

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
APPENDIX 4D HALF YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2017

1. Details of the reporting period and the prior corresponding period

Current period: 1 January 2017 - 30 June 2017
 Prior corresponding period: 1 January 2016 - 30 June 2016

2. Results for announcement to the market

Key Information	Half year	Half year	Up/ down	Change %
	ended 30 June 2017	ended 30 June 2016		
Revenues from ordinary activities	618,628	374,826	Up	65%
Loss from ordinary activities after tax attributable to	(99,977)	(895,357)	Down	-89%
Net loss for the period attributable to members	(99,977)	(895,357)	Down	-89%

3. Dividend Information

	Amount per share (cents)	Franked amount per share (cents)
Interim Dividend	-	-
Previous corresponding period	-	-
Record date for determining entitlements to the dividend	N/A	N/A

4. Net Tangible Assets per security

	Half year ended 30 June 2017 (cents)	Half year ended 30 June 2016 (cents)
Net tangible assets per security (with the comparative figures for the previous corresponding period)	0.73	0.54

5. Details of entities over which control has been gained

Name of Entity: Inzen Studio Pte Ltd

Date of control: 12 April 2017

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ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

**Financial Report For The Half-Year Ended
30 June 2017**

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Financial Report For The Half-Year Ended 30 June 2017

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ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

DIRECTORS' REPORT

Your directors of iCandy Interactive Limited ("the Company") present their report on the consolidated entity ("Group"), consisting of iCandy Interactive Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

General Information

Directors

The following persons were directors of iCandy Interactive Limited during or since the end of the half-year up to the date of this report:

Kin Wai Lau
Donald Han Low
Robert Kolodziej

DIRECTORS' REPORT

In accordance with continuous disclosure requirements, it is recommended that this half-year report be read in conjunction with any public announcements lodged with the Australian Securities Exchange for the half-year.

Review of Operations

The consolidated loss for the six month period ended 30 June 2017 was \$99,977. (2016 loss: \$895,357)

The net assets of the Group as at 30 June 2017 were \$4,574,874 (31 December 2016:\$3,061,090)

For this half year the Company continued to scale up its mobile game business. Crab War, the idle game title has generated good results across all major international markets. A new game title, Alien Path was launched during this period as well.

Inzen Studio, the newly acquired studio by the Company has released its second game title StarTap during this period. Revenue for this 6-month period has grown 57% compared to the same period during last half year. The Company has started to reap the benefit of its large base of more than 25 million gamers and is able to cross-promote game-titles across one another. The Company has also started to set up a dedicated analytic and marketing team that analyses marketing performance scientifically that has given rise to the current positive uptrend of revenue.

Auditor's Independence Declaration

The lead auditor's independence declaration is included on page 2 of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to S.306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Donald Low
Director
Melbourne

Dated this 31 August 2017

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To the Board of Directors

**Auditor's Independence Declaration under Section 307C of the
Corporations Act 2001**

As lead audit director for the review of the financial statements of iCandy Interactive Limited for the half year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- ▶ the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- ▶ any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 31st day of August 2017

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017

		Group	
	Note	30 June 2017 \$	30 June 2016 \$
Continuing operations			
Revenue	2	618,628	374,826
Cost of sales		(51,385)	(18,754)
Gross Profit		<u>567,243</u>	<u>356,072</u>
Marketing expenses		(161,647)	(109,818)
Accounting fees		(17,675)	(18,175)
Audit fees		(8,096)	(11,447)
Listing and filing fees		(15,085)	(81,268)
Professional fees		(2,623)	(797,574)
Occupancy expenses		(7,540)	(8,858)
Legal fees		(8,103)	(18,522)
Employee benefits expense		(171,814)	(144,861)
Depreciation and amortisation		(197,573)	(34,795)
Computer expenses		(7,941)	(2,137)
Other expenses		(30,393)	(15,826)
Finance expenses		-	(1,876)
Travel expenses		(38,730)	(6,272)
Loss before income tax		<u>(99,977)</u>	<u>(895,357)</u>
Tax expense		-	-
Net Loss from continuing operations		<u>(99,977)</u>	<u>(895,357)</u>
Net Loss for the year		<u>(99,977)</u>	<u>(895,357)</u>
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(30,803)	(36,784)
Total other comprehensive income/(loss) for the year		<u>(30,803)</u>	<u>(36,784)</u>
Total comprehensive income/(loss) for the year		<u>(130,780)</u>	<u>(932,141)</u>
Earnings per share			
From continuing and discontinued operations:			
Basic loss per share (cents)		(0.04)	(0.40)
Diluted loss per share (cents)		(0.04)	(0.40)

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		Group	
	Note	30 June 2017 \$	31 December 2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		76,354	645,505
Trade and other receivables		130,829	204,570
Other financial assets		1,339,216	1,268,550
TOTAL CURRENT ASSETS		1,546,399	2,118,625
NON-CURRENT ASSETS			
Other financial assets		2,173	37,509
Other assets		304,360	303,693
Property, plant and equipment		19,256	20,827
Intangible assets	5	4,394,617	1,283,606
TOTAL NON-CURRENT ASSETS		4,720,406	1,645,635
TOTAL ASSETS		6,266,805	3,764,260
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		77,301	161,279
Other financial liabilities		574,740	520,191
Current tax liabilities		10,772	10,962
TOTAL CURRENT LIABILITIES		662,813	692,432
NON-CURRENT LIABILITIES			
Trade and other payables		713,402	-
Other financial liabilities		39,158	9,049
Deferred tax liabilities		276,558	1,689
TOTAL NON-CURRENT LIABILITIES		1,029,118	10,738
TOTAL LIABILITIES		1,691,931	703,170
NET ASSETS		4,574,874	3,061,090
EQUITY			
Issued capital	6	25,803,894	24,159,330
Reserves	12	(20,456,699)	(20,425,896)
Retained earnings		(772,321)	(672,344)
TOTAL EQUITY		4,574,874	3,061,090

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Note	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Other Components of Equity	Total
		\$	\$	\$	\$	\$
Consolidated Group						
Balance at 1 January 2016		20,061,697	(250,254)	(3,200)	(20,289,999)	(481,756)
Comprehensive income						
Loss for the period		-	(895,357)	-	-	(895,357)
Other comprehensive income for the period	12(a)	-	-	(36,784)	-	(36,784)
Total comprehensive income for the period		<u>-</u>	<u>(895,357)</u>	<u>(36,784)</u>	<u>-</u>	<u>(932,141)</u>
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period		4,500,000	-	-	-	4,500,000
Transaction costs		(391,861)	-	-	-	(391,861)
Total transactions with owners and other transfers		<u>4,108,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,108,139</u>
Balance at 30 June 2016		<u>24,169,836</u>	<u>(1,145,611)</u>	<u>(39,984)</u>	<u>(20,289,999)</u>	<u>2,694,242</u>
Balance at 1 January 2017		24,159,330	(672,344)	(135,897)	(20,289,999)	3,061,090
Comprehensive income						
Loss for the period		-	(99,977)	-	-	(99,977)
Other comprehensive income for the period	12(a)	-	-	(30,803)	-	(30,803)
Total comprehensive income for the period		<u>-</u>	<u>(99,977)</u>	<u>(30,803)</u>	<u>-</u>	<u>(130,780)</u>
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period		1,644,564	-	-	-	1,644,564
Total transactions with owners and other transfers		<u>1,644,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,644,564</u>
Balance at 30 June 2017		<u>25,803,894</u>	<u>(772,321)</u>	<u>(166,700)</u>	<u>(20,289,999)</u>	<u>4,574,874</u>

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Group	
	30 June 2017	30 June 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	706,450	148,104
Interest received	29,962	15,863
Payments to suppliers and employees	(764,596)	(1,289,305)
Net cash (used in) operating activities	<u>(28,184)</u>	<u>(1,125,338)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,684)	(8,973)
Purchase of intangible assets	(412,920)	-
Purchase of financial assets	-	(324,827)
Payments for Research and Development	(77,417)	-
Loans to related parties:		
- payments made	(46,944)	(1,057,026)
Net cash (used in) investing activities	<u>(539,965)</u>	<u>(1,390,826)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	4,117,584
Payments for capital raising costs	-	(391,861)
Proceeds from borrowings - related party	-	71,629
Net cash provided by financing activities	<u>-</u>	<u>3,797,352</u>
Net (decrease)/increase in cash held	(568,149)	1,281,188
Cash and cash equivalents at beginning of financial year	645,505	427,197
Effect of exchange rates on cash holdings in foreign currencies	(1,002)	9,394
Cash and cash equivalents at end of financial year	<u>76,354</u>	<u>1,717,779</u>

The accompanying notes form part of these financial statements.

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ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2017

The consolidated financial statements of iCandy Interactive Limited for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 31 August 2017 and covers the consolidated entity consisting of iCandy Interactive Limited and its controlled entities ("the Group") as required by Corporates Act 2001.

The financial statements were authorised for issue on 31 August 2017 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all the notes of the type usually included in the annual financial report. It is therefore recommended that this financial report be read in conjunction with the financial report for the year ended 31 December 2016 and any public announcements made by the Company since 31 December 2016 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were used in the Group's last reported annual financial statements as at 31 December 2016, unless otherwise stated.

(a) 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 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.

(b) 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.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2017

Note 1: Summary of Significant Accounting Policies (Cont'd)

Note 1(b): Business Combinations (Cont'd)

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.

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.

(c) 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.

(d) 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.

(e) 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.

(f) Going Concern

The half year financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of \$99,977 and net cash outflows of \$28,184.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern. In the event the above matters are not achieved, the Company will be required to raise funds for working capital from debt or equity sources

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2017

Note 1: Summary of Significant Accounting Policies (Cont'd)

Note 1(f): Going concern (Cont'd)

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

(g) 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, 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.

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 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
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2017

Note 2 Revenue and Other Income

	Group	
	30 June 2017	30 June 2016
	\$	\$
(a) Revenue from continuing operations		
Sales revenue		
— Sale of mobile game applications	588,666	360,525
	<u>588,666</u>	<u>360,525</u>
Other revenue		
— interest received	29,962	15,863
— Realised foreign exchange (loss)	-	(1,562)
	<u>29,962</u>	<u>14,301</u>
Total revenue	<u>618,628</u>	<u>374,826</u>

Note 3 Dividends

No dividends have been paid, declared or recommended for payment during the reporting period.

Note 4 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 Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Country of Incorporation	Ownership interest held by the Group	
		30 June 2017	31 December 2016
Kensington Ventures Pte Ltd	Singapore	100%	100%
iCandy Ventures Limited	British Virgin Island	100%	100%
Appxplore Sdn Bhd (100% owned by iCandy Ventures Limited)	Malaysia	100%	100%
Inzen Studio Pte Ltd	Singapore	100%	-

Voting power in these entities is in proportion to ownership interest. All interest are in the ordinary shares of the subsidiaries.

Note 5 Intangible Assets

	Group	
	30 June 2017	31 December 2016
	\$	\$
Goodwill		
Cost	883,447	-
Accumulated impairment losses	-	-
Net carrying amount	<u>883,447</u>	<u>-</u>
Computer software:		
Cost	1,759,276	1,346,355
Accumulated amortisation and impairment losses	(372,326)	(203,000)
Net carrying amount	<u>1,386,950</u>	<u>1,143,355</u>
Research and Development		
Cost	2,183,275	175,314
Accumulated amortisation and impairment losses	(59,055)	(35,063)
Net carrying amount	<u>2,124,220</u>	<u>140,251</u>
	<u>-</u>	<u>-</u>
Total intangible assets	<u>4,394,617</u>	<u>1,283,606</u>

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2017

Note 5: Intangible Assets (Cont'd)

Group:

	Goodwill	Computer Software	Research & Development	Total
	\$	\$	\$	\$
Year ended 31 December 2016				
Balance at the beginning of the year	-	202,461	-	202,461
Additions	-	1,060,210	175,314	1,235,524
Amortisation charge	-	(119,316)	(35,063)	(154,379)
	-	1,143,355	140,251	1,283,606
Half-Year ended 30 June 2017				
Balance at the beginning of the year	-	1,143,355	140,251	1,283,606
Additions	-	412,920	116,018	528,938
Acquisitions through business combinations - Provisionally accounted for*	883,447	-	1,891,943	2,775,390
Amortisation charge	-	(169,325)	(23,992)	(193,317)
Closing value at 30 June 2017	883,447	1,386,950	2,124,220	4,394,617

* Intangible assets provisionally accounted for relate to the acquisition of Inzen Studio Pte Ltd. (Please refer to Note 8 for further details)

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. Goodwill has an indefinite useful life.

Note 6 Issued Capital

	Group	
	30 June 2017	31 December 2016
	\$	\$
256,692,746 fully paid ordinary shares (31 December 2016: 229,283,334)	25,803,894	24,159,330
	<u>25,803,894</u>	<u>24,159,330</u>

The company has authorised share capital amounting to 256,692,746 ordinary shares.

(a) Ordinary Shares

	Group	
	30 June 2017	31 December 2016
	No.	No.
At the beginning of the reporting period	229,283,334	206,783,334
Shares issued during the year	27,409,412	22,500,000
At the end of the reporting period	<u>256,692,746</u>	<u>229,283,334</u>

On 12 April 2017, 27,409,412 fully paid ordinary shares were issued as part consideration for the Company's acquisition of Inzen Studio Pte Ltd.

(b) Options

	Group	
	30 June 2017	31 December 2016
	No.	No.
At the beginning of the reporting period	30,533,333	8,033,333
Options issued during the period	-	22,500,000
Options exercised during the period	-	-
Options expired during the period	-	-
At the end of the reporting period	<u>30,533,333</u>	<u>30,533,333</u>

The options have an exercise price of \$0.21 and an expiry date of 4 February 2020.

Note 7 Contingent Liabilities and Contingent Assets

There were no contingent liabilities at the date of this report.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
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Note 8 Business Combinations

On 12 April 2017, the Company acquired 100% of the issued capital of Inzen Studio Pte Ltd, a company incorporated in Singapore, in accordance with a Share Sale Agreement executed on 16 December 2017. The total cost of the acquisition is \$5.6 million (SGD \$6 million), subject to performance milestones.

The initial accounting for the acquisition of Inzen Studio Pte Ltd has only been provisionally determined at the end of the reporting period. At the date of these consolidated financial statements, the necessary identification and fair value assessment of the separately identifiable intangible assets acquired have not been finalised and they have therefore only been provisionally determined and grouped together as an intangible asset.

The fair value of the identifiable assets and liabilities of Inzen Studio Pte Ltd as at the date of acquisition were:

	12 April 2017
	\$
Consideration (including shares and deferred consideration subject to performance milestones that have been adjusted based on probability assessments at transaction date)	2,357,967

Value of assets acquired

Cash	631
Intangible assets provisionally accounted for	1,891,943
Trade creditors	(25,500)
Other creditors	(125,000)
Deferred tax liability	(274,898)
Fair value of net assets acquired	1,467,176

The contribution of Inzen Studio Pte Ltd to the consolidated entity's loss was \$10,318.

Note 9 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.

OPERATING SEGMENTS

- (i) **Segment performance**

	Development of digital media \$	Development of intellectual properties \$	All Other Segments \$	Total \$
Half-year ended 30 June 2017				
REVENUE				
External sales	-	588,666	-	588,666
Intersegment sales	-	-	-	-
Interest revenue	-	29,326	636	29,962
Total segment revenue	-	617,992	636	618,628
<i>Reconciliation of segment revenue to group revenue</i>				
Total group revenue				618,628
Segment net loss from continuing operations before tax	(291,483)	237,526	(90,308)	(144,265)
<i>Reconciliation of segment result to group net profit/loss before tax</i>				
Intersegment elimination				44,288
Net loss before tax from continuing operations				(99,977)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2017

Note 9: Operating Segments (Cont'd)

Half-year ended 30 June 2016

REVENUE

External sales	197,532	162,993	-	360,525
Other income	-	(1,552)	(10)	(1,562)
Interest revenue	-	41	15,822	15,863
Total segment revenue	197,532	161,482	15,812	374,826
Reconciliation of segment revenue to group revenue				
Total group revenue				374,826
Segment net loss from continuing operations before tax	(630,348)	(75,502)	(1,428,379)	(2,134,229)
Reconciliation of segment result to group net profit/loss before tax				
Intersegment elimination				1,238,872
Net profit before loss from continuing operations				<u>(895,357)</u>

Development of digital media	Development of intellectual properties	All Other Segments	Total
\$	\$	\$	\$
197,532	162,993	-	360,525
-	(1,552)	(10)	(1,562)
-	41	15,822	15,863
197,532	161,482	15,812	374,826
(630,348)	(75,502)	(1,428,379)	(2,134,229)
			1,238,872
			<u>(895,357)</u>

(ii) **Segment assets**

30 June 2017

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
\$	\$	\$	\$
1,399,147	5,118,544	26,246,983	32,764,674
1,388,071	3,330,767	26,211,419	30,930,257
			(26,497,869)
			<u>6,266,805</u>

31 December 2016

Segment assets

Segment assets include:

- Additions to non-current assets (other than financial assets and deferred tax)

Reconciliation of segment assets to group assets

Total group assets

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

(iii) **Segment liabilities**

30 June 2017

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
\$	\$	\$	\$
1,762,089	3,213,520	856,226	5,831,835
			(4,139,904)
			<u>1,691,931</u>

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
			-
			<u>746,337</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2017

Note 9: Operating Segments (Cont'd)

(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:

	30 June 2017	30 June 2016
	\$	\$
Australia	636	15,812
Singapore	13,610	197,532
Malaysia	604,382	161,482
Total revenue	618,628	374,826

(v) **Assets by geographical region**

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

	30 June 2017	31 December 2016
	\$	\$
Australia	2,300,011	475,469
Singapore	3,304,046	1,176,318
Malaysia	662,748	2,155,640
Total Assets	6,266,805	3,807,427

Note 10 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

Note 11 Fair Value Measurements

	30 June 2017		31 December 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	76,354	76,354	645,505	645,505
Trade and other receivables	130,829	130,829	1,553,796	1,553,796
Other financial assets	1,341,389	1,341,389	1,306,059	1,306,059
Total financial assets	1,548,572	1,548,572	3,505,360	3,505,360
Financial liabilities				
Trade and other payables	790,703	790,703	733,686	733,686
Other financial liabilities	613,898	613,898	529,240	529,240
Total financial liabilities	1,404,601	1,404,601	1,262,926	1,262,926

- (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 HALF-YEAR ENDED 30 JUNE 2017

Note 12 Reserves

a. **Foreign Currency Translation Reserve**

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

	Group	
	30 June 2017	31 December 2016
	\$	\$
Balance at the beginning of the period	135,897	3,200
Foreign currency movements during the year	<u>30,803</u>	<u>132,697</u>
	<u>166,700</u>	<u>135,897</u>

	Group	
	30 June 2017	31 December 2016
	\$	\$
Total Reserves		
Foreign currency translation reserve	166,700	135,897
Other components of equity	<u>20,289,999</u>	<u>20,289,999</u>
	<u>20,456,699</u>	<u>20,425,896</u>

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ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

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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 3 to 15, 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 30 June 2017 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.

Director



Donald Low

Dated this

31 August 2017

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Independent Auditor's Review Report

To the Members of iCandy Interactive Limited

We have reviewed the accompanying half-year financial report of iCandy Interactive Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 30 June 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Independent Auditor's Review Report

To the Members of iCandy Interactive Limited (Continued)



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of iCandy Interactive Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 1(f) of the half-year financial report which indicates that the Consolidated Entity incurred a net loss of \$99,977 during the half-year ended 30 June 2017. This condition, along with other matters as set forth in note 1(f), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Director

Dated at Perth this 31st day of August 2017

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