

ICANDY INTERACTIVE LIMITED
ABN 87 604 871 712

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | |
|---|----|------|----|--------------|
| Revenue from ordinary activities | Up | 838% | to | \$ 1,446,319 |
| Loss from ordinary activities attributable to members | Up | 131% | to | \$ 578,449 |
| Net loss for the period attributable to members | Up | 131% | to | \$ 578,449 |

The Company was incorporated on 20 March 2015. The comparative figures are for nine months.

No dividend has been paid during the financial year. No dividend has been proposed or declared since the end of the financial year end.

Revenue from ordinary activities \$1,446,319 compared to last year's revenue of \$154,246.

Net loss attributable to members \$578,449 compared to last year's loss of \$250,254.

Loss per share of (0.25 cents) compared with last year's loss of (0.14 cents).

Diluted loss per share of (0.23 cents) compared with last years loss of (0.00 cents).

REVIEW OF OPERATIONS

For the Financial Year Ended 31 December 2016 the Company has pursued its business objectives to drive up revenue through the development and publishing of interactive mobile games. The revenue stream is derived from the following:

- In-Game Purchase – In-house developed games are designed especially to include virtual items or certain unique game-play mechanisms that require gamers to make purchases – via micro-payments through app stores (such as Apple App Store or Google Play Store) – of a 'special pass ticket' and/or extra 'life' to unlock the next level of the game.
 - Mobile Advertising – Advertising on mobile devices now represents an important revenue stream for mobile content developers. Advertisements can take the form of video or still-image banners. Typically they will appear at the beginning of every new level or chapter of the games.
 - Publishing – The Company can enter into publishing arrangements with third-party mobile game studios where the agreed upon game titles will be published and marketed by the Company, in exchange for a revenue share of the income generated from the games.
- Outsourced Games Development – Occasionally the Company would take on assignments where it develops interactive mobile games on behalf of a corporate client that could (typically) be a large video game company. The Company will charge a one-off software development fee and/or ongoing licensing royalty fees.

During the financial year under review the Company has successfully developed and published several new mobile game titles. The mobile games published by the Company achieved more than 3.2 million downloads internationally, several of them frequently featured in the New or Recommended pages on Apple App Store (IOS) and Google Play store (Android). To date, the Company's mobile games have reached an estimated 20 million global downloads.

The Company's games are available worldwide, although the majority of their downloads come from English-speaking countries in the Asia Pacific region. As part of its expansion plans, the Company has now developed capabilities to expand into non-English markets; the Company's mobile games are now regularly localised to French, Spanish, Italian, Korean, Japanese, Chinese, Russian for international marketing.

During the financial period the Company has also demonstrated the increased monetisation capability of its games. The Company focuses on the development of highly engaging and challenging mobile games. The Company's immediate geographical focus for growth will be the Asia Pacific region, before moving to the rest of the world.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Consolidated Group | |
|---|--------------------|--|
| | 2016 | 9 Months ending 31 December 2015 |
| | \$ | \$ |
| Revenue | 1,446,319 | 154,246 |
| Other income | - | 92 |
| Cost of sales | (346,249) | (2,618) |
| Gross Profit | <u>1,100,070</u> | <u>151,720</u> |
| Marketing expenses | (261,091) | (7,803) |
| Accounting fees | (27,060) | (8,000) |
| Audit fees | (14,658) | (23,882) |
| Professional fees | (673,573) | (58,161) |
| Legal fees | (28,172) | (964) |
| Occupancy expenses | (17,075) | (15,902) |
| Employee benefits expense | (133,497) | (192,575) |
| Depreciation | (318,102) | (52,558) |
| Computer expenses | (6,169) | (5,784) |
| Other expenses | (186,731) | (13,326) |
| Travel expenses | (8,542) | (20,528) |
| Finance expenses | (3,849) | (2,491) |
| Loss before income tax | <u>(578,449)</u> | <u>(250,254)</u> |
| Income tax expense | - | - |
| Loss for the year attributable to members of the company | <u>(578,449)</u> | <u>(250,254)</u> |
| Other comprehensive income: | | |
| Items that will not be reclassified to profit or loss | | |
| Exchange difference on translating foreign controlled entities | (197,154) | (3,200) |
| Other comprehensive income for the period, net of tax | <u>(197,154)</u> | <u>(3,200)</u> |
| Total comprehensive income for the period | <u>(775,603)</u> | <u>(253,454)</u> |
| Loss attributed to: | | |
| Owners of the parent | (578,449) | (250,254) |
| Non-controlling interest | - | - |
| | <u>(578,449)</u> | <u>(250,254)</u> |
| Total comprehensive income attributed to: | | |
| Owners of parent entity | (578,449) | (250,254) |
| Non-controlling interest | - | - |
| | <u>(578,449)</u> | <u>(250,254)</u> |
| Earnings per share | | |
| Basic loss per share (cents) | (0.25) | (0.14) |
| Diluted loss per share (cents) | (0.23) | - |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

| | Consolidated Group | |
|----------------------------------|--------------------|------------------|
| | 2016 \$ | 2015 \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 645,505 | 427,197 |
| Trade and other receivables | 1,509,685 | 167,970 |
| Other assets | 303,693 | 98,541 |
| TOTAL CURRENT ASSETS | <u>2,458,883</u> | <u>693,708</u> |
| NON-CURRENT ASSETS | | |
| Trade and other receivables | 37,509 | - |
| Property, plant and equipment | 18,942 | 15,119 |
| Intangible assets | 1,130,341 | 202,461 |
| TOTAL NON-CURRENT ASSETS | <u>1,186,792</u> | <u>217,580</u> |
| TOTAL ASSETS | <u>3,645,675</u> | <u>911,288</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 232,995 | 753,271 |
| TOTAL CURRENT LIABILITIES | <u>232,995</u> | <u>753,271</u> |
| NON-CURRENT LIABILITIES | | |
| Trade and other payables | 572,407 | 639,773 |
| TOTAL CURRENT LIABILITIES | <u>572,407</u> | <u>639,773</u> |
| TOTAL LIABILITIES | <u>805,402</u> | <u>1,393,044</u> |
| NET ASSETS | <u>2,840,273</u> | <u>(481,756)</u> |
| EQUITY | | |
| Issued capital | 24,159,330 | 20,061,697 |
| Reserves | (20,490,354) | (20,293,199) |
| Accumulated losses | (828,703) | (250,254) |
| TOTAL EQUITY | <u>2,840,273</u> | <u>(481,756)</u> |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Issued Capital | Accumulated Losses | Foreign Currency Translation Reserve | Other Components of Equity | Total |
|---|-------------------|-----------------------|---|----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | | |
| Balance at 20 March 2015 | - | - | - | - | - |
| Comprehensive Income | | | | | |
| Loss for the year | - | (250,254) | - | - | (250,254) |
| Other comprehensive income for the year | - | - | (3,200) | - | (3,200) |
| Total comprehensive income for | - | (250,254) | (3,200) | - | (253,454) |
| Transactions with owners, in their | | | | | |
| Shares issued during the year | 20,362,076 | | | | 20,362,076 |
| Transaction costs | (300,379) | | | - | (300,379) |
| Premium on assets acquired | | | | (20,289,999) | (20,289,999) |
| Total transactions with owners | 20,061,697 | (250,254) | (3,200) | (20,289,999) | (481,756) |
| Balance at 31 December 2016 | 20,061,697 | (250,254) | (3,200) | (20,289,999) | (481,756) |
| Balance at 1 January 2016 | 20,061,697 | (250,254) | (3,200) | (20,289,999) | (481,756) |
| Comprehensive Income | | | | | |
| Loss for the year | - | (578,449) | | | (578,449) |
| Other comprehensive income for the year | | | (197,155) | | (197,155) |
| Total comprehensive income for | - | (578,449) | (197,155) | - | (775,604) |
| Transactions with owners, in their | | | | | |
| Shares issued during the year | 4,500,000 | | | | 4,500,000 |
| Transaction costs | (402,367) | | | | (402,367) |
| Total transactions with owners | 4,097,633 | - | - | - | 4,097,633 |
| Balance at 31 December 2016 | 24,159,330 | (828,703) | (200,355) | (20,289,999) | 2,840,273 |

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Consolidated Group | |
|--|--------------------|--|
| | 2016 | 9 Months ending 31 December 2015 |
| Net cash flows from operating activities | | |
| Receipts from customers | 811,616 | 190,210 |
| Payments to suppliers & employees | 53,200 | 1,329 |
| Interest income | (1,770,466) | (156,834) |
| Net cash inflow/ (outflow) from operating activities | <u>(905,650)</u> | <u>34,705</u> |
| Cash flows from investing activities | | |
| Purchase of intangible assets | (14,282) | (3,069) |
| Purchase of subsidiary | (1,235,524) | - |
| Loans to related parties: | (302,532) | - |
| - payments made | (1,223,729) | - |
| - proceeds from repayments | 196,328 | - |
| Net cash provided by (used in) investing activities | <u>(2,579,739)</u> | <u>(3,069)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 4,117,584 | - |
| Proceeds from borrowings - related party | - | 177,012 |
| Proceeds from Pre-IPO funds received | - | 382,416 |
| Payments for capital raising costs | (402,367) | (300,379) |
| Loans from related parties: | - | - |
| - payments made | (20,797) | - |
| - proceeds from repayments | 10,986 | - |
| Net cash provided by (used in) financing activities | <u>3,705,406</u> | <u>259,049</u> |
| Net increase in cash held | 220,017 | 290,685 |
| Cash and cash equivalents at beginning of | 427,197 | 136,182 |
| Effect of exchange rates on cash holdings in | (1,709) | 330 |
| Cash and cash equivalents at end of financial year | <u>645,505</u> | <u>427,197</u> |

SEGMENT INFORMATION

The Group operates in three geographical segments, Australia, Singapore and Malaysia.

ACCUMULATED LOSSES

Consolidated Group
9 Months
ending 31
December
2015
\$

| | | |
|---|------------------|------------------|
| Accumulated losses at beginning of the financial period | (250,254) | - |
| Net loss attributable to members | (578,449) | (250,254) |
| Accumulated losses at end of financial period | <u>(828,703)</u> | <u>(250,254)</u> |

EARNINGS PER SHARE

| | | |
|---|-----------|-----------|
| Loss used to calculate basic and dilutive EPS | (828,703) | (250,254) |
|---|-----------|-----------|

Number
9 Months
ending 31
December
2015

| | | |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS | 227,377,596 | 173,598,723 |
| Weighted average number of dilutive options outstanding | 256,005,192 | - |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS | <u>483,382,788</u> | <u>173,598,723</u> |
| Basic earnings/(loss) per share (cents) | (0.25) | (0.14) |
| Diluted earnings/(loss) per share (cents) | (0.23) | - |

Potential ordinary shares not considered dilutive

As at 31 December 2016, the Company had no unlisted options on issue.

NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share at 31 December 2016, (0.746 cents), and at previous corresponding period, (-0.331 cents).

EVENTS SUBSEQUENT TO REPORTING DATE

As announced on the 24 January 2017, the acquisition of Inzen Studio Pte Ltd has become unconditional. At the date of this report, the completion is pending the signatures of the share allottees which the Company hopes would be received shortly.

COMPLIANCE STATEMENT

The financial information provided in the Appendix 4E is based on the annual financial report, which is being prepared in accordance with Australian accounting standards or standards acceptable to ASX.

This report and the accounts upon which the report is based use the same accounting policies.

In the Directors Opinion this report does give a true and fair view of the matters disclosed.

This report is based on accounts which are in the process of being audited.

The financial report is not likely to be the subject of dispute or qualification.



Signed:

Donald H Low
Director

28 February 2017

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