Any person in Austria, Australia, Belgium, Canada, Switzerland, Germany, Denmark, Spain, France, the UK, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, Norway, New Zealand, Sweden, Singapore, or the USA can start a project. The funding goal is the minimum estimated amount of money that a project creator requires to complete the project. Once a project is launched, any backer may support the project by pledging any amount of money to it.

Generally, our processes of launching games on Kickstarter are set out in the diagram below:



(1) Based on estimated delivery date at project launch

(2) Please refer to the paragraph headed “Game Development Process” for more details on production and delivery.

Pre-Launch Marketing

Prior to launching a Kickstarter campaign, we may begin marketing and creating publicity for our new game through marketing videos, our own websites, and social media platforms. Please refer to the paragraph headed “Marketing” in this section for details.

Campaign Launch

When we begin our Kickstarter campaigns, our games may not be fully completed, and we typically market the games based on prototypes. During the campaign, we may collect feedback from our fans and further improve the game.

The funding goals of our Kickstarter tabletop game projects range from US\$5,000 to US\$200,000, and our funding deadlines range from two to four weeks from the project launch date. We have achieved 100% success rate in launching new tabletop games through Kickstarter as all our tabletop game projects launched on Kickstarter have succeeded in reaching their funding goals within the stipulated funding deadlines with over-subscription. All our Kickstarter projects have been profitable during the Track Record Period and we have not experienced any cost overruns in relation to our Kickstarter projects during the Track Record Period. Other than the four recently launched projects the products of which we expect to deliver in the next few months, all our Kickstarter projects had been translated into games for production and sales as at the Latest Practicable Date.

Depending on the amount pledged by a backer to a project, on a case-by-case basis, such backer may receive rewards from the project creator. The rewards system is at the discretion of the project creator. It may be possible for a project creator not to offer any rewards to its backers. Kickstarter cannot be used to offer financial incentives like equity, financial returns or repayment as rewards for projects. Typically, the rewards given to our backers include a core version of the game, additional miniatures and/or other game accessories. For example, for *Zombicide: Season 3*, each backer who pledged at least US\$90 would receive rewards comprising the core game and an exclusive box of zombie miniatures. Backers who pledged at least US\$150 would receive an additional expansion set and an exclusive survivor miniature. Taking into account that no securities (as defined under the US Securities Act) are offered on Kickstarter, the operation of such a crowd funding platform is not specifically regulated by Rule 506 of Regulation D and Section 4(a)(6) of the US Securities Act or Section 359-E of the New York General Business Law, as advised by our US Legal Advisers.

We also offer a Stretch Goals system for some of our projects, depending on the performance of the project after it is launched. We believe the provision of Stretch Goals is common for tabletop game projects on Kickstarter. A Stretch Goal is a funding target set beyond the original Kickstarter funding goal. Under this system, pledging backers may be given incentives for reaching our project’s stipulated Stretch Goals. Typically, the incentives given to our project’s backers include additional miniatures and game peripherals. For example, for *Blood Rage*, upon there being an aggregate amount of US\$70,000 being pledged by backers, we provided an additional dwarf miniature and playcard to each of the *Blood Rage* box sets. We then give backers with incentives when we subsequently reached our various tiers of Stretch Goals ranging from US\$90,000 to

BUSINESS

US\$820,000. Through this in-built marketing mechanism, we believe that pledging backers have an impetus to recommend our Kickstarter projects to their friends to help achieve the Stretch Goals, creating further publicity for our games. Our Directors believe that backers are willing to pledge funds to our tabletop games launched on Kickstarter in advance, rather than purchase them when they are available for sale at retail shops, as they value the rewards and incentives made available only during the Kickstarter campaign, such as the aforementioned game miniatures, accessories and peripherals.

Campaign End

Funding through Kickstarter is on an all-or-nothing basis. At the end of a campaign if a project succeeds in reaching its funding goal, all backers who have pledged money to the project will have their credit cards charged. If a project is successfully funded, prior to the transmission of funds to the project creator, Kickstarter will deduct commission and processing fees ranging in total from 8% to 10% (depending on the backers' mode of payment) from the total funds collected before the funding deadlines. Thereafter, the project creator will receive the net amount of the pledged funds from Kickstarter, and is obliged to complete the project and fulfill each reward. If a project does not reach its funding goal within its funding deadline, no fees will be charged by Kickstarter.

Late Subscription

We usually add a link to the relevant Kickstarter page of the project after the funding deadline, where latecomers will be able to continue to subscribe for the project. As the funding from late subscriptions are directly collected by us instead of Kickstarter, no commission will be charged by Kickstarter and the subscription amount will not be officially recorded by Kickstarter. However, Paypal will charge us payment processing fees of 2.9% plus US\$0.30 per sale for sales in the USA, and 3.9% plus a fixed fee based on the currency received for sales to other countries. However, as we generate revenue from the late subscription via the Kickstarter platform, we account for the late subscription as part of our direct sales from Kickstarter.

Production and Delivery

We will determine the final number of tabletop games required to be produced based on the pledged funds as well as the late subscription amount, including all rewards and/or incentives to be provided, and make our orders to our Supply Chain Managers. Towards the end of production, we will estimate the costs of shipping the games to the backers and late subscribers.

Upon completion of production by the Supply Chain Managers, our tabletop games are shipped by the Supply Chain Managers. For delivery to backers and late subscribers located in the USA, our Supply Chain Managers will ship our games to our USA office and warehouse, which then distributes the tabletop games to the backers and late subscribers. For backers and late subscribers located outside of USA, we manage the delivery of our tabletop games by engaging various logistics services companies for different regions,

BUSINESS

including the UK, Germany, Australia, Canada and China. The logistics services companies collect the tabletop games from the Supply Chain Managers in the PRC, and help to distribute them to our backers and late subscribers from the various regions.

We provide a non-binding best estimated delivery date when launching a project on Kickstarter, which is determined based on our previous experience in launching similar projects as well as the communication with our Supply Chain Managers and third party creatives. Depending on actual production progress, our tabletop games may be delivered to backers and late subscribers earlier or later than such estimated delivery date.

For the 15 projects launched by the Group during the Track Record Period and up to the Latest Practicable Date, 11 of them have successfully finished shipping (including all rewards and incentives) and completed as at the Latest Practicable Date. Among the 11 projects which have finished shipping, eight of them had experienced delays ranging from one month to six months from the estimated delivery date and three of them had shipped before the estimated delivery date. Since 1 June 2016 and up to 31 October 2016 we realised approximately US\$3.1 million of our deferred revenue as at 31 May 2016, and completed the shipment of *The Others: 7 Sins*. We started the shipment of *The Others: 7 Sins* in late June 2016, which was three months delayed as compared to the original estimated delivery date of March 2016 due to additional time required for production. We have also started the shipment of *XenoShyft: Dreadmire* in late October 2016 and completed the shipment as at the Latest Practicable Date. *XenoShyft: Dreadmire* had the estimated delivery date of September 2016 and the delay in delivery was also due to additional time required for production. Among the four projects which have not started shipping, except for *Arcadia Quest: Inferno* which we expect to experience six months delay in shipping the products as compared with the original estimated delivery date at project launch, we expect to ship the products of the other three projects namely *Masmorra: Dungeons of Arcadia*, *Rum & Bones: Second Tide* and *Massive Darkness* on or before the respective original estimated delivery date.

We receive complaints from time to time from backers and late subscribers in relation to delays causing delivery to take place after the estimated delivery date. On the relevant Kickstarter page for our projects, we inform potential and actual backers of the risk of project delays. In order to engage our backers and late subscribers and enhance our customers' satisfaction, we provide regular updates on the development progress, including shipping updates of the projects on the relevant Kickstarter page. Besides, we allow backers to request for refunds anytime before the products are shipped. Please refer to the subparagraph headed "Kickstarter terms of use" below for details. During the Track Record Period, we had not experienced any claims from the backers as a result of delays in delivery.

The outstanding Kickstarter projects that have not started shipping as at the Latest Practicable Date include *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia*, *Rum & Bones: Second Tide* and *Massive Darkness*. We expect to ship the products for *Arcadia Quest: Inferno*, *Masmorra: Dungeons of Arcadia* and *Rum & Bones: Second Tide* by the end of 2016 and *Massive Darkness* by the first quarter of 2017. The estimated shipping dates of the outstanding Kickstarter projects are based on the latest information provided by the Supply Chain Managers. In particular, the design and product development of *Arcadia*

BUSINESS

Quest: Inferno, Masmorra: Dungeons of Arcadia and *Rum & Bones: Second Tide* had been substantially completed and the relevant product specifications have been passed to the Supply Chain Managers pending for production. According to a letter from the Supply Chain Manager who is responsible for the production of the three outstanding Kickstarter projects which are expected to be shipped by the end of 2016, all the three outstanding Kickstarter projects are on track for delivery in 2016. To the best knowledge of the Directors, there are no foreseeable obstacles which may cause the Supply Chain Managers to fail to meet the agreed schedule.

Through Kickstarter, we believe we create an initial awareness and publicity for our tabletop games amongst the backers. With each successful tabletop game that we release on Kickstarter, our fan base grows. This fan base is tapped on each time we launch a new tabletop game on Kickstarter, assuring us of a large number of backers for each of our new projects. This has allowed us to be one of the most funded project creators of the tabletop game sector on the Kickstarter platform, raising over US\$26 million from Kickstarter as at the Latest Practicable Date.

Our games launched on Kickstarter will be further produced by us and sold by our wholesalers and at our online store and game conventions after completing the shipment to Kickstarter backers and late subscribers. As our games sold on Kickstarter are profitable, excess funding from Kickstarter for the respective games, together with funds generated from operations, are used to further produce and sell our games on other sales channels such as wholesalers.

BUSINESS

The table below sets out the salient details of our tabletop games launched on Kickstarter up to the Latest Practicable Date:

No.	Games	Launch Date	Total amount raised (US\$)	Number of backers	Funding goal (US\$)	% Subscribed	Estimated commencement of delivery
1.	<i>Zombicide</i>	April 2012	781,597	5,258	20,000	3,907	Completed
2.	<i>Sedition Wars: Battle for Alabaster</i>	May 2012	951,254	4,278	20,000	4,756	Completed
3.	<i>Relic Knights</i>	August 2012	909,537	3,459	20,000	4,547	Completed
4.	<i>Guilds of Cadwallon</i>	December 2012	116,938	2,955	5,000	2,338	Completed
5.	<i>Rivet Wars</i>	January 2013	582,316	2,464	25,000	2,329	Completed
6.	<i>Zombicide: Season 2</i>	March 2013	2,255,018	8,944	25,000	9,020	Completed
7.	<i>Kaosball</i>	June 2013	356,752	1,896	25,000	1,427	Completed
8.	<i>Wrath of Kings</i>	August 2013	718,152	3,756	50,000	1,436	Completed
9.	<i>Arcadia Quest</i>	February 2014	774,222	4,885	50,000	1,548	Completed
10.	<i>Dogs of War</i>	April 2014	66,703	1,139	25,000	266	Completed
11.	<i>XenoShyft: Onslaught</i>	June 2014	242,832	3,367	25,000	971	Completed
12.	<i>Zombicide: Season 3</i>	June 2014	2,849,064	12,011	100,000	2,849	Completed
13.	<i>The World of Smog: On Her Majesty's Service</i>	October 2014	101,351	1,770	25,000	405	Completed
14.	<i>Rum & Bones</i>	December 2014	739,513	4,417	50,000	1,479	Completed
15.	<i>Blood Rage</i>	March 2015	905,682	9,825	50,000	1,811	Completed
16.	<i>B-Sieged: Sons of the Abyss</i>	April 2015	567,350	4,774	50,000	1,134	Completed
17.	<i>Zombicide: Black Plague</i>	June 2015	4,079,204	20,915	125,000	3,263	Completed
18.	<i>The Others: 7 Sins</i>	September 2015	1,464,489	10,136	100,000	1,464	Completed
19.	<i>Arcadia Quest: Inferno</i> ⁽¹⁾	November 2015	1,710,713	9,991	100,000	1,710	December 2016 ⁽²⁾

¹ Such games have not completed shipping as at the Latest Practicable Date

² Based on the latest information provided by the Supply Chain Manager as at the Latest Practicable Date and may be subject to change

BUSINESS

No.	Games	Launch Date	Total amount raised (US\$)	Number of backers	Funding goal (US\$)	% Subscribed	Estimated commencement of delivery
20.	<i>XenoShyft: Dreadmire</i>	January 2016	383,406	4,398	30,000	1,278	Completed
21.	<i>Masmorra: Dungeons of Arcadia</i> ⁽¹⁾	February 2016	1,010,959	10,862	60,000	1,684	November 2016 ⁽²⁾
22.	<i>Rum & Bones: Second Tide</i> ⁽¹⁾	April 2016	917,864	5,794	80,000	1,147	December 2016 ⁽²⁾
23.	<i>Massive Darkness</i> ⁽¹⁾	June 2016	3,560,643	22,361	200,000	1,780	February 2017 ⁽²⁾

Kickstarter Terms of Use

As advised by our US Legal Advisers, unless otherwise provided and mutually agreed upon by all relevant parties, Kickstarter's terms of use is the entire agreement among Kickstarter, a project creator and its backers and sets forth each party's rights and obligations with regard to use of the Kickstarter website and services provided by Kickstarter. Under Kickstarter's terms of use, a backer enters into a contract with a project creator upon his pledge to back the project. Kickstarter is not a party to such contract. Kickstarter's terms of use states that when a project is successfully funded, the project creator has a contractual obligation to complete the project and fulfill each reward and when it has done so, it has satisfied its obligations to backers, as advised by our US Legal Advisers. Kickstarter's terms of use does not stipulate a specific date by which project creators must fulfill the rewards or require project creators to update backers on progress of the project. Rather, project creators provide an estimated delivery date, which is a best estimate that project creators make a good faith effort to meet. As advised by our US Legal Advisers, Kickstarter's terms of use stipulates that the estimated delivery date is not a guarantee to fulfill the rewards by such date and asks that project creators communicate with backers about any changes to the estimated delivery date.

If the project creator is unable to complete the project and fulfill rewards, it must make every reasonable effort to bring the project to the best possible conclusion, including (amongst others) (i) explaining what work has been done, how funds were used, what prevented the project creator from finishing the project as planned; (ii) demonstrating that they have used the funds appropriately and made every reasonable effort to complete the project as promised; and (iii) offering to return any remaining funds to backers who have not received their products under the projects. According to Kickstarter's terms of use, it does not get involved in disputes between a project creator and its backers. If the project creator is unable to satisfy the terms of its contract with its backers, it may be subject to legal action by its backers.

Under the terms of contract with our initial backers during the Track Record Period, we generally allow full refund within 14 to 60 days from the funding deadline, and following that, a partial refund (comprising the funding amount after subtracting Kickstarter

BUSINESS

commission and processing fees which would have already been paid by us to the relevant parties at this point). Requests for refunds are initiated by our backers, and we have a “no questions asked” policy where we provide the relevant refund upon request regardless of the reason for such request. Once the product is ready for shipment, we will not provide any refund.

During the Track Record Period, we did not experience significant refund from our backers of our Kickstarter projects. Such refund amounted to US\$89,102, US\$190,641 and US\$39,064 for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively, representing approximately 1.8%, 1.7% and 0.8% of our total fundings received from Kickstarter during the respective period.

Kickstarter does not own any content or IP posted on Kickstarter. When a project is launched on Kickstarter, the project creator agrees (amongst others) that:

- (i) Kickstarter has the right to use the project creator’s content submitted to Kickstarter;
- (ii) the project creator will not submit content which infringes on a third-party’s IP rights;
- (iii) if Kickstarter or its backers exploit or make use of content submitted to Kickstarter in ways contemplated under Kickstarter’s terms of use, the project creator promises that it will not infringe or violate the rights of any third-party;
- (iv) all information submitted to Kickstarter’s website by the project creator is its sole responsibility; and
- (v) Kickstarter is not liable for any errors or omissions in the project creator’s content.

WHOLESALEERS

We utilise wholesalers to sell our tabletop games internationally, which include large retail stores and hobby games retail stores located in the respective countries which the wholesalers operate. According to the Ipsos Report and to the best knowledge of the Directors, this sales model is the norm in the hobby game industry, where individual hobby games retail stores typically source their game products for sale through wholesalers based in their respective countries. Such wholesalers would typically carry and resell different types of games and related products manufactured by multiple game publishers or developers.

The hobby game industry is primarily dictated by conventional sales channels and existing wholesalers. We believe these wholesalers have the contacts and expertise in selling hobby games to the various markets across the continents, and typically work with well-established publishers. We have established business relationships with wholesalers based in various countries, including the USA, France, Germany, the UK, Spain, Australia and China. Our sales team is responsible for liaising with these wholesalers, promoting our

BUSINESS

tabletop games, preparing sales forecasts and meeting sales targets. During the Track Record Period, the Group has been actively exploring new sales network through engaging more wholesalers. For the two years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, the Group had sales with a total of 26, 35 and 30 wholesalers, respectively.

Our major wholesalers are based in the USA, France, Germany, the UK and Spain, whose aggregate sales accounted for the majority of our wholesale revenue during the Track Record Period. We select our wholesalers based on factors such as their network of game retailers, experience, level of access to the local market, track record, understanding of market preference, industry reputation, and credit-worthiness. We believe that most of the established wholesalers we sold to have been active in the hobby game industry for at least ten years. We believe that our wholesalers are well established in the hobby game market and enable us to reach out to more hobby game players. It is the Group's strategy to have a wholesaler network that can cover a wider number of individual hobby games retail stores and will explore new wholesalers who sell to retail stores which have not yet been covered by existing wholesalers in order to avoid overlapping in ultimate sale destinations. Therefore, as at the Latest Practicable Date, the Group has maintained not more than two wholesalers in each major city in US and Europe.

Our relationship with our wholesalers are as seller and buyer. Other than selected wholesalers who are our major customers and enjoy a 30 day credit term from us, we typically collect payment from our wholesalers prior to shipment or collection of goods. We recognise revenue on an ex-works basis, are not responsible for the wholesaler's unsold goods, and have no obligation to accept or repurchase returned goods from the wholesalers. Please refer to Note 4.19 of Section II to the accountant's report included in Appendix I to this prospectus for details of our accounting policy for revenue and income recognition. We do not enter into any long term or master agreements with the wholesalers, and receive orders from them on a purchase order basis. As such, there are no wholesalers who enjoy an exclusive contractual relationship with us. The Group does not set any annual minimum purchase amount and does not guarantee a minimum resale value of its products.

During the Track Record Period, save for one instance in 2015 when the Group accepted the return of *Rivet Wars* products from a wholesaler amounting to US\$61,160 purchased at the original selling price after a mutual agreement, the Group had not accepted any returned goods from its wholesalers nor repurchased any goods from its wholesalers. The Directors confirm that it was a very rare occasion and the Group agreed to accept the returned goods after considering the long term relationship with the relevant wholesaler. Subsequently, the returned goods were successfully sold to other wholesalers and the Group did not suffer material financial loss as a result of those returned goods.

We do not control our wholesalers (or the retail stores to which they on-sell our tabletop games to) on the final retail price of our tabletop games. However, we provide the MSRP (adjusted for local currencies where necessary) for each of our tabletop games to our wholesalers for their guidance.

BUSINESS

Our sales personnel perform regular checks with the wholesalers on the inventory level in order to monitor the sales performance and market reaction of the Group's products. To the best knowledge, information and belief of the Directors, they are not aware of any unusually repetitive large orders made by major wholesalers or unusual inventory balances maintained by the major wholesalers. Based on the above, the Sole Sponsor and the Directors are of the view that the increase in the Group's wholesale sales during the Track Record Period were not due to accumulation of inventories at the wholesalers.

To the best knowledge, information and belief of the Directors, all the Group's wholesalers are Independent Third Parties. None of them are previously employees of the Group or sales partners who trade under the Group's name.

OUR ONLINE STORE AND GAME CONVENTIONS

Our online store retails our tabletop games and also various hobby games and accessories from other third party publishers and game companies ("**Online Retail Products**"). Our online store provides our management with real data on the games and products that are popular in the market, and enables us to identify consumer trends and market preferences. Unlike third party tabletop games which we distribute, where we make bulk purchases by entering into agreements with the relevant third party publishers and game companies for reselling, we purchase small volumes of Online Retail Products from third party publishers and game companies at their distribution prices, on cash terms, and retail them at our online store at the MSRP or the prevailing market prices. We maintain minimal inventory for Online Retail Products sold on our online store and would place additional orders with third party publishers and game companies accordingly depending on ongoing sale status. Based on factors such as market knowledge, experience, and market intelligence requirements, our management decides on the Online Retail Products to be sold at our online store. Customers can pay for their purchases using major credit cards and through Paypal, to whom we pay standard processing fees. Shipments of products are made upon payment by our customers.

We also market and sell our tabletop games, at the various game conventions which we attend, to customers who attend those game conventions. Such sales are made on a cash and carry basis, and these customers can pay for their purchases using cash or major credit cards.

Sales from our online store and game conventions accounted for approximately 3.7%, 4.6% and 11.9% of our revenue for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively.

Our games are also sold through major third party online platforms through our wholesalers. We do not sell our games directly on major third party online platforms as additional human resources and administrative efforts are needed to manage the process, which our Directors are of the view that it may not be cost effective and beneficial to our operations.

CUSTOMER AND AFTER SALES SERVICES

Customer and after-sales services are crucial to our business. As at the Latest Practicable Date, our customer service team comprised three customer service officers and one supervisor. We provide our after-sales services to direct customers and indirect customers based in the USA through our customer service email address, at which they may submit inquiries, feedback or complaints at any time. Upon receipt of an email, we will reply automatically with a ticket number. Thereafter, our customer service team will contact the customer usually within two business days, identify the issue or problem, and rectify it as best as we can. During the Track Record Period, we have used Zendesk, a third party support ticket application subscribed by us to record support tickets received, which helps the management to assess the performance of the customer service team with reference to the response time and the resolution rate.

When we receive a legitimate complaint from a customer, our customer service officers are authorised to issue replacements of defective miniatures or missing components of our games, or to re-send our games to the correct postal address. Such replacements will be shipped or posted to the offended customer at our cost. As far as possible, we try to make good on all legitimate complaints of our customers. Where there are more complex issues, they will be referred to our customer service supervisor or to our management.

For the two years ended 31 December 2015 and the five months ended 31 May 2016, we received 10,088, 19,948 and 11,922 support tickets, respectively consisting of inquiries, feedback or complaints in relation to general inquiries, order enquiries, shipping enquiries, part or component replacement requests, clarification of terms and conditions, refund requests, changes in customer addresses, damaged miniatures, missing parts or components, or delay in the delivery of games.

Our customer service team is requested to maintain a logbook to record each product or part replacement for every legitimate complaint received from the customer. For the two years ended 31 December 2015 and the five months ended 31 May 2016, the Group made a total of 951, 3,885 and 1,270 instances of product or part replacements, respectively. To the best knowledge of the Directors, the majority of the replacements were related to defective miniatures or missing components of the games and therefore were not material. The relevant costs of replaced products or parts charged to cost of sales was less than US\$7,000 for each of the two years ended 31 December 2015 and the five months ended 31 May 2016.

During the Track Record Period, we did not receive any complaints about our products or services made to the relevant authority in Georgia, the state in which we operate in the USA, namely, the Consumer Protection Unit of the Georgia Department of Law. To the best knowledge of the Directors, no official complaints have been lodged to relevant authorities about our products or services in other jurisdictions. Besides, we did not have any product recalls, nor were we subject to any product liability, claims or investigations arising from any product quality issues. Taking into account that no official complaints were lodged to relevant authorities, no product recalls have taken place and minimal monetary value has been incurred for product replacements, our Directors are of

BUSINESS

the view that the inquiries, feedback or complaints received by the Group were not serious in nature nor do they indicate any internal control deficiency and in our opinion, are customary in the hobby games industry.

Complaints or inquiries from indirect customers based outside the USA are directed to and addressed by our wholesalers, who assist in replacing defective or missing components of our games at their cost. If there are queries or help required by our wholesalers, our sales team, or management if necessary, will render the requisite assistance.

We believe that outstanding customer service plays a significant role in retaining customers and promoting customer loyalty. In serving our customers, we also simultaneously collect valuable first-hand player feedback, which helps us in understanding customers' preferences, behavior, market outlook and demand.

After our products are shipped, we do not have a product return or cash refund policy. We provide all necessary or legally required warranty provisions applicable in the relevant jurisdictions.

TOP CUSTOMERS

For the two years ended 31 December 2015 and the five months ended 31 May 2016, our five largest customers accounted for approximately 17.2%, 20.0% and 37.5% of our total revenue, respectively, with the largest customer accounting for approximately 4.3%, 5.7% and 10.6% of our total revenue, respectively.

During the Track Record Period, our five largest customers were wholesalers based in the USA and Europe. We do not enter into any long-term agreements with our wholesalers, who place their orders depending on their respective business requirements via purchase orders. Our five largest customers have been customers of the Group for a period ranging from within two to six years. We generally grant these customers a credit period of 30 days. Our top customers generally settle our invoices by bank transfer.

As at the Latest Practicable Date, none of the Directors, their associates, or any Shareholders (which to the knowledge of our Directors owned more than 5% of our Company's issued share capital) had any relationship with each of our top five largest customers.

TOP SUPPLIERS

Our suppliers consist of Supply Chain Managers, miniatures producers, game designers and creatives. For the two years ended 31 December 2015 and the five months ended 31 May 2016, our five largest suppliers accounted for approximately 81.6%, 93.7% and 99.1% of our total purchases, respectively, with the largest supplier accounting for approximately 57.1%, 44.3% and 61.9% of our total purchases, respectively.

During the Track Record Period, our five largest suppliers were Supply Chain Managers based in the PRC, miniatures producers based in the PRC, Spain and Hong Kong and game designers and toy manufacturers based in France. Costs are determined by

BUSINESS

reference to quotations agreed between the Group and the suppliers on a project to project basis, based on various factors including but not limited to the prevailing market prices of materials or products and estimated costs of the outsourcing services of the Supply Chain Managers. We generally settle the invoices of our top suppliers by bank transfer.

The following table sets out details of our five largest suppliers for the year ended 31 December 2014:

No.	Supplier	Background/ Business activity	Items supplied	Location	Year(s) of business relationship	Credit period	Percentage of total cost of inventories purchased
1.	Supplier A	Game and toy manufacturer	Supply chain management	PRC	4 years	60 days	57.1%
2.	Supplier B	Game and toy manufacturer	Supply chain management	PRC	2 years	10 days	13.8%
3.	Supplier C	Game and toy manufacturer	Production of miniatures	PRC	4 years	14 days	9.2%
4.	Supplier D	Games designer and manufacturer	Production of miniatures	Spain	3 years	14 days	0.8%
5.	Supplier E ¹	Game designer and manufacturer	Production of miniatures	Hong Kong	5 years	14 days	0.7%

The following table sets out details of our five largest suppliers for the year ended 31 December 2015:

No.	Supplier	Background/ Business activity	Items supplied	Location	Year(s) of business relationship	Credit period	Percentage of total cost of inventories purchased
1.	Supplier A	Game and toy manufacturer	Supply chain management	PRC	4 years	60 days	44.3%
2.	Supplier B	Game and toy manufacturer	Supply chain management	PRC	2 years	10 days	39.0%
3.	Supplier E ¹	Game designer and manufacturer	Production of miniatures	Hong Kong	5 years	14 days	8.5%
4.	Supplier D	Miniatures designer and manufacturer	Production of miniatures	Spain	2 years	30 days	1.0%
5.	Supplier C	Game designer and toy manufacturer	Production of miniatures	Spain	4 years	14 days	1.0%

¹ Mr. Preti held 5% of the issued share capital in Supplier E. As at Latest Practicable Date, Mr. Preti is no longer a shareholder of Supplier E.

BUSINESS

The following table sets out the details of our five largest suppliers for the five months ended 31 May 2016:

No.	Supplier	Background/ Business activity	Items supplied	Location	Year(s) of business relationship	Credit period	Percentage of total cost of inventories purchased
1.	Supplier A	Game and toy manufacturer	Supply chain management	PRC	4 years	60 days	61.9%
2.	Supplier B	Game designer and manufacturer	Supply chain management	PRC	2 years	10 days	14.5%
3.	Supplier F	Game designer and toy manufacturer	Third-party board games	France	started in 2016	7 days	10.0%
4.	Supplier E ¹	Game designer and manufacturer	Production of miniatures	Hong Kong	5 years	14 days	7.2%
5.	Supplier G	Game designer and toy manufacturer	Third-party board games	France	1 year	7 days	5.5%

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of inventories that would have had a material impact on our business, financial condition, or results of operations.

As at the Latest Practicable Date, none of the Directors, their associates, or any Shareholders (which to the knowledge of our Directors owned more than 5% of our Company's issued share capital) had any relationship with each of our top five largest suppliers.

¹ Mr. Preti held 5% of the issued share capital in Supplier E. As at Latest Practicable Date, Mr. Preti is no longer a shareholder of Supplier E.

CREATIVES

We engage, on a project-by-project basis, creatives (which includes game designers, sculptors, graphic designers, artists and illustrators) who provide us with the game design and artwork required for the games we develop. Our creatives are selected based on factors such as their portfolio, reviews received, general industry reputation, availability and cost. In our view, our engaged creatives are well regarded in the hobby game industry, experienced and skilled in their respective areas of work. Some of the game designers we have engaged have received several nominations for awards. The awards our game designers have won include the following:

Game Designer	Award	Game	Year
Bruno Cathala	Golden Geek Award/Best Strategy Game	<i>Five Tribes</i>	2014
	Dice Tower Awards/Best Party Game	<i>Dice Town</i>	2009
	Golden Geek Award/Best Artwork and Presentation	<i>Jamaica</i>	2008
	<i>Spiel des Jahres</i> /Fantasy Game	<i>Shadows over Camelot</i>	2006
Eric Lang	Golden Geek Award/2 Player Game	<i>Dice Masters Avengers Vs X-Men</i> (nominee)	2014
	Diana Jones Award	General award for excellence in gaming	2016
Bruno Faidutti	Golden Geek Award/Best light/party Game	<i>Diamant/Incan Gold</i>	2006

Eric Lang had also worked with us to design our award winning games, including: *Arcadia Quest* (“Seal of Excellence” awarded by The Dice Tower), *Kaosball* (“Seal of Excellence” awarded by The Dice Tower), and *Blood Rage* (“Top 10 Games of 2015” awarded by The Dice Tower).

Our creatives are typically engaged on a “work for hire” basis. Under the direction, concept, and lead of our management, our creatives will provide the necessary artwork required for each project. This includes paintings, drawings, sculpting of miniatures, and overall look and design of the game. Under the terms of hire, our Group has the right to reject any unsatisfactory product, has ownership of all artwork produced, will make payment upon satisfaction of delivery, and can terminate the agreement at any time before delivery for any reason. For creatives such as sculptors, graphic designers, artists and illustrators, they are typically paid a fixed fee based on their specific work done according to our specifications. For other creatives such as game designers who are instrumental to the design of the game, we typically pay them a performance based payment, representing

BUSINESS

certain percentage of the actual sale (up to 8% of the relevant sale during the Track Record Period) of the relevant games that they helped to design. As a result, during the Track Record Period, we incurred total fees of US\$536,820, US\$803,168 and US\$510,732 to creatives, of which US\$536,820, US\$357,599 and US\$74,412 were included as part of the game development expenses for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively.

As at the Latest Practicable Date, the number of years of business relationship we have with our key creatives ranges from two to five years. As at the Latest Practicable Date, none of our Directors, their associates, or any Shareholders (which to the knowledge of our Directors owned more than 5% of our Company's issued share capital) had any relationship with the creatives that we engaged during the Track Record Period.

QUALITY CONTROL

Quality control is of great importance to us. Our quality control process starts with the selection of our Supply Chain Managers and manufacturers whom management believes are able to fulfill our requirements and produce components that meet our standards. Management also visits our Supply Chain Managers and reviews their factories, facilities and internal quality control procedures. Spot checks of goods received at our warehouses or the Supply Chain Managers' premises are also conducted.

To maintain quality, we design our products to mitigate errors in the production process, for example, our games' component slots or sleeves are often customised to fit specific components, reducing the chance of missing or misplaced components.

INFORMATION TECHNOLOGY

Apart from the third party contractors engaged for our servers, we also appoint contractors for special projects as and when required. An example would be for our Kickstarter projects, where we use a customised order management software, CoolMiniOrNot Kickstarter Pledge Manager, to allow backers to key in their contact information, or to customise their pledges. We do not enter into any long term contracts with our IT service providers.

We have two in-house mobile apps developers who work on developing our tabletop games into mobile games, for our expansion into the mobile game market. Please refer to the paragraph headed "Mobile Games" in this section for more information.

Apart from customised software such as CoolMiniOrNot Kickstarter Pledge Manager, we typically utilise mainstream third party service and software providers such as Microsoft and Dropbox for our day-to-day operations.

COMPETITION

According to the Ipsos Report, the largest tabletop game markets are the USA and the EU (in particular, Germany, France and the UK). The USA tabletop game market has registered a CAGR of approximately 9.3% from 2010 to 2015 and is expected to register a CAGR of approximately 7.8% from 2015 to 2017. The EU tabletop game market is expected to register a CAGR of approximately 0.2% from 2015 to 2017 as compared to historical CAGR of approximately -0.7% from 2010 to 2015.

The industry is dominated by a number of larger publishers such as Fantasy Flight Publishing Inc., Wizards of the Coast LLC (a wholly-owned subsidiary of Hasbro, Inc (HAS:NASDAQ)) and Games Workshop PLC (GAW:LON), operating mostly through the wholesale and/or direct retail channel, as well as many smaller competitors, operating often through the online channel and crowd funding platforms. Save for the abovementioned large publishers, the industry is relatively fragmented and we believe there remains room for market consolidation.

Traditionally, tabletop games usually distribute through wholesalers and retailers in brick-and-mortar stores, however, internet retailing is growing in importance, especially for smaller niche players. Currently, crowd funding for tabletop games is dominated by Kickstarter. However, this channel is not without risk as less than half of all tabletop game Kickstarter projects were successful in reaching their funding goals.

RESEARCH AND DEVELOPMENT

We conduct market research through reviewing, and assessing the hobby games market for trends. We keep ourselves updated on the hobby games market by communicating with game designers, tracking new games that are launched, visiting retail shops, and attending games conventions. The sales performances on our online store also help us to identify consumer trends and market preferences.

As we continued to build up our games portfolio, our net book value in fixed assets relating to game development such as art, painting and sculpts, displays, moulds and tools grew to approximately US\$3.0 million as at 31 May 2016 as compared to approximately US\$881,758 as at 1 January 2014. We also incurred total fees of US\$536,820, US\$803,168 and US\$510,732 (representing approximately 4.3%, 4.7% and 13.1% of our total revenue for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively) to creatives that we use on a project basis from time to time for game design, editing work and production of our games for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively, of which (i) US\$536,820, US\$357,599 and US\$74,412 were included as part of the game development expenses for the years ended 31 December 2015 and the five months ended 31 May 2016, respectively; and (ii) US\$445,569 and US\$436,320 was capitalised as intangible assets for the year ended 31 December 2015 and the five months ended 31 May 2016, respectively. No game development costs were capitalised for the year ended 31 December 2014. Please also refer to the paragraph headed "Our Business Model" in this section for details of our game development process.

BUSINESS

INTELLECTUAL PROPERTIES

We regard our proprietary domain names, copyrights, and trademarks as crucial to our business and operations. As at the Latest Practicable Date, one of our trademarks have been registered in Hong Kong, and two of our trademarks were registered in the USA. As at the Latest Practicable Date, we were in the process of applying for registration of two trademarks in the USA, three trademarks in the PRC and one trademark in Hong Kong. Please refer to the paragraph headed “Further Information about our Business — 2. IP rights of our Group” in Appendix IV to this prospectus for details of our registered trademarks and trademark applications.

Despite our efforts to protect our IPs, other game developers, publishers and our competitors may copy our ideas and designs, and infringe upon our IP rights. Litigation may be necessary to enforce our IP rights.

During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any disputes or litigation relating to the infringements of any IP rights, nor is the Group aware of any such claims either pending or threatened. During the Track Record Period and up to the Latest Practicable Date, the Directors confirmed that the Group was not aware of any incidents of similar games being marketed by others under the same or similar brand names of the Group’s and which caused damage to the Group. Please refer to the risk factor headed “Uncertain protection of the Group’s own IP rights and possible infringement of third parties’ IP and other rights” under the section headed “Risk Factors” in this prospectus.

EMPLOYEES

As at the Latest Practicable Date, the Group had 46 employees. The following table provides the breakdown of the Group’s employees by function as at 31 December 2014, 31 December 2015, 31 May 2016 and the Latest Practicable Date:

Function	As at 31 December		As at	Latest
	2014	2015	31 May	Practicable
			2016	Date
Design and production	11	12	18	19
Warehouse	5	5	7	4
Sales and marketing	7	7	19	16
Finance and human resources	2	3	5	5
Management and administrative	1	2	2	2
Total	26	29	51	45

As disclosed in the section headed “Statement of Business Objective and Use of Proceeds” in this prospectus, it is the Group’s current plan to hire three new sales and marketing staff during the six months ending 30 June 2017.

BUSINESS

Our Singapore subsidiary performs the administrative and human resource functions of the Group and employs some of our Group's employees. Our chief executive officer, Mr. Ng, and financial controller, Mr. Koh, are based in Singapore. We make the necessary contributions to the Central Provident Fund of Singapore in respect of our Singapore based employees. Our USA office handles product development, warehousing, distribution, sales, customer service and manages our Kickstarter account. We make the necessary social security contributions to the Internal Revenue Service of USA in respect of our USA based employees. As at the Latest Practicable Date, 22 and 24 employees were employed by our USA and Singapore subsidiaries, respectively.

We believe we have a good working relationship with our employees and we did not experience any labour disputes for our operations during the Track Record Period. For training and development, our USA employees are briefed with the relevant workplace safety rules. We also train all our employees with basic office protocol. We recruit employees based on our internal policies, which include requirements such as computer literacy, software knowledge, and appropriate qualifications and skills for our business.

As at the Latest Practicable Date, our Singapore subsidiary employed four employees who were stationed in Singapore.

CMON SG, our Singapore subsidiary, was incorporated in Singapore on 2 January 2014. During the period from 2 January 2014 to 31 December 2014, CMON SG did not have any physical office at Singapore and staff stationed in Singapore worked remotely from home. During the period from 1 January 2015 to 31 December 2015, our staff stationed in Singapore worked at the office located at No. 22 Jalan Kilang, #05-01 Singapore 159419 pursuant to a tenancy agreement entered into by CMON SG on 23 December 2014. Since December 2015, CMON SG has entered into a license agreement for the service office located at 133 New Bridge Road, #20-09/10 Chinatown Point, Singapore 059413 ("**New Service Office**"), which is a more central location situated at the fringe of Singapore's central business district. During the interim period from January 2016 to May 2016, while preparing to move to the New Service Office, staff stationed in Singapore worked remotely and the New Service Office was mainly used for mail collection purposes with limited usage. Since June 2016, the New Service Office has officially commenced operations and staff stationed in Singapore have started to work at the New Service Office.

BUSINESS

PROPERTIES

As at the Latest Practicable Date, the Group had entered into three tenancy agreements, each with an Independent Third Party, for leases of premises in the USA. The details of the three leased properties are set out below:

	Leased Property	Gross Floor Area	Lessor	Expiry date	Permitted Usage	Actual Usage	Monthly Rent
1.	1290 Old Alpharetta Road, Forsyth County, Georgia, USA	15,495 sq ft	Windward V Associates	31 January 2018	Office and warehouse space	Office and warehouse space	1 December 2012–30 November 2013: US\$5,196 1 December 2013–31 July 2015: US\$5,809 1 August 2015–31 January 2017: US\$5,983 1 February 2017 to 31 January 2018: US\$6,455
2.	Ridgeland Parkway, Forsyth County, Alpharetta, Georgia	61,750 sq ft	Ridgeland 5 Parkway, LLC	120 months from date premises are complete and can be occupied	Manufacturing, receiving, storing, shipping and selling (other than retail) products, material and merchandise made and/or distributed by the tenant	Not Applicable, Company has not occupied the premises	First 36 months: US\$28,817 per month Next 36 months: US\$29,846 per month Last 48 months: US\$30,875 per month
3.	1282 Old Alpharetta Road, Forsyth County, Georgia, USA	15,740 sq ft	Windward V Associates	31 January 2018	Office and warehouse space	Office and warehouse space	US\$8,526

Save for the tenancy agreements mentioned above, the Group does not own or lease any properties.

INSURANCE

We have taken up general and liability insurance for our key leased premises in the USA, as well as workers' compensation insurance for our employees in the USA. We believe the insurance policies taken up by the Group are in line with the industry norm, and that the amount of insurance coverage is adequate for the Group under its current size of operations.

LICENSES, PERMITS AND APPROVALS

Apart from corporate business licenses, we do not require any material licenses, consents, certificates, permits and approvals for our business.

INTERNAL CONTROLS AND CORPORATE GOVERNANCE

Our internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to our business and control our daily business operations.

In preparation for the Listing, the Company has engaged an Independent Third Party consultant (the “**Internal Control Consultant**”) to assist the Company in reviewing the design and effectiveness of certain financial reporting related internal controls of the Company. The scope of work of the review was discussed with and agreed by the Company and the Sole Sponsor. The review covers entity level controls and business level controls for the processes of revenue and receivables, purchases, procurement and payables, cash/treasury management, human resources, financial reporting, property, plant and equipment, inventory management, intangible assets and IT general controls. The internal controls review described above was conducted based on information provided by the Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Some of the more significant deficiencies identified by the Internal Control Consultant during the initial review conducted in May 2015 are in areas including: (i) establishment of relevant committees and corporate governance practices in accordance of the GEM Listing Rules; (ii) establishment of internal audit function; and (iii) establishment of policies and procedures to monitor related party transactions.

The Company has developed a set of remedial action items (“**Remedial Actions**”) to rectify and/or improve on the deficiencies identified. In June 2015, July 2015 and September 2015, the Internal Control Consultant has carried out a follow-up review on the deficiencies in respect of the implementation of the Remedial Actions. An additional review (“**Second Review**”) was carried out in May 2016 to assist the Company in reviewing the design an implementation of certain financial reporting related internal controls. As at the Latest Practicable Date, we have substantially implemented the Remedial Actions, and no further recommendation was raised as a result of the follow-up review and Second Review.

We maintain ongoing corporate governance measures to ensure effective and efficient management and operations of our business and to safeguard the interests of our employees, stakeholders and Shareholders (as the case may be). These include: areas covering confidentiality policy, conflict of interest, delegation of authority, whistle blowing policy, revenue and purchase management measures, human resources management and IT policy.

RISK MANAGEMENT

In the course of conducting our business, we are exposed to various types of risks which are further elaborated below.

Save for establishing and implementing internal control and corporate governance procedures as mentioned above, our chairman, chief executive officer and an executive Director, Mr. Ng, is responsible for overseeing and reviewing the implementation of our Group's internal control and risk management measures.

Supply Chain Managers

During the Track Record Period, we relied significantly on our Supply Chain Managers for the production of our tabletop games. To manage our concentration risk, we have a practice of maintaining a good working relationship with our Supply Chain Managers by amongst others, creating goodwill and honouring payments. We will consider exploring and developing our business relationship with other suitable supply chain managers and suppliers as part of our contingency planning. Through our Supply Chain Managers, we have maintained contact with various suppliers and manufacturers, and are continually sourcing for such parties who are able to produce different components of our games. Having a good working relationship with our Supply Chain Managers, exploring and developing business relationships with other supply chain managers, and keeping in contact and sourcing for various suppliers and manufacturers will reduce this aspect of our concentration risk. However, as alternative suppliers are readily available, the Directors are of the view that the supplier concentration risk of the Company is not material.

Loss of key personnel

During the Track Record Period, we rely to a significant extent on our executive Directors and certain key senior management. As we continue to grow, our executive Directors will ensure that depth and quality of the senior management team will continue to improve. We have implemented controls to minimise the potential loss of our key personnel, such as ensuring our executive Directors and certain key senior management do not take the same flight in their air travels. We are also developing and training potential new management members, such that sufficient depth in terms of experience and market knowledge are available within the Group.

Kickstarter

We currently launch a significant majority of our tabletop games on Kickstarter, a third party internet crowd funding platform. In the event we are unable to continue launching our tabletop games on Kickstarter, we have identified alternative internet crowd funding platforms, such as Indiegogo, to continue our launch of tabletop games. We are also enhancing our in-house capability to launch our tabletop games on our own website if required. In addition, we have been actively developing our network of wholesalers, to strengthen our market penetration and alleviate the risks of our operations on Kickstarter.

Wholesale customers

We recognise that the popularity of our tabletop games with wholesalers is important for our business and financial performance. In this regard, besides focusing on developing quality games, we maintain good working relationship with our existing wholesalers, as well

BUSINESS

as source for and build relationships with other wholesalers. Given that we grant credit terms to certain wholesalers, we also evaluate the credit worthiness of our wholesalers before granting credit terms to them.

Our Directors believe that in the markets in which we operate, as well as markets which we look to expand or reach to, there are sufficient competing wholesalers with whom we can make contact with. This will ensure that the loss of any wholesaler will not materially affect our business and operations and we actively strive not to be significantly reliant on any one of our existing wholesalers.

Inventory management

We maintain a certain level of inventory, which is kept to mainly facilitate our direct sales through our online store and to meet ongoing purchases from wholesalers. Due to our current business model, whereby we launch our tabletop games on Kickstarter, we are able to control our inventory, and to plan accordingly for our production figures depending on whether our Kickstarter projects are successfully funded. From the reception of our tabletop games on Kickstarter, we believe we are also able to have a good indication on the subsequent wholesalers' orders.

LEGAL COMPLIANCE AND PROCEEDINGS

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

The legal advisers to our Company as to each of the United States and Singapore law, respectively, have confirmed that during the Track Record Period and up to the Latest Practicable Date, our relevant subsidiaries have conducted their business(es) in the United States and Singapore in compliance with the relevant laws and regulations in all material aspects as set out in the section headed "Regulatory Overview" in this prospectus.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group has complied with all applicable rules and regulations for our business activities and operations in all material aspects.

AWARDS AND RECOGNITIONS

Our Group has been nominated and/or awarded the following up to the Latest Practicable Date:

Game	Award or Nomination
<i>Dark Age</i>	Received 2 nominations for “Best Miniature Figure Line” in ICv2’s 2015 Origins Awards
<i>Super Dungeon Explore</i>	“Seal of Excellence” by The Dice Tower Nominated for Dice Tower Awards in 2011 for Best Production Values
<i>Zombicide</i>	“Seal of Excellence” by The Dice Tower Nominated for Dice Tower Awards in 2012 for Best Production Values
<i>Sedition Wars: Battle for Alabaster</i>	“Seal of Approval” by The Dice Tower
<i>Dogs of War</i>	“Seal of Approval” by The Dice Tower
<i>Rivet Wars</i>	“Seal of Excellence” by The Dice Tower
<i>Kaosball</i>	“Seal of Excellence” by The Dice Tower
<i>Arcadia Quest</i>	“Seal of Excellence” by The Dice Tower
<i>Rum & Bones</i>	Top 10 games of 2015 by The Dice Tower
<i>XenoShyft: Onslaught</i>	Top 10 games of 2015 by The Dice Tower
<i>Blood Rage</i>	Top 10 games of 2015 by The Dice Tower

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS ACTING IN CONCERT

On 15 July 2015, Mr. Ng and Mr. Doust executed an acting-in-concert confirmation letter, whereby, among other things, they confirmed that they had reached an agreement since the date of incorporation of CoolMiniOrNot Inc.; that they would act in concert in exercising the voting rights over any company in our Group of which both of them are ultimate or beneficial owners of (as the case may be). Mr. Doust and Mr. Ng further confirmed that they will continue to act in concert in exercising their voting rights over such company in our Group, together at each and every meeting of shareholders and directors of such company called, as well as at any adjournment or postponement thereof and in any other circumstances upon which a vote, consent or other approval is sought (solely in the capacity as shareholder of the relevant company in Group).

In addition, Mr. Doust confirmed that he agrees to act in concert with Mr. Ng on all major issues of each company in our Group, including but not limited to the voting of shareholders/directors, determination of business strategies, appointment of management, approval of dividends, annual budgets, financial reports and auditors of each company in our Group. Stephenson Harwood, the Hong Kong legal advisors to the Company, advised that the said acting-in-concert agreement as evidenced by the acting-in-concert confirmation letter is legal and valid under Hong Kong law.

As such, Mr. Ng and Mr. Doust, as a group of Shareholders entitled to exercise more than 30% of the voting rights at a general meeting of the Company, are together regarded as two of our Controlling Shareholders. Immediate following completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), our Controlling Shareholders will collectively own 46.79% of the total issued share capital of our Company.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Controlling Shareholders were not engaged, or interested, in any business which, directly or indirectly, competed or might compete with our business which was discloseable under the GEM Listing Rules. Our Directors believe that we are capable of carrying on our business independently from, and do not place reliance on, our Controlling Shareholders and their respective close associates, taking into consideration the factors set out below.

Management independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. While two of our executive Directors, namely Mr. Ng and Mr. Doust, are also our Controlling Shareholders due to their direct interests in our Company as disclosed above, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. In addition, Mr.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Ng and Mr. Doust are aware of their fiduciary duties as Director which require, among others, that they must act for the benefit of and in the best interests of our Company and do not allow any conflict between their duties as a Director and their personal interests.

If there is any potential conflict of interests arising out of any transactions to be entered into between our Group and our Controlling Shareholders or other Directors or their respective associates, the interested Controlling Shareholder or Director (as the case may be) shall declare such interest to the Board at or prior to the meeting of the Board at which the relevant transactions are to be considered as soon as he becomes aware of the conflicts in accordance with the Articles and the applicable laws of the Cayman Islands. The interested Controlling Shareholder or Director (as the case may be) shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles. As such, the interested Controlling Shareholders will not attend the Board meetings when those matters or transactions relating to such interested Controlling Shareholders or otherwise give rise to potential conflicts of interest come up for discussion unless required by a majority of our independent non-executive Directors to the contrary and they would not be counted as quorum in the relevant meetings.

Three of our Board members are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (as more particularly disclosed in the paragraph headed "Deed of Non-competition" below), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective close associates after Listing.

Operational independence

While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions (such as financial and accounting management, invoicing and billing and human resources) have been and will be overseen by the senior management of our Group (whose biographies are disclosed in the section headed "Directors and senior management" in this prospectus), without unduly requiring the support of our Controlling Shareholders and their respective associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Further, our Group holds the IPs with respect to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

We also have access to our customers, suppliers and creatives who are third parties independent from and not connected with our Controlling Shareholders and their respective close associates. We have our own sales and marketing teams which are led by our senior management, and have our own sales, marketing, and customer relationship operations which are operated independently from our Controlling Shareholders and their respective close associates.

We have implemented a set of internal control procedures to facilitate the effective and independent operation of our business.

As at the Latest Practicable Date, there have been no business dealings between our Group and our Controlling Shareholders and their respective close associates. As disclosed in the section headed “Business” in this prospectus, our Group has a number of regional wholesalers who are not connected with our Group, and it is expected that our Group can continue to engage these regional wholesalers after the Listing as and when the Board considers necessary. Our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates.

Financial viability and independence

During the Track Record Period and up to the Latest Practicable Date, we had our own internal control and accounting system, accounting and finance department and treasury function for cash receipts and payments.

Our Directors confirm that as at the Latest Practicable Date, there are no outstanding loans or amounts owing to or by and financial assistance provided to or by our Controlling Shareholders and/or their respective close associates. Moreover, we make financial decisions according to our own business requirements and in this connection, our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders after the Listing and thus there is no financial dependence on them.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, substantial shareholders and our Directors and their respective close associates do not have any interest in a business apart from our business which competes and is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders had jointly entered into with and in favour of our Company (for ourselves and as trustee for our subsidiaries) the Deed of Non-competition. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders had severally, irrevocably and unconditionally confirmed that neither of our Controlling Shareholders 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 Restricted Activity (as defined below) otherwise than through our Group.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders further jointly and severally, irrevocably and unconditionally undertook in favour of our Company (for itself and as trustee for each of its subsidiaries) that for as long as any of our Controlling Shareholders holds any Shares, each of our Controlling Shareholders shall not, and shall procure that their respective close associates (other than any member of our Group) and/or companies controlled by them (other than any member of our Group) shall not (either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, among other things):

- (a) directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in 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 our Group in USA, Singapore and any other country or jurisdiction to which our Group provides such products and services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the “**Restricted Activity**”);
- (b) solicit any existing employee or then existing employee of our Group for employment by any of them or any of their close associates (excluding any member of our Group);
- (c) solicit or procure any of the suppliers and/or customers and/or creatives of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group;
- (d) without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as the Controlling Shareholders or otherwise for any purpose of engaging, investing or participating in any Restricted Activity; and
- (e) for any purpose, use or make use of any IP rights of or relating to any member of our Group, or use or do anything which is intended or is likely to be confused with any of the IP rights of or relating to any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In addition, our Controlling Shareholders further jointly and severally, irrevocably and unconditionally undertake in favour of our Company (for itself and as trustee for each of its subsidiaries) that for so long as any of our Controlling Shareholders holds any Shares, in the event that any of our Controlling Shareholders is offered any opportunity to invest, participate, be engaged in and/or operate any project or new business opportunity that relates to the Restricted Activity, to (i) promptly refer such project or new business opportunity to our Group for consideration and provide such information as is reasonably required in order to enable our Group to make an informed assessment of such opportunity, and (ii) on a best endeavours basis procure that such project or new business opportunity is offered to the Group on terms no less favourable than the terms on which such opportunity was offered to the said Controlling Shareholder and/or their close associates.

The above undertakings under the Deed of Non-competition do not apply to:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Activity which has first been offered or made available to our Group, and a right of first refusal has been granted to our Group to take up the Restricted Activity, and at the request of our Group, the offer should contain all information reasonably necessary for our Group or our independent Directors to consider whether (i) such opportunity would constitute competition with any Restricted Activity and (ii) it is in the interest of our Group and the Shareholders of our Company as a whole to pursue such opportunity, and our Company has, after review by our independent Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Activity with such third party or together with our Controlling Shareholders and/or their respective close associates, provided that (i) the principal terms by which our Controlling Shareholders (or their respective close associates) subsequently invest, participate, engage in or operate the Restricted Activity are not more favourable than those disclosed to our Company, and (ii) if there is a material change in the terms and conditions of the Restricted Activity, our Controlling Shareholders and/or their respective associates shall refer the Restricted Activity as so revised to our Company in the manner as set out above. If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Activity with our Controlling Shareholders and/or their respective close associates (or any of them, as the case may be), pursuant to the above, our Controlling Shareholders and/or their respective close associates can invest, participate, be engaged in and/or operate such Restricted Activity with our Company. Our Company will comply with the requirements of the GEM Listing Rules in case of such cooperation with our Controlling Shareholders and/or their respective close associates (or any of them, as the case may be);
- (b) the investments in and operations of companies which are engaging in any Restricted Activity in which our Controlling Shareholders (and/or their respective close associates, as the case may be) are already, directly or indirectly, interested as at the date of this prospectus (including the holding or, or interests in, the shares of any member of our Group) and details of which have been specifically disclosed in this prospectus;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
 - (i) any Restricted Activity conducted or engaged in by such company (and assets relating thereto) accounts for less than 10 per cent. (10%) of the relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by our Controlling Shareholders and/or their respective close associates or in which they are together interested does not exceed 5 per cent. (5%) of the issued shares of that class of the company in question, provided that our Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than our Controlling Shareholders and their respective associates together hold.

In connection to the Deed of Non-competition, each of our Controlling Shareholders, has further unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of its subsidiaries):

- (a) promptly provide to our Company such information as our company may from time to time reasonably request to ascertain compliance by our Controlling Shareholders of their obligations under the Deed of Non-competition;
- (b) allow our independent non-executive Directors to review, at least on an annual basis, the compliance with this Deed of Non-competition by our Controlling Shareholders, the options, pre-emptive rights or first rights of refusals (if any) provided by our Controlling Shareholders on their existing or future competing businesses;
- (c) undertake to provide all information necessary for annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (d) allow our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements;
- (e) make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company and disclosure on how the Deed of Non-competition has been complied with and enforced, consistent with the principle of making voluntary disclosure in the corporate governance report;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (f) where either or all of our Controlling Shareholders is/are a shareholder of the Company or a Director, the said Controlling Shareholder shall not vote or be counted in the quorum on any resolution where there is actual or potential conflicting interest on the part of the Controlling Shareholder; and
- (g) fully and effectually indemnify and keep indemnified our Group against any losses, liabilities, damages, costs, fees and expenses suffered by our Group arising out of, or in connection with, or as a result of, any breach on the part of such Controlling Shareholder of any statement, warrant, undertaking, covenant or obligation made under the Deed of Non-competition, provided that the indemnity shall be without prejudice to any of the other rights and remedies of our Group in relation to any such breach.

The Deed of Non-competition will become effective immediately following the completion of the Placing. The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect during the period (the “**Relevant Period**”) from the Listing Date until the earlier of the date on which:

- (a) the date on which Listing is withdrawn or when the Shares cease to be listed and traded on the Stock Exchange; or
- (b) our Controlling Shareholders (together with their respective close associates), whether individually or taken together, cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder) or more of the issued share capital of our Company,

whichever occurs first.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Controlling Shareholders and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders, and the decisions on matters reviewed will be disclosed in our annual reports;
- (ii) an annual declaration as to full compliance with the terms of the Deed of Non-competition will be made by the Controlling Shareholders, and will be disclosed in our annual reports;
- (iii) our Directors will operate in accordance with our Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) pursuant to the CG Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

We will follow the measures in the CG Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual report.

CONNECTED TRANSACTIONS

We have not entered into any transactions with our connected persons which will upon Listing constitute continuing connected transactions within the meaning of the GEM Listing Rules.

DISCONTINUED RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period, details of which are set out in note 30 of the accountant's report in Appendix I to this prospectus. Such related party transactions had been discontinued as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board comprises three (3) executive Directors, one (1) non-executive Director, and three (3) independent non-executive Directors. A breakdown of the composition of our Board is set out below:

Name	Age	Date of appointment	Date of joining the Group	Position	Principal responsibilities
Mr. Ng Chern Ann (黃成安)	41	16 June 2015	18 September 2009	Executive Director, chairman and chief executive officer	Developing ideas for new games, corporate strategic planning and overall business development of the Group
Mr. David Doust (建邦)	52	27 September 2016	18 September 2009	Executive Director	Overseeing sales, marketing and logistics of USA operations
Mr. Koh Zheng Kai (許政開)	37	27 July 2015	1 October 2014	Executive Director and financial controller	Accounting and tax management of the Group
Mr. Frederick Chua Oon Kian (蔡穩健)	51	27 July 2015	27 July 2015	Non-executive Director	Supervising and providing corporate and financial advisory to the Board
Mr. Chong Pheng (鍾平)	50	17 November 2016	17 November 2016	Independent non-executive Director	Supervising and providing independent judgement to the Board
Mr. Tan Lip-Keat	42	17 November 2016	17 November 2016	Independent non-executive Director	Supervising and providing independent judgement to the Board
Mr. Seow Chow Loong Iain (蕭兆隆)	50	17 November 2016	17 November 2016	Independent non-executive Director	Supervising and providing independent judgement to the Board

EXECUTIVE DIRECTORS

Mr. Ng Chern Ann (黃成安), aged 41, was appointed as our Director on 16 June 2015 and designated as executive director on 27 July 2015, and is our chairman and chief executive officer. 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

DIRECTORS AND SENIOR MANAGEMENT

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. Ng had not been a director of any listed company for the three years preceding the Latest Practicable Date.

Mr. Ng was a director of the following companies which were incorporated in Singapore and were struck off voluntarily, and the owner of the following sole-proprietorship registered in Singapore which was terminated. It is confirmed by Mr. Ng that the following companies/sole-proprietorship were struck off/terminated for the reasons below. The relevant details are as follows:

Name of company/ business	Relevant date	Nature of Business	Reasons
Visual Link Services Pte Ltd	6 June 2009 (struck off)	Management consultant for computing and related services	Ceased to carry on business and struck off voluntarily
5 Houses Pte. Ltd.	6 September 2013 (struck off)	Art and graphic design services	Ceased to carry on business and struck off voluntarily
Visual Link Services	6 April 1998 (sole proprietorship terminated)	Software development and programming activities	Ceased to carry on business and terminated off voluntarily

Mr. David Doust (建邦), aged 52, was appointed as a Director from July 2015 to November 2015 and since 27 September 2016 and is the president of CMON Inc. Mr. Doust oversees sales, marketing and logistics for our USA 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.

DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Doust had not been a director of any listed company for the three years preceding the Latest Practicable Date.

Mr. Doust filed a voluntary bankruptcy petition under chapter 7 of the US Bankruptcy Code in the United States Bankruptcy Court — Southern District of Florida in May 1996. The relevant debts were discharged in September 1996 and the case was closed.

Mr. Doust was a director of the following corporations incorporated in the USA which had been administratively dissolved. It is confirmed by Mr. Doust that the following corporations were administratively dissolved for the reasons below. The relevant details are as follows:

Name of Company/ Business	Relevant Date	Nature of Business	Reasons
Dark Age Games, Inc.	4 September 2010	Sales, research and development of games	Administratively dissolved for failure to file annual registration
War Zone, Inc	9 November 2002	Marketing games from retail stores	Administratively dissolved as it ceased to do business
Doust Corporation	26 August 1994	No business commenced	Administratively dissolved as annual report was not filed
Atlantis Pets, Inc	13 August 1993	No business commenced	Administratively dissolved as annual report was not filed
Fishworld Aquariums, Inc	9 October 1992	Aquarium and aquatic pets	Administratively dissolved as annual report was not filed

Mr. Koh Zheng Kai (許政開), aged 37, was appointed as our executive Director on 27 July 2015 and is our financial controller. 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 USA from 2005 to 2006. Thereafter, he joined KPMG Financial Services New York, USA 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.

DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Koh had not been a director of any listed company for the three years preceding the Latest Practicable Date.

Mr. Koh was a director of the following companies which were incorporated in Singapore and were struck off voluntarily, and a partner of the following partnership registered in Singapore which was cancelled. It is confirmed by Mr. Koh that the following companies/partnership were struck off/cancelled for the reasons below. The relevant details are as follows:

Name of company/ business	Relevant date	Nature of Business	Reasons
Geofield Energy's Pte. Ltd.	10 July 2014 (struck off)	Petroleum, mining and prospecting services	Ceased to carry on business and struck off voluntarily
TKL Ventures	3 May 2012 (partnership cancelled)	Mail order and internet retail sales	Ceased to carry on business and cancelled voluntarily
Profitland Pte. Ltd.	13 October 2015	Investment holding and wholesale trade	Ceased to carry on business and struck off voluntarily

NON-EXECUTIVE DIRECTOR

Mr. Frederick Chua Oon Kian (蔡穩健), aged 51, has been appointed as a non-executive Director on 27 July 2015. 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, USA, with a Bachelor of Arts degree in December 1990.

Mr. Chua had not been a director of any listed company for the three years preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chua was a director of the following companies which were incorporated in Singapore and were struck off voluntarily. It is confirmed by Mr. Chua that the following companies were struck off for the reasons below. The relevant details are as follows:

Name of company/ business	Relevant date	Nature of Business	Reasons
China Chemical Holdings Pte. Ltd.	6 December 2006 (struck off)	Investment holding company	Ceased to carry on business and struck off voluntarily
Quantum GIP Fund Pte. Ltd.	6 September 2013 (struck off)	Investment holding company	Ceased to carry on business and struck off voluntarily

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Pheng (鍾平), aged 50, has been appointed as an independent non-executive Director on 17 November 2016. 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.

Save as disclosed above, Mr. Chong had not been a director of any listed company for the three years preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chong was a director of the following companies which were incorporated in Singapore and were struck off voluntarily, and the owner of the following sole-proprietorship registered in Singapore which was terminated. It is confirmed by Mr. Chong that the following companies/sole-proprietorship were struck off/terminated for the reasons below. The relevant details are as follows:

Name of company/ business	Relevant date	Nature of Business	Reasons
Eu-Pure Pte. Ltd.	19 February 2016 (struck off)	Sale of household and office appliances and equipment	Ceased to carry or business and struck off voluntarily
Eurock Resources Pte Ltd	9 October 2013 (struck off)	Shipping and commodities trading	Ceased to carry or business and struck off voluntarily
HDJ Pte. Ltd.	12 May 2014 (struck off)	Trading of foodstuff	Ceased to carry or business and struck off voluntarily
Boko Pte. Ltd.	10 December 2015 (struck off)	Wholesale trade and business support services	Ceased to carry or business and struck off voluntarily
Blue Forest Echo (Sole- proprietorship)	7 May 2009 (terminated)	Eco-adventure activities	Business was incorporated as Blue Forest Echo Pte Ltd

Mr. Tan Lip-Keat, aged 42, has been appointed as an independent non-executive Director on 17 November 2016. He is currently the finance manager and company secretary of Amneal Pharmaceuticals Pty Ltd in Australia since March 2014. Prior to that he held various positions in the Bristol-Myers Squibb Group, as the finance director (Malaysia & Singapore, Hong Kong) of Mead Johnson Nutrition, the senior finance manager (Asia Pacific Region) of Mead Johnson Nutrition, the senior financial planning manager (Malaysia & Singapore) of Mead Johnson Nutrition and finance controller (Vietnam) of Mead Johnson Nutrition from January 2006 to June 2013, where he was responsible for the finance lead for Asia Pacific projects and make key expansion decisions for the finance function of the Asia Pacific region. Also, he was the financial accountant of Bristol-Myers Squibb Pharmaceutical from April 2004 to December 2005. Prior to joining the Bristol-Myers Squibb Group, Mr. Tan LK was the financial accountant of Mayne Group from June 2002 to April 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan LK 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. Tan LK had not been a director of any listed company for the three years preceding the Latest Practicable Date.

Mr. Seow Chow Loong Iain (蕭兆隆), aged 50, has been appointed as an independent non-executive Director on 17 November 2016. Mr. Seow is currently the senior legal counsel of Shangri-la Asia Limited where he manages and renders in-house legal services for the Shangri-la Group since November 2011. Prior to that, Mr. Seow was a partner, and of counsel in the litigation group in Jones Day in Hong Kong, from September 2001 to November 2007. From March 1994 to August 2001, he was an associate solicitor in the litigation group at Baker Mckenzie, Hong Kong. Also, he was an advocate and solicitor in Khattar Wong & Partners in Singapore from January 1993 to February 1994.

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

Mr. Seow had not been a director of any listed company for the three years preceding the Latest Practicable Date.

Save as disclosed above and to the best of the knowledge, information and belief of our Directors having made all reasonable enquires, each of our Directors has confirmed that there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

Name	Age	Date of appointment	Date of joining the Group	Position	Principal responsibilities
Mr. David Preti	46	1 April 2016	1 April 2016	Creative director	Overseeing game development and production
Mr. Jules Vautour	43	1 March 2016	1 March 2016	Sales director	Overseeing commercial and logistics activity
Ms. Roumpini Nikolopoulou	46	7 March 2016	7 March 2016	Marketing director	Promoting the products of the Group

DIRECTORS AND SENIOR MANAGEMENT

Mr. David Preti, aged 46, was appointed as our creative director on 1 April 2016 and is primarily responsible for overseeing game development and production. Mr. Preti has over nine years of experience in the gaming industry. Since 2007, Mr. Preti has been a director and shareholder of Dustgame Limited, a board game publisher. Since 2012, Mr. Preti has been a director and shareholder of Guillotine Games. He had also been engaged by Galapagos Jogos, a gaming company in Brazil since 2012, which he had begun a consulting position. Mr. Preti also has over 10 years of experience in re-insurance. He worked as a senior underwriter of Partner Reinsurance Europe SE from 2003 to February 2016.

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

Mr. Preti had not been a director of any listed company for the three years preceding the Latest Practicable Date.

Mr. Jules Vautour, age 43, joined as our sales director in March 2016. 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 USA, including Days of Wonder.

Mr. Vautour attended Montmorency College from 1992 to 1993.

Mr. Vautour had not been a director of any listed company for the three years preceding the Latest Practicable Date.

Ms. Roumpini Nikolopoulou, aged 46, joined as our marketing director in March 2016. 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 USA, 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, USA in December 1992, and a Master of Business Administration degree from the University of Akron, Ohio, USA, in December 1993.

Ms. Nikolopoulou had not been a director of any listed company for the three years preceding the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei (伍秀薇), aged 38, is one of the joint company secretaries of our Company and was appointed on 30 July 2015. Ms. Ng Sau Mei is a manager of KCS Hong Kong Limited and is responsible for provision of corporate secretarial services to listed company clients. She has professional and in-house experience in the company secretarial

DIRECTORS AND SENIOR MANAGEMENT

field as she has worked for various companies that are listed on the Main Board of the Stock Exchange. Ms. Ng Sau Mei currently serves as the joint company secretary for various public listed companies in Hong Kong, including China Shipping Container lines Company Limited (stock code: 2866), Tian Ge Interactive Holdings Limited (stock code: 1980), Nirvana Asia Ltd. (stock code: 1438), Ourgame International Holdings Limited (stock code: 6899) and Niraku GC Holdings, Inc. (stock code: 1245).

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

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

COMPLIANCE OFFICER

Mr. Ng is the compliance officer of our Company.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed China Galaxy International Securities (Hong Kong) Co., Limited as our compliance adviser. During the term of the compliance adviser agreement, the compliance adviser will provide advice and guidance to our Company in the following circumstances:

1. before the publication of any regulatory announcement, circular or financial report;
2. where a transaction contemplated by our Company which might be a notifiable or connected transaction under the GEM Listing Rules, including share issuances and share repurchases;
3. where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
4. where the Stock Exchange makes an inquiry of our Company, including but not limited to any situation under Rule 17.11 of the GEM Listing Rules.

The term of appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the second full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE WITH THE CG CODE

Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Ng is acting as the chairman and 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 as mentioned above, our Board believes that it is in the interests of both our Group and our Shareholders to have Mr. Ng taking up both roles for effective management and business development. Therefore, our Directors consider the deviation from the provision A.2.1 of the CG Code to be appropriate in such circumstance. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman and chief executive officer is necessary.

AUDIT COMMITTEE

Our Company established an Audit Committee on 17 November 2016 which comprises three members. Our audit committee has adopted the written terms of reference in compliance with paragraph C3.3 and 3.7 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Audit Committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Group. The committee will be assisted by the professional accounting firm engaged by our Group, which will conduct regular internal audits and report to the committee. The Audit Committee comprises three members, namely Mr. Tan LK, Mr. Seow and Mr. Chong. Mr. Tan LK is the chairman of the Audit Committee. Since May 2011, Mr. Chong has been an independent director of CDW Holdings Limited (SP: CDW), a company listed on the Singapore Exchange Securities Trading Limited.

REMUNERATION COMMITTEE

Our Company established a Remuneration Committee on 17 November 2016 which comprises three members. Our Remuneration Committee has adopted written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Remuneration Committee are, among others things, to evaluate the performance and to determine, with delegated responsibility, on the remuneration package of our Directors and senior management. The Remuneration Committee comprises three members, namely Mr. Chong, Mr. Tan LK and Mr. Seow. Mr. Chong is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

Our Company established a Nomination Committee on 17 November 2016, which comprises three members. Our Nomination Committee has adopted written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Nomination Committee are to nominate potential candidates for

DIRECTORS AND SENIOR MANAGEMENT

directorship, to review the nomination of directors and to make recommendations to the Board on terms of such appointment. The Nomination Committee comprises three members, namely Mr. Seow, Mr. Tan LK and Mr. Chong. Mr. Seow is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT REMUNERATION

Our executive Directors, who are also our employees, receive compensation in the form of salaries, bonuses and other allowances. The aggregate amount of remuneration payable by our Group to our Directors for the two years ended 31 December 2015 and the five months ended 31 May 2016 was US\$319,350, US\$401,625 and US\$161,487 respectively. The aggregate amount of remuneration payable by our Group to Mr. Doust for the two years ended 31 December 2015 and the five months ended 31 May 2016 was US\$135,852, US\$153,435 and US\$96,000, respectively.

Upon completion of the Placing, our Remuneration Committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

The aggregate amount of remuneration payable by our Group to the remaining five highest paid individuals not in the capacity as our Directors during the two years ended 31 December 2015 and the five months ended 31 May 2016 were US\$196,374, US\$133,272 and US\$170,146, respectively.

No remuneration was paid by our Group to our Directors or the remaining five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments including contributions to pension schemes have been paid or are payable during the Track Record Period, by us or any of our subsidiaries to our Directors, and no payments were made during the Track Record Period by us to any of our Directors as an inducement to join or upon joining our Group. According to the present arrangements, the aggregate remuneration of our Directors (including benefits in kind and contributions to our Directors as remuneration by us excluding any discretionary bonus payable to our Directors) for the financial year ending 31 December 2016 is estimated to be approximately US\$456,000⁽¹⁾.

⁽¹⁾ Translated from Singapore dollars at a rate of S\$1.3820 = US\$1.00

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), the following persons will have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our Subsidiaries:

Name of Shareholder(s)	Capacity/ Nature of interest	Number of Shares held immediately after the Placing	Approximate percentage of shareholding after the Placing
CA SPV ^(1, 2)	Beneficial owner	870,248,078	48.19%
Mr. Ng ⁽²⁾	Controlled corporation	870,248,078	48.19%
Magic Carpet ^(1, 3)	Beneficial owner	322,669,232	17.87%
Quantum Asset Management Pte. Ltd. ⁽³⁾	Controlled corporation	322,669,232	17.87%
Mr. Chua ⁽³⁾	Controlled corporation	322,669,232	17.87%
DD SPV ^(1, 4)	Beneficial owner	870,248,078	48.19%
Mr. Doust ⁽⁴⁾	Controlled corporation	870,248,078	48.19%
DP SPV ^(1, 5)	Beneficial owner	116,033,076	6.42%
Mr. Preti ⁽⁵⁾	Controlled corporation	116,033,076	6.42%

Note:

- (1) Immediately upon the completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme) the Company will be beneficially held by CA SPV (as to 33.73%) and DD SPV (as to 14.46%), Magic Carpet (as to 17.87%) and DP SPV (as to 6.42%).
- (2) The issued share capital of CA SPV is wholly owned by Mr. Ng, and 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 of the Company and the sole director of CA SPV.
- (3) Magic Carpet is a company incorporated in the Cayman Islands with its registered office at Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands. Magic Carpet is a private equity investment fund managed by Quantum Asset Management Pte. Ltd. on a fully discretionary basis. Quantum Asset Management Pte. Ltd. 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,

SUBSTANTIAL SHAREHOLDERS

beneficially owns approximately 99.99% of the issued share capital of Quantum Asset Management Pte. Ltd.. Our Directors confirm that prior to making the equity investment in our Company, Magic Carpet was an Independent Third Party. Mr. Chua is a director of Magic Carpet.

- (4) The issued share capital of DD SPV is wholly owned by Mr. Doust, and 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. Doust is an executive Director of the Company and the sole director of DD SPV.
- (5) 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 and he is a significant Shareholder (as defined by the GEM Listing Rules).

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights at general meetings of our Company or any of our subsidiaries.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

As at the Latest Practicable Date and assuming the Offer Size Adjustment Option is not exercised, the share capital of our Company was as follows:

Authorised:		<i>HK\$</i>
<u>7,600,000,000</u>	Shares of HK\$0.00005 each	<u>380,000</u>
Shares issued and to be issued, fully paid or credited as fully paid:		
1,500,000,000	Shares in issue	75,000
<u>306,000,000</u>	Shares to be issued under the Placing	<u>15,300</u>
Total Shares issued and to be issued immediately upon completion of the Placing:		
<u>1,806,000,000</u>	Shares	<u>90,300</u>

Assumptions

The above tables assume that the Placing will become unconditional. These tables take no account of Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and Repurchase Mandate as described below.

Minimum Public Float

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. The 323,000,000 Placing Shares as well as the Shares held by the Minority Strategic Shareholders represent approximately 33.94% of the issued share capital of our Company upon Listing (without taking into account any Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme).

Ranking

The Placing Shares will rank *pari passu* in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

Shareholders' general meeting and class meeting

Please refer to Appendix III to this prospectus in respect of circumstances under which general meeting and class meeting is required.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed “Statutory and General Information — Further Information about Directors, Management, Staff and Experts — Share Option Scheme” in Appendix IV to this prospectus.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate (the “**Issuing Mandate**”) to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding 20% of the aggregate of the total nominal amount of the share capital of our Company in issue as enlarged by the Placing and the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the authorities referred in the paragraph headed “Share Capital — Repurchase Mandate” in this prospectus.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme.

The Issuing Mandate will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable laws of the Cayman Islands or our Articles to hold our next annual general meeting; or
- (iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting; whichever occurs first.

For further information about the Issuing Mandate, see the section headed “Statutory and General Information — Further Information about Our Company — Resolutions in writing of the Shareholders of our Company passed on 17 November 2016” in Appendix IV to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate (the “**Repurchase Mandate**”) to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Placing.

SHARE CAPITAL

The Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules.

An explanatory statement related to the Repurchase Mandate is set out in the paragraph headed “Statutory and General Information — Further Information about Our Company — Repurchase of our Company’s own securities” in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable laws of Cayman Islands or our Articles to hold our next annual general meeting; or
- (iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting; whichever occurs first.

For further information about the Repurchase Mandate, see the paragraph headed “Statutory and General Information — Further Information about Our Company — Resolutions in writing of the Shareholders of our Company passed on 17 November 2016” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the accountant's report set out in Appendix I to this prospectus. The accountant's report has been prepared in accordance with IFRS.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2014 and 2015 refer to our financial year ended 31 December of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

A. OVERVIEW

We are a fast growing hobby game publisher specialising in developing and publishing mainly tabletop games (including board games and miniature war games). Since our establishment, we had offered a total of 43 games, comprising 39 board games, three miniature war games and one mobile game. As at the Latest Practicable Date, we have a portfolio of 40 games.

We publish both self-owned games and licensed games. Self-owned games refer to games whose IP rights are developed in-house, transferred by our Controlling Shareholders or acquired from third parties. Licensed games are games whose IP rights are licensed from third party game developers under licensing agreements and games with Brand IPs being licensed from third parties but developed by us. 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.

We have expanded into the mobile game market in June 2015 by launching our first mobile game, *XenoShyft (mobile)*, based on our self-owned tabletop game *XenoShyft: Onslaught*, on the Apple App Store and Google Play. We intend to launch another mobile game, *Zombicide (mobile)*, which is based on our self-owned *Zombicide* tabletop game series, in 2017.

We experienced rapid growth during the two years ended 31 December 2015. Our revenue increased by approximately 36.5% from approximately US\$12.6 million for the year ended 31 December 2014 to approximately US\$17.2 million for the year ended 31 December 2015 and our gross profit increased by approximately 46.7% from approximately US\$6.0 million for the year ended 31 December 2014 to approximately US\$8.8 million for the year ended 31 December 2015. Our profit attributable to equity holders of the Company

FINANCIAL INFORMATION

decreased by approximately 30.8% from approximately US\$2.6 million for the year ended 31 December 2014 to approximately US\$1.8 million for the year ended 31 December 2015, mainly due to the recognition of professional service fees in respect of Listing preparation of approximately US\$2.0 million in 2015.

For the five months ended 31 May 2016, our revenue decreased by approximately 9.3% from approximately US\$4.3 million for the five months ended 31 May 2015 to approximately US\$3.9 million. Our gross profit decreased by approximately 12.5% from approximately US\$1.6 million for the five months ended 31 May 2015 to approximately US\$1.4 million for the five months ended 31 May 2016. Our loss attributable to equity holders of the Company increased from US\$187,221 for the five months ended 31 May 2015 to approximately US\$2.4 million for the five months ended 31 May 2016. The increase in loss attributable to equity holders of the Company for the five months ended 31 May 2016 was mainly due to: (i) the increased shipping and handling charges resulting from the temporary change in delivery logistics for our sales to wholesalers in the USA; (ii) the lower recovery rate of shipping and handling income due to the underestimation of shipping and handling charges for our Kickstarter projects; (iii) the recognition of increased merchant account fees in relation to the funds received from Kickstarter backers and late subscribers for projects launched during the period while the relevant funds collected were booked as deferred revenue and will only be realised as revenue when the products are shipped after the period. The shipment of a majority of the outstanding Kickstarter projects as at 31 May 2016 is expected to take place in the second half of 2016; (iv) the increased salary expenses as a result of increased headcount and hiring of senior management; and (v) increased professional service fees in respect of Listing preparation in 2016.

B. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Basis of presentation

Our Company was incorporated in the Cayman Islands on 16 June 2015 as an exempted company with limited liability. The Company is an investment holding company. The Company and its subsidiaries are principally engaged in design, development and sale of board games, miniature war games and other hobby products (the “**Listing Business**”). Pursuant to the Reorganisation, the Company became the holding company of the Group.

Immediately prior to and after the Reorganisation, the Listing Business had been and continues to be conducted through companies managed and controlled by the Controlling Shareholders. The Company has not been involved in any business prior to the Reorganisation. The Reorganisation is merely a reorganisation of the Listing Business with no change in core management and the Controlling Shareholders. The Group established resulting from the Reorganisation is regarded as a continuation of the Listing Business and under common control of the Controlling Shareholders before and after the Reorganisation.

FINANCIAL INFORMATION

Accordingly, for the purpose of the accountant's report included in Appendix I to this prospectus, the financial information has been presented as follows:

- (a) The consolidated balance sheets of the Group as at 31 December 2014, 31 December 2015 and 31 May 2016, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the two financial years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 have been prepared as if the Company had been the holding company of the Group throughout the Track Record Period.
- (b) The financial information of CoolMiniOrNot Inc. has been included in the Track Record Period until 15 July 2015 when its rights and obligations relating to the Listing Business were transferred/novated to the Group. Thereafter, the remaining equity of CoolMiniOrNot Inc., consisting of share capital and accumulated losses, was accounted for as a distribution to shareholders.
- (c) The financial information of the companies comprising the Group has been included in the financial information from their respective dates of incorporation.
- (d) Inter-company transactions and balances have been eliminated.

Reorganisation

As part of the Reorganisation, and in anticipation of the future expansion of the Business and in order to establish designated and separate functions for each company in the Group, our Controlling Shareholders decided to segment and allocate each of the business functions and operations of CoolMiniOrNot Inc. separately to different companies in the Group. To this end, CMON SG, CMON Productions, CMON Global, CMON Inc. and CMON Conventions were incorporated as part of the Group with specific business functions and purposes.

As part of the Reorganisation:

- (a) CoolMiniOrNot Inc. entered into an asset purchase agreement and bill of sale on 18 June 2015, pursuant to which its inventories and certain office equipment were sold to CMON Inc. for a certain consideration;
- (b) Mr. Ng:
 - (I) transferred all his interest in the then existing business of CoolMiniOrNot Inc. to the Group;
 - (II) assigned all his contractual rights (arising from the termination of licensing agreements previously entered into with CoolMiniOrNot Inc. and CMON SG) to CMON Inc; and

FINANCIAL INFORMATION

(III) procured the novation of all the rights, interests and obligations of CoolMiniOrNot Inc. to the Group;

(c) Mr. Doust:

(I) transferred all his interest in the then existing business of CoolMiniOrNot Inc. to the Group;

(II) assigned all his contractual rights (arising from the termination of licensing agreements previously entered into with CoolMiniOrNot Inc.) to CMON Inc.; and

(III) procured the novation of all the rights, interests and obligations of CoolMiniOrNot Inc. to the Group.

Following the completion of the above, CoolMiniOrNot Inc. effectively became a dormant company and does not form part of the Group. Please refer to the section headed “History and Corporate Structure” of this prospectus for further details.

C. SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those discussed below:

Development of the tabletop game industry globally

According to the Ipsos Report, the size of USA and EU tabletop game markets reached approximately US\$2,085 million and approximately US\$2,630 million respectively as at 31 December 2015 and are expecting to register moderate growth as a whole from 2015 to 2017, with CAGR estimated at approximately 7.8% and approximately 0.2%, respectively. To continue our success in this industry, we must anticipate and respond to changes in the competitive landscape and to changing game players’ interests and preferences. Although we expect game players’ demand for tabletop games to continue, changes in market conditions, players’ preferences, mobile technologies, or virtual reality technologies may render it more difficult to compete with other industry players in various geographical markets. In addition, an increasing number of tabletop games available in the market and existing and emerging game developers have presented significant pressure on our game development as well as marketing and selling efforts, which may affect our operating results.

Popularity and demand for our games

We need to develop and launch quality and popular new games to keep our existing customers satisfied and to attract new game players. Successfully doing so will allow us to maintain our revenue growth. Our continued success on Kickstarter attributable to our strong brand recognition also helps to retain, and further attract more enthusiastic game players to support our new tabletop games during their

FINANCIAL INFORMATION

launches. Our success depends, in part, on the popularity of our new games. We launched six new games in 2014, eight new games in 2015 and five new games during the five months ended 31 May 2016. We recognise the significant potential in the mobile game market, and we intend to further develop more mobile games to capture a market share. As at the Latest Practicable Date, we had 18 games in our pipeline. Please see the paragraph headed “Business — Game Pipeline” in this prospectus for details of our pipeline. However, there can be no assurance that our new games will be well-received by the hobby games community. The popularity and demand for our games will also affect the selling price of our games, which will in turn affect our revenue.

Changes in our game portfolio

We have developed and published tabletop games of different types, genres and themes in our history. We specialise in developing and publishing board games and miniature war games. But in view of the significant potential in the mobile game market, we have developed and launched a mobile game which is based on one of our existing tabletop games in 2015 and intend to launch another mobile game in 2017. While these three types of games share many commonalities, there are differences in terms of development cycle and costs, user base, sales and marketing channels, and therefore, the type of games launched and under development by us in a period would impact our revenue, cost of sales and operating expenses for such period. In addition, some of our games have been more successful than others in our history due to, among others, differences in their type, genres and themes. While we endeavor to identify the most popular types, genres and themes for each of our games, our games had not been, and are not expected to be, equally successful. The successfulness of our games will significantly affect our revenue. Also, we intend to further expand into the mobile game market and publish games that cater to different market segment such as the mass market, including but not limited to, family-friendly tabletop games and dexterity games, and the execution of that expansion plan may affect our financial performance.

Relationships with our business partners

We cooperate with various third parties including, among others, game developers of our licensed games and third party games, creatives, Kickstarter, wholesalers and Supply Chain Managers, to conduct our business and pay service charges, product costs, fees or royalties to these third parties. Our ability to expand our game portfolio, to publish quality tabletop games and to more effectively market and sell our games online and in the existing and new markets significantly depends on our ability to expand and deepen our relationships with these third parties as the quality of their products and services would significantly impact the performance of our games and our revenue. Due to changes in the competitive landscape and dynamics among different participants in the hobby game industry, the relative bargaining power of these third parties and us changes from time to time, and as a result, the economic arrangements between these third parties and us would change accordingly. If we are not able to agree to more unfavorable terms with these third parties, our revenue may decrease and our cost of sales and operating expenses may increase accordingly.

FINANCIAL INFORMATION

Changes in cost structure, in particular to cost of inventories, shipping and handling charges, employee benefit expenses and professional fees

A significant portion of our cost of sales consists of cost of inventories and shipping and handling charges. We outsource the production of our tabletop games to Supply Chain Managers. Shipping and handling charges are incurred when our Supply Chain Managers deliver the products to our USA office and warehouse. We also incur shipping and handling charges when we deliver our goods to Kickstarter backers, late subscribers and direct customers from our online store in the USA from our USA office and warehouse, and collect shipping income from the same to recover part of such expenses. For backers, late subscribers and direct customers from our online store outside the USA, we engage various logistic service providers to ship the goods directly from our Supply Chain Managers.

Prices for certain raw materials used in production, labor cost and shipping and handling charges can fluctuate in the foreseeable future. We do not enter into long term agreements with the Supply Chain Managers and logistic service providers and prices are subject to a number of risks and uncertainties that could affect our cost of inventories and shipping and handling charges which could affect our future operating results and profit margins.

We recognise all employee benefit expenses as selling and distribution and general and administrative expenses. For the years ended 31 December 2014 and 2015, our total employee benefit expenses were approximately US\$1.1 million and US\$1.7 million, respectively, representing approximately 8.7% and 9.9%, respectively, of our revenue for such periods. For the five months ended 31 May 2015 and 2016, our total employee benefit expenses were US\$655,169 and US\$940,362, representing approximately 15.1% and 24.2%, respectively, of our revenue for such periods. The increase in employee benefit expenses is typically in line with increase in headcount as we continue to expand. We expect that our employee benefit expenses will continue to increase with the growth of our business in the future.

Taxation

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated. During the Track Record Period, our business was conducted primarily through our Singapore operations and USA operations. Our Singapore operations is subject to the corporate income tax rate of 17% in Singapore. Our USA operations is subject to the corporate tax rate of 34%.

Effective tax rate increased from approximately 21.0% in 2014 to approximately 31.6% in 2015. Although in 2015, we used our Singapore operation, which is subject to a lower tax rate of 17%, to handle sales to international wholesalers and backers in 2015, the lower tax rate was offset by the effect of non-tax-deductible professional fees of approximately US\$2.0 million incurred for the purpose of listing, resulting in an overall increase in effective tax rate in 2015. We recorded income tax credit for the five

FINANCIAL INFORMATION

months ended 31 May 2016 as a result of the net deferred income tax assets recognised in relation to the tax losses during the period, set off with the related accelerated tax depreciation.

Changes in the taxation policy in Singapore, the USA or in relevant places where we may operate in may impact our financial performance. Our ability to anticipate and respond to potential changes in tax policies and their competitive implications will have a significant effect on our future performance.

D. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial information. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgements by our management relating to accounting items. Our significant accounting policies are set forth in detail in Note 4 of Section II to the accountant's report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgements about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of significant accounting policies, (ii) the judgement and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgements based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Revenue and income recognition

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.

(i) Sales of products

Sales to customers who pre-order such products through Kickstarter 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.

FINANCIAL INFORMATION

(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.

Please refer to Note 4.19 of Section II to the accountant's report included in Appendix I to this prospectus for details of our accounting policy for revenue and income recognition.

Share-based payments

One of our Controlling Shareholders and the Minority Strategic Shareholders were provided with equity-settled share awards of our Group's ultimate holding company in exchange for their respective services provided to our Group pursuant to the Verbal Agreement. The value of the services received in exchange for the grant of share awards is recognised as an expense with a corresponding increase in the share-based compensation reserve upon vesting. The total amount to be recognised upon vesting is determined by reference to the fair value of the equity interests on the date of the grant.

Please refer to Note 4.23 of Section II to the accountant's report included in Appendix I to this prospectus for further details of our accounting policy for share-based payment transactions.

Current and deferred income tax

The tax expense for the year/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.

Please refer to Note 4.16 of Section II of the accountant's report included in Appendix I to this prospectus for more details on our accounting policy for current and deferred income tax.

During the Track Record Period, we paid all relevant taxes and had no dispute or unresolved tax issues with the relevant tax authorities.

Intangible assets

Our intangible assets include product development costs, intellectual property rights and licences and acquired computer software.

Please refer to Note 4.6 of Section II of the accountant's report included in Appendix I to this prospectus for more details on our accounting policy on recognition and amortisation of intangible assets.

FINANCIAL INFORMATION

Deferred revenue

Deferred revenue mainly represents the fundings received from backers and late subscribers who have pledged our Kickstarter projects. Deferred revenue is realised as revenue in accordance with our revenue recognition policy as stated above.

Please refer to Note 4.20 of Section II of the accountant's report included in Appendix I to this prospectus for more details on our accounting policy for deferred revenue.

E. SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth the consolidated statements of comprehensive income of our Group for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, which are derived from our consolidated statements of comprehensive income included in the accountant's report set out in Appendix I to this prospectus.

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
			(Unaudited)	
Revenue	12,615,069	17,185,355	4,347,824	3,891,913
Cost of sales	<u>(6,649,241)</u>	<u>(8,377,238)</u>	<u>(2,742,081)</u>	<u>(2,520,937)</u>
Gross profit	5,965,828	8,808,117	1,605,743	1,370,976
Other income	21,962	57,330	12,324	33,295
Other gain	202,709	—	—	—
Selling and distribution expenses	(928,309)	(1,710,562)	(331,622)	(1,329,952)
General and administrative expenses				
— Others	(1,868,418)	(2,474,611)	(1,111,385)	(1,260,042)
— Professional service fees in respect of Listing preparation	<u>(149,098)</u>	<u>(2,011,190)</u>	<u>(404,847)</u>	<u>(1,471,676)</u>
Profit/(loss) before income tax	3,244,674	2,669,084	(229,787)	(2,657,399)
Income tax (expense)/credit	<u>(681,267)</u>	<u>(842,989)</u>	<u>42,566</u>	<u>300,887</u>
Profit/(loss) and total comprehensive income/ (loss) for the year/ period attributable to equity holders of the Company	<u><u>2,563,407</u></u>	<u><u>1,826,095</u></u>	<u><u>(187,221)</u></u>	<u><u>(2,356,512)</u></u>

FINANCIAL INFORMATION

F. PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue is mainly derived from sales of our games and include shipping income arising from direct sale of our products. We charge our direct customers shipping income based on the estimated shipping charges to be incurred by us. We have experienced rapid growth and expansion of our business during the two years ended 31 December 2015. Our revenue increased by approximately 36.5% from approximately US\$12.6 million for the year ended 31 December 2014 to approximately US\$17.2 million for the year ended 31 December 2015. For the five months ended 31 May 2016, our revenue decreased by approximately 9.3% from approximately US\$4.3 million for the five months ended 31 May 2015 to approximately US\$3.9 million. The decrease in revenue for the five months ended 31 May 2016 was mainly due to the decrease in sales from Kickstarter by US\$870,022 as the product shipment for our five Kickstarter projects launched since the second half of 2015 up to 31 May 2016 only takes place after the Track Record Period, and we can only realise the relevant revenue after the products are shipped. Out of the five Kickstarter projects, *The Others: 7 Sins* and *XenoShyft: Dreadmire* had completed shipment as at the Latest Practicable Date and we realised approximately US\$2.9 million of the deferred revenue as at 31 May 2016 in relation to *The Others: 7 Sins* and *XenoShyft: Dreadmire* up to 31 October 2016.

Revenue by sales channels

We primarily sell our products through two sales channels, namely direct sales and sales to wholesalers. For direct sales, we sell directly to end users and mainly conduct through Kickstarter, our online store and game conventions. The following table sets out a breakdown of our revenue by sales channels during the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
Direct								
Kickstarter ⁽¹⁾	7,750,586	61.4	9,522,481	55.4	1,451,431	33.4	581,409	14.9
Online store and game conventions	458,885	3.7	781,904	4.6	233,013	5.4	462,094	11.9
Mobile games	—	—	22,211	0.1	—	—	15,462	0.4
Wholesalers	<u>4,405,598</u>	<u>34.9</u>	<u>6,858,759</u>	<u>39.9</u>	<u>2,663,380</u>	<u>61.2</u>	<u>2,832,948</u>	<u>72.8</u>
Total	<u>12,615,069</u>	<u>100.0</u>	<u>17,185,355</u>	<u>100.0</u>	<u>4,347,824</u>	<u>100.0</u>	<u>3,891,913</u>	<u>100.0</u>

Note 1: Direct sales from Kickstarter include sales to backers who pledged our projects before funding deadline as well as sales to late subscribers after expiry of the funding deadline. Please refer to the paragraphs headed “Business — Kickstarter” in this prospectus for details.

FINANCIAL INFORMATION

Revenue via Kickstarter increased from approximately US\$7.8 million in 2014 to approximately US\$9.5 million in 2015, mainly due to shipment of Kickstarter projects including *XenoShyft: Onslaught*, *The World of Smog: On Her Majesty's Service*, *Rum & Bones*, *Blood Rage*, *B-Sieged: Sons of the Abyss* and *Zombicide: Black Plague* in 2015. For the five months ended 31 May 2016, revenue decreased from approximately US\$1.5 million for the five months ended 31 May 2015 to US\$581,409 as sales from Kickstarter for the five months ended 31 May 2016 were mainly order fulfillment of partially shipped Kickstarter projects brought forward from 2015 including *Zombicide: Black Plague* and *Blood Rage*. No new Kickstarter project was first shipped during the five months ended 31 May 2016.

For sales to wholesalers, orders placed generally tend to spread over the year and typically increase in line with the size of our game portfolio and the number of markets that we serve. Revenue from wholesalers' sales grew from approximately US\$4.4 million for the year ended 31 December 2014 to approximately US\$6.9 million for the year ended 31 December 2015 primarily due to demand from wholesalers for our new games in 2015, including *XenoShyft: Onslaught*, *The World of Smog: On Her Majesty's Service*, *Rum & Bones*, *Blood Rage*, *Queen's Necklace*, *The Grizzled* and *Zombicide: Black Plague*. Revenue from wholesalers slightly increased from approximately US\$2.7 million for the five months ended 31 May 2015 to approximately US\$2.8 million for the five months ended 31 May 2016, which was mainly due to the expansion of our game portfolio, netted off by the fact that only one new game, *Krosmaster Quest* was available for sale and contributed US\$147,411 of revenue during the period.

Revenue from our online store and game conventions increased from US\$458,885 in 2014 to US\$781,904 in 2015 mainly due to our increased presence at game conventions in 2015 as well as increased sales of third party accessories products with higher margins at our online store in 2015. Revenue from our online store and game conventions increased from US\$233,013 for the five months ended 31 May 2015 to US\$462,094 for the five months ended 31 May 2016 mainly due to the release of limited edition *Zombicide: Season 3* additional miniatures which were sold directly via email order, to Kickstarter backers and late subscribers of *Zombicide* series in 2016.

Sales from mobile games for the year ended 31 December 2015 and the five months ended 31 May 2016 represented sales of our mobile game *XenoShyft (mobile)*, which was launched in June 2015.

FINANCIAL INFORMATION

Revenue by category

The following table sets out the breakdown of our revenue by category during the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
Board games	9,660,854	76.6	15,842,513	92.2	3,656,257	84.1	3,680,871	94.6
Miniature war games	2,266,963	18.0	675,261	3.9	485,506	11.2	98,797	2.5
Mobile games	—	—	22,211	0.1	—	—	15,462	0.4
Sub-total	11,927,817	94.6	16,539,985	96.2	4,141,763	95.3	3,795,130	97.5
Other products	687,252	5.4	645,370	3.8	206,061	4.7	96,783	2.5
Total	<u>12,615,069</u>	<u>100.0</u>	<u>17,185,355</u>	<u>100.0</u>	<u>4,347,824</u>	<u>100.0</u>	<u>3,891,913</u>	<u>100.0</u>

During the Track Record Period, our revenue was mainly derived from board games, which accounted for approximately 76.6%, 92.2%, 84.1% and 94.6% of our revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

Revenue from our board games increased from approximately US\$9.7 million in 2014 to approximately US\$15.8 million in 2015 mainly because of the recognition of sales from board games launched since the second half of 2014, including *XenoShyft: Onslaught*, *The World of Smog: On Her Majesty's Service*, *Rum & Bones*, *Blood Rage*, *B-Sieged: Sons of the Abyss* and *Zombicide: Black Plague*, which together contributed total revenue of approximately US\$10.9 million in 2015. Revenue from board games remained fairly stable at approximately US\$3.7 million for the five months ended 31 May 2015 and 2016.

Revenue contribution from our miniature war games decreased from approximately US\$2.3 million in 2014 to US\$675,261 in 2015 as no new miniature war game was launched in 2015. We recorded revenue of approximately US\$1.5 million from the sale of *Relic Knights* in 2014, but we did not record any revenue from it in 2015 as the licensing agreement was mutually terminated by the licensor and us in August 2014. Revenue from miniature war games decreased from US\$485,506 for the five months ended 31 May 2015 to US\$98,797 for the five months ended 31 May 2016 as no new miniature war game was shipped in 2016. Revenue for the five months ended 31 May 2015 was mainly contributed by *Wrath of Kings*, which commenced shipping towards the end of 2014.

FINANCIAL INFORMATION

Revenue from mobile games represented the revenue from our first mobile game, *XenoShyft (mobile)*, launched in June 2015.

Other products mainly consist of revenue from sales at our online store of accessories products that we sourced from other third party publishers and game companies. Revenue from such third party accessories products fluctuated according to demand from our customers and the level of inventories that we stocked from time to time as part of our strategy to identify customer trends and market preferences. Sale of other products was generally constant from US\$687,252 in 2014 to US\$645,370 in 2015, and decreased from US\$206,061 for the five months ended 31 May 2015 to US\$96,783 for the five months ended 31 May 2016, which was in line with our strategy of building and strengthening our product and brand awareness, causing sales of third party accessories products to decrease.

Revenue by ownership

	Year Ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
Games owned by the Group								
Self-developed games ¹	5,241,360	41.6	9,610,722	55.9	2,328,675	53.6	1,835,991	47.2
Games transferred by Controlling Shareholders ²	4,057,242	32.2	4,179,567	24.3	1,786,121	41.1	962,203	24.7
Games acquired from third parties ³	—	—	1,577,391	9.2	—	—	591,537	15.2
Sub-total	9,298,602	73.8	15,367,680	89.4	4,114,796	94.7	3,389,731	87.1
Games licensed by the Group ⁴	2,629,215	20.8	1,082,580	6.3	26,967	0.6	192,255	4.9
Games distributed by the Group ⁵	—	—	89,725	0.5	—	—	213,144	5.5
Revenue from games	11,927,817	94.6	16,539,985	96.2	4,141,763	95.3	3,795,130	97.5
Other products ⁶	687,252	5.4	645,370	3.8	206,061	4.7	96,783	2.5
Total	12,615,069	100.0	17,185,355	100.0	4,347,824	100.0	3,891,913	100.0

¹ *Zombicide: Season 2, Zombicide: Season 3, Zombicide: Black Plague and XenoShyft (mobile)*

² *Dark Age, Zombicide, Kaosball, Wrath of Kings, Arcadia Quest, Dogs of War, XenoShyft: Onslaught and Rum & Bones*

³ *Blood Rage*

⁴ *Sedition Wars: Battle for Alabaster (license expired in January 2016), Relic Knights (license mutually terminated in August 2014), Guilds of Cadwallon (expires in April 2017), Rivet Wars (expires in January 2017), The World of Smog: On Her Majesty's Service (expires in June 2019), B-Sieged: Sons of the Abyss (expires in February 2017) and Queen's Necklace (expires in September 2018)*

⁵ *The Grizzled and Krosmaster Quest*

⁶ *Other products mainly consist of revenue from sales by our online store of accessories products that we sourced from other third party publishers and game companies. Please refer to the paragraph headed "Business — Our Online Store and Game Conventions" in this prospectus for details*

FINANCIAL INFORMATION

During the Track Record Period, our revenue was mainly derived from our self-owned games, which accounted for approximately 73.8%, 89.4%, 94.7% and 87.1% of our total revenue for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016, respectively.

Our revenue from self-developed games increased by approximately 84.6% from approximately US\$5.2 million in 2014 to approximately US\$9.6 million in 2015 mainly due to the recognition of sales from our new self-developed game *Zombicide: Black Plague* with revenue of approximately US\$6.6 million in 2015. Our revenue from self-developed games decreased by approximately 21.7% from approximately US\$2.3 million for the five months ended 31 May 2015 to approximately US\$1.8 million for the five months ended 31 May 2016 as no new self-developed game was shipped during the five-month period in 2016.

Revenue from games transferred by Controlling Shareholders increased by approximately 2.4% from approximately US\$4.1 million in 2014 to approximately US\$4.2 million in 2015, mainly due to the recognition of sales from our new games in 2015, including *Rum & Bones* and *XenoShyft: Onslaught*, netted off by decrease in sales of other existing games transferred by Controlling Shareholders. Our revenue from games transferred by Controlling Shareholders decreased by approximately 46.5% from approximately US\$1.8 million for the five months ended 31 May 2015 to US\$962,203 for the five months ended 31 May 2016 as no new games transferred by Controlling Shareholders were shipped during the five-month period in 2016. For the five months ended 31 May 2015, US\$741,158, or approximately 41.5% of the revenue from games transferred by Controlling Shareholders was contributed by *Wrath of Kings* and *XenoShyft: Onslaught* which was first shipped in late 2014 and early 2015, respectively. However, such contribution decreased to US\$109,952 or approximately 11.4% of the relevant revenue during the same period in 2016.

Our only game acquired from third parties during the Track Record Period was *Blood Rage*, which was launched and first shipped in 2015.

Our revenue from licensed games decreased by approximately 57.7% from approximately US\$2.6 million in 2014 to approximately US\$1.1 million in 2015, mainly due to the mutual termination of the licensing agreement by the licensor and us in August 2014 for *Relic Knights* which contributed revenue of approximately US\$1.5 million in 2014. For the five months ended 31 May 2016, our revenue from licensed games increased by more than six times from US\$26,967 for the five months ended 31 May 2015 to US\$192,255 for the five months ended 31 May 2016, mainly due to the recognition of sales from *B-Sieged: Sons of the Abyss*, which was first shipped by late 2015.

We started our business of distributing third party games in the second half of 2015 and recognised revenue of US\$89,725 by the distribution of *The Grizzled* in 2015 and US\$213,144 by the distribution of *The Grizzled* and *Krosmaster Quest* during the five months ended 31 May 2016.

FINANCIAL INFORMATION

Our games' revenue by individual games

The following table sets out a breakdown of our games' revenue by individual games during the Track Record Period:

Games	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
<i>Arcadia Quest</i>	1,468,171	490,362	168,930	270,911
<i>B-Sieged: Sons of the Abyss</i>	—	700,017	—	158,473
<i>Blood Rage</i>	—	1,577,391	—	591,537
<i>Dark Age</i> ⁽¹⁾	124,639	138,130	48,409	32,682
<i>Dogs of War</i>	189,483	53,727	2,805	2,048
<i>Guilds of Cadwallon</i>	2,607	5,148	887	979
<i>Kaosball</i>	554,804	46,300	31,204	14,217
<i>Krosmaster Quest</i>	—	—	—	151,101
<i>Queen's Necklace</i>	—	24,807	—	3,377
<i>Relic Knights</i> ⁽¹⁾⁽²⁾	1,467,201	—	—	—
<i>Rivet Wars</i>	1,116,866	152,116	23,992	21,145
<i>Rum & Bones</i>	—	1,336,607	397,762	162,396
<i>Sedition Wars: Battle for Alabaster</i> ⁽³⁾	42,541	5,151	2,088	565
<i>The Grizzled</i>	—	89,725	—	62,043
<i>The World of Smog: On Her Majesty's Service</i>	—	195,341	—	7,716
<i>Wrath of Kings</i> ⁽¹⁾	675,123	537,131	437,097	66,115
<i>XenoShyft (mobile)</i>	—	22,211	—	15,462
<i>XenoShyft: Onslaught</i>	—	485,076	304,061	43,837
<i>Zombicide</i>	1,045,022	1,092,234	395,853	369,997
<i>Zombicide: Black Plague</i>	—	6,568,689	—	1,388,977
<i>Zombicide: Season 2</i>	1,827,925	703,500	369,483	55,235
<i>Zombicide: Season 3</i>	3,413,435	2,316,322	1,959,192	376,317
Total revenue from games	11,927,817	16,539,985	4,141,763	3,795,130

Note 1: *Dark Age*, *Wrath of Kings*, and *Relic Knights* are miniature war games.

Note 2: *Relic Knights* does not form part of our game portfolio as at the Latest Practicable Date, as its license agreement was mutually terminated by the licensor and us in August 2014.

Note 3: *Sedition Wars: Battle for Alabaster* does not form part of our game portfolio as at the Latest Practicable Date as its license agreement was expired in January 2016.

Revenue from our games typically increased in line with the size of our game portfolio and such revenue increased from approximately US\$11.9 million in 2014 to approximately US\$16.5 million in 2015. There were nine new games with revenue recognised since 2015, including *XenoShyft: Onslaught*, *The World of Smog: On Her Majesty's Service*, *Rum & Bones*, *Blood Rage*, *B-Sieged: Sons of the Abyss*, *Zombicide: Black Plague*, *Queen's Necklace*, *The Grizzled* and *XenoShyft (mobile)*, which in aggregate generated total revenue of approximately US\$11.0 million, representing approximately 66.7% of our games' revenue for the year ended 31 December 2015.

FINANCIAL INFORMATION

Revenue from our games decreased from approximately US\$4.1 million for the five months ended 31 May 2015 to approximately US\$3.8 million for the five months ended 31 May 2016. The Group's tabletop games that are launched through Kickstarter generally record higher revenue during the first year of shipping as all funds received in advance from the Kickstarter backers and late subscribers are recognised as revenue once the products are shipped. Besides, tabletop games usually attract higher awareness and interest from players at the beginning, as a result sales of each game usually show a decreasing trend and tend to stabilise after the first or second year since the game is first available for sale. As no new Kickstarter products commenced shipping during the five months ended 31 May 2016, revenue for the five months ended 31 May 2016 was mainly order fulfillment of partially shipped Kickstarter projects brought forward from 2015 and wholesale sales from existing games, which have began to show decreasing trends or have stabilised. As such, our revenue from games decreased by approximately 7.3% for the five months ended 31 May 2016 as compared with the same period in 2015.

Our *Zombicide* series is one of our most popular games and has become one of our key revenue sources since *Zombicide*, *Zombicide: Season 2*, *Zombicide: Season 3*, and *Zombicide: Black Plague* were first launched in 2012, 2013, 2014, and 2015, respectively. The *Zombicide* series in aggregate contributed approximately 52.7%, 64.6%, 65.8% and 57.7% of our games' revenue for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

Revenue by geographical markets

The following table sets forth a breakdown of our revenue by geographical markets based on location of our customers during the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
North America	7,467,574	59.2	8,322,373	48.5	2,015,748	46.4	1,959,905	50.4
Europe	3,992,860	31.7	7,413,299	43.1	1,938,359	44.6	1,600,694	41.1
Oceania	803,412	6.4	896,926	5.2	262,914	6.0	151,042	3.9
Asia	265,408	2.1	336,074	2.0	105,407	2.4	164,633	4.2
South America	81,652	0.6	191,683	1.1	18,410	0.4	10,742	0.3
Africa	4,163	0.0	25,000	0.1	6,986	0.2	4,897	0.1
Total	<u>12,615,069</u>	<u>100.0</u>	<u>17,185,355</u>	<u>100.0</u>	<u>4,347,824</u>	<u>100.0</u>	<u>3,891,913</u>	<u>100.0</u>

North America and Europe (in particular Germany, France and the UK) are our key markets. During the Track Record Period, a majority of our revenue was derived from customers in North America and Europe. North America represented approximately 59.2%, 48.5%, 46.4% and 50.4% of our total revenue for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016 respectively, whilst Europe represented approximately 31.7%, 43.1%, 44.6% and 41.1% of our total revenue for the two years ended 31 December 2015 and the five

FINANCIAL INFORMATION

months ended 31 May 2015 and 2016, respectively. These two markets in aggregate contributed approximately 90.9%, 91.6%, 91.0% and 91.5% of our total revenue for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016, respectively. We served these markets directly (mainly via Kickstarter and our online store) and via our network of wholesalers. For relatively new markets such as Asia and Oceania, we typically sell our games via wholesalers based in the respective geographical areas. During the Track Record Period, other markets besides North America and Europe contributed in aggregate approximately 9.1%, 8.4%, 9.0% and 8.5% of our total revenue for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016, respectively.

Average selling price and sales volume

The following table sets out the average selling price and sales volume of our products during the Track Record Period:

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
Average selling price (US\$)	45	34	22	21
Sales volume (unit)	279,804	510,531	201,290	188,194

The average selling price of our products decreased from approximately US\$45 in 2014 to approximately US\$34 in 2015 and from approximately US\$22 for the five months ended 31 May 2015 to approximately US\$21 for the five months ended 31 May 2016, mainly due to (i) the increased proportion of wholesaler sales which carried lower selling prices as we sold the products to wholesalers at discount to MSRP; and (ii) the increase in sales of products with lower MSRP, such as *Queen's Necklace* and *The Grizzled* in 2015 and the five months ended 31 May 2016. *Queen's Necklace* and *The Grizzled* were available for sale since September 2015 with a MSRP of or lower than US\$30 while the MSRP of other games of the Group usually range from US\$60 to US\$100.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales primarily consists of cost of inventories, shipping and handling charges, depreciation and amortisation. The following table sets out a breakdown of our Group's cost of sales during the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
Cost of inventories	4,999,849	75.2	5,492,911	65.6	1,663,409	60.7	1,584,505	62.9
Shipping and handling charges	1,163,508	17.5	2,194,229	26.2	830,746	30.3	560,522	22.2
Depreciation	200,542	3.0	323,809	3.8	127,582	4.6	177,717	7.0
Amortisation	285,342	4.3	360,289	4.3	120,344	4.4	188,193	7.5
Other expenses	—	—	6,000	0.1	—	—	10,000	0.4
Total	<u>6,649,241</u>	<u>100.0</u>	<u>8,377,238</u>	<u>100.0</u>	<u>2,742,081</u>	<u>100.0</u>	<u>2,520,937</u>	<u>100.0</u>

Cost of inventories have been the largest component of our cost of sales and comprised approximately 75.2%, 65.6%, 60.7% and 62.9% of our total cost of sales for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016, respectively. Shipping and handling charges have been the second largest component of our cost of sales and comprised approximately 17.5%, 26.2%, 30.3% and 22.2% of our total cost of sales for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016, respectively.

The cost of inventories consist of cost of finished products charged by our Supply Chain Managers and other suppliers, which increased by approximately 10.0% to approximately US\$5.5 million in 2015 as compared to approximately US\$5.0 million in 2014. Despite the approximately 36.5% increase in overall revenue from approximately US\$12.6 million in 2014 to approximately US\$17.2 million in 2015, we recorded a lower increase in cost of inventories as we enjoyed economies of scale resulting from increasing order size and demand for our products. Our cost of inventories to revenue ratio was approximately 39.7% and 32.0% for the year ended 31 December 2014 and 2015, respectively. Our cost of inventories slightly decreased by approximately 5.9% from approximately US\$1.7 million for the five months ended 31 May 2015 to approximately US\$1.6 million for the five months ended 31 May 2016, despite our approximately 9.3% decrease in revenue during the period. In general, the unit cost of inventories for board games is higher than the unit cost of inventories for miniature war games. As board games accounted for approximately 94.6% of our total revenue for the five months ended 31 May 2016 as compared to approximately 84.1% for the same period in 2015, we recorded higher cost of inventories to revenue ratio of approximately 40.7% for the five months ended 31 May 2016 than approximately 38.3% for the same period in 2015.

FINANCIAL INFORMATION

Shipping and handling charges are incurred when our Supply Chain Managers deliver the products to our USA office and warehouse. We also incur shipping and handling charges when we deliver our goods to our Kickstarter backers, late subscribers and direct customers from our online store in the USA from our USA office and warehouse. For backers, late subscribers and direct customers from our online store outside the USA, we engage various logistic service providers to ship the goods directly from our Supply Chain Managers. Therefore, our shipping and handling charges are mainly related to our direct sales via Kickstarter and online store and game conventions. Shipping charges are typically affected by the quantity, shape, size, bulkiness of the products and the number of batches of products being shipped. We charge our direct customers shipping income based on the estimated shipping charges to be incurred by us.

Our shipping and handling charges increased by approximately 83.3% from approximately US\$1.2 million in 2014 to approximately US\$2.2 million in 2015 due to (i) the increase in Kickstarter sales and direct sales from our online store and game conventions in 2015 as compared with 2014, which led to an increase in the total quantity and number of batches of products delivered; and (ii) increase in per unit handling cost resulting from the outsourcing of packaging process, which were previously done in-house, to suppliers in the PRC since January 2015.

Our shipping and handling charges decreased by approximately 32.5% from US\$830,746 for the five months ended 31 May 2015 to US\$560,522 for the five months ended 31 May 2016, which was slightly slower than the decrease in our total sales from Kickstarter and online store and game conventions by approximately 38.1% during the period, which was mainly due to the lower recovery rate of shipping and handling income due to the underestimation of actual shipping costs for our Kickstarter projects. We recorded higher shipping and handling costs to revenue from direct sales ratio for the five months ended 31 May 2015 and 2016 than the two years ended 31 December 2014 and 2015 mainly due to proportionately more shipments of accessories products during the five-month period as compared to full year. The shipping and handling costs to revenue from direct sales ratio was approximately 14.2%, 21.2%, 49.3% and 52.9% for the two years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

Depreciation is primarily related to our fixed assets including displays, moulds and tools. Depreciation increased from US\$200,542 in 2014 to US\$323,809 in 2015 and from US\$127,582 for the five months ended 31 May 2015 to US\$177,717 for the five months ended 31 May 2016, which was generally in line with the increase in scale of our operations and game portfolio.

Amortisation is primarily related to our intangible assets, including IPs and property development costs. Amortisation increased from US\$285,342 in 2014 to US\$360,289 in 2015 and from US\$120,344 for the five months ended 31 May 2015 to US\$188,193 for the five months ended 31 May 2016, which was mainly because of the acquisition of new game IPs in 2015 and capitalisation of game development costs in 2015 and the five months ended 31 May 2016.

FINANCIAL INFORMATION

Depreciation and amortisation are recognised as expenses on a straight line method based on the estimated useful lives of the related assets and are costs relatively fixed in nature. Due to the relatively lower level of revenue during the five months ended 31 May 2015 and 2016, depreciation and amortisation accounted for much higher percentage of revenue as compared with full year results. The total depreciation and amortisation to revenue ratio was approximately 3.9%, 4.0%, 5.7% and 9.4% for the two years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively.

Gross profit and gross profit margins

Our gross profit is our revenue less cost of sales, which was approximately US\$6.0 million, US\$8.8 million, US\$1.6 million and US\$1.4 million for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016, respectively. Our gross profit margin was approximately 47.3%, 51.3%, 36.9% and 35.2% for the two years ended 31 December 2015 and the five months ended 31 May 2015 and 2016, respectively.

Our gross profit margins for the five months ended 31 May 2015 and 2016 were much lower than the gross profit margins for the two years ended 31 December 2015, which were mainly due to (i) the higher shipping and handling charges due to proportionately more shipments of accessory products during the five-month period as compared to full year; (ii) the lower recovery of shipping and handling income in 2016; and (iii) the effect of the depreciation and amortisation which are costs relatively fixed in nature, details of the above are explained in the paragraph headed “Cost of sales” above.

Our gross profit and gross profit margin fluctuate according to our product mix in terms of the type and nature of games being sold.

FINANCIAL INFORMATION

The following table is a summary of our gross profit and gross profit margin during the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross profit</i>	<i>profit margin</i>	<i>Gross profit</i>	<i>profit margin</i>	<i>Gross profit</i>	<i>profit margin</i>	<i>Gross profit</i>	<i>profit margin</i>
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
By sales channels ^(Note)								
Kickstarter	3,950,278	51.0	4,807,665	50.5	188,909	13.0	73,283	12.6
Wholesalers	1,836,780	41.7	3,530,503	51.5	1,351,209	50.7	1,163,505	41.1
Online store and game conventions	178,770	39.0	453,738	58.0	65,625	28.2	128,726	27.9
Mobile games	—	—	16,211	73.0	—	—	5,462	35.3
By category of games								
Board games	4,706,772	48.7	8,061,431	50.9	1,306,108	35.7	1,319,031	35.8
Miniature war games	1,332,958	58.8	368,477	54.6	288,533	59.4	34,456	34.9
Mobile games	—	—	16,211	73.0	—	—	5,462	35.3
Other products ⁶	(73,902)	N/A	361,998	56.1	11,102	5.4	12,027	12.4
By game ownership								
Games owned by the Group								
<i>Self-developed games</i> ¹	2,721,640	51.9	5,088,447	52.9	915,636	39.3	638,606	34.8
<i>Games transferred by Controlling Shareholders</i> ²	2,125,825	52.4	2,107,368	50.4	672,723	37.7	348,335	36.2
<i>Games acquired from third parties</i> ³	—	—	770,391	48.8	—	—	235,663	39.8
Games licensed by the Group ⁴	1,192,265	45.3	437,351	40.4	6,282	23.3	59,613	31.0
Games distributed by the Group ⁵	—	—	42,562	47.4	—	—	76,732	36.0
Other products ⁶	(73,902)	N/A	361,998	56.1	11,102	5.4	12,027	12.4

Note: For the purpose of arriving at the respective gross profit of our sales channels, depreciation and amortisation are allocated according to the relative revenue ratio of the sales channels.

¹ *Zombicide: Season 2, Zombicide: Season 3, Zombicide: Black Plague and XenoShyft (mobile)*

² *Dark Age, Zombicide, Kaosball, Wrath of Kings, Arcadia Quest, Dogs of War, XenoShyft: Onslaught and Rum & Bones*

³ *Blood Rage*

⁴ *Sedition Wars: Battle for Alabaster (license expired in January 2016), Relic Knights (license mutually terminated in August 2014), Guilds of Cadwallon (expires in April 2017), Rivet Wars (expires in January 2017), The World of Smog: On Her Majesty's Service (expires in June 2019), B-Sieged: Sons of the Abyss (expires in February 2017) and Queen's Necklace (expires in September 2018)*

⁵ *The Grizzled and Krosmaster Quest*

⁶ *Other products mainly consist of revenue from sales by our online store of accessories products that we sourced from other third party publishers and game companies. Please refer to the paragraph headed "Business — Our Online Store and Game Conventions" in this prospectus for details*

FINANCIAL INFORMATION

Gross profit and gross profit margin by sales channels

Our gross profit for sales via Kickstarter increased by approximately 20.0% from approximately US\$4.0 million in 2014 to approximately US\$4.8 million in 2015, which was in line with the growth in revenue from Kickstarter of approximately 22.9% in 2015 as compared to 2014. Gross profit margin remained fairly stable at approximately 50.5% in 2015 as compared to approximately 51.0% in 2014.

Our gross profit for revenue from Kickstarter decreased by approximately 61.2% from US\$188,909 for the five months ended 31 May 2015 to US\$73,283 for the five months ended 31 May 2016, which was mainly due to the decrease in sales by approximately 59.9% during the period as well as the effect of the lower recovery of shipping income as explained in the paragraph headed “Cost of sales” above. Gross profit margin remained fairly stable at approximately 13.0% for the five months ended 31 May 2015 and approximately 12.6% for the same period in 2016. The proportionately more shipments of accessories products during the five-month period, lower recovery of shipping income as well as the effect of depreciation and amortisation on the *Zombicide* series has resulted in our gross profit margins for Kickstarter sales for the five months ended 31 May 2015 and 2016 to be much lower than the gross profit margins for 2014 and 2015. Our gross profit margin for sales via Kickstarter decreased from around 50% for the two years ended 31 December 2015 to around 13% for the five months ended 31 May 2015 and 2016.

Gross profit for sales via wholesalers increased by approximately 94.4% from approximately US\$1.8 million in 2014 to approximately US\$3.5 million in 2015, mainly due to increase in sales of our self-developed games including *Zombicide: Season 2*, *Zombicide: Season 3* and *Zombicide: Black Plague*, which enjoyed better margins than other games in general. As a result, our gross profit margin improved from approximately 41.7% in 2014 to approximately 51.5% in 2015.

Gross profit for sales via wholesalers decreased by approximately 14.3% from approximately US\$1.4 million for the five months ended 31 May 2015 to approximately US\$1.2 million for the five months ended 31 May 2016, despite the revenue from wholesalers increasing by approximately 6.4% during the period. The decrease in gross profit margin was mainly due to the decreased revenue contribution of miniature war games which in general enjoyed higher margin as well as the decrease of gross profit margin of existing games. As a result, our gross profit margin for wholesalers sales was approximately 50.7% for the five months ended 31 May 2015, which was higher than the gross profit margin of approximately 41.1% for the five months ended 31 May 2016.

Gross profit for games sold at our online store and game conventions increased by approximately 153.8% from US\$178,770 in 2014 to US\$453,738 in 2015, which was in line with our increase in revenue by approximately 70.4% during the two years ended 31 December 2015. Gross profit margin increased from approximately 39.0% in 2014 to approximately 58.0% in 2015 mainly due to the sale of more third party accessories products with higher margin at our online store in 2015. Gross profit for games sold at

FINANCIAL INFORMATION

our online store and game conventions increased by approximately 96.2% from US\$65,625 for the five months ended 31 May 2015 to US\$128,726 for the five months ended 31 May 2016, which was in line with our increase in revenue by approximately 98.3% during the period. Gross profit margin remained relatively stable for the five months ended 31 May 2015 and 2016.

Gross profit and gross profit margin by category

Board Games

Gross profit for our board games increased by approximately 72.3% from approximately US\$4.7 million in 2014 to approximately US\$8.1 million in 2015 which was in line with the growth in revenue from board games of approximately 64.0% in 2015 as compared to 2014.

Gross profit margin improved from approximately 48.7% in 2014 to approximately 50.9% in 2015 mainly due to the launch of our *Zombicide: Black Plague*, a well funded Kickstarter project with better economies of scale which shipped in 2015. *Zombicide: Black Plague* contributed approximately 38.2% of our total revenue in 2015, which was the largest percentage among our games.

Gross profit for our board games remained relatively constant at approximately US\$1.3 million for the five months ended 31 May 2015 and 2016.

Gross profit margins remained relatively constant at approximately 35.7% and 35.8% for the five months ended 31 May 2015 and 2016, respectively. However, gross profit margins for our board games for the five months ended 31 May 2015 and 2016 were much lower than the gross profit margins in 2014 and 2015 mainly due to the effect of proportionately more shipments of accessories products for the five months ended 31 May 2015 and 2016 and lower recovery of shipping income for the five months ended 31 May 2016 as explained in the paragraph headed “Cost of sales” above.

Miniature War Games

Gross profit for our miniature war games decreased by approximately 71.7% from approximately US\$1.3 million in 2014 to US\$368,477 in 2015 while gross profit margin decreased from approximately 58.8% in 2014 to approximately 54.6% in 2015.

Majority of the sales of miniature war games in 2014 was from Kickstarter with relatively higher gross profit margins than wholesaler sales while sales in 2015 were mainly to wholesalers. Therefore, there was a slight decrease in gross profit margin for miniature war games in 2015.

Gross profit for our miniature war games decreased by approximately 88.1% from US\$288,533 for the five months ended 31 May 2015 to US\$34,456 for the five months ended 31 May 2016, which was in line with our decrease in revenue from miniature war games by approximately 79.7% during the period.

FINANCIAL INFORMATION

Our gross profit margin decreased from approximately 59.4% for the five months ended 31 May 2015 to approximately 34.9% for the five months ended 31 May 2016 mainly due to the decreased contribution by *Wrath of Kings*, which is a Kickstarter project shipped by late 2014 and therefore enjoyed better margin for its wholesaler sales for the five months ended 31 May 2015.

Mobile Games

We launched our first mobile game *XenoShyft (mobile)* in June 2015, and recorded gross profit of US\$16,211 in 2015, with a gross profit margin of approximately 73.0%. We further recorded gross profit of US\$5,462 and gross profit margin of approximately 35.3% from *XenoShyft (mobile)* for the five months ended 31 May 2016. As our costs for mobile games are mainly salary expenses which are costs relatively fixed in nature, the decrease in sales for the five months ended 31 May 2016 has resulted in a corresponding decrease in gross profit margin.

Other products

Gross profit for other products improved from a loss of US\$73,902 in 2014 to a profit of US\$361,998 in 2015 as we did not distribute as many products for free to supporters for marketing purposes in 2015 as compared to 2014, and we sold more third party accessories products with higher margins at our online store.

Gross profit for other products increased by approximately 8.3% from US\$11,102 for the five months ended 31 May 2015 to US\$12,027 for the five months ended 31 May 2016, despite our revenue decreasing by approximately 53.0% during the period.

Our gross profit margin increased from approximately 5.4% for the five months ended 31 May 2015 to approximately 12.4% for the five months ended 31 May 2016 mainly due to sale of fewer low margin third party accessories products during the five months ended 31 May 2016.

Gross profit and gross profit margin by ownership

Self-developed games

Gross profit for self-developed games increased by approximately 88.9% from approximately US\$2.7 million in 2014 to approximately US\$5.1 million in 2015, which was in line with the growth in revenue from self-developed games of approximately 83.4% in 2015 as compared to 2014.

Gross profit margin increased slightly from approximately 51.9% in 2014 to 52.9% in 2015 mainly due to the contribution by *Zombicide: Black Plague* which enjoyed good margin due to better economies of scale.

FINANCIAL INFORMATION

Gross profit for self-developed games decreased by approximately 30.3% from US\$915,636 for the five months ended 31 May 2015 to US\$638,606 for the five months ended 31 May 2016, which was in line with the decrease in revenue from self-developed games of approximately 21.2% for the five months ended 31 May 2016 as compared with the same period in 2015.

Gross profit margin decreased from approximately 39.3% for the five months ended 31 May 2015 to approximately 34.8% for the five months ended 31 May 2016, which was mainly due to decreased wholesaler revenue contribution from *Zombicide: Season 3* and the effect of lower recovery of shipping income on our Kickstarter sales of *Zombicide: Black Plague* as discussed above.

Games transferred from Controlling Shareholders

Gross profit for games transferred by Controlling Shareholders remained fairly stable at approximately US\$2.1 million for the two years ended 31 December 2015, which was in line with the slightly growth in revenue from games transferred by Controlling Shareholders of approximately 3.0% in 2015 as compared to 2014.

Gross profit margin decreased slightly from approximately 52.4% in 2014 to approximately 50.4% in 2015 mainly due to the decreased revenue contribution by *Wrath of Kings*, which is a miniature war game launched via Kickstarter and enjoyed better margin in 2014 when the products were first shipped.

Gross profit for games transferred by Controlling Shareholders decreased by approximately 48.2% from US\$672,723 for the five months ended 31 May 2015 to US\$348,335 for the five months ended 31 May 2016, which was in line with the decrease in revenue by approximately 46.1% during the period.

Gross profit margin decreased from approximately 37.7% for the five months ended 31 May 2015 to approximately 36.2% for the five months ended 31 May 2016, which was mainly due to the decreased revenue contribution by *Wrath of Kings*, which is a miniature war game with higher margin than board games in general.

Games acquired from third parties

Blood Rage, our only game acquired from third parties which recorded revenue during the Track Record Period, had a gross profit of US\$770,391 and a gross profit margin of approximately 48.8% in 2015. It recorded a gross profit of US\$235,663 and a gross profit margin of 39.8% for the five months ended 31 May 2016. The decrease in gross profit margin was due to the sale of more accessory products in 2015 which carried higher gross profit margin than core box set products.

FINANCIAL INFORMATION

Licensed games

Gross profit for licensed games decreased by approximately 63.6% from approximately US\$1.2 million in 2014 to US\$437,351 in 2015, which was in line with the decrease in revenue from licensed games of approximately 58.8% in 2015 as compared to 2014.

Gross profit margin also decreased from approximately 45.3% in 2014 to 40.4% in 2015, mainly due to the mutual termination of the licensing agreement of *Relic Knights* by the licensor and us in August 2014. *Relic Knights* is a miniature war game, which in general enjoys higher margins than board games.

Gross profit for licensed games increased by approximately eight times from US\$6,282 for the five months ended 31 May 2015 to US\$59,613 for the five months ended 31 May 2016, which was in line with the increase in revenue from licensed games by more than six times during the period.

Gross profit margin for licensed games slightly increased from approximately 23.3% for the five months ended 31 May 2015 to approximately 31.0% for the five months ended 31 May 2016, which was mainly due to *B-Sieged: Sons of the Abyss*, a new game first shipped by late 2015 and accounted for approximately 82.4% of the revenue from licensed games for the five months ended 31 May 2016.

Other income

Other income amounted to US\$21,962 and US\$57,330 for the two years ended 31 December 2015, respectively, and was primarily related to sale of advertising space on our websites, www.coolminiornot.com and www.tabletopgamingnews.com. Due to our increasing brand reputation, we attracted more advertising sales in 2015. Other income increased from US\$12,324 for the five months ended 31 May 2015 to US\$33,295 for the five months ended 31 May 2016, which was mainly due to the receipt of an one-off grant from Singapore Government of S\$12,000 (equivalent to approximately US\$8,600) in 2016 and the increase in advertising sales.

Other gain

We recorded an other gain of US\$202,709 in 2014 which was due to sale of games related fixed assets to the game developer of *Relic Knights*, upon the mutual termination of the exclusive licensing agreement by the licensor and us for *Relic Knights* in August 2014.

FINANCIAL INFORMATION

Selling and distribution expenses

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
Employee benefit expenses	113,088	12.2	81,617	4.8	38,567	11.6	97,514	7.3
Marketing expenses	153,779	16.6	205,298	12.0	50,579	15.3	113,308	8.5
Merchant account fees	430,626	46.4	923,733	54.0	128,653	38.8	350,164	26.4
Other expenses	17,998	1.9	58,646	3.4	6,863	2.1	—	—
Royalty expenses	47,545	5.1	134,484	7.9	42,077	12.7	23,145	1.7
Shipping and handling charges	—	—	—	—	—	—	498,412	37.5
Travelling expenses	73,864	8.0	199,420	11.7	37,906	11.4	159,600	12.0
Website maintenance fees	91,409	9.8	107,364	6.2	26,977	8.1	87,809	6.6
Total selling & distribution expenses	<u>928,309</u>	<u>100.0</u>	<u>1,710,562</u>	<u>100.0</u>	<u>331,622</u>	<u>100.0</u>	<u>1,329,952</u>	<u>100.0</u>

Selling and distribution expenses were US\$928,309, approximately US\$1.7 million, US\$331,622 and approximately US\$1.3 million for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively, which mainly consist of marketing, merchant account fees, website maintenance fees, royalties to game developers, shipping and handling charges and employee benefit expenses for sales personnel.

Employee benefit expenses are incurred for our sales related staff and decreased from US\$113,088 in 2014 to US\$81,617 in 2015 as a result of the decrease in average salary per sales related staff after the replacement of the USA sales manager in April 2015. Employee benefit expenses increased from US\$38,567 for the five months ended 31 May 2015 to US\$97,514 for the five months ended 31 May 2016 as a result of the hiring of our new sales director and marketing director in 2016 and increased head count in our sales team.

Marketing expenses are costs incurred for our sales and marketing related work and include expenses for marketing and advertising, attending conventions and trade shows and printing expenses for marketing materials such as brochures and T-shirts. Marketing expenses increased to US\$205,298 in 2015 as compared to US\$153,779 in 2014 and from US\$50,579 for the five months ended 31 May 2015 to US\$113,308 for the five months ended 31 May 2016 mainly due to our increased presence at game conventions and increased advertising in 2015 and for the five months ended 31 May 2016.

FINANCIAL INFORMATION

Merchant account fees comprised (i) payment processing fees charged by payment processing companies ranging from 3% to 5%, depending on the mode of payment of our backers, late subscribers and online store customers; and (ii) Kickstarter commission fees charged by Kickstarter at the rate of 5% of the total funds raised before the funding deadline, when a project is successfully funded. Merchant account fees increased from US\$430,626 in 2014 to US\$923,733 in 2015, and from US\$128,653 for the five months ended 31 May 2015 to US\$350,164 for the five months ended 31 May 2016, mainly due to increased Kickstarter commission from US\$243,907 in 2014 to US\$436,372 in 2015, and from US\$73,652 for the five months ended 31 May 2015 to US\$115,611 for the five months ended 31 May 2016, due to an increase in the amount of funding received from Kickstarter projects before funding deadlines from approximately US\$4.8 million in 2014 to approximately US\$8.7 million in 2015, and from approximately US\$1.5 million for the five months ended 31 May 2015 to approximately US\$2.3 million for the five months ended 31 May 2016.

Royalties to game developers were primarily license fees for games we licensed such as *Rivet Wars*, *Sedition Wars: Battle for Alabaster*, *The World of Smog: On Her Majesty's Service*, *B-Sieged: Sons of the Abyss* and *Queen's Necklace*. Royalty expenses increased from US\$47,545 in 2014 to US\$134,484 in 2015, due to the royalty fees relating to our new licensed games in 2015, including *The World of Smog: On Her Majesty's Service*, *B-Sieged: Sons of the Abyss*, and *Queen's Necklace*. In 2014, royalties were lower as a number of games delivered were launched in 2013 or before, which is the point of time when royalties should be recognised as expenses for these games. Although the Group recorded revenue for *Relic Knights* and *Guilds of Cadwallon* during the Track Record Period, the related royalty fees had already been paid and recognised as expenses during the years ended 31 December 2012 and 2013, respectively, because the Group was required by the respective licensors under the licensing agreements to pay them royalty fees upon receiving the funds for these two games launched during the two respective years. The amounts of royalty fees were calculated based on the fundings received from Kickstarter backers and late subscribers and the terms of respective licensing agreements. Royalty fees paid and recognised as expenses amounted to US\$202,500 in 2012 for *Relic Knights* and US\$6,419 in 2013 for *Guilds of Cadwallon*. Royalty expenses decreased from US\$42,077 for the five months ended 31 May 2015 to US\$23,145 for the five months ended 31 May 2016 despite an increase in revenue from licensed games from US\$26,967 for the five months ended 31 May 2015 to US\$192,255 for the five months ended 31 May 2016. US\$31,149 of the royalty expenses for the five months ended 31 May 2015 were related to games launched with fundings received from Kickstarter during the period which have the same royalty payment requirement as *Relic Knights* and *Guilds of Cadwallon* as discussed above but the products of which were only shipped during the remaining period of the year ended 31 December 2015. Excluding this amount, all other royalty expenses during the five-month period were related to games for which revenue were recognised and received in the same corresponding period, and amounted to US\$10,928 and US\$23,145 for the five months ended 31 May 2015 and 2016, respectively. Such increase was mainly caused by higher revenue from licensed games for the five months ended 31 May 2016.

FINANCIAL INFORMATION

Shipping and handling charges included in selling and distribution expenses were only related to the sales to wholesalers in the USA for the five months ended 31 May 2016. Before 2016, products were first shipped from our Supply Chain Managers to our USA office and warehouse and the wholesalers would collect the products themselves. Costs of shipping products from the Supply Chain Managers to the USA office and warehouse were classified as cost of sales throughout the Track Record Period as they were incurred to bring the related inventories to their present location and condition ready for sale. However, during the period from January 2016 to April 2016, we tried to adopt a new delivery logistics by shipping the goods directly to our wholesalers in the USA from the Supply Chain Managers with an aim to reduce storage time and related costs. These shipping charges did not fall within the definition of cost of sales and were classified as selling and distribution expenses because they were incurred for delivering the products directly to our customers due to sales to customers. Prior to that, the Group only needed to bear the costs of shipping the products from the Supply Chain Managers to the USA office and warehouse, which was classified as cost of sales. As the costs incurred for this new delivery logistics were substantially higher, we have terminated this new attempt since May 2016 and re-adopted the original model. Therefore, no shipping and handling charge has been included in selling and distribution expenses since May 2016. If these shipping and handling charges were reclassified to cost of sales, the Group's gross profit margin for the five months ended 31 May 2016 would have been approximately 22.4%.

Travelling expenses primarily comprised travelling expenses of sales related employees to meet wholesalers, and travelling expenses of employees and volunteers to attend conventions. Travelling expenses increased from US\$73,864 in 2014 to US\$199,420 in 2015 and from US\$37,906 for the five months ended 31 May 2015 to US\$159,600 for the five months ended 31 May 2016, due to increased travelling by our new sales director, marketing director and their team as well as increased number of volunteers required to assist at game conventions we attend due to an increased presence of the Group at game conventions, requiring more volunteers to travel by air to attend game conventions.

Website maintenance fees are costs mainly incurred for maintaining our online store, our Kickstarter Pledge Manager system and our games' websites. Such maintenance fees typically fluctuate depending on the amount of maintenance work carried out such as periodic changes and upgrades to our system, maintenance of database and the number of websites under maintenance. Website maintenance fees increased slightly to US\$107,364 in 2015 as compared to US\$91,409 in 2014 and from US\$26,977 for the five months ended 31 May 2015 to US\$87,809 for the five months ended 31 May 2016 due to increased maintenance work done.

FINANCIAL INFORMATION

General and administrative expenses

General and administrative expenses mainly represent employee benefit expenses, game development expenses, other professional fees, professional service fees in respect of Listing preparation, operating lease rentals, amortisation and depreciation. The table below sets forth our general and administrative expenses during the Track Record Period:

	Year ended 31 December				Five months ended 31 May			
	2014		2015		2015		2016	
	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)							
Amortisation	12,257	0.6	18,106	0.4	5,107	0.3	19,048	0.7
Depreciation	85,627	4.2	122,107	2.7	42,170	2.8	76,440	2.8
Employee benefit expenses	979,190	48.5	1,665,157	37.1	616,602	40.7	842,848	30.9
Game development expenses	536,820	26.6	357,599	8.0	293,720	19.4	74,412	2.7
Other expenses ⁽¹⁾	58,015	2.9	139,350	3.1	78,744	5.2	164,064	6.0
Other professional fees	114,885	5.7	82,356	1.8	40,826	2.7	36,263	1.3
Professional service fees in respect of Listing preparation	149,098	7.4	2,011,190	44.8	404,847	26.7	1,471,676	53.9
Operating lease rentals	<u>81,624</u>	<u>4.1</u>	<u>89,936</u>	<u>2.1</u>	<u>34,216</u>	<u>2.2</u>	<u>46,967</u>	<u>1.7</u>
Total general & administrative expenses	<u>2,017,516</u>	<u>100.0</u>	<u>4,485,801</u>	<u>100.0</u>	<u>1,516,232</u>	<u>100.0</u>	<u>2,731,718</u>	<u>100.0</u>

Note:

(1) Includes mainly bank fees, insurance and office related expenses.

Depreciation refers to relevant depreciation charges for our property, plant and equipment. Depreciation increased to US\$122,107 in 2015 as compared to US\$85,627 in 2014 and to US\$76,440 for the five months ended 31 May 2016 from US\$42,170 for the five months ended 31 May 2015, due to the additional capital expenditure incurred on art, painting and sculptures as we continue to expand our business operations.

Employee benefit expenses were incurred for our game development, administrative and management staff and increased from US\$979,190 in 2014 to approximately US\$1.7 million in 2015. The increase was primarily due to 11 new employees we added in 2014 for game development, accounting, warehousing and administration. Employee benefit expenses increased from US\$616,602 for the five months ended 31 May 2015 to US\$842,848 for the five months ended 31 May 2016 mainly due to our increased headcount for business expansion.

Game development expenses are primarily incurred for editing work for rulebook and/or storyline, development of demonstration videos for our games, creation of dedicated websites for selected games and engagement of suppliers of creative services and game developers to assist with the design of our games' strategy, artwork and/or miniatures from time to time for our ongoing game development work.

FINANCIAL INFORMATION

Game development expenses decreased to approximately US\$357,599 in 2015 as compared to approximately US\$536,820 in 2014 mainly due to accounting capitalisation of US\$445,569 of game development costs as intangible assets in 2015. Due to the uncertain nature of future revenue of new games launched in 2014, such as *Arcadia Quest*, *Kaosball*, *Dogs of War*, and *Rum & Bones*, game development costs incurred in 2014 could not be capitalised and were recognised as expenses. In 2015, game development expenses for sequels of existing games such as *Arcadia Quest: Inferno* were capitalised as intangible assets as the revenue of these series were sufficiently certain. Game development expenses decreased from US\$293,720 for the five months ended 31 May 2015 to US\$74,412 for the five months ended 31 May 2016 mainly due to the capitalisation during the five months ended 31 May 2016 of US\$436,320 of game development costs as intangible assets for games including *Wrath of Kings*, *Rum & Bones: Second Tide*, *Massive Darkness* and *Masmorra: Dungeons of Arcadia*, majority of which were sequels of existing games and therefore future revenue of which were sufficiently certain.

Other professional fees, which include fees related to accounting, tax, legal and other professional services such as company secretarial services decreased from US\$114,885 in 2014 to US\$82,356 in 2015 due to accounting work being performed in-house since 2015, and remained relatively constant at US\$40,826 for the five months ended 31 May 2015 and US\$36,263 for the five months ended 31 May 2016.

We incurred professional fees in respect of Listing preparation of US\$149,098 in 2014, approximately US\$2.0 million in 2015, US\$404,847 for the five months ended 31 May 2015, and approximately US\$1.5 million for the five months ended 31 May 2016 as a result of professional fees incurred for professional services rendered by third parties for the preparation of our Listing.

Operating lease rentals are costs incurred for our leased properties amounting to US\$89,936 in 2015 as compared to US\$81,624 in 2014 and increased from US\$34,216 for the five months ended 31 May 2015 to US\$46,967 for the five months ended 31 May 2016, primarily due to increase in the rental space of our USA leased properties.

FINANCIAL INFORMATION

Income tax expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated. The following table sets forth our income tax for the period indicated:

	Year ended 31 December		Five months ended 31 May	
	2014 US\$	2015 US\$	2015 US\$	2016 US\$
			(Unaudited)	
Current income tax	563,391	796,646	6,408	13,685
Deferred income tax	117,876	107,957	(48,974)	(293,682)
Overprovision of tax in prior year	<u>—</u>	<u>(61,614)</u>	<u>—</u>	<u>(20,890)</u>
Income tax expense/(credit)	<u>681,267</u>	<u>842,989</u>	<u>(42,566)</u>	<u>(300,887)</u>
Profit/(loss) before income tax	3,244,674	2,669,084	(229,787)	(2,657,399)
Effective tax rate ⁽¹⁾ (%)	<u>21.0%</u>	<u>31.6%</u>	<u>N/A</u>	<u>N/A</u>
Ratio of income tax credit to loss before income tax ⁽²⁾ (%)	<u>N/A</u>	<u>N/A</u>	<u>18.5%</u>	<u>11.3%</u>

Note:

- (1) Income tax expense divided by profit before income tax for the year or period.
- (2) Income tax credit divided by loss before income tax for the year or period.

Effective tax rate increased from approximately 21.0% in 2014 to approximately 31.6% in 2015 mainly due to the non-tax-deductible professional fees of approximately US\$2.0 million incurred for the preparation of the Listing in 2015. Although we used our Singapore operations, which is subject to a lower tax rate of 17%, to handle sales to international wholesalers and backers in 2015, the effect of lower tax rate was offset by the increased tax in relation to the non-tax-deductible expenses.

The tax credit recognised for the five months ended 31 May 2015 and 2016 were mainly related to the recognition of deferred income tax assets in relation to the tax losses of the Group's operating subsidiaries in the respective period, for which future utilisation is considered probable. Excluding the professional fees of US\$404,847 and approximately US\$1.5 million for the five months ended 31 May 2015 and 2016, respectively, incurred in connection with the Listing which are non tax-deductible, the Group made profit before income tax for the five months ended 31 May 2015 amounting to US\$175,060 and incurred loss before income tax for the five months ended 31 May 2016 amounting to approximately US\$1.2 million. For the five months

FINANCIAL INFORMATION

ended 31 May 2015, the Group's operations in Singapore generated taxable income while the Group's operations in the USA generated a tax-deductible loss. As the tax rate applicable to the USA operations is higher than that applicable to the Singapore operations, a deferred tax credit was recognised for the five months ended 31 May 2015. Together with the tax losses incurred for the five months ended 31 May 2016 described above, the Group recognised income tax credit for tax losses amounting to US\$48,974 and US\$293,682 for the five months ended 31 May 2015 and 2016, respectively. As a result of the above, the ratio of income tax credit to loss before income tax decreased from approximately 18.5% for the five months ended 31 May 2015 to approximately 11.3% for the five months ended 31 May 2016.

Our Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law and the Cayman Islands currently levy no taxes on corporations based upon profits. Our Singapore operations is subject to the corporate income tax rate of 17%. Our USA operations are subject to the corporate tax rate of 34%. Our Directors have confirmed that all relevant taxes have been paid when due during the Track Record Period.

Accumulated losses

We recorded accumulated losses of US\$404,438 as at 1 January 2014 primarily due to the following:

- Our Group has a relatively short history of operations with its best-selling products of *Zombicide* just launched in 2012. Operating expenses were thus incurred initially to build up the reputation and brand of our Group and products before any significant sales could be made. In particular, merchant account fees in relation to sales through Kickstarter and royalty fees for certain licensed games were required to be paid and had been already recognised as expenses before 2014 prior to the recognition of the related revenue during the Track Record Period. We gradually built up rapport and more awareness from the market which resulted in a significant improvement in business performance and profitability from 2014 onwards.
- There was an one-off share-based payment expense of US\$475,200 recognised in 2013 for the services rendered by the Controlling Shareholders and the Minority Strategic Shareholders pursuant to the Verbal Agreements as set out in the section headed "History and Corporate Structure" of this prospectus.

G. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Year ended 31 December 2014 compared to Year ended 31 December 2015

Revenue

Our revenue increased by approximately 36.5% from approximately US\$12.6 million in 2014 to approximately US\$17.2 million in 2015, primarily due to the increase in revenue from board games. For board games, revenue increased from approximately US\$9.7 million in 2014 to approximately US\$15.8 million in 2015, because of the recognition of sales from board games launched since the second half of 2014, including *XenoShyft: Onslaught*, *The World of Smog: On Her Majesty's Service*, *Rum & Bones*, *Blood Rage*, *B-Sieged: Sons of the Abyss* and *Zombicide: Black Plague*. Revenue contribution from our miniature war games decreased from approximately US\$2.3 million in 2014 to approximately US\$675,261 in 2015 as the licensing agreement of *Relic Knights*, which contributed approximately US\$1.5 million of revenue in 2014, was mutually terminated by the licensor and us in August 2014 and no new miniature war game was launched in 2015. Revenue contribution from other products remained fairly stable. We also recognised revenue of US\$22,211 from mobile games in 2015.

Please refer to the paragraph headed "Revenue" in this section for further details.

Cost of sales

Our cost of sales increased by approximately 27.3% from approximately US\$6.6 million in 2014 to approximately US\$8.4 million in 2015, primarily due to (i) an increase in cost of inventories by approximately 10.0% from approximately US\$5.0 million in 2014 to approximately US\$5.5 million in 2015; (ii) an increase in shipping and handling charges by approximately 83.3% from approximately US\$1.2 million in 2014 to approximately US\$2.2 million in 2015; (iii) an increase in depreciation by approximately 61.5% from US\$200,542 in 2014 to US\$323,809 in 2015; and (iv) an increase in amortisation by approximately 26.3% from US\$285,342 in 2014 to US\$360,289 in 2015, which were generally in line with the increase of our revenue.

Please refer to the paragraph headed "Cost of sales" in this section for further details.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 46.7% from approximately US\$6.0 million in 2014 to approximately US\$8.8 million in 2015 and our gross profit margin increased from approximately 47.3% in 2014 to approximately 51.3% in 2015.

FINANCIAL INFORMATION

The increase in gross profit margin was primarily due to higher margins of those well-funded Kickstarter projects with better economies of scale such as *Zombicide: Black Plague*, which we began shipping in 2015 and contributed approximately 38.2% of our total revenue in 2015.

Selling and distribution expenses

Our selling and distribution expenses for 2015 were approximately US\$1.7 million, an increase of approximately 83.1% from US\$928,309 in 2014. This was primarily due to an increase in marketing expenses from US\$153,779 in 2014 to US\$205,298 in 2015, an increase in merchant account fees from US\$430,626 in 2014 to US\$923,733, an increase in royalty expenses from US\$47,545 in 2014 to US\$134,484 in 2015, and an increase in travelling expenses from US\$73,864 in 2014 to US\$199,420 in 2015.

Further details are set out in the paragraph headed “Selling and distribution expenses” in this section.

General and administrative expenses

Our general and administrative expenses for 2015 were approximately US\$4.5 million, an increase of approximately 125.0% from approximately US\$2.0 million in 2014. Such increase was primarily due to an increase in professional service fees in respect of Listing preparation from US\$149,098 in 2014 to approximately US\$2.0 million in 2015, and an increase in employee benefit expenses from US\$979,190 in 2014 to approximately US\$1,665,157 in 2015, primarily due to 11 new employees we added in 2014 for game development, accounting, warehousing and administration, and was offset by a decrease in game development expenses from US\$536,820 in 2014 to US\$357,599 in 2015 mainly due to the capitalisation of US\$445,569 of game development costs in 2015.

Further details are set out in the paragraph headed “General and administrative expenses” in this section.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by approximately 15.6% from approximately US\$3.2 million in 2014 to approximately US\$2.7 million in 2015.

Income tax expense

We incurred income tax expense of US\$681,267 in 2014 and US\$842,989 in 2015, which was in line with the increase in our game portfolio and revenue.

FINANCIAL INFORMATION

Profit for the year

As a result of the factors described above, our profit for the year decreased by approximately 30.8% from approximately US\$2.6 million in 2014 to approximately US\$1.8 million in 2015. Our net profit margin decreased from approximately 20.3% for the year ended 31 December 2014 to approximately 10.6% for the year ended 31 December 2015. The decrease in net profit margin was primarily due to the increase in professional service fees in respect of Listing preparation in 2015.

Five months ended 31 May 2016 compared to five months ended 31 May 2015

Revenue

Our revenue decreased by approximately 9.3% from approximately US\$4.3 million for the five months ended 31 May 2015 to approximately US\$3.9 million for the five months ended 31 May 2016. The decrease in revenue for the five months ended 31 May 2016 were mainly due to the decrease in sales from Kickstarter by US\$870,022 as the product shipment for our five Kickstarter projects launched since the second half of 2015 up to 31 May 2016 only takes place after the Track Record Period, and we can only realise the relevant revenue after the products are shipped. Out of the five Kickstarter projects, *The Others: 7 Sins* and *XenoShyft: Dreamire* have completed shipment as at the Latest Practicable Date and we have realised approximately US\$2.4 million and approximately US\$0.5 million of the deferred revenue as at 31 May 2016 in relation to *The Others: 7 Sins* and *XenoShyft: Dreamire* up to 31 October 2016.

Please refer to the paragraph headed “Revenue” in this section for further details.

Cost of sales

Our cost of sales decreased by approximately 7.4% from approximately US\$2.7 million for the five months ended 31 May 2015 to approximately US\$2.5 million for the five months ended 31 May 2016, which was lower than the decrease in revenue by approximately 9.3% during the period, primarily due to the lower recovery of shipping and handling income due to the underestimation of shipping and handling charges for our Kickstarter projects and the effect of depreciation and amortisation which are costs fixed in nature.

If the shipping and handling charges of US\$498,412 is reclassified from selling and distribution expenses, our cost of sales for the five months ended 31 May 2016 would be approximately US\$3.0 million, representing an increase of approximately 11.1% as compared with the same period in 2015. Besides, the cost of sales to revenue ratio would have increased from approximately 63.1% for the five months ended 31 May 2015 to approximately 77.6% for the five months ended 31 May 2016, which was primarily due to the lower recovery of shipping and handling income and the effect of depreciation and amortisation as discussed above, as well as the substantial increase in shipping and handling charges resulting from the new delivery logistics adopted for our sales to wholesalers in the USA by shipping the goods directly to the wholesalers from

FINANCIAL INFORMATION

the Supply Chain Managers during the period from January 2016 to April 2016 as compared with our original model of having wholesalers collect the products from our USA warehouse.

Please refer to the paragraphs headed “Cost of sales” and “Selling and distribution expenses” in this section for further details.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 12.5% from approximately US\$1.6 million for the five months ended 31 May 2015 to approximately US\$1.4 million for the five months ended 31 May 2016 and our gross profit margin decreased from approximately 36.9% for the five months ended 31 May 2015 to approximately 35.2% for the five months ended 31 May 2016.

If the shipping and handling charges of US\$498,412 is reclassified from selling and distribution expenses to cost of sales, our gross profit margin for the five months ended 31 May 2016 would be approximately 22.4%, which was much lower than the gross profit margin of approximately 36.9% for the five months ended 31 May 2015.

The decrease in gross profit margin for the five months ended 31 May 2016 was mainly due to the relatively higher cost of sales as explained in the paragraph headed “Cost of sales” above.

Selling and distribution expenses

Our selling and distribution expenses for the five months ended 31 May 2016 were approximately US\$1.3 million, a 292.0% increase from US\$331,622 for the five months ended 31 May 2015. The increase was primarily due to an increase in employee benefit expense from US\$38,567 for the five months ended 31 May 2015 to US\$97,514 for the five months ended 31 May 2016; an increase in merchant account fees from US\$128,653 for the five months ended 31 May 2015 to US\$350,164 for the five months ended 31 May 2016; an increase in marketing expenses from US\$50,579 for the five months ended 31 May 2015 to US\$113,308 for the five months ended 31 May 2016; an increase in travelling expenses from US\$37,906 for the five months ended 31 May 2015 to US\$159,600 for the five months ended 31 May 2016; an increase in website maintenance fees from US\$26,977 for the five months ended 31 May 2015 to US\$87,809 for the five months ended 31 May 2016; and the recognition of shipping and handling charges of US\$498,412 in relation to direct delivery costs of our sales to wholesalers in the USA for the five months ended 31 May 2016.

Further details are set out in the paragraph headed “Selling and distribution expenses” in this section.

FINANCIAL INFORMATION

General and administrative expenses

Our general and administrative expenses for the five months ended 31 May 2016 were approximately US\$2.7 million as compared to approximately US\$1.5 million for the five months ended 31 May 2015. The increase was primarily due to an increase in employee benefit expense from US\$616,602 for the five months ended 31 May 2015 to US\$842,848 for the five months ended 31 May 2016; an increase in other expenses from US\$78,744 for the five months ended 31 May 2015 to US\$164,064 for the five months ended 31 May 2016; increase in amortisation from US\$5,107 for the five months ended 31 May 2015 to US\$19,048 for the five months ended 31 May 2016; an increase in depreciation from US\$42,170 for the five months ended 31 May 2015 to US\$76,440 for the five months ended 31 May 2016; an increase in professional service fees in respect of Listing preparation from US\$404,847 for the five months ended 31 May 2015 to approximately US\$1.5 million for the five months ended 31 May 2016, offset by a decrease in game development expenses from US\$293,720 for the five months ended 31 May 2015 to US\$74,412 for the five months ended 31 May 2016.

Further details are set out in the paragraph headed “General and administrative expenses” in this section.

Profit before income tax

As a result of the foregoing, our loss before income tax increased from US\$229,787 for the five months ended 31 May 2015 to approximately US\$2.7 million for the five months ended 31 May 2016.

Income tax expense

During the five months ended 31 May 2015 and 31 May 2016, we recorded a tax credit of US\$42,566 and US\$300,887, respectively, as a result of the recognition of deferred income tax assets in respect of tax losses of our operating subsidiaries for which future utilisation is probable.

Loss for the period

As a result of the factors described above, we registered a loss of approximately US\$2.4 million for the five months ended 31 May 2016 as compared to a loss of US\$187,221 for the five months ended 31 May 2015, primarily due to (i) the increased shipping and handling charges resulting from the temporary change in delivery logistics for our sales to wholesalers in the USA; (ii) the lower recovery rate of shipping and handling income due to the underestimation of shipping and handling charges for our Kickstarter projects; (iii) the recognition of increased merchant account fees in relation to the funds received from Kickstarter backers and late subscribers for projects launched during the period while the relevant funds collected were booked as deferred revenue and will only be realised as revenue when the products are shipped after the period. The shipment of a majority of the outstanding Kickstarter projects as

FINANCIAL INFORMATION

at 31 May 2016 is expected to take place in the second half of 2016; (iv) the increased salary expenses as a result of increased headcount and hiring of senior management; and (v) increased professional service fees in respect of Listing preparation in 2016.

H. LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of capital are to fund our working capital, game development activities and acquisition of IPs. During the Track Record Period, we have financed our operations primarily through cash generated from our internally generated funds, and funds from CMON Holdings as a result of the proceeds from the investment by Magic Carpet. During the Track Record Period, we did not have any bank borrowings. As at 31 December 2014, 31 December 2015 and 31 May 2016, we had cash and cash equivalents of US\$1,730,276, US\$2,628,967 and US\$1,362,960, respectively. We expect that our cash and cash equivalents position will be further strengthened as a result of the net proceeds to be received by us from the Placing and cash generated from operations. Currently, we do not have any material debt financing plan in the near future. After the Placing, we intend to continue to finance our operations and our expansion plans as further set out in the section headed “Statement of Business Objective and Use of Proceeds” in this prospectus primarily through cash generated from our internally generated funds and the proceeds from the Placing. We currently do not expect any significant changes in the mix and costs of our capital resources.

The following table is our consolidated statements of cash flows for the periods indicated:

	Year ended		Five months ended	
	31 December		31 May	
	2014	2015	2015	2016
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
	(Unaudited)			
Net cash generated from/(used in) operating activities	621,047	4,804,496	(863,815)	159,062
Net cash used in investing activities	(2,950,643)	(3,851,654)	(780,683)	(1,181,296)
Net cash generated from/(used in) financing activities	<u>3,482,793</u>	<u>(54,151)</u>	<u>708,000</u>	<u>(243,773)</u>
Net increase in cash and cash equivalents	1,153,197	898,691	(936,498)	(1,266,007)
Cash and cash equivalents at beginning of the year/period	<u>577,079</u>	<u>1,730,276</u>	<u>1,730,276</u>	<u>2,628,967</u>
Cash and cash equivalents at end of the year/period	<u><u>1,730,276</u></u>	<u><u>2,628,967</u></u>	<u><u>793,778</u></u>	<u><u>1,362,960</u></u>

FINANCIAL INFORMATION

Cash flow generated from/(used in) operating activities

For the five months ended 31 May 2016, we recorded net cash inflow from operating activities of US\$159,062, which mainly comprised loss before income tax of approximately US\$2.7 million, adjusted by add-back of non-cash items including depreciation as to US\$254,157, amortisation as to US\$207,241 and adjusted by changes in working capital attributable to the combined effect of an increase in deferred revenue of approximately US\$4.3 million, an increase in accruals and other payables of US\$842,358, income tax paid of US\$100,310, offset by an increase in prepayments and deposits of approximately US\$2.4 million, a decrease in trade payables of US\$250,156 and an increase in inventories of US\$240,683.

For the five months ended 31 May 2015, our net cash used in operating activities was US\$863,815, which was mainly attributable to loss before income tax of US\$229,787 from our business operations, adjusted by add-back of non-cash items relating to depreciation as to US\$169,752 and amortisation as to US\$125,451 and adjusted by changes in working capital attributable to the combined effect of a decrease in trade payables of US\$167,904 and a decrease in accruals and other payables of US\$50,680, offset by an increase in deferred revenue of US\$320,689, an increase in inventories of US\$19,787, an increase in trade receivables of US\$38,716, an increase in prepayments and deposits of US\$927,303 and income tax paid of US\$45,530.

For the year ended 31 December 2015, we recorded net cash inflow from operating activities of approximately US\$4.8 million, which mainly comprised profit before income tax of approximately US\$2.7 million, adjusted by add-back of non-cash items relating to depreciation as to US\$445,916 and amortisation as to US\$378,395 and adjusted by changes in working capital attributable to the combined effect of an increase in trade payables of US\$251,633, an increase in accruals and other payables of US\$439,500 and an increase in deferred revenue of approximately US\$2.9 million, offset by an increase in prepayments and deposits of approximately US\$1.3 million, an increase in inventories of US\$652,719, an increase in trade receivables of US\$195,934 and income tax paid of US\$57,321.

For the year ended 31 December 2014, we recorded net cash inflow from operating activities of US\$621,047, which mainly comprised profit before income tax of approximately US\$3.2 million, adjusted by add-back of non-cash items including depreciation as to US\$286,169, amortisation as to US\$297,599 and adjusted by changes in working capital attributable to the combined effect of an increase in trade payables of US\$349,422 and an increase of accruals and other payables of US\$113,445; partially offset by a decrease in deferred revenue of approximately US\$1.4 million, an increase in inventories of US\$890,860, an increase in trade receivables of US\$484,074, an increase in prepayments and deposits of US\$408,291, income tax paid of US\$244,086 and excluding the non-operating effect of gain on disposal of property, plant and equipment of US\$202,709.

FINANCIAL INFORMATION

Cash flow used in investing activities

Our cash flow used in investing activities is primarily for the purchase of fixed and intangible assets.

For the five months ended 31 May 2016, our net cash used in investing activities was approximately US\$1.2 million, which was mainly attributable to the addition of art, painting and sculptures of US\$302,848, the additional of displays, moulds and tools of US\$244,609; and payment for product development costs of US\$436,320 and computer software of US\$134,700.

For the five months ended 31 May 2015, our net cash used in investing activities was US\$780,683, which was attributable to the addition of fixed assets of US\$653,792 mainly related to art, paintings and sculptures, and displays, moulds and tools for game development; and payment for addition of intangible assets such as IPs as to US\$126,891.

For the year ended 31 December 2015, our net cash used in investing activities was approximately US\$3.9 million, which was attributable to the addition of art, painting and sculptures of US\$773,128, the addition of displays, moulds and tools of US\$853,784 for game development; and payment for addition of intangible assets such as IPs, product development costs and development of computer software as to approximately US\$2.2 million.

For the year ended 31 December 2014, our net cash used in investing activities was approximately US\$3.0 million, mainly attributable to addition of property, plant and equipment, which primarily includes art, painting and sculptures of US\$358,810 and displays, moulds and toolings of US\$520,475 as we continue to develop new games and outflow for acquisition of intangible assets as to approximately US\$2.3 million primarily related to payment for the acquisition of *Zombicide* IPs. Cash outflow from investing activities was partially offset by proceeds from sale of certain fixed assets such as moulds and tools in relation to *Relic Knights*, a discontinued licensed game, as to US\$202,709.

Cash flow generated from/(used in) financing activities

For the five months ended 31 May 2016, we recorded a net cash outflow from financing activities of US\$243,773, mainly attributable to the payment of professional service fees in respect of issuing equity of US\$131,273 and the payment of dividend of US\$112,500. The portion of professional service fees incurred attributable to the listing of existing Shares are charged to profit or loss and the related amounts paid are classified as operating cash outflow. On the other hand, the portion of such professional service fees incurred attributable to the issuance of New Shares are to be charged against the Listing proceeds in equity, and the related amounts paid are classified as financing cash outflow.

FINANCIAL INFORMATION

For the five months ended 31 May 2015, we recorded a net cash inflow from financing activities of US\$708,000, mainly attributed to a cash inflow of US\$1.8 million resulting from funds received from CMON Holdings as a result of proceeds from the investment by Magic Carpet and partially offset by payment of dividends of US\$1.1 million.

For the year ended 31 December 2015, we recorded a net cash outflow from financing activities of US\$54,151, mainly attributed to payment of dividend of approximately US\$1.5 million and payment of professional services fees in respect of Listing preparation of US\$349,933, and was partially offset by a cash inflow of US\$1.8 million resulting from funds received from CMON Holdings as a result of proceeds from the investment by Magic Carpet.

For the year ended 31 December 2014, we recorded net cash inflow from financing activities of approximately US\$3.5 million, mainly attributed to a cash inflow of US\$3.5 million resulting from funds received from CMON Holdings as a result of proceeds from the investment by Magic Carpet and partially offset by a reduction in the amount due to Mr. Doust of US\$17,211.

I. COMMITMENTS

Other than operating lease commitments for our leased rental properties, we had no other capital and lease commitments as at 31 December 2014, 2015, 31 May 2016 and 30 September 2016. The following table sets out our operating lease commitments as at the dates indicated:

	As at 31 December 2014	2015	As at 31 May 2016	As at 30 September 2016 <i>(Unaudited)</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Operating Lease Commitments				
No later than one year	79,016	417,600	419,488	421,376
Later than one year and no later than five years	<u>155,239</u>	<u>1,640,538</u>	<u>1,464,650</u>	<u>1,323,562</u>
Total	<u><u>234,255</u></u>	<u><u>2,058,138</u></u>	<u><u>1,884,138</u></u>	<u><u>1,744,938</u></u>

Commitments increased from US\$234,255 in 2014 to approximately US\$2.1 million in 2015 as the Company had entered into a tenancy agreement for a new warehouse in Ridgeland Parkway, Forsyth County, Alpharetta, Georgia in 2015.

FINANCIAL INFORMATION

J. CAPITAL EXPENDITURE

The following table sets out our capital expenditure during the Track Record Period.

Type	For the year ended		For the
	31 December		five months
	2014	2015	ended
	<i>US\$</i>	<i>US\$</i>	31 May
			2016
			<i>US\$</i>
<i>Fixed assets</i>			
Art, painting and sculpts	358,810	773,128	302,848
Computer equipment	8,524	26,642	6,652
Displays, moulds and tools	520,475	853,784	244,609
Furniture and fixtures	5,239	3,453	4,630
Motor vehicles	—	10,677	—
<i>Intangible assets</i>			
IPs	12,462	653,244	51,537
Product development costs ⁽¹⁾	—	445,569	436,320
Computer software	—	160,862	134,700
	<u>905,510</u>	<u>2,927,359</u>	<u>1,181,296</u>
Total			

Note:

1. Product development costs represent the capitalised amount of game development costs in 2015 and the five months ended 31 May 2016.

Our capital expenditure was approximately US\$1.2 million for the five months ended 31 May 2016. This was primarily attributable to the purchase of art, painting and sculpts of US\$302,848; the purchase of computer equipment of US\$6,652; the purchase of displays, moulds and tools of US\$244,609; the purchase of furniture and fixtures of US\$4,630; the purchase of IPs of US\$51,537; and the purchase of computer software of US\$134,700. There was capitalisation of game development costs of US\$436,320 during the five months ended 31 May 2016.

Our capital expenditure was US\$905,510 and approximately US\$2.9 million for the years ended 31 December 2014 and 31 December 2015, respectively, and was primarily attributable to the purchase of art, painting and sculpts, which increased from US\$358,810 in 2014 to US\$773,128 in 2015; the purchase of computer equipment, which increased from US\$8,524 in 2014 to US\$26,642 in 2015; the purchase of displays, moulds and tools, which increased from US\$520,475 in 2014 to US\$853,784 in 2015; and the purchase of IPs which increased from US\$12,462 in 2014 to US\$653,244 in 2015 mainly comprising the IP of *Blood Rage*. There were capitalisation of game development costs of US\$445,569, purchases of computer software of US\$160,862 and purchases of motor vehicles of US\$10,677 during the year ended 31 December 2015.

FINANCIAL INFORMATION

The capital expenditure above consists primarily of assets which are essential to our Group for the development of new games to enlarge our game portfolio and expand our business.

K. NET CURRENT LIABILITIES/ASSETS

Details of our current assets and liabilities as at the dates indicated are as follows:

	As at 31 December		As at 31 May 2016	As at 30 September 2016 <i>(Unaudited)</i>
	2014	2015	2016	2016
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Current assets				
Inventories	1,651,616	2,304,335	2,545,018	2,546,267
Trade receivables	591,404	785,888	639,362	1,808,416
Prepayments and deposits	419,942	2,028,400	4,117,463	4,131,335
Income tax recoverable	195,097	32,000	32,000	32,000
Cash and cash equivalents	1,730,276	2,628,967	1,362,960	1,263,295
Amount due from a shareholder	—	4,716	61,541	61,541
Amount due from a related company	—	266,459	156,458	156,458
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	4,588,335	8,050,765	8,914,802	9,999,312
Current liabilities				
Trade payables	352,921	545,059	294,903	18,868
Accruals and other payables	1,799,714	1,289,521	2,131,879	1,898,512
Amount due to a shareholder	9,385	—	—	—
Income tax payable	668,743	1,423,455	1,336,830	1,336,830
Deferred revenue	1,564,981	4,464,508	8,776,450	10,918,144
Amount due to CMON Holdings	3,500,000	112,501	1	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	7,895,744	7,835,044	12,540,063	14,172,354
Net current (liabilities)/assets	<u>(3,307,409)</u>	<u>215,721</u>	<u>(3,625,261)</u>	<u>(4,173,042)</u>

As at 30 September 2016, we had net current liabilities of approximately US\$4.2 million, which was primarily due to the deferred revenue of approximately US\$10.9 million relating to the funding of Kickstarter projects that have not yet been shipped.

FINANCIAL INFORMATION

As at 31 May 2016, we had net current liabilities of approximately US\$3.6 million, which was primarily due to an increase in deferred revenue by approximately US\$4.3 million relating to the funding of Kickstarter projects that have not yet been shipped, and the decrease in cash and cash equivalents by approximately US\$1.3 million, offset by increase in current portion prepayments and deposits of approximately US\$2.1 million.

As at 31 December 2015, we had net current assets of US\$215,721, which was primarily due to the capitalisation of the amount due to CMON Holdings of US\$3.5 million, an increase in prepayments and deposits by approximately US\$1.6 million, an increase in cash and cash equivalents by US\$898,691 and an increase in inventories by US\$652,719, offset by an increase in deferred revenue of approximately US\$2.9 million and an increase in income tax payable of US\$754,712.

As at 31 December 2014, we had net current liabilities of approximately US\$3.3 million, which was primarily due to amount due to CMON Holdings of US\$3.5 million representing the partial investment by Magic Carpet via CMON Holdings in 2014.

Inventories

Our inventories consist of trading merchandise less provision for slow-moving games based on our inventory provision policy as set out in Note 4 of Section II in the accountant's report included in Appendix I to this prospectus. The increase in inventories from approximately US\$1.7 million as at 31 December 2014 to approximately US\$2.3 million as at 31 December 2015 and approximately US\$2.5 million as at 31 May 2016 was generally in line with the increase in the size of our game portfolio, which increased from 14 tabletop games as at 31 December 2014 to 21 tabletop games as at 31 December 2015 and 25 tabletop games as at 31 May 2016. The following table sets forth the inventories balances and the average inventory turnover days as at the balance sheet dates for the periods indicated:

	Year ended as at		Five months
	31 December		ended
	2014	2015	31 May
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Trading merchandise	1,651,616	2,304,335	2,545,018
Average inventory turnover days ⁽¹⁾	88	131	233

Note:

- (1) Average inventory turnover days equals the average of the opening and closing balances of inventories for the relevant period, divided by cost of inventories and multiplied by 365 days for a year or multiplied by 152 days for a five-month period.

FINANCIAL INFORMATION

Our average inventory turnover days increased from approximately 88 days in 2014 to approximately 131 days in 2015 and approximately 233 days for the five months ended 31 May 2016 primarily due to increase in the level of new inventories stocked in anticipation of future sales for new tabletop games including *Blood Rage*, *Zombicide: Black Plague*, *The Grizzled* and *Queen's Necklace* and the restocking of existing tabletop games to meet anticipated demand from wholesalers. As we want to strengthen our relationship with wholesalers, we began to hold more inventories since the second half of 2015 as wholesalers prefer to replenish their stocks once they have finished selling them and want to be able to purchase new stock immediately. Approximately 63.1% of our inventories as at 31 May 2016 had been utilised as at 31 October 2016.

Our Directors are of the view that there will not be any material adverse impact on the Group's liquidity going forward as a result of the new policy to hold more inventories as it is expected that our sales to wholesalers will be further improved in the long run and the Group will continuously monitor its liquidity level as part of its inventory planning.

Trade receivables

Our trade receivables consist of receivables due from our wholesalers.

Our net trade receivables increased from US\$591,404 as at 31 December 2014 to US\$785,888 as at 31 December 2015. This was primarily attributable to an increase in our revenue as our scale of operations continued to grow. The average trade receivable turnover days were approximately 29 days and approximately 37 days for the years ended 31 December 2014 and 2015, respectively, as more USA wholesalers were given credit terms due to the increase in length of our business relationship; which was in line with our sales and marketing strategy.

Our net trade receivables decreased to US\$639,362 as at 31 May 2016. This was mainly because we requested for earlier settlement from our wholesalers, but offset against longer credit terms granted to certain wholesalers after taking into account the business relationship with them. The average trade receivable turnover days were approximately 38 days for the five months ended 31 May 2016.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our net trade receivables by the date at which the respective sale invoices were issued as at the dates indicated:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Less than 30 days	229,192	544,727	201,286
30 days to 90 days	138,811	105,559	172,690
91 days to 180 days	8,989	114,459	265,386
Over 180 days	<u>214,412</u>	<u>21,143</u>	<u>—</u>
	<u><u>591,404</u></u>	<u><u>785,888</u></u>	<u><u>639,362</u></u>

As at 31 December 2014, 31 December 2015 and 31 May 2016, trade receivables past due but not impaired were approximately US\$365,555, US\$241,141 and US\$438,076, respectively. The following table sets forth an aging analysis of our trade receivables by the days of overdue repayment:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Less than 30 days	72,759	75,652	152,984
30 days to 90 days	78,661	144,346	285,092
More than 90 days	<u>214,135</u>	<u>21,143</u>	<u>—</u>
	<u><u>365,555</u></u>	<u><u>241,141</u></u>	<u><u>438,076</u></u>

Generally, overdue amounts were receivables from wholesalers who had not committed any credit default in the past and were assessed to be recoverable. As at 31 October 2016, approximately 87.1% of the balance of net trade receivables of US\$639,362 as at 31 May 2016 have been settled.

The table below sets forth the average trade receivables turnover days for the periods indicated:

	Year ended 31 December		Five months ended 31 May
	2014	2015	2016
Average trade receivables turnover days ⁽¹⁾	<u>29</u>	<u>37</u>	<u>38</u>

FINANCIAL INFORMATION

Note:

- (1) Average trade receivables turnover days equals the average of the opening and closing balances of trade receivables for the relevant period, divided by revenue from sales to wholesalers and multiplied by 365 days for a year or multiplied by 152 days for a five-month period.

Prepayments and deposits

	As at 31 December		As at
	2014	2015	31 May
	US\$	US\$	2016
			US\$
Prepayments for professional fees in respect of the Listing	152,695	924,053	865,416
Advances to suppliers	—	343,093	2,568,064
Prepaid royalties and game development costs	—	500,000	523,421
Other prepayments	255,596	222,267	100,957
Deposits	<u>11,651</u>	<u>38,987</u>	<u>59,605</u>
 Total	 <u>419,942</u>	 <u>2,028,400</u>	 <u>4,117,463</u>

Prepayments and deposits as at 31 May 2016 primarily relate to prepayments for professional fees in respect of the Listing of US\$865,416, advances to suppliers of approximately US\$2.6 million, prepayments for royalties and game development costs of US\$523,421, and other prepayments and deposits.

Prepayments and deposits as at 31 December 2015 primarily relate to prepayments for professional fees in respect of the Listing of US\$924,053, advances to suppliers of US\$343,093, prepayments for royalties and game development costs of US\$500,000 for new games expected to be launched in 2016 and other prepayments of US\$222,267 comprising inventories to be delivered by a supplier and rental deposits that we placed for our leased rental properties.

Advances to suppliers increased from US\$343,093 as at 31 December 2015 to approximately US\$2.6 million as at 31 May 2016 primarily due to advances made to our Supply Chain Managers for the production of our new games launched on Kickstarter including *The Others: 7 Sins*, *Arcadia Quest: Inferno*, *XenoShyft: Dreadmire* and *Masmorra: Dungeons of Arcadia*, which are expected to be shipped in the second half of 2016. Approximately US\$2.0 million of the advance balance of approximately US\$2.6 million as at 31 May 2016 was related to the abovementioned Kickstarter projects, of which approximately US\$1.4 million was due to the Supply Chain Managers. It has been the usual practice of our Supply Chain Managers to request for an advance for the production of our Kickstarter projects during the Track Record Period and the amount of the advance is determined mainly with reference to the level of backings of the relevant projects. As the abovementioned Kickstarter

FINANCIAL INFORMATION

projects were launched during the period from September 2015 to April 2016, most of the advance payment was billed by our Supply Chain Managers and other suppliers in 2016 and therefore resulted in a substantial increase in the balance of advances to suppliers as at 31 May 2016. As at 31 October 2016, approximately 50.6% of the balance of advances to suppliers had been utilised. Taking into account that the amount of advance payment to Supply Chain Managers is determined mainly with reference to the level of backings of the relevant projects and the Supply Chain Managers only bill us and the advance is only payable by us after we have received the fundings from the Kickstarter, the Directors are of the view that the advance arrangement does not have material adverse impact on the Group's liquidity position and risk profile.

Income tax recoverable and payable

We have an income tax recoverable of US\$195,097, US\$32,000 and US\$32,000 as at 31 December 2014, 31 December 2015 and 31 May 2016, respectively, due to overpaid income tax of US\$195,097, US\$32,000 and US\$32,000 in prior years that were assessed to be recoverable as at 31 December 2014, 31 December 2015 and 31 May 2016, respectively. We had an income tax payable of US\$668,743, approximately US\$1.4 million and approximately US\$1.3 million as at 31 December 2014, 31 December 2015 and 31 May 2016, respectively, which were provision for our income tax payable but had not fallen due as at the respective dates.

Trade payables

Our trade payables primarily related to payables to our suppliers. Our trade payables increased from US\$352,921 as at 31 December 2014 to US\$545,059 as at 31 December 2015, which was in line with the increase in our business scale and operations. Our trade payables decreased to US\$294,903 as at 31 May 2016, as we have made advance payment to our Supply Chain Managers for the production of our Kickstarter projects. Our trade payables were mostly owed to one of our Supply Chain Managers.

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

	As at 31 December		As at
	2014	2015	31 May
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Less than 60 days	345,873	447,812	93,220
60 days to 120 days	1,587	97,247	197,215
Over 120 days	5,461	—	4,468
	<u>352,921</u>	<u>545,059</u>	<u>294,903</u>
Average trade payables turnover days	<u>13</u>	<u>30</u>	<u>40</u>

FINANCIAL INFORMATION

Note: Average trade payable turnover days equals the average of the opening and closing balances of trade payables for the relevant period, divided by cost of inventories and multiplied by 365 days for a year or multiplied by 152 days for a five-month period.

Our average trade payables turnover days increased from approximately 13 days in 2014 to approximately 30 days in 2015 and approximately 40 days for the five months ended 31 May 2016 primarily due to longer credit term granted by our Supply Chain Managers resulting from the longer business relationship and continued increase in order size.

As at 31 October 2016, approximately 97.2% of the balance of trade payables of US\$294,903 as at 31 May 2016 have been settled.

Accruals and other payables

	As at 31 December		As at
	2014	2015	31 May
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Other payable to a supplier of IPs	1,624,295	700,000	700,000
Accruals for professional fees in respect of Listing	—	575,439	1,078,774
Receipts in advance from customers	—	—	102,257
Other accrued operating expenses	<u>175,419</u>	<u>14,082</u>	<u>250,848</u>
	<u><u>1,799,714</u></u>	<u><u>1,289,521</u></u>	<u><u>2,131,879</u></u>

Other payable to a supplier of IPs represents the current portion of the amount payable to Guillotine Games arising from the Zombicide Agreement. In 2013, Mr. Doust and Mr. Ng agreed that in consideration of Mr. Ng transferring and/or procuring the transfer of his board game and tabletop game IPs to the Group, the Group should be responsible to pay, on behalf of Mr. Ng, any remaining balances or amounts due and payable to Guillotine Games or any other party arising from the Zombicide Agreement. Such balance was US\$700,000 as at 31 December 2015 and 31 May 2016.

Receipts in advance from customers represented payments from wholesale customers for sales which have not yet been shipped as at 31 May 2016.

Deferred revenue

Deferred revenue mainly represents amounts received from our Kickstarter backers and late subscribers for which the products have not been shipped. When we receive funds from our Kickstarter sales, we first book such funds as deferred revenue. Deferred revenue will be realised as revenue only when the Kickstarter projects are shipped. Deferred revenue increased from approximately US\$1.6 million as at 31 December 2014 to approximately US\$4.5 million as at 31 December 2015 due to

FINANCIAL INFORMATION

funding of Kickstarter projects that had not been shipped as at 31 December 2015, such as *The Others: 7 Sins*, *Arcadia Quest: Inferno*, and partially shipped projects such as *Zombicide: Black Plague*, *Blood Rage*, *Rum & Bones* and *B-Sieged: Sons of the Abyss*. Deferred revenue further increased to approximately US\$8.8 million as at 31 May 2016 due to the continuous receipt of fundings from Kickstarter backers and late subscribers for *The Others: 7 Sins* and *Arcadia Quest: Inferno* and the launching of the new Kickstarter projects during the five months ended 31 May 2016, namely *Masmorra: Dungeons of Arcadia*, *XenoShyft: Dreadmire* and *Rum & Bones: Second Tide*.

The following table sets out details of our deferred revenue as at 31 December 2015 and 31 May 2016:

	As at 31 December 2015 US\$	As at 31 May 2016 US\$
Game		
<i>The Others: 7 Sins</i>	1,850,305	2,386,269
<i>Arcadia Quest: Inferno</i>	1,761,766	3,316,473
<i>Zombicide: Black Plague</i>	419,139	115,730
<i>Blood Rage</i>	78,893	19,592
<i>Rum & Bones</i>	70,439	17,043
<i>B-Sieged: Sons of the Abyss</i>	50,700	20,129
<i>Masmorra: Dungeons of Arcadia</i>	—	1,369,147
<i>XenoShyft: Dreadmire</i>	—	590,726
<i>Rum & Bones: Second Tide</i>	—	941,341
<i>Zombicide: Season 3</i>	<u>233,266</u>	<u>—</u>
Total	<u>4,464,508</u>	<u>8,776,450</u>

Since 1 June 2016 and up to 31 October 2016, approximately US\$3.1 million of the deferred revenue as at 31 May 2016 has been realised as revenue mainly due to the completion of shipment of *The Others: 7 Sins* and *XenoShyft: Dreadmire* as at the Latest Practicable Date.

The Directors expect that the gross margin of the deferred revenue, when realised, will not be significantly lower than the historical margin of the Group.

FINANCIAL INFORMATION

Balances with a shareholder, ultimate holding company and related party transactions

	As at 31 December		As at
	2014	2015	31 May
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Amount due from a shareholder, Mr. Ng	—	4,716	61,541
Amounts due from a related company, CoolMiniOrNot Inc.	—	266,459	156,458
Amounts due to a shareholder, Mr. Doust	9,385	—	—
Amount due to CMON Holdings	<u>3,500,000</u>	<u>112,501</u>	<u>1</u>

Amount due from Mr. Ng was for advances made to Mr. Ng. The amount due from Mr. Ng is unsecured, interest-free, repayable on demand and denominated in US\$.

Amount due from CoolMiniOrNot Inc. was for its working capital purposes.

Amount due to Mr. Doust was for working capital purposes of the USA subsidiary. The balance with the shareholder is unsecured, interest-free, repayable on demand and denominated in United States dollars.

Amount due to CMON Holdings of US\$112,501 as at 31 December 2015 was mainly the outstanding balance of the dividend declared by the Company in 2015. As at the Latest Practicable Date, this amount has been fully settled.

All amounts due from/to shareholders and our ultimate holding company have been settled as at the Latest Practicable Date.

FINANCIAL INFORMATION

L. NON-CURRENT ASSETS AND LIABILITIES

The following sets out the details of our non-current assets as at the dates indicated:

	As at 31 December		As at
	2014	2015	31 May
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Non-current assets			
Property, plant and equipment	1,532,340	2,754,108	3,058,690
Intangible assets	4,865,895	5,747,175	6,162,491
Prepayments	—	—	450,000
Deferred income tax assets	—	13,311	273,026
	6,398,235	8,514,594	9,944,207
Non-current liabilities			
Deferred income tax liabilities	17,357	138,625	83,768

Property, plant and equipment

Our property, plant and equipment comprised art, painting and sculptures, computer equipment, displays, moulds and tools, furniture and fixtures and motor vehicles. Our property, plant and equipment increased from approximately US\$1.5 million as at 31 December 2014 to approximately US\$2.8 million as at 31 December 2015 mainly due to the addition of a total of approximately US\$1.7 million during the year ended 31 December 2015. Property, plant and equipment further increased to approximately US\$3.1 million as at 31 May 2016 mainly due to the addition of a total of US\$558,739 during the five months ended 31 May 2016. Please refer to the paragraph headed “Capital Expenditure” in this section for details of the addition.

FINANCIAL INFORMATION

Intangible assets

Our intangible assets comprised IPs, product development costs and computer software.

Our IPs mainly consist of the IPs transferred by Mr. Ng and Mr. Doust pursuant to the Verbal Agreements as well as the IPs acquired from independent third parties. The table below sets out the breakdown of the carrying values of our IPs by games as at 31 December 2014 and 2015 and as at 31 May 2016.

	As at 31 December		As at
	2014	2015	31 May
	US\$	US\$	2016 US\$
Transferred by Mr. Ng pursuant to the Verbal Agreements			
<i>Zombicide</i>	4,784,029	4,502,616	4,385,357
Transferred by Mr. Doust pursuant to the Verbal Agreements			
<i>Dark Age</i>	47,147	43,218	41,581
Acquired from independent third party			
<i>Blood Rage</i>	—	609,942	584,097
Others	<u>22,462</u>	<u>50,994</u>	<u>98,618</u>
Total	<u>4,853,638</u>	<u>5,206,770</u>	<u>5,109,653</u>

In determining the fair value of the IPs transferred by Mr. Ng and Mr. Doust in November 2013 pursuant to the Verbal Agreements, the Directors have used the capitalised earnings method as the valuation technique as the relevant IPs were not traded in an active market. The Directors have adopted key inputs of terminal growth rate, cost of capital and capitalisation rate of 3%, 25% and 22%, respectively, in the valuation model and assessed that the fair value of the IPs transferred by Mr. Ng and Mr. Doust as at 30 November 2013 was US\$5,140,296. Cost of capital of the Company is arrived at taking into account (a) the prevailing market risk-free rate; (b) a size-adjusted risk premium estimated by reference to published market research data; and (c) a company specific risk premium which reflects risks associated with an entity at its early stage of development as well as the uncertainty in future market response to our games at that time. The adopted terminal growth rate of 3% is a widely adopted rate in a capitalised earnings model. Capitalisation rate represents the difference of cost of capital and terminal growth rate.

The IP of *Blood Rage* was acquired from Guillotine Games and was recorded at historical cost of US\$620,280 based on the IP sale agreement entered into between the Group and the Guillotine Games in October 2015. The consideration for the acquisition of the IP of *Blood Rage* was determined after arm's length negotiations

FINANCIAL INFORMATION

between the parties with reference to the total royalties paid to Guillotine Games by the Group pursuant to the licensing agreement entered into between the parties in January 2015 for *Blood Rage*.

IPs 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 IPs and licences over the estimated useful lives of 10 to 20 years, which are determined primarily based on (i) the number of years since the games were first launched; (ii) sales performance of the games; and (iii) benchmarking against the useful lives of games with similar attributes in the market.

A very substantial portion of the carrying amounts of our IPs is attributable to *Zombicide* of which the Directors estimated the useful life as 20 years. The first and second seasons of *Zombicide* were launched in April 2012 and March 2013, respectively, which had raised a total of approximately US\$3.0 million from Kickstarter up to the date when the IP was transferred from Mr. Ng. The overwhelming response from the market demonstrated an increasing trend of the popularity of *Zombicide*. The Directors expected at the date when the IP was transferred from Mr. Ng that the IP would enable us to introduce future seasons of games under this theme. During the Track Record Period, we invested significantly on arts, painting, sculpts, displays, moulds and tools on *Zombicide*. The subsequent sales of *Zombicide* products under different seasons amounting to approximately US\$6.3 million and approximately US\$10.7 million respectively for the years ended 31 December 2014 and 2015, and approximately US\$2.2 million for the five months ended 31 May 2016 have proven the continual success of this IP. We will continue to invest in this IP and believe that such continual investments will further enhance the popularity of this IP and thus its useful life.

The useful life of *Blood Rage* was estimated by the Directors as 10 years. The theme and genre of *Blood Rage* are similar to those of *Zombicide* but the former is relatively less popular and recorded a lower funding raised from Kickstarter amounting to approximately US\$0.9 million during the year ended 31 December 2015. Meanwhile, it was also expected at the time of acquiring the IP that the possible future sequels under this theme would extend the popularity of the whole series. Accordingly, a shorter useful life is estimated.

The useful life of the other IPs were estimated by the Directors as between 10 to 15 years.

When estimating the useful lives of our IPs, the Directors also made reference to the life cycles of other games in the market with similar attributes as follows:

Game	Launch date	Number of years since the launch date up to 2013
Magic the Gathering	1993	20
Settlers of Catan	1995	18

FINANCIAL INFORMATION

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.

We regularly reassess the appropriateness of the useful lives of each of our IPs and consider that the existing useful lives of our IPs remain appropriate by reference to the sales performance of the respective games. Nonetheless, we shall strictly follow our accounting policies as disclosed in the accountant's report as set out in Appendix I to this prospectus and perform the impairment testing of our IPs. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, we shall make impairment provisions as and when necessary.

Our intangible assets increased from approximately US\$4.9 million as at 31 December 2014 to approximately US\$5.7 million as at 31 December 2015 mainly due to addition of a total of approximately US\$1.3 million during the year ended 31 December 2015. Our intangible assets further increased to approximately US\$6.2 million as at 31 May 2016 mainly due to addition of a total of approximately US\$622,557 during the five months ended 31 May 2016. Please refer to the paragraph headed "Capital Expenditure" in this section for details of the addition.

Prepayments

Our prepayments as at 31 May 2016 represented the prepayment for game development costs in relation to the development of a new game sequel of *Zombicide*, the recognition of which as intangible assets is highly probable given the proven success of the games series.

Deferred income tax assets and liabilities

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. After appropriate offsetting, we recorded deferred tax liabilities of US\$17,357 as at 31 December 2014 and deferred tax assets of US\$13,311 and deferred tax liabilities of US\$138,625 as at 31 December 2015; and deferred tax assets of US\$273,026 and deferred tax liabilities of US\$83,768 as at 31 May 2016.

FINANCIAL INFORMATION

M. KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios during the Track Record Period:

	As at/ for the year ended 31 December		As at/ for the five months ended 31 May
	2014	2015	2016
Current ratio (times) ⁽¹⁾	0.58	1.03	0.71
Quick ratio (times) ⁽²⁾	0.37	0.73	0.51
Return on equity (%) ⁽³⁾	83.4	21.3	Loss
Return on total assets (%) ⁽⁴⁾	23.3	11.0	Loss

Note:

- (1) Current assets divided by current liabilities as at the end of the year or the period end
- (2) Current assets less inventories and divided by current liabilities as at the end of the year or the period end
- (3) Profit for the year or the period end divided by total equity as at respective year end or the period end and multiplied by 100%
- (4) Profit for the year or the period end divided by total assets as at respective year end or the period end and multiplied by 100%

Current ratio

The current ratio increased from approximately 0.58 as at 31 December 2014 to approximately 1.03 as at 31 December 2015, primarily due to (i) the increase in cash and cash equivalents from approximately US\$1.7 million in 2014 to approximately US\$2.6 million in 2015, mainly due to the increase in funding of Kickstarter projects as at 31 December 2015 and increase in sales in 2015; (ii) increase in inventories from approximately US\$1.7 million in 2014 to approximately US\$2.3 million in 2015, mainly due to the increase in the level of new inventories stocked in anticipation of future sales for new tabletop games; and (iii) increase in prepayments and deposits from US\$419,942 in 2014 to approximately US\$2.0 million in 2015, mainly due to increase in prepayments of Listing expenses, advances to suppliers for creative services and prepayments for royalties.

The current ratio decreased from approximately 1.03 as at 31 December 2015 to approximately 0.71 as at 31 May 2016, primarily due to the increase in deferred revenue from approximately US\$4.5 million as at 31 December 2015 to approximately US\$8.8 million as at 31 May 2016, mainly due to the increase in funding of Kickstarter projects during the period and the amount can only be realised as revenue when the

FINANCIAL INFORMATION

products are shipped in the future; offset by the increase in prepayments and deposits from approximately US\$2.0 million as at 31 December 2015 to approximately US\$4.1 million as at 31 May 2016, mainly due to the increase in advances paid to our Supply Chain Managers for the production of our tabletop games by approximately US\$2.2 million.

Quick ratio

The quick ratio increased from approximately 0.37 as at 31 December 2014, to approximately 0.73 as at 31 December 2015 and approximately 0.51 as at 31 May 2016, primarily due to the reasons as stated in the paragraph headed “Current ratio” above.

Return on equity

Our return on equity was 83.4% and 21.3% for the years ended 31 December 2014 and 31 December 2015, respectively, which mainly resulted from (i) the decrease in net profit in 2015; and (ii) a significant increase in equity due to the capitalisation of amount due to ultimate holding company of US\$5.3 million in 2015 resulting from the Reorganisation. We recorded loss attributable to equity holders of the Company for the five months ended 31 May 2016.

Return on total assets

Our return on total assets was 23.3% and 11.0% for the years ended 31 December 2014 and 31 December 2015 respectively, which mainly resulted from (i) the decrease in net profit in 2015; and (ii) an increase in total asset base to meet the needs of the Group’s business growth over this period. We recorded loss attributable to equity holders of the Company for the five months ended 31 May 2016.

N. WORKING CAPITAL

Our Directors are of the opinion that, and the Sole Sponsor concurs, after taking into account the financial resources presently available to us, including internally generated funds and the estimated net proceeds of the Placing, we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

O. CONTINGENT LIABILITIES

As at 31 December 2014, 31 December 2015, 31 May 2016 and 30 September 2016, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any members of our Group.

P. LISTING EXPENSES

For the two years ended 31 December 2015 and the five months ended 31 May 2016, we incurred professional fees in relation to our Listing of US\$149,098, approximately US\$2.0 million and approximately US\$1.5 million respectively, in our statement of comprehensive

FINANCIAL INFORMATION

income. With a Placing Price of HK\$0.23 per Share, and taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, the total estimated expenses in relation to our Listing payable by us are approximately US\$6.4 million, of which (i) US\$149,098, approximately US\$2.0 million and approximately US\$1.5 million have been recognised as expenses for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively; (ii) an amount of approximately US\$1.6 million is expected to be charged to the statement of comprehensive income of our Group during the seven months ending 31 December 2016; and (iii) the remaining amount of approximately US\$1.2 million is expected to be capitalised during the seven months ending 31 December 2016. **The recognition of listing expenses is expected to affect our financial results for the year ending 31 December 2016.** The estimated listing expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon completion of the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only, and the final amount to be recognised to the statement of comprehensive income of our Group or to be capitalised is subject to adjustment based on audit and the then changes in variables and assumptions.

With a Placing Price of HK\$0.23 per Share, the underwriting commission and Sole Sponsor incentive fee payable by the Selling Shareholder for the Sale Shares is US\$25,226. Except for the aforementioned underwriting commission and Sole Sponsor incentive fee, the Selling Shareholder is not responsible for other expenses relating to the Listing, which should instead be borne by and accounted for by us. All the contracts for the professional services in relation to the Listing have been entered into between the Company and the respective service providers and as such, all the relevant services have been rendered to the Company only. On the other hand, the Selling Shareholder is not a party to the service contracts and therefore is not liable for any of the associated costs.

Q. QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

We are exposed to foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risks in our normal course of business. We mainly manage our exposure to these market risks by adopting relevant internal policies and practices to constantly monitor such risks and minimise potential adverse effect on our financial performance.

Foreign exchange risks

We operate in the United States and Singapore with the majority of our transactions denominated and settled in US\$, we are of the opinion that our Group's exposures to changes in exchange rates of foreign currencies is relatively insignificant. We do not use any derivative financial instruments to hedge our exposure to foreign exchange risk.

FINANCIAL INFORMATION

Credit risk

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

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

Our Group's sales made through Kickstarter for which sales proceeds are generally received prior to product delivery do not expose our Group to significant credit risk. Our Group's trade receivables are primarily related to sales to wholesalers. Our Group has policies in place to ensure that products are sold to wholesalers with an appropriate credit history and our Group performs periodic credit evaluations of our customers. Normally our 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.

Liquidity risk

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

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

Except for an amount of US\$700,000 as at 31 December 2015 and 31 May 2016 payable to Guillotine Games arising from the Zombicide Agreement which was repayable between 1 to 2 years, our Group's financial liabilities as at 31 December 2014, 31 December 2015 and 31 May 2016 are all due for settlement contractually within 12 months with their respective contractual undiscounted cash flows approximated their carrying amounts due to the short maturities.

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. Our Group does not have any significant interest bearing financial assets or liabilities except for cash at banks. Accordingly, the Directors believe that our Group's exposure to the cash flow interest rate risk is relatively insignificant. Our Group does not have any significant

FINANCIAL INFORMATION

financial assets or financial liabilities which would expose it to fair value interest rate risk. Our Group has not used any interest rate swap to hedge its exposure to interest rate risk.

Capital risk management

Our Group's objectives when managing capital are to safeguard our 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.

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

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of inventories sold on gross profit and profit or loss before taxation during the Track Record Period. Fluctuation is assumed to be 5.0% and 10.0% for each of the period indicated, which correspond to the range of historical fluctuations of the cost of inventories sold over such periods.

Impact on gross profit as a result of change in cost of inventories:

	For the year ended 31 December		For the five months ended 31 May
	2014	2015	2016
	US\$	US\$	US\$
-5.0%	6,215,820	9,082,763	1,450,201
+ 5.0%	5,715,836	8,533,471	1,291,751
-10.0%	6,465,813	9,357,408	1,529,427
+ 10.0%	5,465,843	8,258,826	1,212,526

FINANCIAL INFORMATION

Impact on profit or loss before tax as a result of change in cost of inventories:

	For the year ended		For the five
	31 December		months
	2014	2015	ended
	<i>US\$</i>	<i>US\$</i>	31 May
			2016
			<i>US\$</i>
-5.0%	3,494,666	2,943,730	(2,578,174)
+ 5.0%	2,994,682	2,394,438	(2,736,624)
-10.0%	3,744,659	3,218,375	(2,498,949)
+ 10.0%	2,744,689	2,119,793	(2,815,850)

For illustrative purposes, we would have recorded a break even in our profit before tax if our cost of inventories increased by 64.9% or 48.5% for the years ended 31 December 2014 and 2015, respectively.

R. INDEBTEDNESS

Apart from intra-group liabilities, we did not have any bank loans or other borrowings, or any other outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at 30 September 2016.

Our Directors confirm that, up to the Latest Practicable Date, there have been no material changes in our indebtedness, capital commitments, foreign exchange liabilities and contingent liabilities of our Group since 31 May 2016, being the date to which our most recent audited consolidated financial statements were prepared. Our Directors further confirm that we did not have any material default in payment of accounts and other payables during the Track Record Period.

S. DISTRIBUTABLE RESERVES

Our Company was incorporated in Cayman Islands on 16 June 2015. As at 31 May 2016, the Company has reserves of approximately US\$6.9 million available for distribution to our equity holders.

T. DIVIDEND

During the Track Record Period, we declared a total dividend of US\$1.6 million. Approximately US\$1.5 million was paid during the year ended 31 December 2015 and the remaining was paid during the five months ended 31 May 2016.

FINANCIAL INFORMATION

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid out of our distributable profits and share premium as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. Share premium is to be used, only if we are able to pay our debts as they fall due in the ordinary course of business. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The Directors currently have no intention to pay dividends after Listing as the Group needs capital for continuous business growth and development.

U. DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under the Rules 17.15 to 17.21 of the GEM Listing Rules.

V. NO MATERIAL ADVERSE CHANGE

After performing all of the due diligence which our Directors consider appropriate, our Directors confirm that, as at the date of this prospectus, save for the listing expenses to be incurred, there has been no material adverse change to our financial or trading position or prospects since 31 May 2016, being the date to which our most recent audited consolidated financial statements were prepared, and since that date, there has been no event up to the date of this prospectus that would materially affect the information shown in our consolidated financial statements included in the accountant's report set out in Appendix I to this prospectus, in each case except as otherwise disclosed in this prospectus.

FINANCIAL INFORMATION

W. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of our Group which has been prepared for the purpose of illustrating the effect of the Placing as if it had been taken place on 31 May 2016 in accordance with Rule 7.31 of the GEM Listing Rules and based on the consolidated net tangible assets of our Group attributable to owners of our Company as at 31 May 2016 as shown in the accountant's report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of our Group after the completion of the Placing.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 May 2016⁽¹⁾	Estimated net proceeds from the Placing⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 May 2016	Unaudited pro forma adjusted consolidated net tangible assets per Share^{(3) & (4)}	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$</i>	<i>HK\$</i>
Based on a Placing Price of HK\$0.23 per Share	73	6,356	6,429	0.0036	0.0276

Notes:

- (1) The consolidated net tangible assets attributable to the equity holders of the Company as of 31 May 2016 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the consolidated net assets of the Group attributable to the equity holders of the Company as at 31 May 2016 of US\$6,235,178 with an adjustment for the intangible assets as at 31 May 2016 of US\$6,162,491.
- (2) The estimated net proceeds from the Placing are based on 306,000,000 New Shares and the Placing Price of HK\$0.23 per Share after deduction of the underwriting fees and related expenses payable by the Company (excluding listing-related expenses of approximately US\$3,632,000 which have been accounted for prior to 31 May 2016).
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,806,000,000 Shares in issue immediately following the completion of the Placing.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2016.
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in United States dollars are converted into Hong Kong dollars at the rate of HK\$7.75 to US\$1.00.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our objectives are to continuously publish more high-quality tabletop games and mobile games and expand our sales and marketing capabilities, making ourselves a leading developer and publisher of quality games in the hobby game industry. To achieve such objectives, we intend to implement our business strategies as set out in the section headed “Business — Our Strategies” of this prospectus.

IMPLEMENTATION PLANS

The implementation plans set forth below are based on certain bases and assumptions as set out in the paragraph headed “Bases and Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular, the risk factors as set out in the section headed “Risk Factors” of this prospectus. There is no assurance that our business objectives will be achieved or our business plans will be implemented according to the estimated time frame or at all.

We will endeavour to complete the following main tasks and achieve the milestone events during the period from the Latest Practicable Date to 31 December 2018.

From the Latest Practicable Date to 31 December 2016

Strategy	Implementation plans	Use of proceeds (HK\$ million)
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 this prospectus and fulfill the outstanding Kickstarter projects which products have not yet been shipped as at the Latest Practicable Date	9.0
	● Maintain two newly hired in-house game developers	0.2
Further strengthen our sales and marketing capability and broaden reach into new markets	● Maintain four newly hired staff in our sales and marketing team	0.4
	● Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements, and cooperation with online game websites	0.5

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

Strategy	Implementation plans	Use of proceeds (HK\$ million)
	<ul style="list-style-type: none"> ● Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships 	0.1
Further expansion into the mobile game market	<ul style="list-style-type: none"> ● Develop our second mobile game, <i>Zombicide (mobile)</i> 	0.5

1 January 2017 to 30 June 2017

Strategy	Implementation plans	Use of proceeds (HK\$ million)
Achieve organic growth by developing more high-quality games	<ul style="list-style-type: none"> ● Develop, launch and deliver the games as set out in the paragraph headed “Business — Game Pipeline” in this prospectus and fulfill the outstanding Kickstarter projects which products have not yet been shipped as at the Latest Practicable Date 	3.6
	<ul style="list-style-type: none"> ● Maintain two newly hired in-house game developers 	0.4
Further strengthen our sales and marketing capability and broaden reach into new markets	<ul style="list-style-type: none"> ● Hire three additional staff to our sales and marketing team 	0.6
	<ul style="list-style-type: none"> ● Maintain four newly hired staff in our sales and marketing team 	1.2
	<ul style="list-style-type: none"> ● Set up a sales office in Canada 	0.9
	<ul style="list-style-type: none"> ● Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements, and cooperation with online game websites 	1.5
	<ul style="list-style-type: none"> ● Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships 	0.1

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

Strategy	Implementation plans	Use of proceeds (HK\$ million)
Further expansion into the mobile game market	<ul style="list-style-type: none"> ● Develop our second mobile game, <i>Zombicide (mobile)</i> 	1.0

1 July 2017 to 31 December 2017

Strategy	Implementation plans	Use of proceeds (HK\$ million)
Achieve organic growth by developing more high-quality games	<ul style="list-style-type: none"> ● Develop, launch and deliver the games as set out in the paragraph headed “Business — Game Pipeline” in this prospectus 	2.1
	<ul style="list-style-type: none"> ● Maintain two newly hired in-house game developers 	0.4
Further strengthen our sales and marketing capability and broaden reach into new markets	<ul style="list-style-type: none"> ● Maintain seven newly hired staff in our sales and marketing team 	1.5
	<ul style="list-style-type: none"> ● Maintain the existing sales office in Canada 	0.4
	<ul style="list-style-type: none"> ● Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements, and cooperation with online game websites 	1.5
	<ul style="list-style-type: none"> ● Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships 	0.1

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

1 January 2018 to 30 June 2018

Strategy	Implementation plans	Use of proceeds (HK\$ million)
Achieve organic growth by developing more high-quality games	● Develop, launch and deliver at least two new games	1.6
	● Maintain two newly hired game developers	0.4
Further strengthen our sales and marketing capability and broaden reach into new markets	● Maintain seven newly hired staff in our sales and marketing team	1.5
	● Maintain the existing sales office in Canada	0.4
	● Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements, and cooperation with online game websites	1.5
	● Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships	0.1

1 July 2018 to 31 December 2018

Strategy	Implementation plans	Use of proceeds (HK\$ million)
Achieve organic growth by developing more high-quality games	● Develop, launch and deliver at least two new games	1.6
	● Maintain two newly hired in-house game developers	0.4
Further strengthen our sales and marketing capability and broaden reach into new markets	● Maintaining seven newly hired staff in our sales and marketing team	1.5
	● Maintain the existing sales office in Canada	0.4

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

Strategy	Implementation plans	Use of proceeds (HK\$ million)
	<ul style="list-style-type: none"> ● Increase publicity across all of our existing marketing channels, including participation in game conventions, advertisements, and cooperation with online game websites 	1.5
	<ul style="list-style-type: none"> ● Increase or initiate contact with existing or new wholesalers to enhance or initiate business relationships 	0.1

In addition to the above, we intend to increase our market share by enriching our game portfolio through title acquisition or licensing. We plan to allocate approximately HK\$7.9 million of the net proceeds for pursuing strategic acquisition and licensing opportunities when appropriate. We are currently negotiating with various game developers for potential licensing opportunities but have not entered into any legally binding agreements in respect thereof. We do not have any specific acquisition targets as at the Latest Practicable Date.

It is our current intention to consider and explore game developers, publishers and European-based distributors as potential strategic acquisitions and licensing targets in the future, with emphasis to be placed on the following criteria:

- popularity of the game or the Brand IP and whether it complements the Group's current portfolio of games;
- the financial condition and reputation of the target for strategic acquisitions;
- the consideration to be paid in relation to the potential strategic acquisition and/or the business and licensing opportunity, and whether such consideration is justifiable based on the expected annual revenue to be generated by the relevant game or Brand IP; and
- the budget of the Group and whether such budget is better spent on a single strategic acquisition or business and licensing opportunity as compared to multiple strategic acquisitions and business and licensing opportunities.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

Potential investors should note that our ability to achieve our business objectives as well as our market and growth potential depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in the USA, Europe, or in any other places in which we carry on our business or will carry on our business;
- there will be no material changes in the prospects of the tabletop game industry in general, nor the mobile game industry;
- there will be no material changes in industry trends and player preferences that reduce demand for our games;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- the availability of potential targets suitable for acquisition by the Group;
- there will be no material changes in the bases or rates of taxation in any places in which we operate or will operate;
- there will be no significant changes in our business relationship with our various business partners;
- that there will be no significant changes in our business relationship with our major customers;
- the Placing will be completed in accordance with and as described in the section headed “Structure and Conditions of the Placing” in this prospectus;
- the Group will obtain equity and/or debt capital for its future growth when it becomes necessary;
- the Group will be able to continue its operations in substantially the same manner as it had been operating during the Track Record Period and the Group will also be able to carry out its development plans without disruptions;
- the Group will be able to retain its management;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed “Implementation Plans” above in this section; and
- we will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

USE OF PROCEEDS

The net proceeds to our Company for the issue of new Shares under the Placing, after deducting underwriting fees and estimated total expenses in the aggregate amount of approximately HK\$21.1 million payable by our Company (excluding listing related expenses which have been accounted for prior to 31 May 2016), are estimated to be approximately HK\$49.3 million (equivalent to approximately US\$6.4 million) (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) and with a Placing Price of HK\$0.23 per Share. We intend to use such net proceeds as follows:

- approximately 40% or HK\$19.7 million, will be used for the development of more high-quality tabletop games;
- approximately 16% or HK\$7.9 million, will be used for potential acquisitions and licensing opportunities of games that have potential for commercial success or adaptation of Brand IPs;
- approximately 32% or HK\$15.8 million, will be used for strengthening our sales and marketing capability and broadening reach into new markets;
- approximately 3% or HK\$1.5 million, will be used for expansion into the mobile game market; and
- the remaining amount of approximately HK\$4.4 million, representing approximately 9% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

If the Offer Size Adjustment Option is exercised in full, the net proceeds to be received by us from the issue of new Shares will increase to approximately HK\$59.8 million, with a Placing Price of HK\$0.23 per Share. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Placing are not immediately applied to the above purposes, it is our present intention that most of the net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong, the USA, and/or Singapore.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

The implementation of business strategies to achieve our business objectives from the Latest Practicable Date up to the year ending 31 December 2018 will be funded by the net proceeds from the Placing and we intend to allocate the net proceeds from the Placing as follows:

Use of Proceeds	From the Latest	From	From	From	From	Total	Approximate percentage (%)
	Practicable Date to 31 December 2016 <i>(HK\$ million)</i>	1 January 2017 to 30 June 2017 <i>(HK\$ million)</i>	1 July 2017 to 31 December 2017 <i>(HK\$ million)</i>	1 January 2018 to 30 June 2018 <i>(HK\$ million)</i>	1 July 2018 to 31 December 2018 <i>(HK\$ million)</i>		
Developing high-quality tabletop games	9.2	4.0	2.5	2.0	2.0	19.7	40
Strengthening sales and marketing capability and broadening reach into new markets	1.0	4.3	3.5	3.5	3.5	15.8	32
Expanding into the mobile game market	0.5	1.0				1.5	3
Pursuing acquisition and licensing opportunities						7.9	16
Working capital and other general corporate purposes						4.4	9
Total	10.7	9.3	6.0	5.5	5.5	49.3	100

The above allocation of the proceeds will be adjusted on a pro rata basis if the Offer Size Adjustment Option is exercised in full.

UNDERWRITING

UNDERWRITER

Sole Bookrunner and Sole Lead Manager

Koala Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company and the Selling Shareholder will conditionally allot, issue and/or sell the Placing Shares for placing with professional, institutional and other investors at the Placing Price subject to the terms and conditions of the Underwriting Agreement and this prospectus.

Subject to, among other matters, the Listing Division of the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may fall to be issued upon exercise of the Offer Size Adjustment Option and any options granted under the Share Option Scheme, and to the satisfaction of certain other conditions set out in the Underwriting Agreement, the Underwriter has severally agreed to subscribe or procure subscribers or purchasers for the Placing Shares being offered on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriter) shall have the absolute right to terminate the Underwriting Agreement by giving notice in writing to our Company with immediate effect if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date:

- (1) it has come to the notice of the Sole Sponsor and the Sole Bookrunner that:
 - (i) any statement contained in this prospectus or information provided to the Sole Sponsor and the Sole Bookrunner in connection with the Placing (including any supplement or amendment thereto) (the “**Relevant Documents**”), considered by the Sponsor and the Sole Bookrunner in its/their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect;
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor and the Sole Bookrunner in its/their absolute opinion to be material in the context of the Placing;

UNDERWRITING

- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor and the Sole Bookrunner in its/their absolute opinion to be material in the context of the Placing (other than upon any of the Underwriter);
 - (iv) either (1) there has been a breach of any of the warranties or provisions of the Underwriting Agreement by any of our Company, our executive Directors, our Controlling Shareholders and the Selling Shareholder (collectively, the “Warrantors”) or (2) any matter or event showing or rendering any of the warranties thereto, as applicable, in the absolute opinion of the Sole Sponsor and the Sole Bookrunner, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated;
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors pursuant to the indemnity provisions under the Underwriting Agreement;
 - (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any warranties, in the absolute opinion of the Sole Sponsor and the Sole Bookrunner, untrue, incorrect, inaccurate or misleading in any respect;
- (2) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics in Hong Kong or Singapore;
 - (ii) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar;
 - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or

UNDERWRITING

affecting Hong Kong, the PRC, Singapore, the BVI, the United States, the EU (or any member thereof), the Cayman Islands or any member of the Group (the “**Relevant Jurisdictions**”);

- (iv) the imposition of economic sanctions on any of the Relevant Jurisdictions;
- (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions;
- (vi) any litigation or claim of importance instigated against any member of our Group or any Director;
- (vii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (x) any contravention by any member of our Group or any Director of the GEM Listing Rules or any applicable Laws;
- (xi) a prohibition on our Company for whatever reason from allotting the Placing Shares pursuant to the terms of the Placing;
- (xii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws by any of our Directors or Warrantors;
- (xiii) the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription or sale of the Placing Shares);
- (xiv) any change in the business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;
- (xv) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a

UNDERWRITING

provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;

- (xvi) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;
- (xvii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (xviii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange or by any of other exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the sole and absolute opinion of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriter):

- (A) is or will be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group;
- (B) has or will have a material adverse effect on the success or marketability of the Placing or the level of interest under the Placing;
- (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (D) has or would have the effect of making any part of the Underwriting Agreement (including undertaking) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

UNDERWRITING

UNDERTAKINGS

Under the Underwriting Agreement,

(a) (i) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Sole Bookrunner and the Stock Exchange that, save as permitted under the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holders shall not:

(A) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First 6-Month Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Shares in respect of which he/it is shown in the prospectus to be the beneficial owner(s); and

(B) in the period of 30 months commencing from the date immediately following the date on which the First 6-Month Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such encumbrances, he/it would cease to be a Controlling Shareholder of the Company,

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date;

(ii) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Sole Bookrunner and the Stock Exchange that:

(A) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods as specified in paragraph (i) above, he/it must inform our Company, the Sole Sponsor and the Sole Bookrunner immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(B) having pledged or charged any of his/its interests in the Shares under sub-paragraph (A) above, he/it must inform our Company, the Sole Sponsor and the Sole Bookrunner immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and

UNDERWRITING

- (iii) each of our Controlling Shareholders further undertakes to and covenants with our Company, the Sole Sponsor and the Sole Bookrunner that, he/it shall not and shall procure that the relevant registered holders shall not: in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is twelve months from the Listing Date, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Shares in respect of which he/it is shown in the prospectus to be the beneficial owner(s); and
 - (iv) the Selling Shareholder undertakes to and covenants with our Company, the Sole Sponsor, and the Sole Bookrunner that, it shall not and shall procure that the relevant registered holders shall not: in the period commencing on the date by reference to which disclosure of the shareholding of the Selling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Shares in respect of which it is shown in the prospectus to be the beneficial owner.
- (b) our Company undertakes to and covenants with the Sole Sponsor and the Sole Bookrunner, and each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to and covenants with the Sole Sponsor and the Sole Bookrunner to procure that, save with the prior written consent of the Sole Sponsor and the Sole Bookrunner (for and on behalf of the Underwriter) (such consent not to be unreasonably withheld or delayed), or save pursuant to the Placing, our Company shall not, within the period of six months from the Listing Date:
 - (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws or the issue of Placing Shares upon exercise of the Offer Size Adjustment Option or pursuant to an issue of Shares under the Share Option Scheme, allot or issue or agree to allot or issue any Shares or any other securities of our Company (including warrants or other convertible securities (and whether or not a class already listed));
 - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
 - (iii) purchase any securities of our Company; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

UNDERWRITING

Our Company will inform the Stock Exchange as soon as it has been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of publishing an announcement in accordance with Rule 17.43 of the GEM Listing Rules.

With regard to the undertakings made pursuant to Rule 13.16A of the GEM Listing Rules, please refer to the paragraph headed “Undertakings” in this section.

UNDERWRITER’S INTERESTS IN OUR COMPANY

Save for its interests and obligations under the Underwriting Agreement and save as disclosed in this prospectus, neither the Underwriter nor any of its respective close associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

COMMISSION AND EXPENSES

The Underwriter will receive an underwriting commission of 1% on the aggregate Placing Price of all the Placing Shares offered in the Placing in accordance with the terms of the Underwriting Agreement, under which the Underwriter may pay any sub-underwriting commission in connection with the Placing. In addition, we will pay to the Sole Sponsor (for its account only) an incentive fee of 3% plus a 1% discretionary bonus of the Placing Price multiplied by the total number of the Placing Shares (subject to the Offer Size Adjustment Option). The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Placing, are currently estimated to be approximately HK\$49.5 million in aggregate (assuming the Offer Size Adjustment Option is not exercised and a Placing Price of HK\$0.23 per Share of which approximately HK\$49.3 million will be borne by our Company and HK\$195,500 will be borne by the Selling Shareholder).

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

Investors of the Placing Shares shall pay the Placing Price of HK\$0.23 plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Based on the Placing Price of HK\$0.23 per Placing Share, investors shall pay HK\$2,323.18 for every board lot of 10,000 Shares.

The level of indication of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange's website at www.hkexnews.hk and the Company's website at <http://cmon.com> at or before 9:00 a.m. on Thursday, 1 December 2016.

THE PLACING

Our Company and the Selling Shareholder are conditionally offering 323,000,000 Placing Shares comprising 306,000,000 New Shares and 17,000,000 Sale Shares for subscription by way of placing to professional, institutional and other investors. The Placing Shares will represent approximately 17.89% of the Company's enlarged issued share capital immediately after completion of the Placing. In addition, our Company has granted the Sole Bookrunner the Offer Size Adjustment Option, exercisable by the Sole Bookrunner (for itself and on behalf of the Underwriter), at any time before 6:00 p.m. on the Business Day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing to require our Company to allot and issue up to 48,450,000 additional Shares, representing 15% of the Placing Shares initially available for subscription under the Placing, at the Placing Price solely to cover the over-allocations in the Placing. The Placing is fully underwritten by the Underwriter (subject to the terms and conditions of the Underwriting Agreement. The minimum subscription or purchase size for each subscriber or purchaser of the Placing Shares is 10,000 Shares and thereafter in integral multiples of board lot size of 10,000 Shares.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional, institutional and individual shareholder base for the benefit of the Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

The Placing is subject to the conditions as stated in the paragraph headed "Conditions of the Placing" in this section.

STRUCTURE AND CONDITIONS OF THE PLACING

CONDITIONS OF THE PLACING

The Placing is conditional upon, among others:

- (a) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Placing or any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or upon the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the obligations of the Sole Bookrunner under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner and the Underwriting Agreement not being terminated in accordance with its terms or otherwise) prior to 8:00 a.m. on the Listing Date.

If the conditions referred to above are not fulfilled or waived (where applicable) pursuant to the terms of the Underwriting Agreement, the Placing will lapse and the subscription and purchase monies will be returned to the placees without interest. Notice of lapse of the Placing will be published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at <http://cmon.com> on the next Business Day after such lapse. Details of the Underwriting Agreement and grounds for termination are set out in the section headed "Underwriting" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 2 December 2016. Shares will be traded in board lots of 10,000 Shares and are fully transferable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date as HKSCC may choose. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

STRUCTURE AND CONDITIONS OF THE PLACING

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, our Company will grant the Sole Bookrunner the Offer Size Adjustment Option, which is exercisable by the Sole Bookrunner (for itself and on behalf of the Underwriter) at any time before 6:00 p.m. on the Business Day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing, in writing, to require our Company to allot and issue up to an aggregate of 48,450,000 additional Shares at the Placing Price, representing 15% of the total number of Placing Shares initially made available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the discretion of the Sole Bookrunner.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Bookrunner to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at <http://cmon.com>.

STRUCTURE AND CONDITIONS OF THE PLACING

In the event that the Offer Size Adjustment Option is exercised in full, 48,450,000 additional Shares will be issued resulting in a total number of 1,854,450,000 Shares in issue and the shareholding of our Shareholders will be diluted by approximately 2.7%. If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, on a pro-rata basis.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

25 November 2016

The Directors
CMON Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Dear Sirs,

We report on the financial information of CMON Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2014 and 2015 and 31 May 2016, the balance sheets of the Company as at 31 December 2015 and 31 May 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 25 November 2016 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 16 June 2015 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 2.3 of Section II headed "Reorganisation" below, which was completed on 16 July 2015, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 2.3 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”) pursuant to separate terms of engagement with the Company.

The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 2.3 of Section II.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 3 of Section II below.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 3 of Section II below and in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, a true and fair view of the financial position of the Company as at 31 December 2015 and 31 May 2016, of the financial position of the Group as at 31 December 2014 and 2015 and 31 May 2016 and of the Group’s financial performance and cash flows for the Relevant Periods.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in

equity and the consolidated statement of cash flows for the five months ended 31 May 2015 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 3 of Section II below and the accounting policies set out in Note 4 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 3 of Section II below is not prepared, in all material respects, in accordance with the accounting policies set out in Note 4 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2014 and 2015 and 31 May 2016 and for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016 (the "Financial Information"), presented on the basis set out in Note 3 below:

(A) CONSOLIDATED BALANCE SHEETS

	<i>Section II Note</i>	As at 31 December		As at 31 May
		2014	2015	2016
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
ASSETS				
Non-current assets				
Property, plant and equipment	8	1,532,340	2,754,108	3,058,690
Intangible assets	9	4,865,895	5,747,175	6,162,491
Prepayments	13	—	—	450,000
Deferred income tax assets	17	—	13,311	273,026
		<u>6,398,235</u>	<u>8,514,594</u>	<u>9,944,207</u>
Current assets				
Inventories	11	1,651,616	2,304,335	2,545,018
Trade receivables	12	591,404	785,888	639,362
Prepayments and deposits	13	419,942	2,028,400	4,117,463
Amount due from a shareholder	16	—	4,716	61,541
Amount due from a related company	16	—	266,459	156,458
Income tax recoverable		195,097	32,000	32,000
Cash and cash equivalents	14	<u>1,730,276</u>	<u>2,628,967</u>	<u>1,362,960</u>
		<u>4,588,335</u>	<u>8,050,765</u>	<u>8,914,802</u>
Total assets		<u>10,986,570</u>	<u>16,565,359</u>	<u>18,859,009</u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	15	—	9,700	9,700
Share premium	15	—	5,290,300	5,290,300
Retained earnings		2,158,969	2,511,191	154,679
Capital reserves	27	<u>914,500</u>	<u>780,499</u>	<u>780,499</u>
Total equity		<u>3,073,469</u>	<u>8,591,690</u>	<u>6,235,178</u>

	<i>Section II</i>	As at 31 December		As at
	<i>Note</i>	2014	2015	31 May
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	17	<u>17,357</u>	<u>138,625</u>	<u>83,768</u>
		<u>17,357</u>	<u>138,625</u>	<u>83,768</u>
Current liabilities				
Trade payables	18	352,921	545,059	294,903
Accruals and other payables	19	1,799,714	1,289,521	2,131,879
Amount due to a shareholder	16	9,385	—	—
Amount due to ultimate holding company	16	3,500,000	112,501	1
Income tax payable		668,743	1,423,455	1,336,830
Deferred revenue	20	<u>1,564,981</u>	<u>4,464,508</u>	<u>8,776,450</u>
		<u>7,895,744</u>	<u>7,835,044</u>	<u>12,540,063</u>
Total liabilities		<u>7,913,101</u>	<u>7,973,669</u>	<u>12,623,831</u>
Total equity and liabilities		<u>10,986,570</u>	<u>16,565,359</u>	<u>18,859,009</u>
Net current (liabilities)/assets		<u>(3,307,409)</u>	<u>215,721</u>	<u>(3,625,261)</u>

(B) BALANCE SHEET OF THE COMPANY

	<i>Section II</i> <i>Note</i>	As at 31 December 2015 <i>US\$</i>	As at 31 May 2016 <i>US\$</i>
ASSETS			
Non-current assets			
Investments in subsidiaries	32	<u>59,493,548</u>	<u>59,493,548</u>
Total assets		<u><u>59,493,548</u></u>	<u><u>59,493,548</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	9,700	9,700
Share premium	15	5,290,300	5,290,300
Capital reserve	27	<u>54,193,547</u>	<u>54,193,547</u>
Total equity		<u>59,493,547</u>	<u>59,493,547</u>
LIABILITIES			
Current liabilities			
Amount due to ultimate holding company	16	<u>1</u>	<u>1</u>
		<u>1</u>	<u>1</u>
Total liabilities		<u>1</u>	<u>1</u>
Total equity and liabilities		<u><u>59,493,548</u></u>	<u><u>59,493,548</u></u>
Net current liabilities		<u><u>(1)</u></u>	<u><u>(1)</u></u>

(C) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Section II</i> <i>Note</i>	Year ended 31 December		Five months ended 31 May	
		2014 <i>US\$</i>	2015 <i>US\$</i>	2015 <i>US\$</i>	2016 <i>US\$</i>
Revenue	7, 21	12,615,069	17,185,355	4,347,824	3,891,913
Cost of sales	22	<u>(6,649,241)</u>	<u>(8,377,238)</u>	<u>(2,742,081)</u>	<u>(2,520,937)</u>
Gross profit		5,965,828	8,808,117	1,605,743	1,370,976
Other income		21,962	57,330	12,324	33,295
Other gain	23	202,709	—	—	—
Selling and distribution expenses	22	(928,309)	(1,710,562)	(331,622)	(1,329,952)
General and administrative expenses					
— Professional service fees in respect of listing preparation	22	(149,098)	(2,011,190)	(404,847)	(1,471,676)
— Others	22	<u>(1,868,418)</u>	<u>(2,474,611)</u>	<u>(1,111,385)</u>	<u>(1,260,042)</u>
		<u>(2,017,516)</u>	<u>(4,485,801)</u>	<u>(1,516,232)</u>	<u>(2,731,718)</u>
Profit/(loss) before income tax		3,244,674	2,669,084	(229,787)	(2,657,399)
Income tax (expense)/ credit	26	<u>(681,267)</u>	<u>(842,989)</u>	<u>42,566</u>	<u>300,887</u>
Profit/(loss) and total comprehensive income/ (loss) for the year/ period attributable to equity holders of the Company		<u>2,563,407</u>	<u>1,826,095</u>	<u>(187,221)</u>	<u>(2,356,512)</u>
Earnings/(loss) per share	29	<u>0.0019</u>	<u>0.0013</u>	<u>(0.0001)</u>	<u>(0.0016)</u>

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Share capital	Share premium	(Accumulated losses)/ retained earnings	Capital reserves	Total
	Note	US\$	US\$	US\$	US\$	US\$
At 1 January 2014		—	—	(404,438)	914,496	510,058
Comprehensive income						
Profit for the year		—	—	2,563,407	—	2,563,407
Total comprehensive income		—	—	2,563,407	—	2,563,407
Transactions with owners						
Issue of shares by subsidiaries comprising the Group		—	—	—	4	4
Total transactions with owners		—	—	—	4	4
At 31 December 2014		—	—	2,158,969	914,500	3,073,469
At 1 January 2015		—	—	2,158,969	914,500	3,073,469
Comprehensive income						
Profit for the year		—	—	1,826,095	—	1,826,095
Total comprehensive income		—	—	1,826,095	—	1,826,095
Transactions with owners						
Issues of new shares	15	9,700	5,290,300	—	—	5,300,000
Distribution to shareholders	2.4, 3	—	—	126,127	(134,000)	(7,873)
Effect of Reorganisation	2.3(h)	—	—	—	(1)	(1)
Dividends	28	—	—	(1,600,000)	—	(1,600,000)
Total transactions with owners		9,700	5,290,300	(1,473,873)	(134,001)	3,692,126
At 31 December 2015		9,700	5,290,300	2,511,191	780,499	8,591,690

	<i>Note</i>	Share capital US\$	Share premium US\$	(Accumulated losses)/ retained earnings US\$	Capital reserves US\$	Total US\$
At 1 January 2016		9,700	5,290,300	2,511,191	780,499	8,591,690
Comprehensive loss						
Loss for the period		—	—	(2,356,512)	—	(2,356,512)
Total comprehensive loss		—	—	(2,356,512)	—	(2,356,512)
At 31 May 2016		9,700	5,290,300	154,679	780,499	6,235,178
Unaudited:						
At 1 January 2015		—	—	2,158,969	914,500	3,073,469
Comprehensive loss						
Loss for the period		—	—	(187,221)	—	(187,221)
Total comprehensive loss		—	—	(187,221)	—	(187,221)
Transactions with owners						
Dividends	28	—	—	(1,100,000)	—	(1,100,000)
Total transactions with owners		—	—	(1,100,000)	—	(1,100,000)
At 31 May 2015		—	—	871,748	914,500	1,786,248

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Five months ended 31 May	
	2014 US\$	2015 US\$	2015 US\$	2016 US\$
			(Unaudited)	
Cash flow from operating activities				
Profit/(loss) before income tax	3,244,674	2,669,084	(229,787)	(2,657,399)
Adjustments for:				
— Depreciation	286,169	445,916	169,752	254,157
— Amortisation	297,599	378,395	125,451	207,241
— Gain on disposal of property, plant and equipment	(202,709)	—	—	—
	3,625,733	3,493,395	65,416	(2,196,001)
Changes in working capital:				
— Trade receivables	(484,074)	(195,934)	(38,716)	146,526
— Inventories	(890,860)	(652,719)	(19,787)	(240,683)
— Prepayments and deposits	(408,291)	(1,258,525)	(927,303)	(2,407,790)
— Trade payables	349,422	251,633	(167,904)	(250,156)
— Amount due from a shareholder	—	(4,716)	—	(56,825)
— Amount due from a related company	—	(110,344)	—	110,001
— Accruals and other payables	113,445	439,500	(50,680)	842,358
— Deferred revenue	(1,440,242)	2,899,527	320,689	4,311,942
Cash generated from/(used in) operations	865,133	4,861,817	(818,285)	259,372
Income tax paid	(244,086)	(57,321)	(45,530)	(100,310)
Net cash generated from/(used in) operating activities	<u>621,047</u>	<u>4,804,496</u>	<u>(863,815)</u>	<u>159,062</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(893,048)	(1,667,684)	(653,792)	(558,739)
Acquisition of intangible assets	(2,260,304)	(2,183,970)	(126,891)	(622,557)
Proceeds from disposal of property, plant and equipment	202,709	—	—	—
Net cash used in investing activities	<u>(2,950,643)</u>	<u>(3,851,654)</u>	<u>(780,683)</u>	<u>(1,181,296)</u>
Cash flows from financing activities				
Proceeds from issuance of shares	4	—	—	—
Payment of professional service fees in respect of issuing equity	—	(349,933)	—	(131,273)
Amount due to ultimate holding company (Note 14(b))	3,500,000	1,800,000	1,800,000	—
(Repayment of)/proceeds from amount due to a shareholder	(17,211)	(9,385)	8,000	—
Dividend paid	—	(1,487,500)	(1,100,000)	(112,500)
Distribution to shareholders (Note 2.4)	—	(7,333)	—	—
Net cash generated from/(used in) financing activities	<u>3,482,793</u>	<u>(54,151)</u>	<u>708,000</u>	<u>(243,773)</u>
Net increase/(decrease) in cash and cash equivalents	1,153,197	898,691	(936,498)	(1,266,007)
Cash and cash equivalents at beginning of the year/period	<u>577,079</u>	<u>1,730,276</u>	<u>1,730,276</u>	<u>2,628,967</u>
Cash and cash equivalents at end of the year/period	<u>1,730,276</u>	<u>2,628,967</u>	<u>793,778</u>	<u>1,362,960</u>

II NOTES TO THE FINANCIAL INFORMATION

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 Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in design, development and sale of board games, miniatures and other hobby products (the "Business"). The Group has operations in Singapore and the United States of America ("USA").

The Financial Information is presented in United States dollars ("US\$"), unless otherwise stated.

2 DEVELOPMENT OF THE BUSINESS AND REORGANISATION

2.1 Development of the Business

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

In 2012, the Controlling Shareholders observed a rapid rise in demand of products of the Business with the successful launch of several board game products, including the board game "Zombicide" which was developed for Mr. Ng by Guillotine Games Limited, a third-party supplier at that moment. The Controlling Shareholders, seeing a market opportunity to greatly expand the Business, decided that Mr. Ng should enlist the help from several consultants in order to increase the size of the Business.

Since then, the consultants provided the work done, support and advice to the Business based on their respective areas of expertise. The work done by each of them contributed to the expansion of the Business from 2012 to 2013. Mr. Ng also carried out discussions and negotiations with each of the consultants in relation to their compensation from time to time.

In late 2013, the Controlling Shareholders decided that, based on the past performance of the Business and its prospects in future, the Business would be in a position to proceed to an initial public offering (the "Proposed IPO"). The Controlling Shareholders agreed that a group of companies should be formed to be used as the platform for the purposes of the Proposed IPO.

2.2 Verbal Agreements

After further discussions between Mr. Ng, Mr. Doust and each of the consultants, verbal agreements were reached on 30 November 2013 (the "Verbal Agreements") on the roles and responsibilities each of the parties had played, and/or would continue playing in expanding the Business. Pursuant to the Verbal Agreements, the Controlling Shareholders should establish a company to be designated as the parent company of the Group (the "Holdco"). The Holdco should issue new shares to the Controlling Shareholders and the consultants as stipulated below. All other companies comprising the Group should be owned, directly or indirectly, by the Holdco.

The share capital of the Holdco shall be structured in the following manner:

- (a) 52.5% of the equity interest in the Holdco should be issued to Mr. Ng (or his designated nominee) upon formation of the Group, in exchange for Mr. Ng transferring and/or procuring the transfer of his interest in the Business (including any interests in the website and domain names of COOLMINIORNOT), his board game and tabletop game intellectual property rights, and any interest in ongoing business worldwide using the COOLMINIORNOT brand, and providing his expertise, business acumen and contacts to the Business;
- (b) 22.5% of the equity interest in the Holdco should be issued to Mr. Doust (or his designated nominee) upon formation of the Group, in exchange for Mr. Doust transferring and/or procuring the transfer of his interest in the Business (including any interests in the website and domain names of COOLMINIORNOT), his board game and tabletop game intellectual property rights, and any interest in ongoing business worldwide using the COOLMINIORNOT brand, and providing his expertise, business acumen and contacts to the Business; and
- (c) an aggregate of 25% of the equity interests in the Holdco should be issued to the consultants (or their designated nominees) upon formation of the Group, to compensate for their respective services provided to the Business. The equity interests granted to the consultants vested immediately and unconditionally (without any conditions for further period of services whatsoever).

In consideration of Mr. Ng transferring and/or procuring the transfer of his board game and tabletop game intellectual property rights to the Group: (i) all loans made and/or to be made by CoolMiniOrNot Inc. and the Group to Mr. Ng for the purposes of funding Mr. Ng's payment obligations under the "Zombicide" agreement with Guillotine Games Limited (the "Loans") shall be waived, and CoolMiniOrNot Inc. and the Group shall have no rights of repayment in respect of the Loans, and that Mr. Ng would have no obligation whatsoever to repay the Loans; and (ii) the Group should also be responsible to pay, on behalf of Mr. Ng, any remaining balances or amounts due and payable to Guillotine Games Limited or any other party arising from the "Zombicide" agreement. Accordingly, loans as at 30 November 2013 amounting to US\$962,863 were waived and the remaining balances payable to Guillotine Games Limited of US\$3,872,137 were assumed by the Business.

2.3 Reorganisation

In preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company underwent a reorganisation (the "Reorganisation") of the corporate and shareholder structure of the companies comprising the Group which were set up to conduct the Business pursuant to the Verbal Agreements. The major steps undertaken to effect the Reorganisation are as follows:

- (a) CMON Pte Ltd. was incorporated in Singapore on 2 January 2014. Two ordinary shares of S\$1.00 each were allotted and issued on the date of incorporation to Ms. Yuh Ling Tan ("Ms. Tan"), the wife of Mr. Ng. Ms. Tan held the shares on behalf of Mr. Ng pursuant to a nominee arrangement.
- (b) CMON Holdings Limited was incorporated in the Cayman Islands on 11 June 2014. Two ordinary shares of US\$0.10 each were allotted and issued on the date of incorporation. Each of Mr. Ng and Mr. Doust held one ordinary share as the registered shareholder of CMON Holdings Limited.
- (c) CMON Productions Limited was incorporated in the British Virgin Islands (the "BVI") on 11 June 2014. 1 ordinary share of US\$1.00 was allotted and issued on the date of incorporation to CMON Holdings Limited.

- (d) Pursuant to an investment agreement dated 17 June 2014 and a supplemental agreement dated 15 July 2015 entered into between CMON Holdings Limited, Mr. Ng, Mr. Doust and an investor, on 31 January 2015 CMON Holdings Limited issued redeemable convertible bonds with a principal amount of US\$5,300,000 to the investor who was granted with the rights to exchange the redeemable convertible bonds for ordinary shares of the Company. The proceeds were contributed by CMON Holdings Limited to the Company as capital injection in 2015 as described in Note (k) below.
- (e) CMON Global Limited was incorporated in the Cayman Islands on 18 September 2014. 1 ordinary share of US\$1.00 was allotted and issued on the date of incorporation. Mr. Ng held the ordinary share as the registered shareholder of CMON Global Limited.
- (f) CMON Inc. was incorporated in the State of Delaware on 6 October 2014. 1 share at no par value was allotted and issued on the date of incorporation to CMON Global Limited.
- (g) The Company was incorporated in the Cayman Islands on 16 June 2015. 10,000 ordinary shares of HK\$0.0001 each were allotted and issued on the date of incorporation to CMON Holdings Limited.
- (h) On 15 July 2015, the Company acquired the entire issued share capital of CMON Productions Limited from CMON Holdings Limited for a consideration of US\$1.00.
- (i) On 15 July 2015, Mr. Ng transferred the entire issued share capital of CMON Global Limited to CMON Productions Limited as part of the consideration for the issue of new ordinary shares by CMON Holdings Limited to Mr. Ng as described in Note (l) below.
- (j) On 15 July 2015, Ms. Tan transferred the entire issued share capital of CMON Pte Ltd. to CMON Global Limited as part of the consideration for the issue of new ordinary shares by CMON Holdings Limited to Mr. Ng as described in Note (l) below.
- (k) On 16 July 2015, CMON Holdings Limited entered into deeds of debt assignment with the Company, CMON Pte Ltd. and CMON Global Limited respectively pursuant to which the debts owed by CMON Pte Ltd. and CMON Global Limited to CMON Holdings Limited totalling US\$5,300,000 were capitalised by the issue of 749,990,000 ordinary shares of HK\$0.0001 each by the Company to CMON Holdings Limited.
- (l) On 16 July 2015, CMON Holdings Limited issued new ordinary shares to Mr. Ng, Mr. Doust and the consultants in accordance with the Verbal Agreements as described in Note 2.2 above.
- (m) On 31 October 2016, a subdivision of each issued and unissued ordinary share with a nominal value of HK\$0.0001 each into 2 ordinary shares of HK\$0.00005 each was effected.

Upon the completion of the Reorganisation and as of the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital	Effective interest held by the Group (b)	Name of statutory auditors	
					2014	2015
<i>Direct Interests:</i>						
CMON Productions Limited	BVI; 11 June 2014	Investment holding; BVI	1 share; US\$1	100%	(a)	(a)
<i>Indirect Interests:</i>						
CMON Global Limited	Cayman Islands; 18 September 2014	Publishing and sale of tabletop hobby games; Singapore	1 share; US\$1	100%	(a)	(a)
CMON Pte. Ltd.	Singapore; 2 January 2014	Provision of services to group entities; Singapore	2 shares; S\$2	100%	(a)	(c)
CMON Inc.	USA; 6 October 2014	Distribution of tabletop hobby games; USA	1 share; no par value	100%	(a)	(a)
CMON Conventions Inc.	USA; 25 February 2016	Organisation of game conventions; USA	1,000 shares; no par value	100%	(a)	(a)

- (a) No audited financial statements were issued for this company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (b) These represent effective interest held by the Group as at 31 December 2014 and 2015 and 31 May 2016, except for CMON Conventions Inc., which was incorporated on 25 February 2016.
- (c) The statutory auditor is MJMA PAC.

2.4 Reorganisation of the business and operating structure

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

On 15 July 2015, CMON Inc., CoolMiniOrNot Inc. and each of Mr. Ng and Mr. Doust entered into rights assignment agreements pursuant to which all registered trademarks, domain names and other intellectual property rights, and all titles, rights owned by each of Mr. Ng and Mr. Doust and physical

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

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

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

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

The assets and liabilities of CoolMiniOrNot Inc. are no longer included in the Group's financial information from 15 July 2015 onwards, and the exclusion of the above assets and liabilities on 15 July 2015 is regarded as a distribution to shareholders as described in Note 3. CoolMiniOrNot Inc. is not involved in the Business subsequent to that date.

3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Business had been and continue to be conducted through companies managed and controlled by the Controlling Shareholders. The Company has not been involved in any business prior to the Reorganisation. The Reorganisation is merely a reorganisation of the Business with no change in management and the controlling shareholders. The Group established resulting from the Reorganisation is regarded as a continuation of the Business and under common control of the Controlling Shareholders before and after the Reorganisation.

Accordingly, for the purpose of this report, the Financial Information has been presented as follows:

- (a) The consolidated balance sheets of the Group as at 31 December 2014 and 2015 and 31 May 2016, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial years ended 31 December 2014 and 2015 and the financial periods ended 31 May 2015 and 31 May 2016 have been prepared as if the Company had been the holding company of the Group throughout the Relevant Periods.
- (b) The financial information of CoolMiniOrNot Inc. has been included in the Track Record Periods until such date when all its rights and obligations relating to the Listing Business had been transferred/novated to the Group. Thereafter, the remaining equity of CoolMiniOrNot Inc., consisting of share capital and accumulated losses, was accounted for as a distribution to shareholders.
- (c) The financial information of the companies comprising the Group has been included in the financial information from their respective dates of incorporation.
- (d) Inter-company transactions and balances have been eliminated.

As at 31 May 2016, the Group's current liabilities exceeded its current assets by US\$3,625,261. Included in the current liabilities as at 31 May 2016 was the deferred revenue amounting to US\$8,776,450 which are not ordinarily required to be refunded to the customers if the Group properly fulfils its obligations under the relevant terms of the contracts between the Group and the customers. Management has prepared cash flow projections which cover a period of twelve months from the date of this report. The directors of the Company have reviewed the Group's cash flow projections and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the date of this report. In addition, the directors closely monitor the Group's liquidity position and financial performance to improve the Group's cash flows. The directors believe that it is appropriate to prepare the Financial Information on a going concern basis.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention.

The preparation of the 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 Financial Information are disclosed in Note 6.

As at the date of this report, the following new standards and amendments to existing standards have been published but are not yet effective for the Relevant Periods and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IAS 7 (Amendment)	Statement of Cash Flows: Disclosure Initiative	1 January 2017
IAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

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. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

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

IFRS 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 4.19. Management has performed a preliminary assessment and expects that the implementation of the IFRS 15 would not result in any significant impacts on the Group’s financial position and results of operations. Meanwhile, there will be additional disclosure requirement under IFRS 15 upon its adoption.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

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 4.21. The Group’s future operating lease commitments, which are not reflected in the consolidated balance sheets, are set out in Note 31. 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 31. 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 ended 31 December 2019.

Management does not anticipate any significant impact on the Group’s financial positions and results of operations upon adopting the above other amendments to existing standards.

4.2 Subsidiaries

4.2.1 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.

4.3 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 Financial Information is presented in United States dollars, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

4.4 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.

4.5 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:

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

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

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

4.6 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.

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.

4.7 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.

4.8 Financial assets

4.8.1 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 receivables (Note 12), deposits (Note 13), cash and cash equivalents (Note 14) and amounts due from a shareholder and a related company (Note 16).

4.8.2 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.

4.9 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.

4.10 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.

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.

4.11 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.

4.12 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.

4.13 Cash and cash equivalents

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

4.14 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.

4.15 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.

4.16 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.

(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.

4.17 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.

4.18 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.

4.19 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.

4.20 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 4.19. 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.

4.21 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.

4.22 Dividend distribution

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

4.23 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.

5 FINANCIAL RISK MANAGEMENT

5.1 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 at banks, amount due from a shareholder, amount due from a related company, deposits and trade receivables included in the balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

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

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

(c) *Liquidity risk*

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

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

The Group's financial liabilities as at 31 December 2014 and 2015 and 31 May 2016 were all due for settlement contractually within 12 months with their respective contractual undiscounted cash flows approximated their carrying amounts due to the short maturities.

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

	Less than 1 year US\$	No repayment term US\$	Total US\$
At 31 December 2014			
Trade payables	352,921	—	352,921
Accruals and other payables	1,799,714	—	1,799,714
Amount due to a shareholder	9,385	—	9,385
Amount due to ultimate holding company	—	3,500,000	3,500,000
At 31 December 2015			
Trade payables	545,059	—	545,059
Accruals and other payables	1,289,521	—	1,289,521
Amount due to ultimate holding company	112,501	—	112,501
At 31 May 2016			
Trade payables	294,903	—	294,903
Accruals and other payables	2,131,879	—	2,131,879
Amount due to ultimate holding company	<u>1</u>	<u>—</u>	<u>1</u>

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not have any significant interest bearing financial assets or liabilities except for cash at banks, details of which are disclosed in Note 14. Accordingly, the directors believe that the Group's exposure to the cash flow interest rate risk is relatively insignificant. The Group does not have any significant financial assets or financial liabilities which would expose it to fair value interest rate risk.

5.2 Capital risk management

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

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

The Group did not raise any external borrowings except for an amount due to ultimate holding company of US\$3,500,000 as at 31 December 2014, which had no repayment term and was subsequently capitalised as described in Note 2.3(k).

5.3 Fair value estimation

As at 31 December 2014 and 2015 and 31 May 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, amounts due from a shareholder and a related company; and its current financial liabilities including trade and other payables and amounts due to a shareholder and ultimate holding company approximate their fair values due to their short maturities.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information 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 Financial Information within the next financial year are discussed below.

(a) 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.

(b) 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.

(c) 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.

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

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

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

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. In the past, changes in such estimations were primarily in response to changes in business performance which affected the expected economic benefits to be derived from the related assets. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss. Historically, there have

been no significant impairment indicators in relation to the Group's property, plant and equipment and intangible assets and accordingly, there have been no significant under/over-provision of impairment on these assets.

(e) Recognition of share-based payment expenses and intellectual property rights

As mentioned in Note 2.2 above, new shares were issued by the ultimate holding company in exchange for the services provided to the Group by certain consultants and founders of the Group. New shares were also issued by the ultimate holding company in exchange for the intellectual property rights transferred from the Controlling Shareholders. The intellectual property rights acquired were not traded in an active market. The directors have used the capitalised earnings method as the valuation technique to determine the fair values of the share awards granted and intellectual property rights acquired on the date of grant and acquisition respectively (both being 30 November 2013 as described in note 2.2). In applying the capitalised earnings method, significant estimate on assumptions such as terminal growth rate, cost of capital and capitalisation rate are required to be made by management by reference to the financial position and business performance of the Group at the time when the relevant share awards were granted and the intellectual property rights were acquired. Fair values of the share awards granted and intellectual property rights acquired are not subsequently re-measured but are subject to the impairment assessment described in notes 4.7 and 6(d) above.

7 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 Relevant Periods, revenue is earned from customers located in the following geographic areas:

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
North America	7,467,574	8,322,373	2,015,748	1,959,905
Asia	265,408	336,074	105,407	164,633
Europe	3,992,860	7,413,299	1,938,359	1,600,694
Oceania	803,412	896,926	262,914	151,042
South America	81,652	191,683	18,410	10,742
Africa	4,163	25,000	6,986	4,897
	<u>12,615,069</u>	<u>17,185,355</u>	<u>4,347,824</u>	<u>3,891,913</u>

No individual customers of the Group contributed more than 10% of the Group's revenue during the years ended 31 December 2014 and 31 December 2015 and the five months ended 31 May 2015. During the five months ended 31 May 2016, one of the Group's customers contributed more than 10% of the Group's revenue with revenue for the period amounting to approximately US\$411,000.

At 31 December 2014 and 31 December 2015 and 31 May 2016, the total non-current assets other than intangible assets prepayments and deferred income tax assets located in the USA were US\$636,899, US\$1,328,692 and US\$1,555,520 respectively, and the total non-current assets located in other locations (mainly in Mainland China) were US\$895,441, US\$1,425,416 and US\$1,503,170 respectively.

8 PROPERTY, PLANT AND EQUIPMENT

	Art, painting & sculptures US\$	Computer equipment US\$	Displays, moulds & tools US\$	Furniture & fixtures US\$	Motor vehicles US\$	Total US\$
At 1 January 2014						
Cost	347,239	32,579	802,362	28,764	—	1,210,944
Accumulated depreciation	(40,989)	(6,766)	(226,854)	(10,874)	—	(285,483)
Net book amount	<u>306,250</u>	<u>25,813</u>	<u>575,508</u>	<u>17,890</u>	<u>—</u>	<u>925,461</u>
Year ended						
31 December 2014						
Opening net book amount	306,250	25,813	575,508	17,890	—	925,461
Additions	358,810	8,524	520,475	5,239	—	893,048
Depreciation (Note 22)	(70,605)	(8,221)	(200,542)	(6,801)	—	(286,169)
Closing net book amount	<u>594,455</u>	<u>26,116</u>	<u>895,441</u>	<u>16,328</u>	<u>—</u>	<u>1,532,340</u>
At 31 December 2014						
Cost	706,049	41,103	1,187,698	34,003	—	1,968,853
Accumulated depreciation	(111,594)	(14,987)	(292,257)	(17,675)	—	(436,513)
Net book amount	<u>594,455</u>	<u>26,116</u>	<u>895,441</u>	<u>16,328</u>	<u>—</u>	<u>1,532,340</u>
Year ended						
31 December 2015						
Opening net book amount	594,455	26,116	895,441	16,328	—	1,532,340
Additions	773,128	26,642	853,784	3,453	10,677	1,667,684
Depreciation (Note 22)	(104,176)	(10,366)	(323,809)	(6,972)	(593)	(445,916)
Closing net book amount	<u>1,263,407</u>	<u>42,392</u>	<u>1,425,416</u>	<u>12,809</u>	<u>10,084</u>	<u>2,754,108</u>
At 31 December 2015						
Cost	1,479,177	67,745	2,041,482	37,456	10,677	3,636,537
Accumulated depreciation	(215,770)	(25,353)	(616,066)	(24,647)	(593)	(882,429)
Net book amount	<u>1,263,407</u>	<u>42,392</u>	<u>1,425,416</u>	<u>12,809</u>	<u>10,084</u>	<u>2,754,108</u>
Five months ended						
31 May 2016						
Opening net book amount	1,263,407	42,392	1,425,416	12,809	10,084	2,754,108
Additions	302,848	6,652	244,609	4,630	—	558,739
Depreciation (Note 22)	(65,807)	(5,969)	(177,717)	(3,180)	(1,484)	(254,157)
Closing net book amount	<u>1,500,448</u>	<u>43,075</u>	<u>1,492,308</u>	<u>14,259</u>	<u>8,600</u>	<u>3,058,690</u>
At 31 May 2016						
Cost	1,782,025	74,397	2,286,091	42,086	10,677	4,195,276
Accumulated depreciation	(281,577)	(31,322)	(793,783)	(27,827)	(2,077)	(1,136,586)
Net book amount	<u>1,500,448</u>	<u>43,075</u>	<u>1,492,308</u>	<u>14,259</u>	<u>8,600</u>	<u>3,058,690</u>

During the year ended 31 December 2014, certain displays, moulds and tools previously fully written off were disposed of at an amount of US\$202,709 (Note 23).

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(unaudited)	
Cost of sales	200,542	323,809	127,582	177,717
General and administrative expenses	<u>85,627</u>	<u>122,107</u>	<u>42,170</u>	<u>76,440</u>
	<u>286,169</u>	<u>445,916</u>	<u>169,752</u>	<u>254,157</u>

9 INTANGIBLE ASSETS

	Intellectual property rights US\$	Product development costs US\$	Computer software US\$	Total US\$
Year ended 31 December 2014				
Opening net book amount	5,126,518	—	24,514	5,151,032
Additions	12,462	—	—	12,462
Amortisation (<i>Note 22</i>)	<u>(285,342)</u>	<u>—</u>	<u>(12,257)</u>	<u>(297,599)</u>
Closing net book amount	<u>4,853,638</u>	<u>—</u>	<u>12,257</u>	<u>4,865,895</u>
At 31 December 2014				
Cost	5,162,759	—	36,771	5,199,530
Accumulated amortisation	<u>(309,121)</u>	<u>—</u>	<u>(24,514)</u>	<u>(333,635)</u>
Net book amount	<u>4,853,638</u>	<u>—</u>	<u>12,257</u>	<u>4,865,895</u>
Year ended 31 December 2015				
Opening net book amount	4,853,638	—	12,257	4,865,895
Additions	653,244	445,569	160,862	1,259,675
Amortisation (<i>Note 22</i>)	<u>(300,112)</u>	<u>(60,177)</u>	<u>(18,106)</u>	<u>(378,395)</u>
Closing net book amount	<u>5,206,770</u>	<u>385,392</u>	<u>155,013</u>	<u>5,747,175</u>
At 31 December 2015				
Cost	5,816,003	445,569	197,633	6,459,205
Accumulated amortisation	<u>(609,233)</u>	<u>(60,177)</u>	<u>(42,620)</u>	<u>(712,030)</u>
Net book amount	<u>5,206,770</u>	<u>385,392</u>	<u>155,013</u>	<u>5,747,175</u>
Five months ended 31 May 2016				
Opening net book amount	5,206,770	385,392	155,013	5,747,175
Additions	51,537	436,320	134,700	622,557
Amortisation (<i>Note 22</i>)	<u>(148,654)</u>	<u>(39,539)</u>	<u>(19,048)</u>	<u>(207,241)</u>
Closing net book amount	<u>5,109,653</u>	<u>782,173</u>	<u>270,665</u>	<u>6,162,491</u>
At 31 May 2016				
Cost	5,867,540	881,889	332,333	7,081,762
Accumulated amortisation	<u>(757,887)</u>	<u>(99,716)</u>	<u>(61,668)</u>	<u>(919,271)</u>
Net book amount	<u>5,109,653</u>	<u>782,173</u>	<u>270,665</u>	<u>6,162,491</u>

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(unaudited)	
Cost of sales	285,342	360,289	120,344	188,193
General and administrative expenses	<u>12,257</u>	<u>18,106</u>	<u>5,107</u>	<u>19,048</u>
	<u>297,599</u>	<u>378,395</u>	<u>125,451</u>	<u>207,241</u>

10 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables		
	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Group			
Assets included in the consolidated balance sheets			
Trade receivables	591,404	785,888	639,362
Deposits	11,651	38,987	59,605
Cash and cash equivalents	1,730,276	2,628,967	1,362,960
Amount due from a shareholder	—	4,716	61,541
Amount due from a related company	<u>—</u>	<u>266,459</u>	<u>156,458</u>
	<u>2,333,331</u>	<u>3,725,017</u>	<u>2,279,926</u>

	Financial liabilities at amortised cost		
	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Liabilities included in the consolidated balance sheets			
Trade payables	352,921	545,059	294,903
Accruals and other payables	1,799,714	1,289,521	2,131,879
Amount due to a shareholder	9,385	—	—
Amount due to ultimate holding company	<u>3,500,000</u>	<u>112,501</u>	<u>1</u>
	<u>5,662,020</u>	<u>1,947,081</u>	<u>2,426,783</u>

11 INVENTORIES

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Trading merchandise	<u>1,651,616</u>	<u>2,304,335</u>	<u>2,545,018</u>

As at 31 December 2014 and 2015 and 31 May 2016, there was no write down of inventories.

12 TRADE RECEIVABLES

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Trade receivables	<u>591,404</u>	<u>785,888</u>	<u>639,362</u>

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

During the Relevant Periods, the Group granted credit terms of 0 to 30 days to its customers.

At 31 December 2014 and 2015 and 31 May 2016, the ageing analysis of trade receivables by the date on which the respective sales invoices were issued is as follows:

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Less than 30 days	229,192	544,727	201,286
30 days to 90 days	138,811	105,559	172,690
91 days to 180 days	8,989	114,459	265,386
Over 180 days	<u>214,412</u>	<u>21,143</u>	<u>—</u>
	<u>591,404</u>	<u>785,888</u>	<u>639,362</u>

As of 31 December 2014 and 2015 and 31 May 2016, trade receivables of US\$365,555, US\$241,141 and US\$438,076 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:

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Less than 30 days	72,759	75,652	152,984
30 days to 90 days	78,661	144,346	285,092
More than 90 days	<u>214,135</u>	<u>21,143</u>	<u>—</u>
	<u>365,555</u>	<u>241,141</u>	<u>438,076</u>

As at 31 December 2014 and 2015 and 31 May 2016, there were no trade receivables which were past due and impaired. As at 31 December 2014 and 2015 and 31 May 2016, no collaterals have been received from customers.

13 PREPAYMENTS AND DEPOSITS

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Current			
Prepayments for professional fees in respect of listing preparation	152,695	924,053	865,416
Advances to suppliers	—	343,093	2,568,064
Prepaid royalties and game development costs	—	500,000	523,421
Other prepayments	255,596	222,267	100,957
Deposits	11,651	38,987	59,605
Total	<u>419,942</u>	<u>2,028,400</u>	<u>4,117,463</u>
Non-current			
Prepaid game development costs	<u>—</u>	<u>—</u>	<u>450,000</u>

14 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Cash at banks	1,728,418	2,627,353	1,357,646
Cash on hand	<u>1,858</u>	<u>1,614</u>	<u>5,314</u>
Total cash and cash equivalents	<u>1,730,276</u>	<u>2,628,967</u>	<u>1,362,960</u>

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

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
US\$	1,723,819	2,622,541	1,355,981
Singapore dollars	<u>6,457</u>	<u>6,426</u>	<u>6,979</u>
	<u>1,730,276</u>	<u>2,628,967</u>	<u>1,362,960</u>

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

During the year ended 31 December 2015, the Group entered into deeds of debt assignment with CMON Holdings Limited pursuant to which the amount due to CMON Holdings Limited amounting to US\$5,300,000 was capitalised by issue of ordinary shares to CMON Holdings Limited. Please refer to Note 2.3(k) for further details.

15 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital US\$	Share premium US\$
Authorised:			
Ordinary share capital of HK\$0.0001 each on 16 June 2015 (the date of incorporation of the Company) and as at 31 December 2015 and 31 May 2016	<u>3,800,000,000</u>	<u>49,147</u>	<u>—</u>
Issued and fully paid:			
Opening balance at 1 January 2015	—	—	—
Issue of shares at date of incorporation of the Company (<i>Note 2.3(g)</i>)	10,000	—	—
Issue of shares pursuant to the Reorganisation (<i>Note 2.3(k)</i>)	<u>749,990,000</u>	<u>9,700</u>	<u>5,290,300</u>
Closing balance at 31 December 2015 and 31 May 2016	<u>750,000,000</u>	<u>9,700</u>	<u>5,290,300</u>

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

Group**Balance with a shareholder**

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Amount due to a shareholder			
Mr. Doust	<u>9,385</u>	<u>—</u>	<u>—</u>
Amount due from a shareholder			
Mr. Ng Chern Ann	<u>—</u>	<u>4,716</u>	<u>61,541</u>

The balance with a shareholder is unsecured, interest-free, repayable on demand and denominated in US\$. The balance represented the maximum outstanding balance during the year.

Amount due to ultimate holding company

As at 31 December 2014, amount due to ultimate holding company was unsecured, interest-free, denominated in US\$, and had no repayment term. The balance as at 31 December 2014 was subsequently capitalised as described in Note 2.3(k).

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

Amount due from a related company

As at 31 December 2015 and 31 May 2016, the amount due from a related company was unsecured, interest-free, denominated in US\$ and repayable on demand. The amount of US\$266,459 represented the maximum outstanding balance during the respective year/period.

Company**Amount due to ultimate holding company**

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

17 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:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Deferred income tax assets			
— To be recovered after one year	—	13,311	273,026
Deferred income tax liabilities			
— To be settled within one year	(17,357)	(47,700)	(4,600)
— To be settled after one year	—	(90,925)	(79,168)
	<u>(17,357)</u>	<u>(138,625)</u>	<u>(83,768)</u>

The movement in net deferred income tax assets/(liabilities) during the Relevant Periods is as follows:

	Year ended 31 December		Five months
	2014	2015	ended 31 May
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At beginning of year	100,519	(17,357)	(125,314)
(Charged)/credited to profit or loss (<i>Note 26</i>)	<u>(117,876)</u>	<u>(107,957)</u>	<u>314,572</u>
At end of year	<u>(17,357)</u>	<u>(125,314)</u>	<u>189,258</u>

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

Deferred income tax assets	Tax losses <i>US\$</i>	Deferred revenue <i>US\$</i>	Total <i>US\$</i>
At 1 January 2014	—	302,296	302,296
Credited/(charged) to profit or loss	<u>242,662</u>	<u>(238,623)</u>	<u>4,039</u>
At 31 December 2014	<u>242,662</u>	<u>63,673</u>	<u>306,335</u>
At 1 January 2015	242,662	63,673	306,335
Exclusion of a former group entity (<i>Note (a)</i>)	(148,817)	—	(148,817)
Credited/(charged) to profit or loss	<u>38,515</u>	<u>(63,673)</u>	<u>(25,158)</u>
At 31 December 2015	<u>132,360</u>	<u>—</u>	<u>132,360</u>
At 1 January 2016	132,360	—	132,360
Credited to profit or loss	<u>386,052</u>	<u>—</u>	<u>386,052</u>
At 31 May 2016	<u>518,412</u>	<u>—</u>	<u>518,412</u>
Deferred income tax liabilities			Accelerated tax depreciation <i>US\$</i>
At 1 January 2014			(201,777)
Charged to profit or loss			<u>(121,915)</u>
At 31 December 2014			<u>(323,692)</u>
At 1 January 2015			(323,692)
Exclusion of a former group entity (<i>Note (a)</i>)			148,817
Charged to profit or loss			<u>(82,799)</u>
At 31 December 2015			<u>(257,674)</u>
At 1 January 2016			(257,674)
Charged to profit or loss			<u>(71,480)</u>
At 31 May 2016			<u>(329,154)</u>

Note a:

As disclosed in Note 2.4, the assets and liabilities of CoolMiniOrNot Inc. are no longer included in the Group's financial information from 16 July 2015 onwards.

18 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:

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Less than 60 days	345,873	447,812	93,220
60 days to 120 days	1,587	97,247	197,215
Over 120 days	<u>5,461</u>	<u>—</u>	<u>4,468</u>
	<u>352,921</u>	<u>545,059</u>	<u>294,903</u>

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

Trade payables are denominated in the following currencies:

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
US\$	352,864	523,595	260,886
Euro	<u>57</u>	<u>21,464</u>	<u>34,017</u>
	<u>352,921</u>	<u>545,059</u>	<u>294,903</u>

19 ACCRUALS AND OTHER PAYABLES

	As at 31 December		As at 31 May
	2014	2015	2016
	US\$	US\$	US\$
Current			
Other payable to a supplier of intellectual property rights (<i>Note 2.2</i>)	1,624,295	700,000	700,000
Accruals for professional fees in respect of listing preparation	—	575,439	1,078,774
Receipts in advance from customers	—	—	102,257
Other accrued operating expenses	<u>175,419</u>	<u>14,082</u>	<u>250,848</u>
	<u>1,799,714</u>	<u>1,289,521</u>	<u>2,131,879</u>

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

20 DEFERRED REVENUE

As at 31 December 2014 and 2015 and 31 May 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:

	Year ended 31 December		Five months
	2014	2015	ended 31 May
	US\$	US\$	2016
Beginning of the year	3,005,223	1,564,981	4,464,508
Amounts received from an internet based crowd funding platform (<i>Note a</i>)	4,941,612	10,973,346	5,042,105
Revenue recognised upon delivery of products (<i>Note b</i>)	(6,292,752)	(7,727,445)	(691,099)
Refunds (<i>Note c</i>)	(89,102)	(190,641)	(39,064)
Forfeiture revenue (<i>Note d</i>)	—	(155,733)	—
At the end of the year	<u>1,564,981</u>	<u>4,464,508</u>	<u>8,776,450</u>

Notes:

- The amounts are received from an internet based crowd funding platform in respect of amounts prepaid by customers for pre-orders of specified products.
- The amount represents revenue recognised in profit or loss upon delivery of products in accordance with the policies set out in Note 4.19.
- The amount represents refunds upon cancellation of pre-orders by customers before delivery of products.
- The amounts represent receipts from pre-orders by customers which were subsequently abandoned by customers and are recognised as revenue in accordance with the policies set out in Note 4.20.

As at 31 December 2014 and 2015 and 31 May 2016, the entire balance of deferred revenue was aged within one year from the date when the relevant funding was received.

21 REVENUE

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
Sales of products	11,156,208	15,118,786	3,519,617	3,636,437
Shipping income in connection with sale of products	1,458,861	1,910,836	828,207	255,476
Forfeiture revenue (<i>Note 20(d)</i>)	—	155,733	—	—
	<u>12,615,069</u>	<u>17,185,355</u>	<u>4,347,824</u>	<u>3,891,913</u>

22 EXPENSES BY NATURE

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
	(Unaudited)			
Cost of inventories	4,999,849	5,492,911	1,663,409	1,584,505
Shipping and handling charges	1,163,508	2,194,229	830,746	1,058,934
Employee benefit expenses (<i>Note 24</i>)	1,092,278	1,746,774	655,169	940,362
Professional service fees in respect of listing preparation	149,098	2,011,190	404,847	1,471,676
Other professional fees	114,885	82,356	40,826	36,263
Merchant account fees	430,626	923,733	128,653	350,164
Royalty expenses	47,545	134,484	42,077	23,145
Marketing expenses	153,779	205,298	50,579	113,308
Depreciation (<i>Note 8</i>)	286,169	445,916	169,752	254,157
Amortisation (<i>Note 9</i>)	297,599	378,395	125,451	207,241
Games development expenses	536,820	357,599	293,720	74,412
Website maintenance fees	91,409	107,364	26,977	87,809
Operating lease rentals	81,624	89,936	34,216	46,967
Travelling expenses	73,864	199,420	37,906	178,049
Other expenses	76,013	203,996	85,607	155,615
	<u>9,595,066</u>	<u>14,573,601</u>	<u>4,589,935</u>	<u>6,582,607</u>

Cost of sales comprises principally cost of inventories, shipping and handling charges, depreciation and amortisation, and also other expenses of US\$6,000 and US\$10,000 respectively for the year ended 31 December 2015 and five months ended 31 May 2016. During the five months ended 31 May 2016, shipping charges for product delivery to wholesales customers amounted to US\$498,412 and were classified within selling and distribution expenses.

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 GAIN

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
	(Unaudited)			
Gain on disposal of property, plant and equipment	<u>202,709</u>	<u>—</u>	<u>—</u>	<u>—</u>

24 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
Wages and salaries	1,028,496	1,653,576	623,091	899,718
Pension costs — defined contribution plans	47,065	93,198	32,078	40,644
Other staff welfare	16,717	—	—	—
	<u>1,092,278</u>	<u>1,746,774</u>	<u>655,169</u>	<u>940,362</u>

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
Selling and distribution expenses	113,088	81,617	38,567	97,514
General and administrative expenses	979,190	1,665,157	616,602	842,848
	<u>1,092,278</u>	<u>1,746,774</u>	<u>655,169</u>	<u>940,362</u>

25 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS**(a) Directors' remunerations**

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
Wages and salaries	296,382	367,196	113,565	151,756
Pension costs — defined contribution plans	14,470	34,429	7,665	9,731
Other benefits	8,498	—	—	—
	<u>319,350</u>	<u>401,625</u>	<u>121,230</u>	<u>161,487</u>

The remunerations of each director are set out below:

Year ended 31 December 2014

As director (note (i))									
Directors' fees	Salaries	Discretionary bonuses	Housing allowance	Equity settled share based payments	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	As management (note (ii))	Total
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
David Doust (Note (v))	—	120,100	—	—	8,498	7,254	—	—	135,852
Ng Chern Ann	—	176,282	—	—	—	7,216	—	—	183,498
	—	296,382	—	—	8,498	14,470	—	—	319,350

Year ended 31 December 2015

As director (note (i))									
Directors' fees	Salaries	Discretionary bonuses	Housing allowance	Equity settled share based payments	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	As management (note (ii))	Total
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
David Doust (Note (v))	—	144,000	—	—	—	9,435	—	—	153,435
Ng Chern Ann	—	128,663	—	—	—	16,736	—	—	145,399
Koh Zheng Kai (Note (vi))	—	94,533	—	—	—	8,258	—	—	102,791
	—	367,196	—	—	—	34,429	—	—	401,625

Five months ended 31 May 2015 (Unaudited)

As director (note (i))									
Directors' fees	Salaries	Discretionary bonuses	Housing allowance	Equity settled share based payments	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	As management (note (ii))	Total
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
David Doust (Note (v))	—	61,169	—	—	—	3,720	—	—	64,889
Ng Chern Ann	—	52,396	—	—	—	3,945	—	—	56,341
	—	113,565	—	—	—	7,665	—	—	121,230

Five months ended 31 May 2016

As director (note (i))									
Directors' fees	Salaries	Discretionary bonuses	Housing allowance	Equity settled share based payments	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	As management (note (ii))	Total
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Ng Chern Ann	—	101,772	—	—	—	3,649	—	—	105,421
Koh Zheng Kai	—	49,984	—	—	—	6,082	—	—	56,066
	—	151,756	—	—	—	9,731	—	—	161,487

Notes:

- (i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.
- (ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.
- (iii) No director waived or agreed to waive any emoluments during the Relevant Periods.
- (iv) During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.
- (v) Resigned as a director of the Company with effect from 1 December 2015 and reappointed as a director on 27 September 2016.
- (vi) Appointed as a director on 27 July 2015.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the Relevant Periods.

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

During the Relevant Periods, the Company does not pay consideration to any third parties for making available directors' services.

- (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 Relevant Periods or at any time during the Relevant Periods.
- (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 Relevant Periods.

(f) Five highest paid individuals

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

	No. of individuals		Five months ended 31 May	
	Year ended 31 December 2014	2015	2015 (Unaudited)	2016
Director	2	3	2	2
Employee	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
Basic salaries	181,719	123,380	82,531	158,505
Pension costs — defined contribution plans	11,218	9,295	5,505	11,641
Other benefits	<u>3,437</u>	<u>597</u>	<u>—</u>	<u>—</u>
	<u>196,374</u>	<u>133,272</u>	<u>88,036</u>	<u>170,146</u>

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

	Number of individuals		Five months ended 31 May	
	Year ended 31 December		2015	2016
	2014	2015	US\$	US\$
			(Unaudited)	
Emolument bands				
Nil to HK\$1,000,000 (equivalent to US\$129,000)	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, 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.

26 INCOME TAX EXPENSE/(CREDIT)

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

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
Current income tax	563,391	796,646	6,408	13,685
Deferred income tax (Note 17)	<u>117,876</u>	<u>107,957</u>	<u>(48,974)</u>	<u>(293,682)</u>
	<u>681,267</u>	<u>904,603</u>	<u>(42,566)</u>	<u>(279,997)</u>
Over-provision of tax in prior year				
— Current income tax	—	(61,614)	—	—
— Deferred income tax (Note 17)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(20,890)</u>
	<u>681,267</u>	<u>842,989</u>	<u>(42,566)</u>	<u>(300,887)</u>

The tax charge on the Group's profit/(loss) 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:

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
	US\$	US\$	US\$	US\$
			(Unaudited)	
Profit/(loss) before income tax	<u>3,244,674</u>	<u>2,669,084</u>	<u>(229,787)</u>	<u>(2,657,399)</u>
Calculated at the applicable domestic tax rate of respective companies (<i>Note</i>)	690,100	486,953	(78,538)	(582,821)
Expenses not deductible	25,347	491,971	69,808	302,352
Tax incentives	(25,732)	(78,570)	(25,732)	—
Over-provision of tax in prior year	—	(61,614)	—	(20,890)
Others	<u>(8,448)</u>	<u>4,249</u>	<u>(8,104)</u>	<u>472</u>
	<u>681,267</u>	<u>842,989</u>	<u>(42,566)</u>	<u>(300,887)</u>

Note:

The weighted average applicable tax rate for the years ended 31 December 2014 and 2015 and five months ended 31 May 2015 and 2016 are 21.3%, 18.2%, 34.2% and 21.9% respectively, which is determined based on applicable domestic tax rates of the companies in the Group which are subject to tax in various countries.

27 CAPITAL RESERVES

Group

- (i) As mentioned in Note 2.2 above, new shares were issued by the ultimate holding company in exchange for the services provided to the Group by certain consultants and founders of the Group. These share awards were vested immediately and unconditionally upon granting. New shares were also issued by the ultimate holding company in exchange for the intellectual property rights transferred from the Controlling Shareholders. The intellectual property rights acquired were not traded in an active market. The directors have used the capitalised earnings method as the valuation technique to determine the fair values of the share awards granted and intellectual property rights acquired.

The inputs into the valuation model are as follows:

Terminal growth rate	3%
Cost of capital	25%
Capitalisation rate	22%

Cost of capital of the Company is arrived at taking into account a) the prevailing market risk-free rate; b) a size-adjusted risk premium estimated by reference to published market research data; and c) a company specific risk premium which reflects risks associated with an entity at its early stage of development as well as the uncertainty in future market response to the games of the Group at that time. The adopted terminal growth rate of 3% is a widely adopted rate in a capitalised earnings model. Capitalisation rate represents the difference of cost of capital and terminal growth rate.

The fair values of the services received and intellectual properties acquired as at 30 November 2013 through the equity-settled share based payments were US\$780,496 and are analysed as follows:

	<i>US\$</i>
Intellectual properties acquired from Controlling Shareholders	5,140,296
Amounts paid on behalf of Mr. Ng in respect of an intellectual property waived	(962,863)
Amounts payable on behalf of Mr. Ng in respect of an intellectual property assumed	<u>(3,872,137)</u>
	305,296
Share-based payment expenses in exchange for services provided by the consultants and a founder of the Group	<u>475,200</u>
	<u><u>780,496</u></u>

- (ii) Apart from the above amount, the capital reserves of the Group as at 1 January 2014 and 31 December 2014 also included the combined aggregate value of share capital of all subsidiaries comprising the Group amounting to US\$134,000 and US\$134,004 respectively. During the year ended 31 December 2015, the capital reserves were reduced by (a) an amount of US\$134,000 representing the share capital of CoolMiniOrNot Inc. as a result of its being excluded from the Group from 16 July 2015 onwards (Notes 2.4 and 3); and (b) the consideration of US\$1 paid by the Company as consideration to acquire the entire equity interests of CMON Productions Limited (Note 2.3 (h)).

Company

The capital reserve of the Company represents the difference between the consideration of US\$1 paid by the Company to acquire the entire equity interests of CMON Production Limited and the fair value of CMON Production Limited and its subsidiaries.

28 DIVIDEND

Dividend declared in January 2015 of US\$1,100,000 (US\$0.0015 per share) represented dividend for the year ended 31 December 2014 by a company now comprising the Group to the then equity holders, the amount of which was paid in January 2015. The dividend per share is calculated based on 750,000,000 ordinary shares post reorganisation but prior to the effect of share subdivision taken place on 31 October 2016.

The dividend declared in October 2015 was US\$500,000 (US\$0.0007 per share) of which US\$387,500 was paid in October 2015. The remaining balance of US\$112,500 was included in the amount due to ultimate holding company as at 31 December 2015.

29 EARNINGS/(LOSS) PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have been issued on 1 January 2014 as if the Company has been incorporated by then, taking into account the ordinary shares attributable to the debts payable to CMON Holding totalling US\$5,300,000 capitalised on 16 July 2015. The effect of the subdivision of ordinary shares as detailed in note 2.3(m) has also been accounted for retrospectively in arriving at the weighted average number of ordinary shares in issue. 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 deemed to be in issue during each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016:

	Year ended 31 December		Five months ended 31 May	
	2014	2015	2015	2016
Profit/(loss) attributable to equity holders of the Company (US\$)	2,563,407	1,826,095	(187,221)	(2,356,512)
Weighted average number of ordinary shares in issue	<u>1,353,303,571</u>	<u>1,420,824,119</u>	<u>1,353,303,571</u>	<u>1,500,000,000</u>
Basic earnings/(loss) per share (US\$)	<u>0.0019</u>	<u>0.0013</u>	<u>(0.0001)</u>	<u>(0.0016)</u>

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the Relevant Periods.

30 RELATED PARTY TRANSACTIONS

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

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

Name	Relationship with the Group
CMON Holdings Limited	Ultimate holding company
CoolMiniOrNot Inc.	A related company from 16 July 2015 onwards (Note 2.4)

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

(a) Balances with related parties

Details of balances with related parties are set out in Note 16.

(b) Key management compensation

Details of key management compensations are set out in Note 25.

31 COMMITMENTS**Operating lease commitments**

As at 31 December 2014 and 2015 and 31 May 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31 December		As at 31 May
	2014	2015	2016
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
No later than 1 year	79,016	417,600	419,488
Later than 1 year and no later than 5 years	<u>155,239</u>	<u>1,640,538</u>	<u>1,464,650</u>
	<u><u>234,255</u></u>	<u><u>2,058,138</u></u>	<u><u>1,884,138</u></u>

32 INVESTMENT IN A SUBSIDIARY — COMPANY

	As at	As at
	31 December	31 May
	2015	2016
	<i>US\$</i>	<i>US\$</i>
Unlisted equity investments, at cost	54,193,548	54,193,548
Amounts due from subsidiaries (<i>Note (a)</i>)	<u>5,300,000</u>	<u>5,300,000</u>
	<u><u>59,493,548</u></u>	<u><u>59,493,548</u></u>

Notes:

- (a) The amounts due from subsidiaries are unsecured and non-interest bearing. The amounts have no fixed terms of repayment and are regarded as capital contribution to subsidiaries. The aggregate amount of net asset value and shareholder's loans of subsidiaries on the date when the Company became their holding companies approximated US\$6.9 million.
- (b) Particulars of principal subsidiaries as of the Company are set out in Note 2.3.

33 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2014 and 2015 and 31 May 2016.

34 SUBSEQUENT EVENTS

On 31 October 2016, a subdivision of each issued and unissued ordinary share with a nominal value of HK\$0.0001 each into 2 ordinary shares of HK\$0.00005 each was effected.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31 May 2016 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountant’s report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this prospectus and the “Accountant’s Report” set forth in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as if the Placing had taken place on 31 May 2016.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 May 2016 or at any future dates following the Placing.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 May 2016⁽¹⁾ US\$'000	Estimated net proceeds from the Placing⁽²⁾ US\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 May 2016 US\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Share⁽³⁾ & ⁽⁴⁾ US\$ HK\$	
Based on a Placing Price of HK\$0.23 per Share	73	6,356	6,429	0.0036	0.0276

Notes:

- (1) The consolidated net tangible assets attributable to the equity holders of the Company as of 31 May 2016 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the consolidated net assets of the Group attributable to the equity holders of the Company as at 31 May 2016 of US\$6,235,178 with an adjustment for the intangible assets as at 31 May 2016 of US\$6,162,491.
- (2) The estimated net proceeds from the Placing are based on 306,000,000 New Shares and the indicative Placing Price of HK\$0.23 per Share after deduction of the underwriting fees and related expenses payable by the Company (excluding listing-related expenses of approximately US\$3,632,000 which have been accounted for prior to 31 May 2016).
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,806,000,000 Shares in issue immediately following the completion of the Placing.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2016.
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in United States dollars are converted into Hong Kong dollars at the rate of HK\$7.75 to US\$1.00.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A PROSPECTUS**

TO THE DIRECTORS OF CMON LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CMON Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 May 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 25 November 2016, in connection with the proposed placing of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing of shares offering on the Group's financial position as at 31 May 2016 as if the proposed placing of shares had taken place at 31 May 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 May 2016, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed placing of shares at 31 May 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 November 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 June 2015 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 November 2016 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director

may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or

other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following

annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if

such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the

Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall,

unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any

member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the

modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 June 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or

rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 June 2015. Our Company has established its principal place of business in Hong Kong at 18th Floor, United Centre, 95 Queensway, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 July 2015. Ms. Ng Sau Mei, has been appointed as the authorised representative of our Company for acceptance of service of process and notice on behalf of the Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and our constitutional documents comprising the Memorandum and the Articles. A summary of certain parts of our constitutional documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The share capital of our Company as at the date of incorporation was HK\$380,000 divided into 3,800,000,000 Pre-division Shares.

On 16 June 2015, 10,000 Pre-division Shares were allotted and issued to CMON Holdings as the initial subscriber for the consideration of HK\$1.00.

On 17 July 2015, the issued share capital of the Company was increased to 750,000,000 Pre-division Shares upon the allotment and issuance of 749,990,000 new Pre-division Shares to CMON Holdings, credited as fully paid upon issuance, pursuant to the completion of the deeds of assignment and capitalisation.

Please refer to the paragraph headed “History and Corporate Structure — Reorganisation” in this prospectus for details of the deeds of assignment and capitalisation and the allotment and issuance 749,990,000 new Pre-division Shares to CMON Holdings.

On 31 October 2016, each of the issued and unissued Pre-division Shares of the Company of nominal value of HK\$0.0001 were sub-divided into two Shares of HK\$0.00005 each resulting in an authorised share capital of HK\$380,000 divided into 7,600,000,000 Shares of nominal value of HK\$0.00005 each, of which 1,500,000,000 Shares were issued to CMON Holdings.

Immediately following completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$380,000 divided into 7,600,000,000 Shares and the issued share capital will be HK\$90,300 divided into 1,806,000,000 Shares, all fully paid or credited as fully paid and 5,794,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option

Scheme or the exercise of the Offer Size Adjustment Option, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on 17 November 2016

Pursuant to the written resolutions of the Shareholders passed on 17 November 2016, among other things:

- (a) our Company approved and conditionally adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional upon the conditions as set out in the section entitled “Structure and Conditions of the Placing” in this prospectus being fulfilled (or, if applicable, waived):
 - (i) the Placing pursuant to the terms as set out in this prospectus was approved and our Directors or any committee of our Board were authorised to allot and issue new Shares;
 - (ii) the issuance of 306,000,000 New Shares together with 17,000,000 Sale Shares to be sold by the Selling Shareholder (which comprise 323,000,000 Placing Shares) for which listing is sought was approved and authorised;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Further Information about Directors, Management, Staff and Experts — Share Option Scheme” in this appendix, were approved and adopted with such additions, amendments or modifications thereto as may be approved by our Directors or any committee of our Board and our Directors or any committee of our Board were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
 - (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme or other similar arrangements or under the Placing or any scrip dividend schemes in accordance with the Articles or a specific authority granted by the Shareholders in a general meeting, unissued Shares or securities or options convertible into Shares and to make and grant offers and agreements which

would or might require Shares to be allotted with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and (bb) the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (b)(v) below, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting varying, revoking or renewing such mandate, whichever is the earliest; and

- (v) a general unconditional mandate was given to our Directors authorising them to exercise all the powers of the Company to repurchase on GEM, or any other stock exchange on which the Shares might be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting varying, revoking or renewing such mandate, whichever is the earliest.

4. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountant's report set out in Appendix I to this prospectus. Other than the alterations described in the paragraph headed "History and Corporate Structure — Our Subsidiaries" in this prospectus, there have been no changes in the share capital of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

5. Repurchase of our Company's own securities

A general unconditional mandate was granted to our Directors by the Shareholders pursuant to a written resolution passed on 17 November 2016 authorising them to exercise all powers of our Company to repurchase Shares on GEM, or any other stock exchange on which the Shares might be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following

the completion of the Placing (without taking into account any Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next general meeting of our Company was required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting varying, renewing or revoking such mandate, whichever is the earlier (the “Repurchase Mandate”).

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase in cash their securities on GEM subject to certain restrictions under the GEM Listing Rules on the repurchase by our Company of its own securities, a summary of which is as follows:

(a) Shareholders’ approval

All repurchases of securities, which must be fully paid up in the case of shares, by a company with primary listing on GEM must be approved in advance by an ordinary resolution of its shareholders whether by way of general mandate or by specific approval of particular transactions.

(b) Source of funds

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and the Articles, the GEM Listing Rules, the Companies Law and other applicable laws of the Cayman Islands. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company or out of proceeds of an issue of new Shares made for the purpose of the repurchase, or out of our Company’s share premium account or if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the GEM Listing Rules, the Companies Law and other applicable laws of the Cayman Islands.

In any event, our Directors do not intend to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) Exercise of the Repurchase Mandate

The exercise in full of the Repurchase Mandate, on the basis of 1,806,000,000 Shares in issue immediately after the Listing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), would result in up to 180,600,000 Shares i.e. up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme) being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

Under the GEM Listing Rules, shares proposed to be repurchased by a company must be fully paid-up. Under Cayman Islands law, any shares repurchased may be treated as cancelled on repurchase or held as treasury shares.

(f) General

A company may not issue or announce an issue of new securities for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise, other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. In addition, a company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM. The GEM Listing Rules also prohibit a company from repurchasing its securities on GEM if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage of that company as required by the Stock Exchange. A company is also prohibited from repurchasing its shares on GEM at any time after inside information has come to its knowledge until such time as the inside information is made publicly available.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Companies Law and other applicable laws of the Cayman Islands.

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not presently aware of any circumstances which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing.

The GEM Listing Rules prohibit our Company from knowingly repurchasing securities of our Company from a "core connected person", that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective close associates (as defined in the GEM Listing Rules). A core connected person shall not knowingly sell his shares to our Company on the Stock Exchange.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

The GEM Listing Rules further prohibit a company from purchasing its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

A company shall procure that any broker appointed by it to effect the repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchases made on behalf of the company as the Stock Exchange may request.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) Deed of Non-competition;
- (b) Underwriting Agreement;
- (c) Deed of Indemnity;
- (d) IP assignment agreement dated 15 July 2015 entered into between Mr. Ng as assignor and CMON Productions as assignee, in relation to the assignment of certain intellectual property rights at a consideration of S\$1;

- (e) IP assignment agreement dated 15 July 2015 entered into between Mr. Doust as assignor and CMON Productions as assignee, in relation to the assignment of certain intellectual property rights at a consideration of S\$1;
- (f) deed of novation dated 15 July 2015 entered into between CMON Productions, CMON Global, CMON SG, CMON Inc., CoolMiniOrNot Inc., Guillotine Games, Mr. Preti, Raphael Guiton, and Mr. Ng in relation to the transfer, release and discharge of certain obligations, rights, benefits, interests, duties and liabilities under the Zombicide Agreement;
- (g) rights assignment agreement dated 15 July 2015 entered into between Mr. Ng as assignor, CMON Inc. as assignee and CoolMiniOrNot Inc., in relation to the assignment of certain rights, interests, title and benefit at a consideration of S\$1 paid by the assignee to the assignor;
- (h) rights assignment agreement dated 15 July 2015 entered into between Mr. Doust as assignor, CMON Inc. as assignee and CoolMiniOrNot Inc., in relation to the assignment of certain rights, interests, title and benefit at a consideration of S\$1 paid by the assignee to the assignor;
- (i) asset purchase agreement and bill of sale dated 18 June 2015, entered into by CoolMiniOrNot Inc. (as seller) and CMON Inc. (as buyer), pursuant to which CoolMiniOrNot Inc. sold and assigned certain assets and inventories to CMON Inc. at a consideration of US\$240,751.00;
- (j) novation agreement dated 15 July 2015, entered into by CoolMiniOrNot Inc. (as transferor), CMON Productions (as transferee) and Eric Martin Lang (as counterparty), pursuant to which CoolMiniOrNot Inc. novated a content authoring agreement to CMON Productions;
- (k) novation agreement dated 15 July 2015, entered into by CoolMiniOrNot Inc. (as transferor), CMON Productions Inc. (as transferee) and Super Robot Punch, LLC (as counterparty), pursuant to which CoolMiniOrNot Inc. novated a publishing agreement (dated 6 February 2012) to CMON Productions;
- (l) novation agreement dated 15 July 2015, entered into by CoolMiniOrNot Inc. (as transferor), CMON Productions (as transferee) and Studio McVey Ltd (as counterparty), pursuant to which CoolMiniOrNot Inc. novated a publishing agreement (dated 1 June 2012) to CMON Productions;
- (m) novation agreement dated 15 July 2015, entered into by CoolMiniOrNot Inc. (as transferor), CMON Productions (as transferee) and Panache Animation S.A.R.L (as counterparty), pursuant to which CoolMiniOrNot Inc. novated a publishing agreement (dated 16 April 2013) to CMON Productions;

- (n) novation agreement dated 15 July 2015, entered into by CoolMiniOrNot Inc. (as transferor), CMON Productions (as transferee) and DRACMA 3D, SL (as counterparty), pursuant to which CoolMiniOrNot Inc. novated a publishing agreement (dated 19 February 2014) to CMON Productions;
- (o) novation agreement dated 15 July 2015, entered into by CoolMiniOrNot Inc. (as transferor), CMON Productions (as transferee) and Cyanide Studio (as counterparty), pursuant to which CoolMiniOrNot Inc. novated a publishing agreement (dated 11 April 2012) to CMON Productions;
- (p) deed of assignment and capitalisation dated 16 July 2015 entered into between CMON Holdings as assignor, the Company as assignee and CMON SG, in relation to the assignment of all the beneficial rights, interests, title and benefits of the CMON SG Debt at a consideration of 424,522,642 ordinary shares in the capital of the assignee, issued and allotted by the assignee to the assignor, amounting to an aggregate value of HK\$42,452.2642;
- (q) deed of assignment and capitalisation dated 16 July 2015 entered into between CMON Holdings as assignor, the Company as assignee and CMON Global, in relation to the assignment of all the beneficial rights, interests, title and benefits of the CMON Global Debt at a consideration of 325,467,358 ordinary shares in the capital of the assignee, issued and allotted by the assignee to the assignor, amounting to an aggregate value of HK\$32,546.7358;
- (r) a share transfer agreement dated 15 July 2015 entered into between Mr. Ng (as transferor) and CMON Productions (as transferee), pursuant to which Mr. Ng transferred 1 ordinary share in CMON Global (representing the entire issued share capital of CMON Global) to CMON Productions at the consideration of US\$1.00;
- (s) a share transfer agreement dated 15 July 2015 entered into between CMON Holdings (as transferor) and the Company (as transferee), pursuant to which CMON Holdings transferred 1 ordinary share in CMON Productions (representing the entire issued share capital of CMON Productions) to the Company at the consideration of US\$1.00;
- (t) a share transfer agreement dated 15 July 2015 entered into between Ms. Tan Yuh Ling (as transferor) and CMON Global (as transferee), pursuant to which Ms. Tan Yuh Ling transferred 2 ordinary shares in CMON SG (representing the entire issued share capital of CMON SG) to CMON Global at the consideration of S\$1.00;
- (u) a document entitled “Transfer of a Share or Shares” dated 15 July 2015 entered into between Mr. Ng (as transferor) and CMON Productions (as transferee) for the transfer of 1 ordinary share in CMON Global as referred to in item (r) above;

- (v) a document entitled “Transfer of a Share or Shares” dated 15 July 2015 entered into between CMON Holdings (as transferor) and the Company (as transferee) for the transfer of 1 ordinary share in CMON Productions as referred to in item (s) above;
- (w) a document entitled “Share Transfer” dated 15 July 2015 entered into between Ms. Tan Yuh Ling (as transferor) and CMON Global (as transferee) for the transfer of 2 ordinary shares in CMON SG as referred to in item (t) above; and
- (x) Supplemental Agreement.

2. IP rights of our Group

(a) Trade marks

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks in respect of the class of goods and services specified below:

Trademark	Place of Application	Beneficial Owner	Application No.	Classes	Status
Pledge Manager (word mark)	USA	CMON Productions	86902004	42	Pending
Massive Darkness (word mark)	USA	CMON Productions	86959929	9, 16 and 28	Pending
Zombicide	PRC	CMON Productions	17026706/ 17026706A	28	Pending
Zombicide	PRC	CMON Productions	17026707	16	Pending
Zombicide	PRC	CMON Productions	17026708	9	Pending
CMON (in a series of 2 marks)	Hong Kong	CMON Productions	303927303	28, 38, and 41	Pending

As at the Latest Practicable Date, the Group owned the following registered trademarks:

Trademark	Place of Registration	Beneficial Owner	Trademark No.	Classes	Date of Registration
CoolMiniOrNot (word mark)	USA	CMON SG	85314075	28, 38 and 41	27 December 2011
Zombicide (word mark)	USA	CMON Productions	85896638	9, 16 and 28	19 November 2013
CoolMiniOrNot	Hong Kong	CMON Productions	303453345	28, 38 and 41	25 June 2015

(b) Domain names

As at the Latest Practicable Date, the Group owned the following domain names:

Domain Name	Registration Date	Expiry Date
cmon.com	2000-08-09	2022-08-09
cmonexpo.com	2013-02-20	2018-02-20
cmon.co	2010-07-21	2019-07-20
zombicide.com	2008-10-02	2020-02-06
coolminiornot.com	2001-06-21	2017-06-21
tabletopgamingnews.com	2006-03-04	2018-03-04
dark-age.com	2001-12-27	2022-12-27
kaosball.com	2012-07-24	2017-07-24
wrathofkings.com	2011-09-13	2021-09-13
arcadiaquest.com	2012-07-27	2017-07-27
xenoshyft.com	2014-02-04	2019-02-04
rumandbones.com	2014-05-28	2019-05-28

Note: Pursuant to the universal terms of service agreement of Godaddy, the domain registrars of the Company and the domain names of the Company will be automatically renewed upon their expiry.

3. Properties

As at the Latest Practicable Date, the Group did not own any properties.

The Group currently leases three properties for its operations, comprising a total of 92,985 square feet of office and warehouse space in the USA.

The following table sets out the details of lease agreements entered into by our Group as at the Latest Practicable Date:

	Leased Property	Gross Floor Area	Lessor	Expiry date	Permitted Usage	Actual Usage	Monthly Rent
1.	1290 Old Alpharetta Road, Forsyth County, Georgia, USA	15,495 square feet	Windward V Associates	31 January 2018	office and warehouse	office and warehouse	1 December 2012–30 November 2013: US\$5,196 1 December 2013–31 July 2015: US\$5,809 1 August 2015–31 January 2017: US\$5,983 1 February 2017 to 31 January 2018: US\$6,455
2.	Ridgeland Parkway, Forsyth County, Alpharetta, Georgia, USA	61,750 square feet	Ridgeland 5 Parkway, LLC	120 months from date premises are complete and can be occupied	manufacturing, receiving, storing, shipping and selling (other than retail) products, material and merchandise made and/or distributed by the tenant	Not Applicable, Company has not occupied the premises	First 36 months: US\$28,817 per month Next 36 months: US\$29,846 per month Last 48 months: US\$30,875 per month
3.	1282 Old Alpharetta Road, Forsyth County, Georgia, USA	15,740 square feet	Windward V Associates	31 January 2018	office and warehouse space	office and warehouse	US\$8,526

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Disclosure of interests

(i) Disclosure of interests of our Directors

Save as disclosed in this prospectus, none of our Directors or their close associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(ii) Particulars of service contracts

Each of Mr. Ng, Mr. Doust and Mr. Koh, being our executive Directors, has entered into a service agreement with our Company on 27 July 2015, 28 September 2016 and 27 July 2015 respectively, for an initial term of three years commencing from the Listing Date until terminated by either party by giving not less than three months' notice in writing to the other. Each of our executive Directors is entitled to their respective director's fee. In addition, each of our executive Directors is also entitled to a discretionary bonus to be determined by the Board.

The current basic monthly director's fee payable to each of our executive Directors is as follows:

Name	Amount
Mr. Ng	S\$16,000
Mr. Doust	US\$12,000
Mr. Koh	S\$10,000

Each of Mr. Tan LK, Mr. Seow and Mr. Chong, our independent non-executive Directors, has entered into a letter of appointment with our Company on 17 November 2016. Each letter of appointment is for an initial term of three years commencing from the Listing Date, provided that either our Company or our independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other. Each of our independent non-executive Directors is entitled to a monthly director's fee of US\$3,000.

Mr. Chua, our non-executive Director, has entered into a letter of appointment with our Company on 27 July 2015. The letter of appointment is for an initial term of three years commencing from the Listing Date, provided that either our Company or Mr. Chua may terminate such appointment at any time by giving at least three months' notice in writing to the other. Mr. Chua is entitled to a monthly director's fee of US\$3,000.

Save as aforesaid, none of our Directors has or proposes to have a service contract or a letter of appointment with our Company or any subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(iii) Directors' remuneration

During each of the years ended 31 December 2014 and 2015, the aggregate remuneration paid and benefits in kind granted by our Group to our Directors were approximately US\$319,350 and US\$401,625 respectively. The aggregate remuneration payable and benefits in kind (excluding performance bonus and discretionary bonus) granted by our Group to our Directors for the year ending 31 December 2016 are expected to be approximately US\$456,000.⁽¹⁾

The Company's policies concerning remuneration of the executive Directors are:

- (i) the amount of remuneration is determined on the basis of the relevant Director's performance, responsibilities and commitment and the basis of salaries paid by comparable companies and tenure; and
- (ii) the Directors may be granted, at the discretion of the Board, options pursuant to the Share Option Scheme, as part of this remuneration package.

⁽¹⁾ Translated from Singapore dollars at a rate of S\$1.3820 = US\$1.00

Save as disclosed above, no other payments have been made or are payable in respect of the two financial years ended 31 December 2015 by any member of our Group to any of our Directors.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the two financial years ended 31 December 2015 respectively for (a) the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group (b) as an inducement to join or upon joining any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the two financial years ended 31 December 2015 respectively.

(iv) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately following the completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), the interests and short positions of our Directors and the chief executive officer in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once our Shares are listed, will be as follows:

Long position in our Shares:

Name of Director(s)	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding after the Placing
Mr. Ng ⁽¹⁾	interest in controlled corporation	870,248,078	48.19%
Mr. Doust ⁽²⁾	interest in controlled corporation	870,248,078	48.19%
Mr. Chua ⁽³⁾	interest in controlled corporation	322,669,232	17.87%

Notes:

- (1) The issued share capital of 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 DD SPV. Mr Ng is an executive Director of the Company 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 of the Company and the sole director of DD SPV.
- (3) Magic Carpet is a company incorporated in the Cayman Islands with its registered office at Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. Magic Carpet is a private equity investment fund managed by Quantum Asset Management Pte. Ltd. on a fully discretionary basis. Quantum Asset Management Pte. Ltd. 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 Management Pte. Ltd.. Our Directors confirm that prior to the Investment Agreement, each of Magic Carpet, Quantum Asset Management Pte. Ltd. and Mr. Chua was an Independent Third Party. Mr. Chua is a director of Magic Carpet.

(v) Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriter is set out in the paragraph headed “Underwriting — Commission and expenses” in this prospectus.

(vi) Related party transactions

During the years ended 31 December 2014 and 2015, our Group was engaged in related party transactions as described in Note 30 of the accountant’s report in Appendix I to this prospectus

(vii) Disclaimers

Save as disclosed in this prospectus:

- (i) taking no account of any Shares which may be taken up or acquired under the Placing or upon the exercise of the Offer Size Adjustment Option or any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following the completion of the Placing will have an interest or short position in the Shares and underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (ii) none of our Directors and chief executive has for the purpose of Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO, any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the paragraph headed “Other Information — 8. Qualifications of Experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Placing Shares either in his own name or in the name of a nominee;
- (iv) no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the paragraph headed “Other Information — 8. Qualifications of Experts” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

2. Interests of substantial shareholders and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors, immediately following the completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme), the following persons (excluding our Directors and chief executive) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Long position in our Shares:

Name	Capacity/ nature of interest	Number of Shares	Percentage of shareholding
CA SPV ⁽¹⁾	beneficial interest	870,248,078	48.19%
DD SPV ⁽¹⁾	beneficial interest	870,248,078	48.19%
Magic Carpet ⁽²⁾	beneficial interest	322,669,232	17.87%
Quantum Asset Management Pte. Ltd. ⁽²⁾	interest in controlled corporation	322,669,232	17.87%
Mr. Preti ⁽³⁾	interest in controlled corporation	116,033,076	6.42%
DP SPV ⁽³⁾	beneficial interest	116,033,076	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.
- (2) Magic Carpet is a company incorporated in the Cayman Islands with its registered office at Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. Magic Carpet is a private equity investment fund managed by Quantum Asset Management Pte Ltd on a fully discretionary basis. Quantum Asset Management Pte Ltd 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 Management Pte Ltd. Our Directors confirm that prior to the Investment Agreement, each of Magic Carpet, Quantum Asset Management Pte Ltd and Mr. Chua was an Independent Third Party. Mr. Chua is a director of Magic Carpet.
- (3) The issued shares of DP SPV is wholly owned by Mr. Preti. Therefore, Mr. Preti is deemed to be interested in the Shares held by DP SPV and he is a significant Shareholder (as defined by the GEM Listing Rules).

3. Share Option Scheme

(a) Principal terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to written resolutions of the Shareholders passed on 17 November 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to incentivise and/or to recognise and acknowledge the contributions that eligible persons have made or may make to our Group.

(ii) Who may join

Subject to the terms of the Share Option Scheme, the board of Directors shall be entitled at any time on a Business Day within the period of ten (10) years after the date of adoption of the Share Option Scheme have the absolute discretion to make an offer to any employee of (whether full time or part-time employee) the Group including any executive, non-executive Directors and independent non-executive Directors, advisors and consultants of the Group.

(iii) Maximum number of Shares

- (1) Notwithstanding anything to the contrary in the Share Option Scheme, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share options schemes of our Company shall not exceed 10% of the total number of Shares in issue immediately following completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option, or pursuant to the exercise of any options granted under the Share Option Scheme) unless our Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating such 10% limit.
- (3) The 10% limit set out in sub-paragraph (2) (“Scheme Mandate Limit”) may be refreshed by ordinary resolution of our Shareholders in general meeting, provided that (a) the total number of Shares which may be

issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company under the Scheme Mandate Limit as renewed shall not exceed 10% of the total number of Shares in issue as at the date of Shareholders' approval for refreshing the Scheme Mandate Limit; (b) options previously granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, outstanding, cancelled, or lapsed in accordance with the relevant scheme rules) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and (c) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, Chapter 23 of the GEM Listing Rules.

- (4) Our Company may seek separate approval from our Shareholders in general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that (a) the grant is only to eligible persons specifically identified by our Company before the approval is sought; and (b) a circular regarding the grant has been despatched to our Shareholders containing such relevant information from time to time as required by the GEM Listing Rules in relation to any such proposed grant to such eligible persons.

(iv) Maximum entitlement of each eligible person

No option shall be granted to any eligible person 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:

- (1) such grant has been duly approved, in the manner prescribed by the relevant provisions of the GEM Listing Rules, by resolution of our Shareholders in general meeting, at which the relevant eligible person and his close associates (or his associates if the relevant eligible person is a connected person) shall abstain from voting;
- (2) a circular regarding the grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of the GEM Listing Rules (including the identity of the relevant eligible person, the number and terms of the options to be granted and options previously granted to such relevant eligible person); and
- (3) the number and terms (including the exercise price) of such options are fixed before the Shareholders' approval and the date of the Board meeting approving such further grant of options to such eligible persons at which the same are approved.

For the purpose of calculating the Scheme Mandate Limit, options that have already lapsed in accordance with paragraph (xxi) below shall not be counted.

(v) *Grant of options to connected persons*

- (1) Where an option is to be granted to a Director, chief executive or substantial shareholder (or any of their respective associates) of any member of our Group, the grant shall not be valid unless it has been approved by our independent non-executive Directors, excluding any independent non-executive Director who is a prospective grantee of the option.
- (2) Where an option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - a. exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; and
 - b. exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5 million,

such grant shall not be valid unless:

- c. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in the relevant provisions of the GEM Listing Rules (including, in particular, a recommendation from our independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of the option) to our independent Shareholders as to voting); and
- d. the grant has been approved by our Shareholders in general meeting, at which the grantee, his associates and any Shareholder who is a core connected person of our Company shall abstain from voting in favour of the grant (except that such person may vote against such resolution subject to the requirements of the GEM Listing Rules).

For the purpose of calculating the Scheme Mandate Limit, options that have already lapsed in accordance with paragraph (xxi) below shall not be counted.

(vi) Time of acceptance and exercise of an option

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.

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

Subject to the other provisions of the Share Option Scheme, an option may be generally exercised in whole or in part by the grantee (or his personal representatives) at any time by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised, with a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 Business Days (excluding periods of closure of the Company's share registers) after receipt of a valid notice, the Company shall allot the Shares to the grantee, credited is fully paid upon issuance.

(vii) Performance targets

There is no performance target that has to be achieved before the exercise of any option.

(viii) Exercise price

The exercise price in respect of any particular option granted under the Share Option Scheme shall be a price determined by our board of Directors 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.

In the event the Shares cease to be listed on GEM, the exercise price shall be determined by the Board in good faith and in a manner consistent with all applicable laws including, without limitation, any requirement that consideration be given to (i) the price at which the securities of reasonably comparable corporations (if any) in the same industry are being traded; or (ii) if there are no such comparables, the earning history, book value and prospectus of the Company in light of prevailing market conditions.

(ix) Ranking of Shares

The Shares to be issued and allotted upon the exercise of an option shall be subject to the Memorandum and the Articles for the time being in force and shall rank pari passu in all respects with the existing fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(x) Restrictions on the time of grant of options

The Board shall not offer the grant of any option to any eligible person after

- (a) a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the GEM Listing Rules, or
- (b) during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the meeting of our Board for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement; and
- (c) during any other periods of time stipulated by the relevant rules of the GEM Listing Rules in relation to any restriction on the time of grant of options.

(xi) Period of the Share Option Scheme

Subject to earlier termination by our Company in general meeting or our board of Directors, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiration of the 10-year period referred to in this paragraph, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Subject to sub-paragraphs (xiii) and (xxi), where the holder of an outstanding option ceases to be an eligible person for any reason (other than death or for any reason referred to under sub-paragraph (xxi)(5)), the option shall lapse on the date of cessation and not be exercisable unless our board of Directors otherwise determines in which event the option shall be exercisable to the extent and within such period (not exceeding three months) as our board of Directors may determine.

(xiii) Rights on death

Subject to paragraph (xxi), where the grantee (being an individual) of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent which has become exercisable and not already exercised) within 12 months of the date of death (or within such longer period as our Board may determine) by his personal representative(s).

(xiv) Rights on a general offer

- (1) Subject to paragraph (xxi), if a general offer whether by way of takeover offer or share repurchase offer or otherwise in like manner is made to all our Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall give notice thereof to the grantee and the grantee (or his personal representative(s)) may, by delivering a notice in writing to our Company at any time within 14 days of such notice, exercise the option in full or in part (to the extent which has become exercisable and not already exercised).
- (2) Subject to paragraph (xxi), if a general offer by way of a scheme of arrangement is made to all our Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall give notice thereof to the grantee and the grantee (or his personal representative(s)) may, by delivering a notice in writing to our Company at any time within 14 days of such Shareholders' approval, exercise the option in full or in part (to the extent which has become exercisable and not already exercised).

(xv) Rights on winding-up

Subject to paragraph (xxi), in the event a notice is given by our Company to our Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the

relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(xvi) Rights on compromise or arrangement between our Company and its creditors

Subject to paragraph (xxi), in the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee credited as fully paid and registered the grantee as holder thereof.

(xvii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option has been granted and remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, our Company shall make corresponding alterations (if any) to:

- (1) the number or nominal amount of Shares subject to the options already granted so far as they remain unexercised; and/or
- (2) the exercise price; and/or
- (3) the method of exercise of the options; and/or
- (4) the maximum number of Shares referred to in paragraphs (iii) and (iv) above.

Any such adjustments made by the Company pursuant to a reorganisation of capital structure of our Company must give the relevant grantee the same proportion of equity capital as that to which that grantee was previously entitled, and any alterations made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but not greater than) as it was before such event. No such adjustments may be made to the extent that Shares would be issued at less than their nominal value and, unless with the prior approval of Shareholders in a general meeting, no such adjustments may be made to the advantage of the grantee.

In respect of any adjustments, other than any made on a capitalisation issue, the independent financial adviser of the Company or the Auditors must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance letter issued by the Stock Exchange dated 5 September 2005 as well as any further guidance of the GEM Listing Rules issued by the Stock Exchange from time to time.

The capacity of the independent financial adviser or the Auditors is that of experts and not as arbitrators and their certification shall be final and binding on the Company and all option-holders in the absence of fraud or manifest error. The cost of the independent financial adviser or the Auditors shall be borne by the Company.

(xviii) Cancellation of options

Subject to consent of the relevant grantee, our Board may cancel an option granted but not exercised at any time. Cancelled options may be reissued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Share Option Scheme and the GEM Listing Rules. Options may be granted to an eligible person in place of his cancelled options provided that there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (iii) above (or similar limit under any other scheme adopted by our Company) from time to time. For the avoidance of doubt, options which have been exercised shall not be included as cancelled options.

(xix) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or the board of Directors may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xx) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option.

(xxi) Lapse of option

The right to exercise an option (to the extent not already exercised) shall lapse immediately upon the earliest of:

- (1) the expiry of the option period;
- (2) the expiry of any of the periods referred to in sub-paragraphs (xii), (xiii) or (xiv)(1);
- (3) subject to a scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xiv)(2);
- (4) subject to paragraph (xv), the date of the commencement of winding-up of our Company;
- (5) in the event that the grantee was an employee or director of any member of our Group on the date of grant of option to him or her, the date on which such member of our Group terminates the grantee's employment or removes the grantee from his or her office on the ground that the grantee has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this paragraph shall be conclusive;
- (6) the date of the proposed compromise or arrangement referred to in paragraph (xvi) becomes effective; or
- (7) The happening of any of the following events (unless otherwise waived by the Board):
 - (a) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee (being a corporation);

- (b) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise becomes insolvent;
 - (c) there is an unsatisfied judgment, order or award outstanding against the grantee or the Company has reasons to believe that the grantee is unable to pay or has no reasonable prospects of being able to pay the grantee's debts;
 - (d) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in (a), (b) and (c) above;
 - (e) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
 - (f) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction,
- (8) the date on which the grantee commits a breach of any terms attached to the grant of an option (unless resolved to the contrary by the Board); or
 - (9) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria of the Share Option Scheme.

(xxii) Alterations to the Share Option Scheme

The provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the grantees as would be required of our Shareholders under the memorandum and articles of association for the time being of our Company for a variation of the rights attached to the Shares. Subject as aforesaid and to sub-paragraph (xxii)(2), the Share Option Scheme may be altered in any respect by resolution of our Board except that:

- a. any alterations to the terms of the Share Option Scheme which are material must be approved by the Stock Exchange (save for alterations which take effect automatically under the existing terms of the Share Option Scheme);

- b. any change to the authority of our Directors or the Share Option Scheme administrators in relation to any alterations must be approved by Shareholders in a general meeting; and
- c. the amended terms of the Share Option Scheme must comply with the relevant provisions of the GEM Listing Rules.

(xxiii) Conditions

The Share Option Scheme is conditional on:

- (1) the Listing Division granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Placing and any Shares which may fall to be issued pursuant to the exercise of any option up to 10% of the total number of Shares in issue immediately following completion of the Placing;
- (2) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (3) the commencement of dealings in the Shares on GEM.

(xxiv) Share capital

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(b) Present status of the Share Option Scheme

(i) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Further Information about Directors, Management, Staff and Experts — Share Option Scheme” in this appendix, were approved and adopted by the Shareholders on 17 November 2016.

(ii) Approval of the Listing Division required

The Share Option Scheme is conditional on:

- (1) the Listing Division granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Placing and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Placing;

- (2) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (3) the commencement of dealings in the Shares on GEM.

(iii) Application for approval

Application has been made to the Listing Division for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Placing (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option). The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 86,000,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares (without taking into account any Shares to be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option) unless the Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above mentioned.

(iv) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

OTHER INFORMATION**1. Tax and other indemnities**

Each of our Controlling Shareholders, pursuant to a deed of indemnity (referred to in the paragraph headed “Further Information about Our Business — Summary of Material Contracts” in this appendix), has undertaken to jointly and severally fully indemnify, and at all times keep each member of our Group full indemnified in respect of, among other things, all Taxation claims, demands, payments, suits, settlement payments, liabilities, claims, damages, losses, costs, expense, fines, actions and legal proceedings and any associated costs and expenses of whatever nature that any member of our Group may incur, suffer or accrue on or before the Listing Date, in connection to:

- (a) any estate duty which becomes payable by or recoverable against any member of our Group by reason of death of any person and by reason of the assets of any member of our Group being deemed for the purpose of estate duty to be included in the property passing on such death, in accordance with the relevant provisions of the Estate Duty Ordinance (Chapter 111 of the laws of Hong Kong);
- (b) any income, profits or gains earned, accrued or received (or deemed to be so earned accrued or received) on or before the Listing Date, or any event, occurring or deemed to occur on or before the Listing Date, where alone or in conjunction with any other event, whenever occurring and whether or not the relevant Taxation is chargeable against or attributable to any other person including any and all Taxation resulting from the receipt of any member of our Group of any amount payable by the Controlling Shareholders under the deed of indemnity (“Tax Indemnity”);
- (c) any breach or non-compliance with any law or regulation in any relevant jurisdiction on the part of any of our Controlling Shareholders or any member of our Group, or any matter arising from or in connection with investments made by our Controlling Shareholders in any member of our Group and/or the reorganisation of the share capital structure and shareholdings of any member of the Group prior to the Listing Date which would have any direct or indirect adverse effect on the business or financial condition of any member of our Group;
- (d) there being or occurring (or deemed to be or to occur) any act, omission, event, default, breach or any other event of default or any event in relation to any of our Controlling Shareholders which has or would have the effect of accelerating or permitting the acceleration of the repayment of any indebtedness or giving rise to an obligation or liability or right of enforcement of such obligation or liability of any member of our Group under any loan and/or security documents or arrangements relating to such indebtedness;
- (e) any irregularities in relation to any corporate documents of any member of our Group; and

- (f) any litigation, arbitration, claims (including counter claims), complaints, demands and/or proceedings whether criminal, administrative, contractual or tortuous in nature, instituted by or against any member of our Group which was issued/accused/arising from any act, non-performance, omission or otherwise of any member of our Group.

Our Controlling Shareholders shall not be liable for the Tax Indemnity:

- (a) to the extent that provision has been made for such Taxation in the audited accounts of our Group for the Track Record Period;
- (b) to the extent that liability for such Taxation would not have arisen but for some act or omission of, or transaction entered into by a member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of our Controlling Shareholders other than such act or omission carried out or effected in the course of normal day to day operations or carried out, made or entered into pursuant to a legally binding commitment created on or before Listing;
- (c) to the extent that any provisions or reserve made for Taxation in the audited accounts of the Group up to twelve months ended 31 December 2015 is finally established to be an over-provision or an excessive reserve, in which case our Controlling Shareholders' liability (if any) in respect of Taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of Taxation shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess reserve shall only be applied to reduce the liability of our Controlling Shareholders as aforesaid and no member of our Group shall in any circumstances be liable to pay our Controlling Shareholders any such excess; and
- (d) to the extent that such Taxation arises or is incurred as a consequence of any change in the law having retrospective effect and coming into force after the date hereof or to the extent that such Taxation arises or is increased by an increase in rates of Taxation after the Listing Date with retrospective effect.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands and in other jurisdictions in which the companies comprising our Group are incorporated.

3. Litigation

As at the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

4. Compliance adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed China Galaxy International Securities (Hong Kong) Co., Limited as its compliance adviser for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing on the Listing Date.

5. Preliminary expenses

The preliminary expenses of our Company are approximately US\$5,460 and have been paid by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Magic Carpet
Place of incorporation:	Cayman Islands
Date of incorporation:	24 May 2011
Registered office:	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands
Number of Sale Shares to be sold:	17,000,000 Shares

8. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
China Galaxy International Securities (Hong Kong) Co., Limited	Licensed to conduct Type 1, Type 4 and Type 6 regulated activities under the SFO
Conyers Dill & Pearman	Company's Cayman Islands legal advisers
Troutman Sanders LLP	Company's US Legal Advisers
PricewaterhouseCoopers	Certified Public Accountants
Shook Lin & Bok LLP	Company's Singapore legal advisers
Stephenson Harwood	Company's Hong Kong legal advisers

9. Consents of experts

Each of the experts named in paragraph 8 above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters or opinions (as the case may be) and the references to their names or summaries of opinions in the form and context in which they are respectively included.

10. Independence of the Sole Sponsor and its fees

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sole Sponsor for acting as the Sole Sponsor of the Listing;
- (b) by way of an incentive fee to be paid to the Sole Sponsor for acting as the sole sponsor to the Placing pursuant to the Underwriting Agreement;
- (c) certain associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after its Listing on GEM; and
- (d) by way of the compliance advisory fee to be paid to China Galaxy International Securities (Hong Kong) Co., Limited. as our Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules.

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Listing, any interest in any class of securities of our Company or any of its subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group. The Sole Sponsor is independent from our Group under Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor's fees of the Listing are approximately HK\$5.8 million and are payable by our Company.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Share registers

Our Company's principal register of members is maintained at the offices of Codan Trust Company (Cayman) Limited of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and a branch register of members will be maintained by Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queens Road East, Hong Kong, our Company's branch share registrar in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with and registered by our Company's branch share registrar in Hong Kong, and may not be lodged for registration with the principal share registrar in the Cayman Islands.

13. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue of the Shares or on an instrument of transfer in respect of a Share.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors, the Sole Sponsor or the other parties involved in the Placing will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

14. Bilingual document

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

15. Miscellaneous

Save as disclosed herein, within the two years preceding the date of this prospectus:

- (a) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
- (c) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued;
- (d) no cash, securities or other benefit has been paid, allotted or given nor are proposed to be paid, allotted or given, in connection with the Placing and the related transactions described in this prospectus;
- (e) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (f) our Directors confirm that save for the expenses to be incurred for the Listing, there has been no material adverse change in the financial or trading position or prospects of our Group since May 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up); and
- (g) there has not been any interruption in the business of our Group which may bare or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the (a) written consents referred to in the paragraph headed “Other Information — 8. Consents of experts” in Appendix IV to this prospectus; and (b) copies of the material contracts referred to in the paragraph headed “Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stephenson Harwood at 18th Floor, United Center, 95 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum;
- (b) the Articles;
- (c) the legal opinion of US Legal Advisers, Troutman Sanders LLP in relation to compliance of CMON Inc. and CMON Conventions during the Track Record Period;
- (d) the legal opinion of Singapore legal counsel, Shook Lin & Bok LLP in relation to compliance of CMON SG during the Track Record Period;
- (e) the legal opinion of Hong Kong legal counsel, Stephenson Harwood in relation to the acting-in-concert confirmation letter executed by Mr. Doust and Mr. Ng;
- (f) the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (g) the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2014 and 31 December 2015 and for the five months ended 31 May 2016;
- (h) the report on unaudited pro forma financial information issued by PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (i) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands law as referred to in Appendix III to this prospectus;
- (j) the Companies Law;

- (k) the material contracts referred to in the paragraph headed “Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (l) the service contracts referred to in the paragraph headed “Further Information about Directors, Management, Staff and Experts — 1. Disclosure of interests — (ii) Particulars of service contracts” in Appendix IV to this prospectus;
- (m) the rules of the Share Option Scheme referred to in the paragraph headed “Further Information about Directors, Management, Staff and Experts — 3. Share Option Scheme” in Appendix IV to this prospectus; and
- (n) the written consents referred to in the paragraph headed “Other Information — 8. Consents of experts” in Appendix IV to this prospectus.



CMON Limited