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## **CMON LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1792)**

### **THIRD QUARTERLY UPDATE ANNOUNCEMENT ON THE RESUMPTION PROGRESS**

This announcement is made by CMON Limited (the “**Company**” and, together with its subsidiaries or any one of them, the “**Group**”) pursuant to Rule 13.09(2)(a) and Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to (i) the announcements of the Company dated 26 March 2020, 27 March 2020 and 1 April 2020 in relation to, amongst others, the delay in publication of annual results and possible delay in dispatch of annual report for the year ended 31 December 2019 and suspension of trading; (ii) the announcement of the Company dated 15 June 2020 in relation to, among others, the Company’s intention to form an Investigation Committee and commission an independent Investigation; (iii) the announcement of the Company dated 23 June 2020 in relation to the guidance received from the Stock Exchange regarding the resumption of trading of the Company’s shares on the Stock Exchange; (iv) the announcement of the Company dated 30 June 2020 (the “**First Quarterly Update**”) and 30 September 2020, being the quarterly update announcements on resumption progress; (v) the announcement of the Company dated 7 July 2020 in relation to the formation of the Investigation Committee and the appointment of Mazars as independent investigator; (vi) the announcements of the Company dated 2 July 2020, 31 July 2020, 4 August 2020, 7 August 2020 and 27 August 2020 and the circular of the Company dated 7 July 2020 in relation to, amongst others, the annual general meeting of the Company held on 31 July 2020 and the results thereof, the proposed appointment of Zhonghui as the auditor of the Company and the notice of the extraordinary general meeting of the Company for the appointment of Zhonghui as the auditor of the Company held on 27 August 2020 and the results thereof; (vii) the announcement dated 23 October 2020 in relation to the finalization and issuance of the

independent Investigation Report to the Investigation Committee; (viii) the announcements dated 27 November 2020 containing the audited final results for the year ended 31 December 2019 (the “**2019 Annual Results**”) and the unaudited interim results for the six months ended 30 June 2020 (the “**2020 Interim Results**”); (ix) the annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the interim report for the six months ended 30 June 2020 (the “**2020 Interim Report**”), each published on 30 November 2020; and (x) the announcement and circular dated 30 November 2020 in relation to the extraordinary general meeting for the adoption of the audited consolidated financial statements of the Group for the year ended 31 December 2019 (“**FY2019**”).

Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 30 September 2020 (the “**Second Quarterly Update**”).

This announcement sets out (i) the business operations of the Group and (ii) a summary of the Company’s progress in implementing the resumption plan as set out in the First Quarterly Update and the Second Quarterly Update.

## **BUSINESS OPERATIONS**

The Group is a hobby games publisher specialising in developing and publishing mainly tabletop games (including board games and miniature war games). The Group has also developed and launched mobile games since 2015. In 2018, the Group launched its first computer game.

The Group publishes both self-owned games and licensed games, as well as distributes third party games. The Group sells its games mainly through Kickstarter and to wholesalers. The Group also sells directly to end users through its own physical store in Singapore and at game conventions, both online and physical (where possible), held two to three times a year.

As at the date of this announcement, the Group offered a total of 93 games, comprising 87 board games, three miniature war games, two mobile games and one computer game.

As a result of the coronavirus (COVID-19) pandemic (the “**Pandemic**”), the sales of our tabletop games is expected to record a decline for the financial year ended 31 December 2020 as compared to FY2019. The Board will continue to assess the impact of the Pandemic on the operations and performance of the Group, and will take appropriate measures as necessary and make further announcements as and when appropriate.

## UPDATE ON RESUMPTION PROGRESS

As disclosed in the Company's announcement dated 23 June 2020, the Company was notified by the Stock Exchange of the following Resumption Guidance for the Company:

- (i) conduct an appropriate investigation into the issues raised by the Company's former auditors, announce the findings and take appropriate remedial actions;
- (ii) publish all outstanding financial results and address any audit modifications; and
- (iii) announce all material information for the Company's shareholders and other investors to appraise the Company's position.

The Board would like to provide the following updates on the status of the satisfaction of the resumption conditions pursuant to the Resumption Guidance.

### **Resumption Condition (i) — conduct an appropriate investigation into the issues raised by the Company's former auditors, announce the findings and take appropriate remedial actions**

As disclosed in the Company's announcement dated 26 March 2020, the Audit Issues are in relation to: (i) the Distribution Agreement; (ii) the rationale and substance of the significant increase in the prepayment balance as at 31 December 2019; and (iii) other documents and information as required by the former auditors for their audit procedures on certain audit issues including going concern. As disclosed in the Company's announcement dated 7 July 2020, the Board established the Investigation Committee comprising all members of the audit committee of the Board (the "**Audit Committee**"), to look into and investigate the Audit Issues.

#### ***Audit Issue in relation to the Distribution Agreement***

In the Company's announcement dated 7 July 2020, the Company disclosed that the Board resolved to appoint Mazars as an independent professional party to conduct the Investigation and produce the Investigation Report containing findings of the Investigation together with the internal control recommendations to the Investigation Committee.

As disclosed in the Second Quarterly Update, Mazars has completed the Investigation and issued the draft Investigation Report, the key findings of which are summarised therein. The Investigation Committee agreed with Mazars' findings and internal control recommendations, and resolved to recommend such additional internal control policies to be proposed for adoption by the Board. The details of the draft Investigation Report was disclosed in the Second Quarterly Update. Subsequently, under the supervision of Mazars, the Board adopted all of the internal control recommendations proposed by Mazars and the Group revised its internal control policies. Mazars then issued the final

Investigation Report on 14 October 2020, and the Company disclosed in further detail the adoption of Mazars' internal control recommendations and the issuance of the final Investigation Report in its announcement dated 23 October 2020.

The Investigation Committee is satisfied with the results of the Investigation and considers the internal control recommendations made by Mazars to be sensible and helpful in mitigating the risk of similar issues arising in the future.

Zhonghui, the current auditor of the Company, has also obtained and assessed the Investigation Report and surrounding information, including the Confirmation Letter and the Legal Advice. Zhonghui considers that the Investigation undertaken by Mazars together with the Investigation Committee and the information and documents provided by the Company for the purposes of the audit adequately addresses all the matters raised by the former auditors in respect of the Distribution Agreement and adequately takes up their suggestions for addressing such Audit Issue.

***Audit Issue concerning prepayment balances, etc.***

As disclosed in the Second Quarterly Update, the rationale behind the significant increase of prepayments of the Group as at 31 December 2019 is due to the ongoing design, development and production of the Group's games, which requires advance payments to be made to certain third party suppliers who are involved in such design, development and production processes.

In the course of Zhonghui's audit of the Group's FY2019 financial statements, Zhonghui considered and concluded their audit of the prepayment balances of the Group as at 31 December 2019. Zhonghui communicated to the chairman of the Investigation Committee that they were not aware of any issue or irregularity in the list of prepayments as at 31 December 2019 and the majority of prepayments have been utilized based on their latest accounting records. The chairman of Investigation Committee was informed by Zhonghui that based on their audit of the Group's FY2019 financial statements, which has concluded, they were satisfied with the results of their audit and no audit modification relating to the prepayments for FY2019 would be issued. The Investigation Committee also reviewed the list of prepayments as at 31 December 2019 and 30 June 2020 and the movement of such prepayments during the 6 months ended 30 June 2020. Based on such review, the prepayments were paid to genuine suppliers and the majority of the prepayments as at 31 December 2019 were utilized in the six months ended 30 June 2020.

As disclosed in the Company's announcement dated 26 March 2020, the remaining Audit Issue concerns the provision of certain outstanding documents and information as required by the former auditors for their audit procedures on certain audit issues including going concern. In order to conclude the audit of the Group's FY2019 financial statements, Zhonghui satisfied itself that the documents and information provided by the Company adequately addressed such outstanding matters.

Accordingly, the Company and the Investigation Committee did not consider that the Audit Issues concerning the (i) increase in prepayments as at 31 December 2019 and (ii) the other outstanding documents and information identified by the former auditors require an independent investigation, as they would be addressed as part of Zhonghui's audit of the Group's FY2019 financial statements.

As such, in the Second Quarterly Update, the Company stated that it intended to allow Zhonghui to address such Audit Issues as part of their audit procedures of the Group's FY2019 financial statements. Zhonghui was satisfied with the results of their audit procedures and has not requested such independent investigation and have not issued a modified opinion on the basis of such matters. The Company has published the audited 2019 Annual Results (please see below for details) as such Audit Issues have been resolved with Zhonghui.

In order to avoid encountering similar audit issues in the future, as disclosed in the Second Quarterly Update and the Company's announcement dated 23 October 2020, Mazars had recommended in its Investigation Report an internal control policy requiring the CFO to inform the Audit Committee and consult with the Group's auditors should he encounter a technically complex or technically challenging accounting matter which may have a material financial impact on the Group. Where necessary, the Audit Committee may advise the CFO to obtain an independent accounting opinion to assist with the resolution of such accounting matters. The Board has adopted such a policy and believes that, going forward, it would ensure that complex accounting matters would be resolved in a prompt and timely manner in consultation with the Audit Committee and the Company's auditors.

In light of the foregoing, the Investigation Committee and the Company consider that the Audit Issues have been duly and satisfactorily addressed and appropriate remedial action has been taken and that, where appropriate, the Company has published the findings of any investigation into the Audit Issues.

**Resumption Condition (ii) — publish all outstanding financial results and address any audit modifications**

As at the date of this announcement, the Company has published all outstanding financial results, namely the 2019 Annual Results, 2019 Annual Report, 2020 Interim Results and 2020 Interim Report on the dates and accessible at the weblinks as follows:

<b>Date of publication</b>	<b>Financial results/reports</b>	<b>Weblinks</b>
27 November 2020	2019 Annual Results	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1127/2020112701207.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1127/2020112701207.pdf</a>
27 November 2020	2020 Interim Results	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1127/2020112701231.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1127/2020112701231.pdf</a>
30 November 2020	2019 Annual Report	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1130/2020113001547.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1130/2020113001547.pdf</a>
30 November 2020	2020 Interim Report	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1130/2020113001715.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1130/2020113001715.pdf</a>

An extraordinary general meeting of the Company was duly convened on 23 December 2020 in which the resolution to adopt the audited consolidated financial statements of the Company for FY2019 was passed by ordinary resolution of the shareholders.

**Resumption Condition (iii) — announce all material information for the Company’s shareholders and other investors to appraise the Company’s position**

Since the suspension of trading of shares in the Company, the Company has informed, and will continue to inform, its shareholders and investors of all material information to appraise the Company’s position by way of announcements on the website of the Stock Exchange.

**SUBMISSION OF RESUMPTION REQUEST**

The Company has submitted a resumption proposal on 14 December 2020 to the Stock Exchange which is under review. The Company will continue to work towards resumption and aims to resume the trading of its shares as soon as practicable. The Company will continue to disclose further material updates as and when appropriate in accordance with the Listing Rules.

## **UPDATE ON THE TIMELINE FOR THE FULFILLMENT OF THE RESUMPTION CONDITIONS**

The following table sets forth the events and timetable of the Company's actions to satisfy the resumption conditions under the Resumption Guidance:

<b>Action</b>	<b>Timetable</b>
Appointment of Mazars, an independent professional party, to conduct the Investigation	6 July 2020
Formation of the Investigation Committee	7 July 2020
Production by Mazars of a report of findings (with internal control recommendations) to the Investigation Committee	30 September 2020
Announcement by the Company of the findings of the Investigation	30 September 2020
Announcement by the Company of the adoption of the internal control recommendations of Mazars	23 October 2020
Publication of the 2019 Annual Results	27 November 2020
Publication of the 2020 Interim Results	27 November 2020
Publication of the 2019 Annual Report	30 November 2020
Publication of the 2020 Interim Report	30 November 2020
Extraordinary general meeting adopting the audited consolidated financial statements of the Company for FY2019	23 December 2020
Resumption of trading in the shares of the Company	Subject to the Stock Exchange's approval



## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2020 and will continue to be suspended until the Company fulfills the Resumption Guidance. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

By Order of the Board

**CMON Limited**

**Ng Chern Ann**

*Chairman, Joint Chief Executive Officer and Executive Director*

Singapore, 30 December 2020

*As at the date of this announcement, the executive Directors are Mr. Ng Chern Ann, Mr. David Doust and Mr. Koh Zheng Kai; the non-executive Director is Mr. Frederick Chua Oon Kian; and the independent non-executive Directors are Mr. Chong Pheng, Mr. Wong Yu Shan Eugene and Mr. Choy Man.*