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ICANDY INTERACTIVE LIMITED
(ASX:ICI)
(ACN 604 871 712)
AND ITS CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2016

Annual Report

31 December
2016



Chairman's Statement

Dear Shareholders,

I am pleased to present to you our Annual Report for the financial year ended 31 December 2016.

It has been a good year for a company. Our revenue has grown 633% to AUD1.131million compared to previous financial year. This huge jump in revenue is largely due to the business model of the company that is now gaining traction.

The smartphone games developed and published by us have now reached an installation base of more than 20 million downloads. One of the most notable new game-title we rolled out during the year was Crab War which had been frequently featured and recommended on both Google Play store and Apple Appstore.

Our games studios had grown in size during the year and were continuously upgrading themselves with new skills and knowledge in the art of making games. The growth of our business is attributed to the talent and passion that our team has. We will continue to invest in building this talent capital that will be ever more important to bring our business to the next level of success.

There is no doubt that smartphone is an integral and important part of the digital economy the world now lives in. Our business is one that will thrive by bringing the best entertainment, via interactive games, to the growing smartphone audience across the international markets we are in.

Thank you.

Kin Wai, Lau
Chairman
iCandy Interactive Limited

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

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**Financial Report For The Year Ended
31 December 2016**

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Financial Report For The Year Ended 31 December 2016

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ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CORPORATE GOVERNANCE STATEMENT

iCandy Interactive Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council as well as current standards of best practice. The corporate governance statement is current as at the date of this report and has been approved by the Board.

Our approach to corporate governance

(a) Framework and approach to corporate governance and responsibility

The Board of iCandy Interactive Limited ("the Company") is committed to maintaining the highest standards of corporate governance.

Corporate governance is about having a set of values that underpin the company's everyday activities - values that ensure fair dealing, transparency of actions, and protect the interests of stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board's approach has been to be guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements.

(b) Compliance with the ASX Corporate Governance Principles and Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations in the reporting period.

Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision and can be found on pages 7 - 14.

This Governance Statement describes iCandy Interactive Limited's governance practices and notes where they do not comply with the ASX Corporate Governance Principles and Recommendations.

The Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website (www.icandy.io).

Date of this statement

This statement reflects our corporate governance policies and procedures as at 31 December 2016.

The Board of Directors

(a) Membership and expertise of the Board

The Board has a broad range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, with details of individual Director's backgrounds, is set out in the Directors Report which is included in this Annual Report.

(b) Board role and responsibility

The Board is accountable to shareholders for iCandy Interactive Limited's performance. In summary, the Board's responsibilities include:

- providing strategic direction and approving corporate strategic initiatives;
- planning for Board and executive succession;
- selecting and evaluating future Directors, the Chief Executive Officer ("CEO");
- setting CEO and Director remuneration within shareholder approved limits;
- approving budget and monitoring management and financial performance;
- considering and approving the Annual Financial Report (including the Directors' Declaration) and the interim and final financial statements;
- approving iCandy Interactive Limited's risk management strategy, monitoring its effectiveness and maintaining a direct and ongoing dialogue with iCandy Interactive Limited's auditors and regulators; and
- considering and reviewing the social and ethical impact of iCandy Interactive Limited's activities, setting standards for social and ethical practices and monitoring compliance with iCandy Interactive Limited's social responsibility policies and practices.

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The Board of Directors (continued)

(b) Board role and responsibility (continued)

The Board would normally delegate to management responsibility for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing iCandy Interactive Limited's annual budget, recommending it to the Board for approval and managing day-to-day operations within budget; and
- managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board.

The current circumstances, however, require all these functions to be exercised by the Board members or the Company Secretary. The company does not currently have a performance evaluation method due to the current size and limited nature of operations.

The company has adopted a Board Charter which sets out the specific responsibilities of the Board, the requirements as to the Board's composition, the roles and responsibilities of the Chairman, Company Secretary and management, the establishment, operations and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is contained in the Company's Corporate Governance Plan which is available on the Company's website.

(c) Board size and composition

The Board determines its size and composition, subject to the limits imposed by iCandy Interactive Limited's Constitution. The Constitution requires a minimum of three and a maximum of twenty Directors. In addition, at least two of the Directors shall ordinarily reside within Australia. Currently, the Board consists of three directors. The Board supports the principles of diversity; however, due to the size and scale of the company's operations it has no female representative on the board at the present time.

Election of Board members is substantially the province of the Shareholders in general meeting.

(d) The selection and role of the Chairman

The Chairman is selected by the Board from the non-executive Directors. The Chairman's role includes:

- providing effective leadership on formulating the Board's strategy;
- representing the views of the Board to the public;
- ensuring that, when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities;
- ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings; and
- reviewing the performance of the Board of Directors.

The Board Charter provides that where practical the Chairman of the Board will be a non-executive director. The Chairman, Kin Wai Lau is a non-executive director but is not considered by the Board to be independent.

The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.

(e) Directors' Independence

The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each Directors' individual circumstances rather than general materiality thresholds. In assessing independence, the Board considers whether the Director has a business or other relationship with iCandy Interactive Limited, either directly, or as a partner, shareholder or officer of a company or other Company that has an interest, or a business or other relationship, with iCandy Interactive Limited or another iCandy Interactive Limited group member. Presently the only independent Director is Robert Kolodziej. The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.

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The Board of Directors (continued)

(f) Avoidance of conflicts of interest by a Director

In accordance with the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

(g) Meetings of the Board and their conduct

Meetings of the Board happen when and as appropriate. Details of Board meetings held and attended are tabled in the Directors' Report, which forms part of this Annual Report.

(h) Succession planning

The Board plans succession of its own members taking into account the skills, experience and expertise required and currently represented, and iCandy Interactive Limited's future direction. The Board is also responsible for CEO succession planning.

(i) Review of Board performance

The Board of iCandy Interactive Limited is responsible for evaluating the performance of the Board and individual Directors will be evaluated on an annual basis, with the aid of an independent advisor, if deemed required. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.

The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports.

(j) Nomination and appointment of new Directors

iCandy Interactive Limited has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.

All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect such Director will be voted on.

(k) Retirement and re-election of Directors

iCandy Interactive Limited's Constitution states that one-third of our Directors must retire each year. The maximum time that each Director can serve in any single term is three years. Any Director who has been appointed during the year must retire at the next annual general meeting. Eligible Directors who retire each year may offer themselves for re-election by shareholders at the next annual general meeting.

(l) Compulsory retirement of Directors

The Board has no limit on the number of terms of office which any Director may serve.

(m) Board access to information and advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational report. The Company Secretary provides Directors with ongoing guidance on issues such as corporate governance, iCandy Interactive Limited's Constitution and the law. The Board collectively, and each Director individually has the right to seek independent professional advice at iCandy Interactive Limited's expense to help them carry out their responsibilities. Which the Chairman's prior approval is needed, it may not be unreasonably withheld and, in its absence, Board approval may be sought.

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The Board of Directors (continued)

(n) Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives. The Diversity Policy of iCandy Interactive Limited is available on the Company's website.

	31 December 2016		31 December 2015	
	No.	%	No.	%
Women in the Board	-	-	-	-
Women in senior management roles	-	-	-	-
Women employees in the Company	-	-	-	-

(o) Securities trading policy

Directors and employees are subject to the Corporations Act restrictions on trading securities in the Company if they are in possession of inside information. This is regarded as any information that is non-public and, if it were public that a reasonable person would expect to have a material effect on the price of the Company's securities.

In addition, the company has established a policy on the trading in iCandy Interactive Limited's securities, which applies to all Directors and employees. Key aspects of this policy are as follows:

- Directors and employees are encouraged to be long term holders of the company securities and are discouraged from any short-term trading;
- Directors and employees may trade shares for 4 weeks following announcements of the annual results, half year results and the annual general meeting, provided the market has been fully informed. However, a trading embargo of 2 days applies immediately after any significant announcement;
- Directors and employees need to ensure that the market is fully informed before they can trade and to protect themselves should discuss the intended share trading with the Chairman or Company Secretary; and
- Trading outside the four-week period is required to be approved by the Chairman, prior to any transaction occurring. Generally, if the market is fully informed, the approval will be granted.

Directors are required to notify the Company Secretary within 2 days of a change in their beneficial interest in the company shares.

Directors are also required to obtain a written acknowledgement of the Chairman (or the Board in the case of the Chairman) prior to trading.

Directors' interest in the company's securities have not changed materially in the last 12 months.

Board committees

(a) Board committees and membership

(b) Audit Committee

(c) Board Risk Oversight Committee

(d) Board Nominations Committee

(e) Board Remuneration Committee

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have the committees listed above other than Audit and Board Risk Oversight committees. Pursuant to clause 5(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the above Committees under the written terms of reference for those committees.

Audit governance and independence

(a) Approach to audit governance

The Board is committed to these basic principles:

- iCandy Interactive Limited must produce true and fair financial reports; and
- Its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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Audit governance and independence (continued)

(b) Engagement and rotation of external auditor

iCandy Interactive Limited's independent external auditor is MSI Ragg Weir.

(c) Discussions with external auditor on independence

The Board requires the external auditor to confirm that they have maintained their independence.

(d) Relationship with auditor

- the audit partners and any audit firm employee on the iCandy Interactive Limited audit are prohibited from being an officer of iCandy Interactive Limited;
- an immediate family member of an audit partner or any audit firm employee on the iCandy Interactive Limited audit is prohibited from being a Director or an officer in a significant position at iCandy Interactive Limited;
- a former audit firm partner or employee on the iCandy Interactive Limited audit is prohibited from becoming a Director or officer in a significant position at iCandy Interactive Limited for at least five years and after the five years, can have no continuing financial relationship with the audit firm;
- members of the audit team and firm are prohibited from having a business relationship with iCandy Interactive Limited or any officer of iCandy Interactive Limited unless the relationship is clearly insignificant to both parties;
- the audit firm, its partners, its employees on the iCandy Interactive Limited audit and their immediate family members are prohibited from having a direct or material indirect investment in iCandy Interactive Limited;
- officers of iCandy Interactive Limited are prohibited from receiving any remuneration from the audit firm;
- the audit firm is prohibited from having a financial interest in any Company with a controlling interest in iCandy Interactive Limited; and
- the audit firm engagement team in any given year cannot include a person who had been an officer of iCandy Interactive Limited during that year.

(e) Restrictions on non-audit services by the external auditor

The external auditor is not restricted in the provision of non-audit services to iCandy Interactive Limited except as required by the Corporations Act or the ASX Listing Rules.

(f) Attendance at Annual General Meeting

iCandy Interactive Limited's external auditor attends the annual general meeting and is available to answer shareholders questions.

Controlling and managing risk

(a) Approach to risk management

Taking and managing risk are central to business and to building shareholder value. iCandy Interactive Limited's approach is to identify, assess and control the risks which affect its business. The intention is to enable risks to be balanced against appropriate rewards. The risk management approach links iCandy Interactive Limited's vision and values, objectives and strategies, and procedures and training.

(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing iCandy Interactive Limited's risk management strategy and policy. The Risk Oversight Committee is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of iCandy Interactive Limited's activities.

iCandy Interactive Limited does not comply with ASX recommendations on these issues as it does not have a formal verifiable system of risk management or any employees to implement such a system as it does not view this to be appropriate at the current time. It relies on the oversight of the Directors and the various committees, together with the periodic verification of the external auditor.

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Controlling and managing risk (continued)

(c) Company Secretarial assurance

The Board received periodic reports about the financial condition and operational results of iCandy Interactive Limited. The CEO periodically provide formal statements to the Board that in all material respects:

- the company's periodic financial statements present a true and fair view of iCandy Interactive Limited's financial condition and operational results for those reporting periods; and
- that risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

Remuneration framework

(a) Overview

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of Non-Executive Directors is initially set by the Directors and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$150,000 per annum.

In addition, a Director may be paid fees or other amounts, (e.g. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine whether a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

(b) Employee Share Options Scheme

There are no Employee Share Options Schemes (ESOS) granted over un-issued shares to directors or executives as part of their remuneration. The issue of any options would require approval by Shareholders.

Corporate responsibility and sustainability

(a) Approach to corporate responsibility and sustainability

iCandy Interactive Limited's approach to corporate responsibility and sustainability is to manage its business in a way that produces positive outcomes for all stakeholders and maximizes economic, social and environmental value simultaneously. In doing so, iCandy Interactive Limited accepts that the responsibilities flowing from this go beyond both strict legal obligations and just financial bottom line. Transparency, the desire for fair dealing, and positive links into the community underpin our everyday activities and corporate responsibility practices.

(b) Code of conduct

iCandy Interactive Limited's Board and management are committed to their Code of Conduct (Code) which is based on their core values and on the expectations of their clients, of shareholders and of the broader community.

The Code aims to promote a high level of professionalism and provide a benchmark for ethical and professional behaviour throughout the Company. It also promotes a healthy, respectful workplace and environment for all their employees.

At the same time, the Code aims to support their business reputation and corporate image within the wider community and make employees aware of the consequences they face if they breach the Code.

The ASX recommendations require that the Code of Conduct is reviewed periodically, specifically to reflect the ASX Corporate Governance Principles and Recommendations.

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Corporate responsibility and sustainability (continued)

(c) Insider trading policy and trading in iCandy Interactive Limited shares

The Company Secretary has responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules, and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

iCandy Interactive Limited is committed to giving all shareholders comprehensive and equal access to information about our activities, and to fulfil continuous disclosure obligations to the broader market. iCandy Interactive Limited's policy is designed to ensure compliance with ASX Listing Rules continuous disclosure requirements. It ensures any information that a reasonable person would expect to have a material effect on the price of iCandy Interactive Limited's securities is disclosed.

iCandy Interactive Limited currently maintains its own website and relies on communication in this medium on the ASX Company Announcements platform carrying all the relevant information.

Compliance with ASX Corporate Governance Council Good Practice Recommendations

The table below outlines each of the ASX Best Practice Recommendations and the Company's compliance with those recommendations. Where the Company has met the relevant recommendation during the reporting period, this is indicated by a "YES" in the relevant column. Where the Company has not met or complied with a recommendation, this is indicated by a "No" and an accompanying note explaining the reasons why the Company has not met the recommendation.

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	YES	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, the requirements as to the Boards composition, the roles and responsibilities of the Chairman, Company Secretary and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is contained in the Company's Corporate Governance Plan which is available on the Company's website.
Recommendation 1.2 A listed entity should disclose: (a) undertake appropriate checks before appointed a person, or putting forward a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect such Director will be voted on.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company's Corporate Governance Plan requires the Board to ensure that each director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.

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Compliance with ASX Corporate Governance Council Good Practice Recommendations (continued)

Recommendation 1.4 The Company secretary of a listed entity should be accountable, directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Board Charter outlines the role, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the Chair, on all matters relating to the proper functioning of the Board.
Recommendation 1.5 A listed entity should: (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board; (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy of a summary of it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy. (ii) either: (A) the respective portions of men and women on board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	YES	(a) The Company has adopted a Diversity Policy. (i) The Diversity Policy provides a framework for the Company to set and achieve measurable objectives that encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) The Diversity Policy is available on the Company's website. (i) The measurable objectives set by the Board will be included in the annual key performance indicators for senior executives. In addition, the Board will review progress against the objectives in its annual performance. The Board will include in its Annual Report each year, the measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, at senior management level and at Board level.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(a) Currently, the roles of the Nomination Committee is undertaken by the full Board. The Company intends to establish a separate Nomination Committee once the Company's operations are of a significant magnitude. (b) The Board is responsible for evaluating the performance of the Board and individual Directors will be evaluated on an annual basis, with the aid of an independent advisor, if deemed required. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. (c) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. No performance evaluations were conducted during the relevant reporting period.

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Compliance with ASX Corporate Governance Council Good Practice Recommendations (continued)

<p>Recommendation 1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>(a) The Board, as a whole, is responsible for evaluating the performance of senior executives and arranging performance evaluations.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period and details of the performance evaluations conducted to be contained in the Company's annual reports.</p>
<p>Recommendation 2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties</p>	<p>NO</p>	<p>Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. Pursuant to clause 5(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.</p> <p>The duties of the Nomination Committee are outlined in the Nomination Committee Charter contained in Schedule 5 of the Company's Corporate Governance Plan.</p> <p>The Board devotes time on an annual basis to discuss Board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p> <p>The Board regularly updates the Company's board skills matrix (in accordance with Recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</p>
<p>Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>YES</p>	<p>The Board is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve). The composition of the Board is to be reviewed regularly against the Company's Board skill matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. This role will be performed by the Nomination Committee once established. The Company will disclose the Board skill matrix in, or in conjunction with, its Annual Reports.</p>

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Compliance with ASX Corporate Governance Council Good Practice Recommendations (continued)

Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	YES	(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. The only current independent Director is Robert Kolodziej. The names of the Directors considered by the Board to be independent will be disclosed in the Company's Annual Reports. (b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interest disclosed by Directors. Details of the Directors interest, positions, associations and relationship are provided in this report. (c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. Each Director, other than Robert Kolodziej (appointed 27 May 2015), was appointed on incorporation of the Company (20 March 2015).
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	NO	The Board Charter requires that where practical the majority of the Board will be independent. Details of each Director's independence are provided in this report. The only current independent Director is Robert Kolodziej. The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	NO	The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. The Chairman, Kin Wai Lau is a non-executive director but is not considered by the Board to be independent. The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Nomination Committee is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. Pursuant to clause 5(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it	YES	(a) The Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is contained in the Corporate Governance Plan available on the Company's website.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CORPORATE GOVERNANCE STATEMENT

Compliance with ASX Corporate Governance Council Good Practice Recommendations (continued)

Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independent verify and safeguard the integrity of its financial reporting, including the processes for the appointing and removal of the external auditor and the rotation of the external auditor.	YES	The Board has established a formal audit committee and such a committee will operate under an audit committee charter which has already been approved by the Board. In the meantime, the Board as a whole carries out the functions of an audit committee in accordance with the audit committee charter.
Recommendation 4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before the Board approves the entity's financial statements for a financial period, the CEO/MD and CFO have declared that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. Where there is no CEO/MD or CFO (at present), the full Board will carry out the duties that would ordinarily be assigned to the CEO/MD and CFO under the Audit and Risk Committee Charter.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the Annual Report.	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Recommendation 5.1 A listed entity: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it	YES	(a) Schedule 7 of the Company's Corporate Governance Plan is entitled 'Disclosure Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Corporate Governance Plan is available on the Company's website.
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Plan which is available on the Company's website.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CORPORATE GOVERNANCE STATEMENT

Compliance with ASX Corporate Governance Council Good Practice Recommendations (continued)

Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to Shareholders. The Strategy is contained in Schedule 11 of the Company's Corporate Governance Plan.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links will be made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its board.	YES	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary in the first instance.
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	YES	The Board has established a formal risk oversight committee and such a committee will operate under a risk committee charter which will be approved by the Board.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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CORPORATE GOVERNANCE STATEMENT

Compliance with ASX Corporate Governance Council Good Practice Recommendations (continued)

<p>Recommendation 7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>(a) The Company's process for risk management and internal compliance includes a requirement on the Board to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure - Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.</p> <p>(b) Schedule 8 requires the Board to disclose the number of times the Board (or the Audit and Risk Committee once established) met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Reports.</p>
<p>Recommendation 7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control process.</p>	NO	<p>Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have an internal audit function. Schedule 3 (Audit and Risk Committee Charter) of the Company's Corporate Governance Plan provides for a future internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p>
<p>Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	YES	<p>Schedule 8 of the Company's Corporate Governance Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p>
<p>Recommendation 8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director; and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate.</p>	NO	<p>Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Remuneration Committee. Pursuant to clause 5(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan which is available online on the Company's website.</p> <p>The Board devotes time annually to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CORPORATE GOVERNANCE STATEMENT

Compliance with ASX Corporate Governance Council Good Practice Recommendations (continued)

Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	The Company discloses its policies and practices regarding the remuneration of non-executive and executive directors and other senior employees within the Annual Financial Report.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limited the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	YES	Equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. In addition, the Company has issued equity based remuneration to both Executive and Senior Management which has been approved by shareholders at a general meeting, at which a summary of the incentive plan was provided to shareholders.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of iCandy Interactive Limited and its controlled entities for the financial period ended 31 December 2016.

General Information

Directors

The following persons were directors of iCandy Interactive Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Kin Wai Lau

Non Executive Director and Chairman

Appointed on 20 March 2015

Kin-Wai is a serial tech entrepreneur with extensive international startup, senior management and investment experience.

Since founding his first company at the age of 23, Kin-Wai has built companies across telecom software, Internet media and biotech. He is one of the handful of entrepreneurs in Southeast Asia that have real track-record of multiple exits. Kin-Wai was named by the media as one of the youngest ever MDs of a publicly traded firms in Southeast Asia when he IPO'd his first company at the age of 28. He has since been involved in building other tech companies, with 3 of them being listed on major stock exchanges in the region.

Mr Lau began his career as research staff and a PhD candidate at the Imperial College, London before starting up his own company.

Mr Lau frequently supports entrepreneurial campaigns in colleges and universities and is a regular judge at innovation and start-up competitions in Singapore.

Kin Wai graduated with first class honours in Electronic & Electrical Engineering from the University of Manchester, United Kingdom. He also has a Master in Business, Administration from the University of Oxford

Other current directorships of listed companies

Fatfish Internet Group Limited - appointed July 2014

Former directorships of listed companies in last three years

N/A

Donald Han Low

Non-Executive Director

Appointed on 20 March 2015

Donald has worked in the corporate advisory and corporate finance sector with experience covering the whole business cycle, ranging from start-ups, business creation and exits via Initial Public Offerings (IPOs), Reverse Take Overs (RTO), Trade Sales and Mergers and Acquisitions (M&A). As part of all corporate restructurings, especially in distressed assets and business models, Donald takes a hands-on approach in the senior management of the companies post transactions.

He has served as Chief Executive Officer (CEO) and as director on boards of private and publicly listed companies in Asia, Australia and Europe with interests ranging from traditional businesses such as agriculture (oil palm plantations, etc.), logistics, finance, mining, manufacturing, food and service (A&W) to new economy businesses in TMT (Telecommunication, Media & Technology) space and the fast growing internet environment.

Other current directorships of listed companies

Fatfish Internet Group Limited - appointed April 2008

Gladiator Resources Limited - appointed March 2016

Former directorships of listed companies in last three years

N/A

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Robert Kolodziej
Non-Executive Director
Appointed 27 May 2015

Robert is a senior advisor at Bell Potter Securities and has over 20 years' experience in investment management. He has wide macroeconomic understanding across many areas of financial markets and specialises in strategic investment advice for high net worth clients, small cap fund managers and family officers.

Robert has expertise with small capitalisation companies especially in the technology and renewable sector and has been arranging transactions in equity capital markets for these companies. Prior to working in stockbroking, Robert worked for Ernst & Young in the property trust area while at the same time running a business specialising in eco-tourism. Since then, he has worked in the property development sector specialising in due diligence and strategy. Separately from his role at Bell Potter Securities, he is also an Executive Director at Kollins Capital, a financial services and corporate advisory firm

Other current directorships of listed companies

N/A

Former directorships of listed companies in last three years

N/A

Ivan Perry Wu
Executive Director
Resigned 29 February 2016

Ivan was a Director of the Company and ICW Capital, a corporate consulting company in Australia. He holds a Bachelor of Science major in Computer Science from Curtin University, Australia and he has more than 20 years' commercial experience in the utility, technology and resource industries, primarily in a corporate role as a developer of business and systems. He was particularly active in the areas of business optimisation, cost efficiency, business process improvements and change management.

Ivan was previously a founding Director of a private corporate management company in Australia. In 2008, he facilitated the successful ASX listing of Legacy Iron Ore Limited, an iron ore and gold exploration company. He was then appointed as the general manager and company secretary of the company. In 2012, he was appointed as an Executive Director of Swift Resources Limited, a Phosphate exploration company. Mr Wu does not currently hold any other public company directorships.

In recent years, he has been involved in corporate advisory roles assisting corporate restructuring, merger & acquisitions, investor relations and capital raisings for ASX listed companies.

Other current directorships of listed companies

N/A

Former directorships of listed companies in last three years

N/A

Company Secretary

Mr Donald H Low is the Company Secretary of the entity. Mr Ben Donovan resigned as the Company's Secretary on 29 February 2016.

Shareholdings of directors and other key management personnel

The interest of each Director and other key management personnel, directly and indirectly, in the shares and options of the Company at the date of this report are as follows:

	31 December 2016	
	Ordinary Shares	Share Options
Kin Wai Lau*	192,500,000	-
Donald Han Low*	192,500,000	-
Robert Kolodziej	250,000	-

* Shares are held in Fatfish Internet Pte Ltd, a fully owned subsidiary of Fatfish Internet Group Limited, of which Mr Kin Wai Lau and Mr Donald Han Low are directors of.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

Meetings of Directors

During the financial year, 15 meetings of directors were held.

Attendances by each director during the year were as follows:

Kin Wai Lau
Donald Han Low
Robert Kolodziej
Ivan Wu (Resigned 29 February 2016)

Directors' Meetings	
Number eligible to attend	Number attended
15	15
15	15
15	15
2	2

Principal Activities and Significant Changes in Nature of Activities

The Company's business plan is to develop and publish 'freenium' games for smartphones, which are free-to-download and free-to-play for players. The 'freenium' game model is proven to be a successful business model employed by many global mobile game companies. The Company plans to generate revenue through the following approaches:

- In-game purchases - players can purchase virtual items or currencies which are used within the Company's games to improve character levels, speed up the game progress and/or enhance playing experience;
- Mobile advertising - which allows iCandy to advertise third-party products and service in the Company's games; and
- Game merchandise sales - players can purchase game related merchandise branded with the logos and artwork of the Company's various games.

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.

Operating Results

The consolidated loss of the consolidated entity after providing for income tax amounted to \$422,090 (2015: loss of \$250,254)

Dividend Paid or Recommended

It is not recommended that a dividend be declared and no dividends were paid or declared since the end of the financial year.

Financial Position

The net assets of the Group have increased by \$3,542,846 from (\$481,756) as at 31 December 2015 to \$3,061,090 as at 31 December 2016.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Matters subsequent to the End of the Financial Year

At the date of this report, the acquisition of Inzen Studio Pte Ltd has become unconditional. The completion of the acquisition is scheduled to occur in May/June 2017, to enable the Company to seek shareholder approval for the Company's proposed allotment of shares to the vendors of Inzen Studio Pte Ltd as consideration for the acquisition and the proposed escrow arrangements for those shares. The acquisition price is SGD \$6 million (AUD \$5.733 million), to be satisfied in ordinary shares of iCandy at a issuance price of 5-day Volume Weighted Average Price (VWAP) of iCandy's shares at closing of the transaction.

As previously announced, the Company's wholly owned subsidiary, iCandy Ventures Limited entered into a Shares Sale Agreement to acquire a 100% interest in an Indonesia-based PT Maximum Impact, a mobile advertising company operating in Indonesia. At the date of this report, the transaction has not been completed.

Future Developments

The Company plans to implement its business strategy as outlined above.

The Company will continue to keep stakeholders informed of any future developments via its compliance with the continuous disclosure requirements.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Audit/Non Audit Services

Auditors' remuneration is disclosed in Note 6. No non-audit services have been provided by the auditor or their related practices.

Indemnifying Officers or Auditor

An indemnity has been given by the company in favour of the directors to the extent that the Corporations Act 2001 allows. No payment or agreement has been given in relation to a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

No other insurance premium or indemnity has been paid or provided in respect of any directors or auditors.

Summary of Options on issue

Issuing entity	Issue Date	Number of shares under option	Class of shares	Exercise Price	Expiry Date
iCandy Interactive Limited	10 June 2015	8,033,333	Ordinary	\$0.21	4 February 2020
iCandy Interactive Limited	1 February 2016	22,500,000	Ordinary	\$0.21	4 February 2020

Option holders do not have any rights to participate in any issues or other interest in the company or any other entity.

For details of options issued to directors and executives as remuneration, refer to Remuneration Report.

There have been no shares issued since the end of the financial year resulting from exercise of options.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307c of the Corporations Act 2001 is attached on page 21.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED

This remuneration report sets out remuneration information for non-executive directors, executive directors and other key management personnel.

Remuneration Policies

Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. The Board may obtain independent advice on the appropriateness of remuneration packages. No independent advice was sought during or since the end of the period under review with regards to remuneration.

There are no schemes for retirement benefits.

The directors are reimbursed for expenses incurred by them in the course of their duties as directors of the company.

There is no link between the provision of any monetary benefits and performance of the company.

The Group's earnings and movement in shareholder's wealth for financial year ended 31 December 2016 are detailed in the following table:

	31 December 2016	Nine months ending 31 December 2015
	\$	\$
Revenue	1,130,566	154,246
Net (loss) before tax	(408,768)	(250,254)
Net (loss) after tax	(422,090)	(250,254)
Share price at start of the year	-	-
Share price at end of the year	0.14	-
Dividends paid	-	-
Basic (loss) per share	(0.19)	(0.14)

Key management personnel remuneration policy

The key management personnel of the company are represented by the directors and company secretary.

The key management personnel remuneration policy is therefore the same as the directors' remuneration policy.

Directors and executives disclosed in this report

Name (current directors)

	Position Held
Kin Wai Lau	Non-Executive Director and Chairman
Donald Han Low	Non-Executive Director
Robert Kolodziej	Non-Executive Director

Remuneration of Directors and other Key Management Personnel (KMP) for the Year Ended 31 December 2016

2016	Salaries, fees and leave	Shares, Options/ Incentive Rights	Superannuation	Total
	\$	\$	\$	\$
Group KMP				
Kin Wai Lau	19,111	-	-	19,111
Donald Han Low	22,000	-	-	22,000
Robert Kolodziej	11,000	-	-	11,000
Ivan Perry Wu - Resigned 29.02.2016	4,500	-	-	4,500
Total	56,611	-	-	56,611

Remuneration of Directors and other Key Management Personnel (KMP) for the Nine Months Ended 31 December 2015

Nine months ending '31 December 2015	Salaries, fees and leave	Shares, Options/ Incentive Rights	Superannuation	Total
	\$	\$	\$	\$
Group KMP				
Kin Wai Lau	-	-	-	-
Donald Han Low	-	-	-	-
Robert Kolodziej	-	25	-	25
Ivan Perry Wu - Resigned 29.02.2016	61,500	50	-	61,550
Total	61,500	75	-	61,575

No post-employment benefits were paid to the directors. The directors do not participate in any incentive programs.

Share options granted to directors and executives

No shares or options were granted to Directors or Executives during the year.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

Other transactions with key management personnel and their related entities

All transactions were performed at arms length basis. Refer to Note 19(c) in the Notes to financial statements for further information.

This concludes the remuneration report, which has been audited.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.




Mr Donald Han Low
Director
Dated this 28 March 2017

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ICANDY INTERACTIVE LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016 there have been no contraventions of:

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.



MSI RAGG WEIR
Chartered Accountants



L.S. WONG
Partner

Melbourne: 28 March 2017

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated Group 2016	Nine months ending 31 December 2015
	Note	\$	\$
Continuing operations			
Revenue	3	1,130,566	154,246
Other income	3	-	92
Cost of sales		(412,104)	(2,618)
Gross Profit		<u>718,462</u>	<u>151,720</u>
Marketing expenses		(261,091)	(7,803)
Accounting fees		(38,060)	(8,000)
Audit fees		(38,552)	(23,882)
Professional fees		(297,816)	(58,161)
Legal fees		(28,172)	(964)
Occupancy expenses		(17,075)	(15,902)
Employee benefits expense		(114,026)	(192,575)
Depreciation and amortisation expense		(162,951)	(52,558)
Computer expenses		(6,169)	(5,784)
Other expenses		(150,927)	(13,326)
Travel expenses		(8,542)	(20,528)
Finance expenses		(3,849)	(2,491)
Loss before income tax		<u>(408,768)</u>	<u>(250,254)</u>
Income tax expense	4	(13,322)	-
Loss for the year attributable to members of the company		<u><u>(422,090)</u></u>	<u><u>(250,254)</u></u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(132,697)	(3,200)
Total other comprehensive income/(loss) for the year		<u>(132,697)</u>	<u>(3,200)</u>
Total comprehensive income for the year		<u><u>(554,787)</u></u>	<u><u>(253,454)</u></u>
Earnings per share			
Basic loss (cents) per share	7	(0.19)	(0.14)
Diluted loss (cents) per share	7	(0.16)	(0.14)

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Consolidated Group	
		2016	2015
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	645,505	427,197
Trade and other receivables	9	1,516,287	167,970
Other assets	13	303,693	98,541
TOTAL CURRENT ASSETS		<u>2,465,485</u>	<u>693,708</u>
NON-CURRENT ASSETS			
Trade and other receivables	9	37,509	-
Property, plant and equipment	11	20,827	15,119
Intangible assets	12	1,283,606	202,461
TOTAL NON-CURRENT ASSETS		<u>1,341,942</u>	<u>217,580</u>
TOTAL ASSETS		<u><u>3,807,427</u></u>	<u><u>911,288</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	161,279	753,271
Current tax liabilities	4	10,962	-
TOTAL CURRENT LIABILITIES		<u>172,241</u>	<u>753,271</u>
NON-CURRENT LIABILITIES			
Trade and other payables	14	572,407	639,773
Deferred tax liabilities	4	1,689	-
TOTAL NON-CURRENT LIABILITIES		<u>574,096</u>	<u>639,773</u>
TOTAL LIABILITIES		<u><u>746,337</u></u>	<u><u>1,393,044</u></u>
NET ASSETS		<u><u>3,061,090</u></u>	<u><u>(481,756)</u></u>
EQUITY			
Issued capital	15	24,159,330	20,061,697
Reserves	21	(20,425,896)	(20,293,199)
Retained earnings		(672,344)	(250,254)
TOTAL EQUITY		<u><u>3,061,090</u></u>	<u><u>(481,756)</u></u>

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
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 (incorporation date)	-	-	-	-	-
Comprehensive income					
Loss for the year	-	(250,254)	-	-	(250,254)
Other comprehensive income for the year	-	-	(3,200)	-	(3,200)
Total comprehensive income for the year	-	(250,254)	(3,200)	-	(253,454)
Transactions with owners, in their capacity as owners, and other transfers					
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 and other transfers	20,061,697	-	-	(20,289,999)	(228,302)
Balance at 31 December 2015	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	-	(422,090)	-	-	(422,090)
Other comprehensive income for the year	-	-	(132,697)	-	(132,697)
Total comprehensive income for the year	-	(422,090)	(132,697)	-	(554,787)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year	4,500,000	-	-	-	4,500,000
Transaction costs	(402,367)	-	-	-	(402,367)
Total transactions with owners and other transfers	4,097,633	-	-	-	4,097,633
Balance at 31 December 2016	24,159,330	(672,344)	(135,897)	(20,289,999)	3,061,090

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated Group	
Note	2016	Nine months ending 31 December 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	818,284	190,210
Interest received	53,200	1,329
Payments to suppliers and employees	(1,777,134)	(156,834)
Net cash provided by (used in) operating activities	17a (905,650)	34,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,281)	(3,069)
Purchase of intangible assets	(1,235,524)	-
Deposit paid for acquisition of investment	(302,533)	-
Loans to related parties:		-
- payments made	(1,223,729)	-
- proceeds from repayments	196,328	-
Net cash provided by (used in) investing activities	(2,579,739)	(3,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	4,121,584	-
Proceeds from borrowings - related party	-	177,012
Proceeds from Pre-IPO funds received	-	382,416
Payments for capital raising costs	(406,367)	(300,379)
Loans from related parties:	-	-
- payments made	(20,797)	-
- proceeds from repayments	10,986	-
Net cash provided by (used in) financing activities	3,705,406	259,049
Net increase in cash held	220,017	290,685
Cash and cash equivalents at beginning of financial year	427,197	136,182
Effect of exchange rates on cash holdings in foreign currencies	(1,709)	330
Cash and cash equivalents at end of financial year	8 645,505	427,197

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

These consolidated financial statements and notes represent those of iCandy Interactive Limited and Controlled Entities (the "consolidated group" or "group").

The financial statements were authorised for issue on 28 March 2017 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

iCandy Interactive Limited's financial statements consolidated those of the Parent Company and all of its subsidiaries as of 31 December 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying assets are also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1: Summary of Significant Accounting Policies (continued)

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(b) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1: Summary of Significant Accounting Policies (continued)

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10 - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Accounting for Common Control

Where the acquisition of entities that are deemed to be under common control occurs, then consideration is required to determine the accounting acquirer. A new entity formed to effect a business combination through the issue of equity interests will not be regarded as the accounting acquirer, rather one of the combining entities that existed prior to the business combination shall be identified as the accounting acquirer.

The pooling of interests method is adopted for business combinations under common control. Existing book values for assets and liabilities at the date of acquisition will be recognised and fair value adjustments including new intangibles or goodwill will not be recognised. Any premium between the fair value of consideration paid and the book value of net assets is debited to a separate category of equity (premium on assets acquired - Note 21)

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1: Summary of Significant Accounting Policies (continued)

(f) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1: Summary of Significant Accounting Policies (continued)

(g) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(h) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1: Summary of Significant Accounting Policies (continued)

(j) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits available on demand with banks. Bank overdrafts are reporting within short-term borrowings in current liabilities in the statement of financial position.

(m) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax.

(n) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(l) for further discussion on the determination of impairment losses.

(o) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1: Summary of Significant Accounting Policies (continued)

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

(s) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(t) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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Note 1: Summary of Significant Accounting Policies (continued)

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases and related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: *Business Combinations* to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 2 Parent Information

The following information has been extracted from the books and records of the legal parent (iCandy Interactive Limited) and has been prepared in accordance with Australian Accounting

STATEMENT OF FINANCIAL POSITION

ASSETS

Current Assets	474,135	484,815
Non-current Assets	23,503,452	20,030,452
TOTAL ASSETS	23,977,587	20,515,267

LIABILITIES

Current Liabilities	34,668	414,367
Non-current Liabilities	106,418	86,418
TOTAL LIABILITIES	141,086	500,785

NET ASSETS

23,836,501	20,014,482
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EQUITY

Issued Capital	24,159,330	20,061,697
Retained earnings	(322,829)	(47,215)
TOTAL EQUITY	23,836,501	20,014,482

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Profit/(Loss) for the year	(275,614)	(47,215)
Other comprehensive income for the year	-	-
Total comprehensive income	(275,614)	(47,215)

On consolidation of the Group, iCandy Interactive Limited's investment cost in iCandy Ventures Limited (\$15,000,000) and Kensington Ventures Pte Ltd (\$5,000,000) has been allocated to equity. Refer to Note 21(b) for a detailed explanation on the adoption of this accounting policy.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 December 2016.

Note 3 Revenue and Other Income

	Consolidated Group 2016	Nine months ending 31 December 2015
(a) Revenue from continuing operations	\$	\$
Revenue		
— Sale of mobile game applications	1,001,673	150,286
— Game developing income	87,616	-
	1,089,289	150,286
Other revenue		
— Interest received	52,886	1,643
— Unrealised foreign exchange gain/(loss)	3,476	3,036
— Realised foreign exchange gain/(loss)	(15,085)	(719)
	41,277	3,960
Total revenue	1,130,566	154,246
Other income	-	92
Total other income	-	92

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 4 Tax Expense

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
(a) The components of tax (expense)/income comprise:		
Current tax	(10,962)	-
Deferred tax	(1,689)	-
Foreign currency translation difference	(671)	-
	<u>(13,322)</u>	<u>-</u>
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 28.5% (2015: 30%)		
— consolidated group	(116,499)	(75,076)
Add:		
Tax effect of:		
— current year tax loss not brought into account	116,499	75,076
— income tax payable by foreign subsidiary	13,322	-
Income tax attributable to entity	<u>13,322</u>	<u>-</u>
(c) Deferred tax assets not brought into account		
Deferred tax assets not brought to account, the benefits of which will only be realised if it is probable that taxable profit will be available against which the unutilised tax losses can be utilised.		
Temporary differences		-
Tax Losses:		
Operating Losses	659,022	250,254
	<u>659,022</u>	<u>250,254</u>
(d) Deferred tax liabilities		
Deferred tax liabilities brought into account by foreign subsidiary	(1,689)	-
	<u>(1,689)</u>	<u>-</u>

Note 5 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 31 December 2016.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2016	Nine months ending 31 December 2015
	\$	\$
Short-term employee benefits	56,611	61,500
Share-based payments	-	75
Total KMP compensation	<u>56,611</u>	<u>61,575</u>

Short-term employee benefits

- these amounts include fees and benefits paid to the non-executive chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Share-based payments

- these amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Director's Remuneration Report.

Note 6 Auditor's Remuneration

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
Remuneration of the auditor for:		
— auditing or reviewing the financial report of iCandy Interactive Limited (MSI Ragg Weir)	31,115	17,000
— auditing or reviewing the financial report of subsidiaries (other auditors)	7,437	6,882
	<u>38,552</u>	<u>23,882</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 7 Earnings per Share

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Loss	(422,090)	(250,254)
Loss used to calculate basic EPS	(422,090)	(250,254)
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No. 227,377,596	No. 173,598,723
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	256,005,192	181,632,056

Note 8 Cash and Cash Equivalents

	Note	Consolidated Group 2016	Nine months ending 31 December 2015
		\$	\$
Cash at bank and on hand		645,505	427,197
	20	645,505	427,197

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	645,505	427,197
	645,505	427,197

Note 9 Trade and Other Receivables

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
CURRENT		
Trade receivables	239,871	155,911
	239,871	155,911
Other receivables	49,702	3,515
GST receivables	1,331	8,544
Amounts receivable from related parties:		
— other related parties	1,225,383	-
Total current trade and other receivables	1,516,287	167,970
NON-CURRENT		
Amounts receivable from related parties:		
— other related parties	37,509	-
Total non-current trade and other receivables	37,509	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 9: Trade and Other Receivables (continued)

Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or counter parties other than those receivables specifically provided for and mentioned within Note 9. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has significant credit risk exposures in Australia and the Malaysia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group	
	2016	Nine months ending 31 December 2015
AUD	\$	\$
Australia	2,567	8,933
Singapore	1,374,355	109,201
Malaysia	176,874	49,836
	<u>1,553,796</u>	<u>167,970</u>

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2016	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	239,871	-	-	43,523	5,152	857	190,339
Other receivables	88,542	-	-	-	-	-	88,542
Total	328,413	-	-	43,523	5,152	857	278,881

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2015	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	155,911	-	-	-	-	109,201	46,710
Other receivables	12,059	-	-	-	-	-	12,059
Total	167,970	-	-	-	-	109,201	58,769

(a) **Collateral Held as Security**

No collateral was held as security at balance date or at the date of this report.

(b) **Financial Assets Classified as Loans and Receivables**

Trade and other Receivables

— Total current

— Total non-current

Total financial assets classified as loans and receivables

Note

Consolidated Group
2016 Nine months ending 31 December 2015

	\$	\$
Trade and other Receivables		
— Total current	1,516,287	167,970
— Total non-current	37,509	-
Total financial assets classified as loans and receivables	<u>1,553,796</u>	<u>167,970</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 10 Interests in Subsidiaries

(a) Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Principal place of business	Ownership interest held by the Group	
		2016 (%)	2015 (%)
Kensington Ventures Pte Ltd	Singapore	100	100
iCandy Ventures Limited (formerly known as High Joyful International Limited)	British Virgin Island	100	100
Appxplore Sdn Bhd (100% owned by iCandy Ventures Limited)	Malaysia	100	100

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

(b) Significant Restrictions

There are no significant restrictions over the Group's ability to access or use assets and settle liabilities, of the Group.

Note 11 Property, Plant and Equipment

	Consolidated Group	
	2016	Nine months ending 31 December 2015
	\$	\$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	39,634	30,150
Accumulated depreciation	(25,595)	(19,086)
	<u>14,039</u>	<u>11,064</u>
Leasehold improvements		
At cost	10,327	5,964
Accumulated depreciation	(4,220)	(2,283)
	<u>6,107</u>	<u>3,681</u>
Signage		
At cost	849	415
Accumulated depreciation	(168)	(41)
	<u>681</u>	<u>374</u>
Total property, plant and equipment	<u>20,827</u>	<u>15,119</u>

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold Improvements	Plant and Equipment	Signage	Total
	\$	\$	\$	\$
Consolidated Group:				
Balance at 20 March 2015	-	-	-	-
Additions	-	7,130	415	7,545
Disposals	-	-	-	-
Additions through acquisition of entity	4,771	10,338	-	15,109
Depreciation expense	(1,090)	(6,404)	(41)	(7,535)
Balance at 31 December 2015	<u>3,681</u>	<u>11,064</u>	<u>374</u>	<u>15,119</u>
Additions	4,364	9,482	435	14,281
Disposals	-	-	-	-
Depreciation expense	(1,937)	(6,509)	(127)	(8,573)
Balance at 31 December 2016	<u>6,108</u>	<u>14,037</u>	<u>682</u>	<u>20,827</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 12 Intangible Assets

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
Computer software:		
Cost	1,521,669	286,145
Accumulated amortisation and impairment losses	(238,063)	(83,684)
Net carrying amount	<u>1,283,606</u>	<u>202,461</u>
Total intangibles	<u>1,283,606</u>	<u>202,461</u>

Consolidated Group:

	Computer Software \$	Total \$
Nine months ending 31 December 2015		
Balance at the beginning of the year	-	-
Additions through acquisition of entity	247,484	247,484
Disposals	-	-
Amortisation charge	(45,023)	(45,023)
	<u>202,461</u>	<u>202,461</u>
Year ended 31 December 2016		
Balance at the beginning of the year	202,461	202,461
Additions	1,235,524	1,235,524
Disposals	-	-
Amortisation charge	(154,379)	(154,379)
Closing value at 31 December 2016	<u>1,283,606</u>	<u>1,283,606</u>

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss.

Note 13 Other Assets

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
CURRENT		
Prepayments	303,693	98,541
	<u>303,693</u>	<u>98,541</u>

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 14 Trade and Other Payables

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	4,863	6
Sundry payables and accrued expenses	156,416	177,201
Pre IPO funds	-	382,416
Unearned income	-	193,648
	<u>161,279</u>	<u>753,271</u>
NON-CURRENT		
Unsecured liabilities		
- ultimate parent entity	106,418	86,418
- immediate parent entity	382,381	537,056
- other related parties	83,608	16,299
	<u>572,407</u>	<u>639,773</u>
	\$	\$
(a) Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables		
— Total current	161,279	753,271
— Total non-current	572,407	639,773
	<u>733,686</u>	<u>1,393,044</u>

Note 15 Issued Capital

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
229,283,334 fully paid ordinary shares (2015: 206,783,334 fully paid ordinary shares)	24,159,330	20,061,697
	<u>24,159,330</u>	<u>20,061,697</u>

The company has authorised share capital amounting to 229,283,334 ordinary shares.

	Consolidated Group 2016	Nine months ending 31 December 2015
	No.	No.
(a) Ordinary Shares		
At the beginning of the reporting period	206,783,334	-
Shares issued during the year	22,500,000	206,783,334
At the end of the reporting period	<u>229,283,334</u>	<u>206,783,334</u>

On 1 February 2016, the company issued 22,500,000 ordinary shares raising a total of \$4,097,633, net of capital raising costs.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 15: Issued Capital (continued)

(b) Options

There were no listed options on issue for the financial year ended 31 December 2016.

The following reconciles with the outstanding unlisted options to subscribe for fully paid ordinary shares in the Company at the beginning and end of the financial year.

	Consolidated Group 2016	Nine months ending 31 December 2015
	No.	No.
Balance at beginning of the period	8,033,333	-
Granted during the financial year	22,500,000	8,033,333
Expired during the financial year	-	-
Balance at end of the financial year	<u>30,533,333</u>	<u>8,033,333</u>
Exercisable at the end of the financial year	<u>30,533,333</u>	<u>8,033,333</u>

A total of 22,500,000 options were issued in conjunction with the share issue on 1 February 2016. The option has an exercise price of \$0.21 and an expiry date of 4 February 2020.

(c) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

		Consolidated Group 2016	2015
	Note	\$	\$
Total borrowings		-	-
Less cash and cash equivalents	8	(645,505)	(427,197)
Net debt		<u>(645,505)</u>	<u>(427,197)</u>
Total equity		3,061,090	(481,756)
Total capital		<u>2,415,585</u>	<u>(908,953)</u>
Gearing ratio		N/A	47%

Note 16 Operating Segments

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;

Types of products and services by segment

(i) Development and sale of digital media (except games)

The Group is engaged in the development of software for interactive digital media (except games).

(ii) Design and development of intellectual properties for software applications and games

The Group is also engaged in the design and development of intellectual properties for software applications and games.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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Note 16: Operating Segments (continued)

(b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(c) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(d) Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Current tax liabilities
- Other financial liabilities
- Intangible assets

(e) Segment information

(i) Segment performance

31 December 2016

REVENUE

External sales

Other income

Interest revenue

Total segment revenue

Reconciliation of segment revenue to group revenue

Total group revenue

Segment net profit / (loss) from continuing operations before tax

Reconciliation of segment result to group net profit/loss before tax

Net profit before tax from continuing operations

Nine months ending 31 December 2015

REVENUE

External sales

Other income

Interest revenue

Total segment revenue

Reconciliation of segment revenue to group revenue

Total group revenue

Segment net profit from continuing operations before tax

Reconciliation of segment result to group net profit/loss before tax

Net profit before tax from continuing operations

(ii) Segment assets

31 December 2016

Segment assets

Segment assets include:

— Non-current assets (other than financial assets and deferred tax)

Reconciliation of segment assets to group assets

Intersegment eliminations

Total group assets

31 December 2015

Segment assets

Segment assets include:

— Non-current assets (other than financial assets and deferred tax)

Reconciliation of segment assets to group assets

Intersegment eliminations

Total group assets

Development of digital media	Development of intellectual properties	All Other Segments	Total
\$	\$	\$	\$
87,616	1,001,673	-	1,089,289
(6,356)	(5,244)	(9)	(11,609)
-	33,185	19,701	52,886
81,260	1,029,614	19,692	1,130,566
(803,816)	670,662	(275,614)	(408,768)
			(408,768)
Development of digital media	Development of intellectual properties	All Other Segments	Total
\$	\$	\$	\$
-	150,378	-	150,378
-	2,226	-	2,226
-	28	1,614	1,642
-	152,632	1,614	154,246
(172,903)	(32,522)	(44,829)	(250,254)
			(250,254)
Development of digital media	Development of intellectual properties	All Other Segments	Total
\$	\$	\$	\$
1,176,318	2,155,640	475,469	3,807,427
1,144,673	159,761	-	1,304,434
			-
			3,807,427
Development of digital media	Development of intellectual properties	All Other Segments	Total
\$	\$	\$	\$
349,012	68,917	493,359	911,288
205,435	12,144	-	217,579
			-
			911,288

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 16: Operating Segments (continued)

(iii) Segment liabilities

31 December 2016

Segment liabilities

Reconciliation of segment liabilities to group liabilities

Intersegment eliminations

Total group liabilities

Development of digital media	Development of intellectual properties	All Other Segments	Total
\$	\$	\$	\$
482,907	121,012	142,418	746,337

746,337

Development of digital media	Development of intellectual properties	All Other Segments	Total
\$	\$	\$	\$
726,786	187,380	478,878	1,393,044

31 December 2015

Segment liabilities

Reconciliation of segment liabilities to group liabilities

Intersegment eliminations

Total group liabilities

1,393,044

(iv) Revenue by geographical region

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

Australia
Singapore
Malaysia
Total revenue

31 December 2016	31 December 2015
\$	\$
19,692	1,615
81,260	-
1,029,614	152,723
1,130,566	154,338

(v) Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

Australia
Singapore
Malaysia
Total Assets

31 December 2016	31 December 2015
\$	\$
475,469	432,213
1,176,318	349,632
2,155,640	129,443
3,807,427	911,288

Note 17 Cash Flow Information

(a) Reconciliation of Cash Flows from Operating Activities with Profit after Income

Profit after income tax

Non-cash flows in profit

Depreciation

Unrealised foreign currency gain

Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:

(Increase)/decrease in trade and term receivables

(Increase)/decrease in prepayments

Increase/(decrease) in income tax payables

Increase/(decrease) in deferred taxes payables

Increase/(decrease) in trade payables and accruals

Cash flows from operating activities

Consolidated Group	
2016	Nine months ending 31 December 2015
\$	\$
(422,090)	(250,254)
162,951	52,558
(3,476)	-
(122,934)	(228,681)
(205,152)	(98,541)
10,962	-
1,689	-
(327,600)	559,623
(905,650)	34,705

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 18 Events After the Reporting Period

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

At the date of this report, the acquisition of Inzen Studio Pte Ltd has become unconditional. The completion of the acquisition is scheduled to occur in May/June 2017, to enable the Company to seek shareholder approval for the Company's proposed allotment of shares to the vendors of Inzen Studio Pte Ltd as consideration for the acquisition and the proposed escrow arrangements for those shares. The acquisition price is SGD \$6 million (AUD \$5.733 million), to be satisfied in ordinary shares of iCandy at a issuance price of 5-day Volume Weighted Average Price (VWAP) of iCandy's shares at closing of the transaction.

As previously announced, the Company's wholly owned subsidiary, iCandy Ventures Limited entered into a Shares Sale Agreement to acquire a 100% interest in an Indonesia-based PT Maximum Impact, a mobile advertising company operating in Indonesia. At the date of this report, the transaction has not been completed.

Note 19 Related Party Transactions

Related Parties

(a) The Group's main related parties are as follows:

i. **Entities exercising control over the Group:**

The ultimate parent entity that exercises control over the Group is Fatfish Internet Group Limited, which is incorporated in Australia.

ii. **Key Management Personnel:**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5.

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
i. Director related entities		
- Directors' fees/wages paid to Kin Wai Lau	19,111	-
- Directors' fees paid to DHL Corporate Advisory, of which Mr Donald Low is a director and shareholder	22,000	-
- Directors' fees paid to Robert Kolodziej	11,000	-
- Directors' fees paid to ICW Capital, of which Mr Ivan Perry Wu is a director and shareholder	4,500	61,500
	<hr/> 56,611	<hr/> 61,500 <hr/>

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 19: Related Party Transactions (continued)

(c) Amounts payable to related parties

	Consolidated Group 2016	Nine months ending 31 December 2015
	\$	\$
i. Loans payable to Ultimate Parent Entity		
Beginning of the year	86,418	-
Loans advanced	20,000	86,418
Loan repayment received	-	-
End of the year	<u>106,418</u>	<u>86,418</u>
ii. Loans payable to Immediate Parent Entity		
Beginning of the year	537,056	-
Loans advanced		537,056
Loan repayment received	(154,675)	-
End of the year	<u>382,381</u>	<u>537,056</u>
iii. Loans payable to Other Related Parties		
Beginning of the year	77,373	-
Loans advanced	32,582	77,373
Loan repayment received	(26,347)	-
End of the year	<u>83,608</u>	<u>77,373</u>
iii. Loans receivable from Other Related Parties		
Beginning of the year	61,074	-
Loans advanced	1,219,390	61,074
Loan repayment received	(17,572)	-
End of the year	<u>1,262,892</u>	<u>61,074</u>

The Ultimate Parent Entity is Fatfish Internet Group Limited. The Parent Entity is Fatfish Internet Pte Ltd.

Note 20 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group 2016	2015
	Note	\$	\$
Financial Assets			
Cash and cash equivalents	8	645,505	427,197
Loans and receivables	9	1,553,796	167,970
Total Financial Assets		<u>2,199,301</u>	<u>595,167</u>
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	14	733,686	1,393,044
Total Financial Liabilities		<u>733,686</u>	<u>1,393,044</u>

Financial Risk Management Policies

The directors are responsible for iCandy Interactive Limited's risk management strategy and management is responsible for implementing the directors' strategy. A risk management program focuses on the unpredictability of finance markets and seeks to minimise potential adverse effects on financial performance. iCandy Interactive Limited uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case on interest rate and market risk. iCandy Interactive Limited does not use derivatives.

The consolidated entity's financial instruments consist of deposits with banks and accounts receivables and payables. The main purpose of non-derivative financial instruments is to raise finance for group operations.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 20: Financial Risk Management (continued)

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- only investing surplus cash with major financial institutions; and

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables	161,279	177,208	-	-	-	-	161,279	177,208
Amounts payable to related parties	-	-	572,407	639,773	-	-	572,407	639,773
Total contractual outflows	161,279	177,208	572,407	639,773	-	-	733,686	816,981
Total expected outflows	161,279	177,208	572,407	639,773	-	-	733,686	816,981
Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets - cash flows realisable								
Cash and cash equivalents	645,505	427,197	-	-	-	-	645,505	427,197
Trade, term and loans receivables	1,516,287	323,881	37,509	-	-	-	1,553,796	323,881
Total anticipated inflows	2,161,792	751,078	37,509	-	-	-	2,199,301	751,078
Net (outflow) / inflow on financial instruments	2,000,513	573,870	(534,898)	(639,773)	-	-	1,465,615	(65,903)

c. Market Risk

i. Interest rate risk

The Group's exposure to market risk primarily consists of financial risks associated with changes in interest rates as detailed below. As the level of risk is low, the Group does not use any derivatives to hedge its exposure.

The Group is not exposed to interest rate risk on its non-current borrowings as the terms of the loan agreement stipulates that no interest is payable.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 20: Financial Risk Management (continued)

ii. Foreign currency risk

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the SGD Dollar and Malaysian Ringgit may impact on the Group's financial results unless those exposures are appropriately hedged.

The following significant exchange rates were applied during the year.

	31 December 2016		31 December 2015	
	Average Rate	Spot Rate	Average Rate	Spot Rate
\$1 AUD				
Singapore	0.9735	0.9556	0.9674	0.9682
Malaysia	0.3332	0.3224	0.3294	0.3521

iii. Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profit (+/-)	Equity (+/-)
	\$	\$
Year ended 31 December 2016		
+/- 0.75% in interest rates	4,841	4,841
+/- 10% in \$A/\$SGD	56,600	56,600
+/- 10% in \$A/\$MYR	27,500	27,500
	Consolidated Group	
	Profit	Equity
	\$	\$
Nine months ended 31 December 2015		
+/- 0.75% in interest rates	3,204	3,204
+/- 10% in \$A/\$SGD	(232)	320
+/- 10% in \$A/\$MYR	(1,054)	(1,057)

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group.

	Note	2016		2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$	\$	\$	\$
Consolidated Group					
Financial assets					
Cash and cash equivalents	8	645,505	645,505	427,197	427,197
Trade and other receivables:		1,553,796	1,553,796	98,541	98,541
Total financial assets		2,199,301	2,199,301	525,738	525,738
Financial liabilities					
Trade and other payables	14	733,686	733,686	1,393,044	1,393,044
Total financial liabilities		733,686	733,686	1,393,044	1,393,044

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

(ii) Term receivables reprice to market interest rates every three months, ensuring carrying amounts approximate fair value.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 21 Reserves

a. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

	Consolidated Group 2016	Nine months ending 31 December 2015
Balance at the beginning of the period	\$ 3,200	\$ -
Foreign currency movements during the year	132,697	3,200
	<u>135,897</u>	<u>3,200</u>

b. Premium of Assets Acquired

When the Company acquired iCandy Ventures Limited (formerly known as High Joyful International Limited), a company incorporated in British Virgin Island, and Kensington Ventures Pte Ltd (incorporated in Singapore), this transaction was assessed as a transaction involving entities under common control. The Company was formed to effect the business combination and consideration was settled via the issue of equity interests. As the Company was incorporated to effect the transactions, it was determined that iCandy Interactive Limited would be the legal acquirer and iCandy Ventures Limited would be the accounting acquirer as it was an entity that was carrying on a business prior to the business combination.

In accordance with the accounting policy adopted, all assets and liabilities will be recorded at their book value at the date of acquisition. The remaining difference between the fair value of the consideration paid and the book value of the net assets acquired is allocated to equity.

	Consolidated Group 2016	Nine months ending 31 December 2015
Balance at the beginning of the period	\$ 20,289,999	\$ -
Movements during the year	-	20,289,999
	<u>20,289,999</u>	<u>20,289,999</u>

Total value of shares issued:

- Acquisition of iCandy Ventures Limited (150,000,000 shares at \$0.10 per share)	15,000,000
- Acquisition of Kensington Ventures Pte Ltd (50,000,000 shares at \$0.10 per share)	5,000,000
	<u>20,000,000</u>

Net assets acquired:

- iCandy Ventures Limited	(47,427)
- Kensington Ventures Pte Lrd	(242,571)
	<u>(289,998)</u>

Premium on assets acquired

20,289,998

Total Reserves

	Consolidated Group 2016	Nine months ending 31 December 2015
Foreign currency translation reserve	\$ 135,897	\$ 3,200
Other components of equity	20,289,999	20,289,999
	<u>20,425,896</u>	<u>20,293,199</u>

Note 22 Company Details

The registered office of the company is:

iCandy Interactive Limited
Level 4, 91 William Street
Melbourne Vic 3000

The principal places of business are:

iCandy Interactive Limited
Level 4, 91 William Street
Melbourne Vic 3000

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of iCandy Interactive Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 48, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - (b) give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.



Director

Mr Donald Low

Dated this 28 March 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ICANDY INTERACTIVE LIMITED**

Opinion

We have audited the financial report of iCandy Interactive Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Group.

In our opinion,

- a) the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ICANDY INTERACTIVE LIMITED CONTINUED**

Key Audit Matters continued

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue – Sale of mobile game applications	
Refer to Note 3 - Revenue and Other Income (\$1,001,673)	
A substantial amount of the Group's revenue relates to sale of mobile game applications. This relates specifically to AppXplore Sdn Bhd's smart phone mobile game sales which include both in-app sales and advertising revenue.	The component auditor's procedures included obtaining monthly statements provided by the Respective Clients and agreeing the revenue as per the monthly statements to the monthly revenue recorded in the accounts of AppXplore Sdn Bhd.
The revenue is recognised on a monthly basis upon receipt of the monthly statements from clients such as Apple App Store, Google Playstore, AdMob, Chartboost, etc. (the "Respective Clients").	We have evaluated the procedures performed by the component auditor.
We focused on this area as a key audit matter due to the significance of this specific source of revenue as compared to the total revenue of the Group.	

Other Matter

The financial report of the Group for the year ended 31 December 2015 was audited by another auditor who expressed an unmodified opinion on that financial report on 31 March 2016.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICANDY INTERACTIVE LIMITED CONTINUED

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors as well as evaluating the overall presentation of the financial report.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ICANDY INTERACTIVE LIMITED CONTINUED**

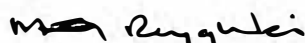
Report on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 20 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of iCandy Interactive Limited, for the year ended 31 December 2016, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



MSI RAGG WEIR
Chartered Accountants



L.S. WONG
Partner

Melbourne: 28 March 2017

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 24 March 2017:

1. Shareholding

a. Distribution of Shareholders	No. of holders	No. of Ordinary shares
Category (size of holding)		
1 – 1,000	55	1,435
1,001 – 5,000	19	69,617
5,001 – 10,000	324	3,228,614
10,001 – 100,000	26	1,290,149
100,001 – and over	22	224,693,519
	446	229,283,334

b. The number of shareholdings held in less than marketable parcels is 76 (2015: 41).

c. The names of the substantial shareholders listed in the holding company's register are:

	Number	
Shareholder	No. of Fully Paid Ordinary Shares	% Held of Issued Ordinary Capital
Fatfish Internet Pte Ltd	187,500,001	81.78%

d. The names of the substantial option holders listed in the holding company's register are:

	Number	
Shareholder	No. of Listed Options	% Held of Listed Options
HSBC Custody Nominees (Australia) Limited	10,006,714	36.10%
Ms Poh Khuan Low	2,108,333	7.61%
TA Securities Holdings Berhad	1,525,000	5.50%
Ms Lay Chin Moey	1,480,000	5.34%

e. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Listed Options

- These options have no voting rights

f. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Fatfish Internet Pte Lrd	187,500,001	81.78%
2. HSBC Custody Nominees (Australia) Limited	10,594,652	4.62%
3. Fatfish Medialab Pte Ltd	5,000,000	2.18%
4. Mr Choy Tze Lee	3,750,000	1.64%
5. Mr Jenn Yu Lim	3,750,000	1.64%
6. Ms Poh Khuan Low	2,108,333	0.92%
7. TA Securities Holdings Berhad	1,520,000	0.66%
8. Ms Lay Chin Moey	1,401,750	0.61%
9. ABN Amro Clearing Nominees Pty Ltd <Custodian A/C>	1,161,701	0.51%
10. CGAM Pty Ltd	1,129,845	0.49%
11. Citicorp Nominees Pty Limited	1,055,955	0.46%
12. RHB Securities Singapore Pte Lrd <Clients A/C>	1,034,000	0.45%
13. Mr Lee Yoke Khai	1,000,000	0.44%
14. Planetbiz Investments Limited	816,667	0.36%
15. Mr Seng Tan	525,000	0.23%
16. Mrs Lao Soi Fong	500,000	0.22%
17. Mr Teh Chong Jin	500,000	0.22%

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

18.	Mr Ivan Perry Wu	500,000	0.22%
19.	Mr Robert Kolodziej	250,000	0.11%
20.	Mr Choon Huat Tan	250,000	0.11%
		224,347,904	97.87%

g. 20 Largest Option holders - Listed Options

Largest Option Holder - Listed Options		Number of Listed Options	% Held of Listed Options
Name			
1.	HSBC Custody Nominees (Australia) Limited	10,006,714	36.10%
2.	Ms Poh Khuan Low	2,108,333	7.61%
3.	TA Securities Holdings Berhad	1,525,000	5.50%
4.	Ms Lay Chin Moey	1,480,000	5.34%
5.	CGAM Pty Ltd	1,333,333	4.81%
6.	RHB Securities Singapore Pte Ltd <Clients A/C>	1,048,000	3.78%
7.	Mr Lee Yoke Khai	1,000,000	3.61%
8.	Mr Seng Tan	700,000	2.53%
9.	Gazump Resources Pty Ltd	635,000	2.29%
10.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	510,000	1.84%
11.	Mrs Lao Soi Fong	500,000	1.80%
12.	Mr Teh Chong Jin	500,000	1.80%
13.	Planetbiz Investments Limited	350,000	1.26%
14.	Mr Choon Huat Tan	250,000	0.90%
15.	Citicorp Nominees Pty Limited	240,000	0.87%
16.	Accounting Strategists Pty Ltd <Accounting Strategists A/C>	220,000	0.79%
17.	Leigh Webster Holdings Pty Ltd <Webster Retirement Fund A/C>	200,000	0.72%
18.	Mr Graeme Dougald Hutson Miller	200,000	0.72%
19.	Yii Wen Choong	100,000	0.36%
20.	Conrad Joseph Lawrence Goodger	100,000	0.36%
		23,006,380	82.99%

2. The name of the company secretary is Mr Donald Low
3. The address of the principal registered office in Australia is Level 4, 91 William Street, Melbourne Vic 3000.
4. Registers of securities are held at the following addresses
Link Market Services Limited
Level 4, 152 St Georges Terrace
Perth WA 6000
5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

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