

I SYNERGY GROUP LIMITED

ACN: 613 927 361

APPENDIX 4E PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	I Synergy Group Limited
ABN:	51 613 927 361
Reporting period:	For the year ended 31 December 2016
Previous period:	For the year ended 31 December 2015

2. Results for announcement to the market

AUD'000			
Revenues from ordinary activities	down	2.05% to	21,808
Profit from ordinary activities after tax attributable to the owners of I Synergy Group Limited	down	26.84% to	3,006
Profit for the year attributable to the owners of I Synergy Group Limited	down	26.84% to	3,006

Dividends

The directors have not yet declared a dividend for the financial year. The Company intends to review this over the 2017 financial year

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to AUD3,006,000 (31 December 2015: AUD4,109,000).

The lower reported revenue was mainly due to weakening functional currency, Malaysian Ringgit (MYR) against the reporting currency of the Group in Australian Dollars (AUD), despite the underlying revenue increasing by 2.8% compared to the previous year. Nevertheless, the net profit attributable to the owners of I Synergy Group Limited was 26.84% lower than the previous year as the administrative expenses rose to AUD2,587,000. The increase in administrative expenses were mainly due to higher office overheads and staff costs in tandem with the Group expansion plan, as well as the expenses incurred for the group reorganisation for listing on Australia Stock Exchange (ASX).

The financial position of the Group is strong with ample of liquidity and cash on hand with negligible debts, which well-position the Group for its regional expansion plans. The deferred revenue on license fees collected in advance continued to rise, which will be recognised as the future revenue.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets/(liabilities) per ordinary security	<u>2.32</u>	<u>(0.40)</u>

4. Control gained over entities

Not applicable.

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5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

8. Attachments

Details of attachments (if any):

The Annual Report of I Synergy Group Limited for the year ended 31 December 2016 is attached.

9. Signed



Signed _____

Date: 31 March 2017

Dato Teo Chee Hong
Director

I SYNERGY GROUP LIMITED

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FINANCIAL REPORT for the financial year ended 31 December 2016

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I SYNERGY GROUP LIMITED

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CORPORATE DIRECTORY

31 DECEMBER 2016

Directors	Bruce Richard Sydney Symon Dato Teo Chee Hong Ilmars Draudins Eng Guo Miao
Company secretary	Joel Ives
Registered office	Ground Floor, 16 Ord Street, West Perth, WA 6872 Phone: +618 9482 0585
Principal place of business	Unit 20-10, Tower A Vertical Business Suite, Avenue 3 Bangsar South No.8 Jalan Kerinchi, Kuala Lumpur, 59200 Malaysia Phone: +603 2242 1333
Share register	Boardroom Pty Limited Level 12, George Steet Sydney NSW 2000
Auditor	Crowe Horwath Perth Level 5, 45 St Georges Terrace Perth WA 6000
Stock exchange listing	I Synergy Group Limited shares are listed on the Australian Securities Exchange (ASX code: IS3)
Website	www.isynergy.my
Corporate Governance Statement	www.isynergy.my

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DIRECTORS' REPORT 31 DECEMBER 2016

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Consolidated entity').

Directors

The following persons were directors of I Synergy Group Limited ('the Company') during the whole of the financial year and up to the date of this report, unless otherwise stated:

Bruce Richard Sydney Symon (appointed on 28 July 2016)

Dato Teo Chee Hong (appointed on 28 July 2016)

Ilmars Draudins (appointed on 28 July 2016)

Eng Guo Miao (appointed on 28 July 2016)

Company Secretary

Joel Ives was appointed company secretary on 28 July 2016 and held that position at the end of the financial year.

Principal activities

The Group's principal activities are providing affiliate marketing solutions to advertisers and affiliates. There was no significant change in the nature of activities of the Company during the year.

Dividends

There were no dividend paid during the year and the Directors do not recommend the payment of a dividend in respect of the current financial year.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to AUD3,006,000 (31 December 2015: AUD4,109,000).

The lower reported revenue was mainly due to weakening functional currency, Malaysian Ringgit (MYR) against the reporting currency of the Group in Australian Dollars (AUD), despite the underlying revenue increasing by 2.8% compared to the previous year. Nevertheless, the net profit attributable to the owners of I Synergy Group Limited was 26.84% lower than the previous year as the administrative expenses rose to AUD2,587,000. The increase in administrative expenses were mainly due to higher office overheads and staff costs in tandem with the Group expansion plan, as well as the expenses incurred for the group reorganisation for listing on Australia Stock Exchange (ASX).

The financial position of the Group is strong with ample of liquidity and cash on hand with negligible debts, which well-position the Group for its regional expansion plans. The deferred revenue on license fees collected in advance continued to rise, which will be recognised as the future revenue.

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Significant changes in the state of affairs

On 28 July 2016 the Company was incorporated with an authorized share capital of AUD 1 comprising 1 ordinary share of AUD 1 each.

The Group was formed through a restructuring exercise ('the Restructuring Exercise') to streamline and rationalise the corporate and shareholding structure in preparation for the listing of the Group on the Australian Securities Exchange. Pursuant to the Restructuring Exercise, the Company acquired the following entities:

a) Investment in I Synergy (Singapore) Pte Ltd ('ISS')

On 22 August 2016, the Company acquired the equity interest in ISS for a total purchase consideration of AUD1. ISS was being incorporated on the same date.

b) Investment in I Synergy Consolidated Sdn Bhd ('ISC')

ISC was incorporated in Malaysia with a paid up share capital of MYR 2 on 24 August 2016. The Company subscribed for 100% the paid up capital of ISC for MYR 2 on 24 August 2016.

c) Investment in I Synergy International (M) Sdn Bhd ('ISI')

On 22 September 2016, ISC entered into an agreement for the acquisition of the entire share capital of ISI. As consideration to vendor owner (or its nominee) of the share capital in ISI was issued 150,000,000 shares (deferred until completion of a capital raising) in the Company.

d) Investment in I Synergy Universal Sdn Bhd ('ISU')

On 22 September 2016, ISC entered into an agreement for the acquisition of the share capital of ISU held by Dato Teo Chee Hong (comprising 70% the issued capital of ISU). As consideration the vendor owner (or its nominee) of the share capital in ISU was issued 16,556,292 shares (deferred until completion of a capital raising) in the Company.

e) Investment in PT Inovatif Sinergi Internasional('ISN')

ISN was incorporated in Indonesia on 8 December 2016 with a paid up share capital of IDR 1. The Company subscribed for 100% of the paid up capital on ISN for IDR 1 on 8 December 2016.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Subsequent to the year ended 31 December 2016, the Company completed the capital raising relating to the Initial Public Offer and listing on the ASX, with the Company received subscriptions for 18,114,000 shares under the Offer at AUD0.20 to raise AUD3,622,800 before expenses of the offer. The Company issued 923,351 fully paid shares to the sponsoring broker and 5,540,109 options exercisable to 30 cents (50% premium to issue price) within three years to the capital advisor. The Company successfully listed on Australian Stock Exchange (ASX) on 30 March 2017.

On 30 March 2017, 600,000 performance rights were issued to the Managing Director and Chief Executive Officer, Dato Teo Chee Hong which vest over three years upon the listing of I Synergy Group Limited on Australia Stock Exchange (ASX).

On 30 March 2017, 1,950,000 Options were issued to Directors exercisable at AUD0.30, expiring 5 years from issue date and vesting on 3 years continued service.

Apart from the above, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Likely developments and expected results of operations

Despite challenging business environment, the management are confident that the prospects of the Group will improve in the foreseeable future.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Bruce Richard Sydney Symon
Title:	Non-Executive Chairman
Qualifications:	Securities Institute of Australia- Certificate, Securities Institute of Australia- Diploma, Sydney Future Exchange- Equity Registered Presentative, Financial Planning Associate- Certified Financial Planner, Australia Stock Exchange- Senior Representative, Derivative
Experience and expertise:	Richard acted as CEO of National Stock Exchange of Australia, NSX prior joining as an executive chairman and director for MDS Financial Group Ltd (now known as Sequoia Financial Group)
Other current directorships:	KTL Technologies Ltd
Former directorships (last 3 years):	MDS Financial Group Ltd (Now known as Sequoia Financial Group Ltd)
Interests in shares:	120,000 in the Company
Interests in options:	600,000 in the Company
Contractual rights to shares:	None

Name:	Dato' Teo Chee Hong
Title:	Managing Director and Chief Executive Officer
Qualifications:	Bachelor of Engineering
Experience and expertise:	Teo is the founder of I Synergy. He has over 13 years of experience in creative and strategic planning where he specialises in the integration of affiliate marketing solutions to businesses.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	145,083,592 ordinary shares in the Company
Interests in options:	600,000 incentive options in the Company
Contractual rights to shares:	600,000 performance rights

Name:	Ilmars Draudins
Title:	Non-Executive Director
Qualifications:	Bachelor of Engineering, Master of Business Administration, Certificate III in Financial Markets (Securities Institute) and Certificate in Direct Marketing (ADMA)
Experience and expertise:	Ilmars has over 20 years experience in Corporate Advisory, Investment Banking and Consulting
Other current directorships:	N/A
Former directorships (last 3 years):	Venture Axess Group Limited
Interests in shares:	90,000 in the Company
Interests in options:	300,000 in the Company
Contractual rights to shares:	None

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Information on directors (cont'd)

Name:	Eng Guo Miao
Title:	Executive Director and Chief Financial Officer
Qualifications:	Bsc, CA (Malaysia), ACCA
Experience and expertise:	Eng is responsible for the Company's financial management to identify the key growth prospects and strategies with expertise in financial information.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	395,000 ordinary shares in the Company
Interests in options:	450,000 incentive options in the Company
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Joel Ives holds a Bachelor of Commerce from the University of Western Australia and is an associate of the Institute of Chartered Accountants. Mr Ives has extensive mining, resources and technology experience from working with a number of junior to medium sized companies and involved in a number of ASX-listed junior transactions since 2015. Mr Ives is also company secretary of Orinoco Gold Limited and a joint company of Latitude Consolidated Limited.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2016, and the number of meetings attended by each director were:

	Full board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Bruce Richard Sydney Symon	2	2	-	-	-	-
Dato' Teo Chee Hong	2	2	-	-	-	-
Ilmars Draudins	2	2	-	-	-	-
Eng Guo Miao	2	2	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

DIRECTORS' REPORT

31 DECEMBER 2016

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Due to the incorporation at a determination is yet to be made by shareholders and will be proposed at the upcoming Annual General Meeting.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on sale revenue targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of consultants

During the financial year ended 31 December 2016, the consolidated entity, through the Nomination and Remuneration Committee, engaged Bruce Richard Sydney Symon and Ilmars Draudins, consultants, to assist in the listing of the consolidated entity on the Australian Stock Exchange. Bruce Richard Sydney Symon and Ilmars Draudins were paid AUD14,500 for these services.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of I Synergy Group Limited:

- Bruce Richard Sydney Symon - Non-Executive Chairman
- Dato Teo Chee Hong - Managing Director and Chief Executive Officer
- Ilmars Draudins - Non-Executive Director
- Eng Guo Miao - Executive Director and Financial Officer

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Details of remuneration (cont'd)

Amounts of remuneration (cont'd)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees AUD	Cash bonus AUD	Non-monetary* AUD	Super-annuation AUD	Long service leave AUD	Equity-settled shares AUD	Equity-settled options AUD	AUD
2016								
Non-Executive Directors:								
Bruce Richard Sydney Symon (Chairman)	-	-	-	-	-	-	-	-
Ilmars Draudins	-	-	-	-	-	-	-	-
Executive Directors:								
Dato Teo Chee Hong	86,931	14,643	33,001	8,418	-	-	-	142,993
Eng Guo Miao	38,266	5,857	-	4,568	-	-	-	48,691
	125,197	20,500	33,001	12,986	-	-	-	191,684

*Non monetary short-term benefits comprises of company car for personal use.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees AUD	Cash bonus AUD	Non-monetary* AUD	Super-annuation AUD	Long service leave AUD	Equity-settled shares AUD	Equity-settled options AUD	AUD
2015								
Non-Executive Directors:								
Bruce Richard Sydney Symon (Chairman)	-	-	-	-	-	-	-	-
Ilmars Draudins	-	-	-	-	-	-	-	-
Executive Directors:								
Dato Teo Chee Hong	61,463	-	2,437	7,939	-	-	-	71,839
Eng Guo Miao	8,195	-	-	-	-	-	-	8,195
	69,658	-	2,437	7,939	-	-	-	80,034

*Non monetary short-term benefits comprises of company car for personal use.

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Details of remuneration (cont'd)

Amounts of remuneration (cont'd)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
Bruce Richard Sydney Symon	100%	-	-	-	-	-
Ilmars Draudins	100%	-	-	-	-	-
Executive Directors:						
Dato Teo Chee Hong	90%	100%	10%	-	-	-
Eng Guo Miao	88%	100%	12%	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2016	2015	2016	2015
Executive Directors:				
Dato Teo Chee Hong	100%	-	-	-
Eng Guo Miao	100%	-	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Bruce Richard Sydney Symon
Title:	Non-executive director and chairman
Date of agreement signed:	9 August 2016
Commencing date	From date of listing
Term of agreement:	From the Commencing Date until it is terminated
Details:	Director fees of AUD48,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party.

Name:	Dato Teo Chee Hong
Title:	Managing Director and Chief Executive Officer
Date of agreement signed:	25 August 2016
Commencing date	From date of listing
Term of agreement:	From the Commencing Date until it is terminated
Details:	Director fees of AUD36,000 per annum and base annual salary of RM572,400 per annum (approximately AUD216,800) plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party, cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

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Service agreements (cont'd)

Name: **Ilmars Draudins**
Title: **Non-executive director**
Date of agreement signed: 4 August 2016
Commencing date: From date of listing
Term of agreement: From the Commencing Date until it is terminated
Details: Director fees of \$36,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party.

Name: **Eng Guo Miao**
Title: **Executive Director and Chief Financial Officer**
Date of agreement signed: 25 August 2016
Commencing date: From date of listing
Term of agreement: From the Commencing Date until it is terminated
Details: Director fees of AUD12,000 per annum and base of RM135,600 per annum (approximately AUD54,700) plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to any of directors and other key management personnel in the 2016 financial year.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Bruce Richard Sydney Symon	600,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A
Dato Teo Chee Hong	600,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A
Ilmars Draudins	300,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A
Eng Guo Miao	450,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. These options were issued on 30 March 2017, subsequent to listing on the ASX in accordance with the terms of the options. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

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Share-based compensation (cont'd)

Issue of Performance Shares

No Performance shares were issued during the 2016 financial year.

On 30 March 2017, 600,000 performance rights were issued to the Managing Director and Chief Executive Officer, Dato Teo Chee Hong which vest over three years upon the listing of I Synergy Group Limited on Australia Stock Exchange (ASX).

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Bruce Richard Sydney Symon	-	-	120,000	-	120,000
Dato Teo Chee Hong	-	-	145,083,592	-	145,083,592
Ilmars Draudins	-	-	90,000	-	90,000
Eng Guo Miao	-	-	395,000	-	395,000
	-	-	145,688,592	-	145,688,592

Option holding

There were no options issued during the financial year. As noted above, the options to Directors and other key management personnel was subject to successful listing on the ASX. On 30 March 2017 these options were issued.

Other transactions with key management personnel and their related parties

There are no other transactions with key management personnel and their related parties

Changes in Directors and Executives subsequent to year-end

There were no changes in Directors and Executive subsequent to year-end.

This concludes the remuneration report, which has been audited.

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Shares under option

There are no unissued ordinary shares of I Synergy Group Limited under option at the date of this report.

Shares issued on the exercise of options

There were no shares issued on the exercise of options during the financial year ended 31 December 2016.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

However, the company has not paid a premium in respect of a contract to insure the directors and executives of the company against a liability.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Crowe Horwath Perth

There are no officers of the company who are former partners of Crowe Horwath Perth.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 31 December 2016 has been received and can be found on page 14 of the Annual Report.

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DIRECTORS' REPORT 31 DECEMBER 2016

Corporate Governance Statement

The Company's directors and management are committed to conducting the business of the Group in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (www.isynergy.my) (the Website), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will identify each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters and policies are all available on the Website.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Dato Teo Chee Hong
Director

31 March 2017

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of I Synergy Group Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



CROWE HORWATH PERTH



SEAN MCGURK

Partner

Signed at Perth, 31 March 2017

I SYNERGY GROUP LIMITED

ACN: 613 927 361

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

		The Group	
	Note	2016 AUD'000	2015 AUD'000
Revenue	5	21,808	22,264
Cost of sales		(14,100)	(14,680)
Gross profit		7,708	7,584
Other income		410	240
Selling and distribution expenses		(432)	(105)
Administrative expenses		(2,587)	(1,403)
Finance cost		(4)	(14)
Profit before taxation	6	5,095	6,302
Income tax expense	7	(8)	-
Profit for the year		5,087	6,302
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation		(229)	(8)
Total comprehensive income for the year		4,858	6,294
Profit for the year attributable to:			
Non-controlling interest		2,081	2,193
Owners of the Company		3,006	4,109
		5,087	6,302
Total comprehensive income for the year attributable to:			
Non-controlling interest		1,970	2,147
Owners of the Company		2,888	4,147
		4,858	6,294
		Cents	Cents
Basic earnings per share	8	1.80	2.47
Diluted earnings per share	8	1.80	2.47

The annexed notes form an integral part of these financial statements.

I SYNERGY GROUP LIMITED

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016

		The Group	
	Note	2016 AUD'000	2015 AUD'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	11,119	5,056
Trade receivables	10	1,500	560
Other receivables, deposits and prepayments	11	850	493
Amount owing by a related party	12	-	122
Inventories	13	5	8
		13,474	6,239
Non-current Assets			
Investment in a subsidiary	14	-	-
Property, plant and equipment	15	1,231	556
		1,231	556
TOTAL ASSETS		14,705	6,795
LIABILITIES			
Current Liabilities			
Trade payables	21	64	28
Other payables and accruals	22	3,035	1,699
Amount owing to a director	23	-	3
Amount owing to a related party	24	54	-
Hire purchase payable	19	41	21
		3,194	1,751
Non-current Liabilities			
Hire purchase payable	19	180	67
Deferred revenue	20	7,461	5,639
		7,641	5,706
TOTAL LIABILITIES		10,835	7,457
NET ASSETS		3,870	(662)
EQUITY			
Equity			
Share capital		70	70
Merger deficit		(1,042)	(1,042)
Foreign currency reserve		(80)	38
Retained earnings/ (Accumulated losses)		2,720	(58)
		1,668	(992)
Non-controlling interest		2,202	330
TOTAL EQUITY		3,870	(662)

The annexed notes form an integral part of these financial statements.

I SYNERGY GROUP LIMITED

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share Capital	Retained Earnings	Merger Deficit*	Retranslation reserve	Non- controlling interest	Total
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
The Group						
Balance at 1.1.2015	70	2,507	(1,042)	-	1,042	2,577
Net profit after taxation for the year	-	4,109	-	-	2,193	6,302
Other comprehensive income for the year, net of tax	-	-	-	38	(46)	(8)
Total comprehensive income for the year	-	4,109	-	38	2,147	6,294
Dividend paid	-	(6,674)	-	-	(2,859)	(9,533)
Balance at 31.12. 2015	70	(58)	(1,042)	38	330	(662)

	Share Capital	Retained Earnings	Merger Deficit*	Retranslation reserve	Non- controlling interest	Total
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
The Group						
Balance at 1.1.2016	70	(58)	(1,042)	38	330	(662)
Net profit after taxation for the year	-	3,006	-	-	2,081	5,087
Other comprehensive income for the year, net of tax	-	-	-	(118)	(111)	(229)
Total comprehensive income for the year	-	3,006	-	(118)	1,970	4,858
Dividend paid	-	(228)	-	-	(98)	(326)
Balance at 31.12. 2016	70	2,720	(1,042)	(80)	2,202	3,870

*arising from merger accounting

The annexed notes form an integral part of these financial statements.

I SYNERGY GROUP LIMITED

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

	The Group	
	2016	2015
	AUD'000	AUD'000
Cash flows from operating activities		
Sale from customers	22,324	24,006
Payments to suppliers and employees	(15,308)	(15,931)
Cash generated from operations	7,016	8,075
Interest paid	(4)	(13)
Income tax paid	(9)	-
Net cash from operating activities	7,003	8,062
Cash flows from investing activities		
Interest received	242	111
Proceeds from disposal of property, plant and equipment	61	48
Purchase of property, plant and equipment	(997)	(399)
Net cash used in investing activities	(694)	(240)
Cash flows from financing activities		
Repayment to a director	(3)	(12)
Dividend paid	-	(9,533)
Repayment of hire purchase payables	(36)	(88)
Repayment from a related party	-	1,141
Net cash used in financing activities	(39)	(8,492)
Net increase/(decrease) in cash and cash equivalents	6,270	(670)
Cash and equivalents at the beginning of the financial period	5,056	5,687
Effects of exchange rate changes on cash and cash equivalents	(207)	39
Cash and cash equivalents at the end of the financial period	11,119	5,056

The annexed notes form an integral part of these financial statements.

I SYNERGY GROUP LIMITED

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

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Corporation Act 2001. The domicile of the Company is Australia. The registered office and principal place of business are as follows:-

Registered office : Ground floor, 16 Ord Street,
West Perth, WA 6872

Principal place of business : Unit 20-10, Tower A, The Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 31 March 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries were involved in providing affiliate marketing solutions to advertisers and affiliates. There were no significant change in the nature of activities of the Company during the year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. They also comply with International Financial Reporting Standards.

Restructuring exercise

The Group was formed through a restructuring exercise (the Restructuring Exercise) to streamline and rationalise the corporate and shareholding structure in preparation for the listing of the Group on the Australian Securities Exchange. Pursuant to the Restructuring Exercise, the Company acquired the following entities:

a) Investment in I Synergy (Singapore) Pte Ltd ('ISS')

On 22 August 2016, the Company acquired the equity interest in ISS for a total purchase consideration of AUD1. ISS was being incorporated on the same date.

b) Investment in I Synergy Consolidated Sdn Bhd ('ISC')

ISC was incorporated in Malaysia with a paid up share capital of MYR 2 on 24 August 2016. The Company subscribed for 100% the paid up capital of ISC for MYR 2 on 24 August 2016.

c) Investment in I Synergy International (M) Sdn Bhd ('ISI')

On 22 September 2016, ISC entered into an agreement for the acquisition of the entire share capital of ISI. As consideration to vendor owner (or its nominee) of the share capital in ISI was issued 150,000,000 shares (deferred until completion of a capital raising) in the Company.

I SYNERGY GROUP LIMITED

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

3. BASIS OF PREPARATION (CONT'D)

d) Investment in I Synergy Universal Sdn Bhd ('ISU')

On 22 September 2016, ISC entered into an agreement for the acquisition of the share capital of ISU held by Dato Teo Chee Hong (comprising 70% the issued capital of ISU). As consideration the vendor owner (or its nominee) of the share capital in ISU was issued 16,556,292 shares (deferred until completion of a capital raising) in the Company.

e) Investment in PT Inovatif Sinergi Internasional ('ISN')

ISN was incorporated in Indonesia on 8 December 2016 with a paid up share capital of IDR 1. The Company subscribed for 100% of the paid up capital on ISN for IDR 1 on 8 December 2016.

The acquisition of the entities by the Company as described with Restructuring Exercise above form part of the restructuring for the listing the Group on the Australian Stock Exchange. The Restructuring Exercise involve the acquisition of entities under common control as the same shareholder held the interest in the entities prior to and after the Restructuring Exercise, as such the entities within the Restructuring Exercise are accounted for as an AASB 3 Business Combination 'common control transaction'.

The financial statements prepared using the merger method of accounting as disclosed in Note 4.2 of the financial statements.

The implication of the merger method of accounting on the presentation of the consolidated financial statements is to reflect the financial position and results of the combining entities for the full period (year) irrespective of when the combination takes place.

During the current financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

In prior financial period, the Group through its subsidiaries, I Synergy International (M) Sdn Bhd and I Synergy Universal Sdn Bhd early adopted AASB 15 (IFRS 15 – Revenue from Contracts with Customers).

The adoption of AASB 15 required the Group to recognise revenue at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of services to customers. AASB 15 requires retrospective application and the Group has applied the 'full retrospective' adoption approach. Under this approach the Group has applied AASB 15 as if it had been applied since the inception of all its contracts with customers that are presented in the financial statements.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, except for AASB 15.

I SYNERGY GROUP LIMITED

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment is based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(c) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(d) Allocation of the Transaction Price to the Performance Obligations

When the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

I SYNERGY GROUP LIMITED

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(d) Allocation of the Transaction Price to the Performance Obligations (Cont'd)

If a standalone selling price is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

Determining the appropriate amount to allocate to satisfied and unsatisfied performance obligations require judgments. Factors that management might consider when estimating the amount to allocate to the contract's performance obligations include historical data, expected renewal rates, budgets, data used to set the pricing terms of the contract arrangement and/or discussions with the customer during or after negotiations about the arrangement.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The financial statements have been prepared using merger accounting principles. This method has been used on the basis that the business combination involving the entities in the Group involves entities under common control. Consequently, the requirement of AASB 3 – *Business Combinations*, has not been applied.

Under the merger accounting principles, the acquirer accounts for the combination as follows:

- The assets and liabilities of the combining entities are recorded at their carrying amounts reported in the combined financial statements and not at fair value.
- Intangible assets and contingent liabilities are only recognised to the extent that they were recognised by the acquiree in accordance with applicable AASB's.
- No goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented separately as a reserve (merger reserve).

I SYNERGY GROUP LIMITED

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Merger Accounting for Common Control Business Combinations (Cont'd)

- Any expenses of the combination are written off immediately in the statement of comprehensive income.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. The Groups functional currency is the Malaysian Ringgit ('MYR').

For the purposes of the Financial Statements, the presentation currency used is Australian Dollars.

b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Income and expenses are translated at average exchange rates for the period.

Exchange difference arising on translation of foreign operations with functional currencies other than Australia dollars are recognised in other comprehensive income and included in the foreign currency reserve in the statement of financial position. The foreign currency reserve is recognised in profit or loss when the foreign operation is disposed off.

I SYNERGY GROUP LIMITED

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

i) Financial Assets at Fair Value through Profit or Loss

As at the end of the reporting period, there were no financial assets classified under this category.

ii) Held-to-maturity Investments

As at the end of the reporting period, there were no financial assets classified under this category.

iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

I SYNERGY GROUP LIMITED

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Assets (Cont'd)

iv) Available-for-sale Financial Assets

As at the end of the reporting period, there were no financial assets classified under this category.

b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

c) Equity Instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Computers, handphone and printer	20%
Furniture and fittings	10%
Merchant equipment	10%
Motor vehicles	20%
Office equipment	10%
Renovation	10%
Signage	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 IMPAIRMENT

a) Impairment of Financial Assets

All financial assets (other than those recognized at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognized in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Note 4.6 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

4.10 INCOME TAXES

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 INCOME TAXES (CONT'D)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.12 EMPLOYEE BENEFITS

a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
- b) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- c) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.15 REVENUE AND OTHER INCOME

(a) Revenue from contracts with customers

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 REVENUE AND OTHER INCOME (CONT'D)

(a) Revenue from contracts with customers (cont'd)

Recognition and measurement

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and/or implied in the Group's customary business practices. A good or service is distinct if:-

- (i) the customer can either benefit from the good or service on its own or together with other readily available resources; and
- (ii) the good or service is separately identifiable from other promises in the contract (e.g. the good or service is not integrated with, or significantly modify, or highly interrelated with, other goods or services promised in the contract).

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting a distinct bundle of goods or services.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. If a standalone selling prices is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 REVENUE AND OTHER INCOME (CONT'D)

a) Revenue from contracts with customers (cont'd)

Recognition and measurement (cont'd)

Control over the goods or services are transferred over time and revenue is recognised over time if:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances a customer-controlled asset; or
- (iii) the Group's performance does not create an asset with alternative use and the Group has a right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognized at the point in time at which the customer obtains control of the promised goods or services.

Specific revenue recognition criteria for each of the Group's activities are as described below.

(i) Revenue from software platform activation

Revenue from software platform activation is recognized upon the deployment of the platform's software and technology for the customer, namely the affiliates marketer use to conduct offline and online marketing business. The deployment process is all of the activities undertaken to recognize the software platform according to specific characteristics of the program performance incentives as stipulated in the contract with affiliates and to activate some form of command relating to software component for affiliates execution when using the software platform. The performance obligation is satisfied at a point in time upon completion of the software deployment process.

(ii) Revenue from training and business support tool kit and related material

Revenue is recognized upon provision of training and training materials to the new affiliates. The performance obligation is satisfied at a point in time upon completion of the training course.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 REVENUE AND OTHER INCOME (CONT'D)

a) Revenue from contracts with customers (cont'd)

Recognition and measurement (cont'd)

iii) Revenue from licence right to access

The licence arrangement gives the affiliates the right to access the platform services as it exists over certain period of time granted under the contract. The Group's performance obligation during the licensed period is provision of affiliate management services such as monitoring of transaction traffic conducted by referred customer and, coordination and execution of compensation payment of program fee to affiliate based on affiliates' program performance incentive terms and to customer based on affiliate program incentive.

The revenue from licence right to access is recognized over time when the Group met all the following criteria:-

the Group will undertake either contractually or based on customary business practices activities that significantly affect the software platform to which the affiliate has rights.

- (a) the Group's activities do not otherwise transfer a good or services to the affiliates as they occur.
- (b) the rights granted by the licence directly expose the affiliates to both positive and negative effects of the activities on the software platform and the affiliates entered into the contract with the intent of being exposed to those effects.

Deferred revenue are licence fee received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. Licences that provide access are performance obligations satisfied over time and, therefore, deferred revenue is recognised over the license period.

v) Revenue from affiliate program

Revenue from affiliate program is determined based on total discount rate allocated by the customer, namely the merchant (also known as retailer or brand) computed based on each successful sale transaction referred.

(b) Sale of Goods

Revenue is measured at fair value of the consideration received and receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 REVENUE AND OTHER INCOME (CONT'D)

(c) Seminar and Event Activity Income

Seminar and event activity income are recognised upon rendering of services and when the outcome of the transaction could not be estimated reliably, revenue is recognized to the extent of the expenses incurred that are recoverable.

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

4.16 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Pinnacle Listed Practical Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares

4.17 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

(a) AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**4.17 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR
EARLY ADOPTED (CONT'D)**

(a) AASB 9 Financial Instruments (cont'd)

New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

(b) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the Group.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****5. REVENUE**

Revenue of the Group represents software activation, training, licence right to access and affiliate program fees earned and invoiced value of seminar and event, and merchandise sales.

6. PROFIT BEFORE INCOME TAX EXPENSE

	The Group	
	2016 AUD'000	2015 AUD'000
Profit before income tax expense is arrived at after charging/(crediting)		
Audit fee	97	22
Depreciation of equipment	177	96
Director's remuneration		
- salaries, bonuses, commissions and allowances	146	70
- defined contribution plan (EPF)	13	8
Hire purchase interest expense	33	2
Loss on disposal of property, plant and equipment	4	14
Rental equipment	29	3
Rental of premises	10	8
Staff costs:-	137	69
- salaries, bonuses, commissions and allowances		
- defined contribution plan (EPF)	912	858
- others	58	34
Interest income	94	54
Fair value gain on investment	(178)	(111)
Rental income	(64)	-
	(164)	(129)

7. INCOME TAX EXPENSE

	The Group	
	2016 AUD'000	2015 AUD'000
Income tax expense		
Current tax	3	-
Adjustment recognised for prior periods	5	-
Aggregate income tax expense	8	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****7. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of the income tax expense applicable to the profit for the financial period at the statutory tax rate to the income tax expense at the effective tax rate of the Group and the Company is as follows:-

	The Group	
	2016 AUD'000	2015 AUD'000
Profit before taxation	5,095	6,302
Tax at the statutory tax rates	1,218	1,575
Tax effects of:-		
Under provision in prior year	5	-
Tax incentive for pioneer products	(1,650)	(1,823)
Non-deductible expenses	783	26
Non-taxable income	(15)	-
Deferred tax assets not recognised	(333)	233
Utilisation of deferred tax assets previously not recognised	-	(11)
Income tax expense for the financial year	8	-

No deferred tax asset is recognised in respect of the following item:-

	The Group	
	2016 AUD'000	2015 AUD'000
Accelerated capital allowances	(154)	(99)
Unutilised tax losses	668	1,939
Unabsorbed capital allowances	-	129
	514	1,969

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****8. EARNINGS PER SHARE**

	The Group	
	2016	2015
	AUD'000	AUD'000
Profit after income tax	5,087	6,302
Non-controlling interest	(2,081)	(2,193)
Profit after income tax attributable to the owners of the parent	<u>3,006</u>	<u>4,109</u>
	Number	Number
<u>Basis earnings per share:</u>		
Weighted average number of ordinary shares used in calculating basic earnings per share	166,556,290	166,556,290
	Cents	Cents
Basic earnings per share	1.80	2.47
	Number	Number
<u>Diluted earnings per share:</u>		
Weighted average number of ordinary shares used in calculating diluted earnings per share	166,556,290	166,556,290
	Cents	Cents
Diluted earnings per share	1.80	2.47

9. CASH AND CASH EQUIVALENTS

	The Group	
	2016	2015
	AUD'000	AUD'000
Short-term investments with licensed financial institutions	6,283	4,484
Cash and bank balances	4,836	572
	<u>11,119</u>	<u>5,056</u>

The short-term investments are highly liquid investments in fixed income securities, islamic money market fund and money market instruments that are readily convertible to known amounts of cash.

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

10. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 to 60 days.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2016	2015
	AUD'000	AUD'000
Other receivables	181	204
Deposits	176	277
Prepayments	493	12
	<hr/>	<hr/>
	850	493
	<hr/>	<hr/>

12. AMOUNT OWING BY A RELATED PARTY

	The Group	
	2016	2015
	AUD'000	AUD'000
Amount owing by a related party	-	122
	<hr/>	<hr/>

An amount of AUD122,000 owing by a related party, I Synergy Holdings Berhad (the holding company of the Group) in year 2015 was fully repaid during the year. The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

13. INVENTORIES

	The Group	
	2016	2015
	AUD'000	AUD'000
At cost:-		
Merchandise held for sale	5	8
	<hr/>	<hr/>

None of the inventories are stated at net realisable value.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****14. INVESTMENT IN A SUBSIDIARY**

	The Company AUD'000
Unquoted shares, at cost	70

Details of the subsidiary are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Equity Interest 2016 %	Principal Activities
I Synergy (Singapore) Pte Ltd	Singapore	100	Investment holding
I Synergy Consolidated Sdn. Bhd.	Malaysia	100	Investment holding
I Synergy International (M) Sdn. Bhd.	Malaysia	100	Business of affiliate marketing and related affiliate management services for commercial industry.
I Synergy Universal Sdn. Bhd.	Malaysia	70	Research, development, maintenance and commercialization of proprietary affiliate marketing platform
PT Inovatif Sinergi Internasional	Indonesia	100	Business of affiliate marketing and related affiliate management services for commercial industry.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****15. PROPERTY, PLANT AND EQUIPMENT**

	Cost AUD'000	Addition AUD'000	Disposal AUD'000	Depreciation Charge AUD'000	Foreign Currency Difference AUD'000	Net Book Value AUD'000
The Group						
At 31.12.2016						
Computers, handphone and printer	84	58	-	(34)	(4)	104
Furniture and fittings	25	30	-	(5)	(2)	48
Merchant equipment	104	36	-	(13)	(5)	122
Motor vehicles	197	274	(90)	(69)	(12)	300
Office equipment	33	77	-	(8)	(4)	98
Renovation	111	508	-	(47)	(27)	545
Signboard	2	14	-	(1)	(1)	14
	556	997	(90)	(177)	(55)	1,231

	Cost AUD'000	Addition AUD'000	Disposal AUD'000	Depreciation Charge AUD'000	Foreign Currency Difference AUD'000	Net Book Value AUD'000
The Group						
At 31.12.2015						
Computers, handphone and printer	68	48	-	(24)	(8)	84
Furniture and fittings	20	10	-	(3)	(2)	25
Merchant equipment	40	79	-	(7)	(8)	104
Motor vehicles	192	127	(51)	(53)	(18)	197
Office equipment	13	25	-	(2)	(3)	33
Renovation	17	108	-	(6)	(8)	111
Signboard	1	2	-	(1)	-	2
	351	399	(51)	(96)	(47)	556

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

The Group	At Cost AUD'000	Accumulated Depreciation AUD'000	Net Book Value AUD'000
At 31.12.2016			
Computers, handphone and printer	191	(87)	104
Furniture and fittings	62	(14)	48
Merchant equipment	142	(20)	122
Motor vehicles	404	(104)	300
Office equipment	111	(13)	98
Renovation	596	(51)	545
Signboard	15	(1)	14
	1,521	(290)	1,231

The Group	At Cost AUD'000	Accumulated Depreciation AUD'000	Net Book Value AUD'000
At 31.12.2015			
Computers, handphone and printer	139	(55)	84
Furniture and fittings	35	(10)	25
Merchant equipment	113	(9)	104
Motor vehicles	267	(70)	197
Office equipment	39	(6)	33
Renovation	117	(6)	111
Signboard	2	-	2
	712	(156)	556

Included in the net book value of equipment of the Group at the end of the reporting period were motor vehicles with net book value of AUD209,460 (2015: AUD63,197), which was acquired under hire purchases terms

The motor vehicles with a total net book value of AUD209,460 (2015: AUD167,600) are held in trust by a director of the Company.

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

16. SHARE CAPITAL

	The Company	
	Number of shares	AUD'000
Issued and Fully Paid Up		
At 28 July 2016 (Date of incorporation)	2	-
Addition	166,556,290	70
At 31 December 2016	<u>166,556,292</u>	<u>70</u>

17. MERGER DEFICIT

The merger deficit relates to the subsidiaries which were consolidated under the merger method of accounting.

The merger deficit arose from the difference between the nominal value of shares issued for the acquisition of subsidiaries and the nominal value of the shares acquired.

18. EQUITY-DIVIDENDS

There were no dividend paid during the year and the Directors do not recommend the payment of a dividend in respect of the current financial year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****19. HIRE PURCHASE PAYABLE**

	The Group	
	2016 AUD'000	2015 AUD'000
Minimum hire purchase payments:		
- not later than one year	57	23
- later than one year and not later than five years	191	71
- later than five years	-	4
	<hr/>	<hr/>
	248	98
Less: Future finance charges	(27)	(10)
	<hr/>	<hr/>
Present value of hire purchase payable	221	88
	<hr/>	<hr/>
<u>Current</u>		
Not later than one year	41	21
<u>Non-Current</u>		
Later than one year and not later than five years	180	64
Later than five years	-	3
	<hr/>	<hr/>
	180	67
	<hr/>	<hr/>
	221	88
	<hr/>	<hr/>

The hire purchase payable bore an effective interest rate of 4.37% as at the end of the reporting period.

20. DEFERRED REVENUE

Deferred revenue represents the amount of transaction price received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. The software platform license provide for the rights to access the Group's affiliate marketing system as it exists throughout the licensed period. Licences that provide access are performance obligations satisfied over a certain period of time (between 3 years to 10 years) and, therefore, deferred revenue is recognised over that licensed period.

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

21. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days.

22. OTHER PAYABLES AND ACCRUALS

	The Group	
	2016	2015
	AUD'000	AUD'000
Other payables	3,008	1,682
Accruals	27	17
	<hr/>	<hr/>
	3,035	1,699
	<hr/>	<hr/>

Included in other payable of the Group is commission payable to affiliates amounting to approximately AUD2.2 million (2015: AUD1.1 million).

23. AMOUNT OWING TO A DIRECTOR

	The Group	
	2016	2015
	AUD'000	AUD'000
Amount owing to a director	-	3
	<hr/>	<hr/>

An amount of nil (2015: AUD3,000) is owing to a director, Dato' Teo Chee Hong. The amount is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash after the year-end

24. AMOUNT OWING TO A RELATED PARTY

	The Group	
	2016	2015
	AUD'000	AUD'000
Amount owing to a related party	54	-
	<hr/>	<hr/>

An amount of AUD54,000 (2015: Nil) is owing to a related company, I Synergy Holdings Berhad (the holding company of the Group). The amount is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash after the year-end

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

25. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) In addition to the information detailed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial period:-

	The Group 2016 AUD'000	The Group 2015 AUD'000
Triple Gem Sdn. Bhd. (Director-related entity of Dato' Teo Chee Hong)		
- Office rental	115	11
I Synergy Holdings Berhad (Ultimate holding company of the Group)		
- Management fees	97	-

Triple Gem Sdn. Bhd

Triple Gem Sdn. Bhd, a company which is wholly owned by Dato' Teo Chee Hong, provided office accommodation to the Group during the year. A total amount of AUD115,000 (2015: AUD11,000) was paid to Triple Gem Sdn Bhd for the year ended 31 December 2016.

I Synergy Holdings Berhad

I Synergy Holdings Berhad, a company which holds 150,000,000 shares in I Synergy Group Limited, pending for distribution in specie to the shareholders during the year. It provided company secretarial support, corporate services and executive services in relation to the administration of the Group during the year prior to the reorganization. A total amount of AUD97,000 (2015: Nil) was paid to I Synergy Holdings Bhd for the year ended 31 December 2016. A total amount of AUD54,000 (2015: Nil) was owed to I Synergy Holdings Berhad as at 31 December 2016.

(c) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

	The Group 2016 AUD'000	The Group 2015 AUD'000
Key management personnel compensation:		
- short-term employee benefits	192	80

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****26. REMUNERATION OF AUDITORS**

During the financial year the following fees were paid or payable for services provided by Crowe Horwath Perth, the auditor of the company, its network firms and unrelated firms:

	The Group	
	2016	2015
	AUD'000	AUD'000
<i>Audit services – Crowe Horwath Perth</i>		
Audit or review of the financial statements	42	-
<i>Other services - Crowe Horwath Perth</i>		
Accounting advice	2	-
Independent accountant's report	31	-
	33	-
	75	-
<i>Audit services - network firms</i>		
Audit or review of the financial statements	37	22
<i>Other services - network firms</i>		
Transfer pricing review	32	-
	69	22
	144	22

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

27. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Australian Accounting Standards.

	Parent 2016 AUD'000
<i>Statement of financial position</i>	
Total current assets	1,125
Total assets	1,196
Total current liabilities	1,226
Total liabilities	1,226
Net Liabilities	<u>(30)</u>
Equity	
-Share capital	70
-Accumulated losses	<u>(100)</u>
Total equity	<u>(30)</u>
 <i>Statement of profit or loss and other comprehensive income</i>	
Loss after income tax	(100)
Total comprehensive expense	(100)

Contingent Liabilities

The directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2015: Nil).

Contractual Commitments

At 31 December 2016, I Synergy Group Limited had not entered into any contractual commitments (2015: Nil).

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ADDITIONAL SECURITIES INFORMATION

28. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

28.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	Australia Dollar AUD'000	Singapore Dollar AUD'000	United State Dollar AUD'000	Ringgit Malaysia AUD'000	Total AUD'000
The Group 2016					
Financial Assets					
Trade receivables	-	-	-	1,500	1,500
Other receivables and deposits	-	-	-	225	225
Cash and cash equivalents	650	29	42	10,398	11,119
	650	29	42	12,123	12,844
Financial Liabilities					
Hire purchase payables	-	-	-	221	221
Trade payables	26	-	-	38	64
Other payables and accruals	43	-	-	2,992	3,035
Amount owing to a related party	-	-	-	54	54
	69	-	-	3,305	3,374
Net financial assets/(liabilities)	581	29	42	8,818	9,470
Less: Net financial assets denominated in the respective entities' functional currencies	(552)	-	-	(8,818)	(9,370)
Currency Exposure	29	29	42	-	100

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ADDITIONAL SECURITIES INFORMATION**28. FINANCIAL INSTRUMENTS (CONT'D)****28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****Foreign Currency Exposure**

	Australia Dollar AUD'000	Singapore Dollar AUD'000	United State Dollar AUD'000	Ringgit Malaysia AUD'000	Total AUD'000
The Group					
2015					
Financial Assets					
Trade receivables	-	-	-	560	560
Other receivables and deposits	-	-	-	480	480
Amount due from a related party	-	-	-	122	122
Cash and cash equivalents	-	-	-	5,056	5,056
	-	-	-	6,218	6,218
Financial Liabilities					
Hire purchase payables	-	-	-	88	88
Trade payables	-	-	-	28	28
Other payables and accruals	-	-	-	1,699	1,699
Amount owing to a director	-	-	-	3	3
	-	-	-	1,818	1,818
Net financial assets/(liabilities)	-	-	-	4,400	4,400
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	-	(4,400)	(4,400)
Currency Exposure	-	-	-	-	-

ADDITIONAL SECURITIES INFORMATION

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institution to generate interest income.

The Group does not have any interest-bearing borrowings and hence is not exposed to interest rate risk.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

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ADDITIONAL SECURITIES INFORMATION**28. FINANCIAL INSTRUMENTS (CONT'D)****28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk****(iii) Ageing analysis**

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

The Group 2016	Gross Amount AUD '000	Individual Impairment AUD '000	Carrying Value AUD '000
Not past due	1,296	-	1,296
Past due:			
- less than 3 months	97	-	97
- 3 to 6 months	16	-	16
- over 6 months	234	(143)	91
	1,643	(143)	1,500

The Group 2015	Gross Amount AUD '000	Individual Impairment AUD '000	Carrying Value AUD '000
Not past due	402	-	402
Past due:			
- less than 3 months	46	-	46
- 3 to 6 months	91	-	91
- over 6 months	21	-	21
	560	-	560

Trade receivables that are past due but not impaired

The Group believes that sufficient impairment allowance had been made in respect of these trade receivables.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

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ADDITIONAL SECURITIES INFORMATION

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows:-

The Group 2016	Weighted Average Effective Rate %	Carrying Amount AUD '000	Contractual Undiscounted Cash Flows AUD '000	Within 1 Year AUD '000	1- 5 Years AUD '000	More than 5 Years AUD '000
Trade payables	-	64	64	64	-	-
Other payables and accruals	-	3,041	3,041	2,993	-	-
Amount owing to a related party	-	54	54	54	-	-
Hire purchase payable	4.37	221	248	57	191	-
		3,380	3,407	3,168	191	-

The Group 2015	Weighted Average Effective Rate %	Carrying Amount AUD '000	Contractual Undiscounted Cash Flows AUD '000	Within 1 Year AUD '000	1- 5 Years AUD '000	More than 5 Years AUD '000
Trade payables	-	28	28	28	-	-
Other payables and accruals	-	1,699	1,699	1,699	-	-
Amount owing to a director	-	3	3	3	-	-
Hire purchase payable	4.37	88	98	23	71	4
		1,818	1,828	1,753	71	4

ADDITIONAL SECURITIES INFORMATION

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the Company.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total borrowings from financial institutions.

28.3 FAIR VALUE INFORMATION

At the end of the reporting period, there was no financial instrument carried at fair values.

The fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. The fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary. The fair values are included in level 2 of the fair value hierarchy.

29. OPERATING SEGMENTS

The Group operates predominantly in one business segment (affiliate marketing solutions) in Malaysia. Accordingly, the information by business and geographical segments is not presented.

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2016, the Company completed the capital raising relating to the Initial Public Offer and listing on the ASX, with the Company received subscriptions for 18,114,000 shares under the Offer at AUD0.20 to raise AUD3,622,800 before expenses of the offer. The Company issued 923,351 fully paid shares to the sponsoring broker and 5,540,109 options exercisable to 30 cents (50% premium to issue price) within three years to the capital advisor. The Company successfully listed on Australian Stock Exchange (ASX) on 30 March 2017.

On 30 March 2017, 600,000 performance rights were issued to the Managing Director and Chief Executive Officer, Dato Teo Chee Hong which vest over three years upon the listing of I Synergy Group Limited on Australia Stock Exchange (ASX).

On 30 March 2017, 1,950,000 Options were issued to Directors exercisable at AUD0.30, expiring 5 years from issue date and vesting on 3 years continued service.

Apart from the above, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of I Synergy Group Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 14 to 55, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which as stated in accounting policy Note 4 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 31 December 2016 and of the performance for the financial year ended on that date of the Group;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - b. the financial statements and Notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and Notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
4. the directors have been given the declaration required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Board of Directors.



Dato Teo Chee Hong
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I SYNERGY GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of I Synergy Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Director's Declaration of the Company.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*; including:

- a) giving a true and fair value of the consolidated Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the 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; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	How our audit addressed the matter
Decentralised operations	
<p>The Group comprises 5 subsidiaries with the operations of the Group being conducted in Malaysia.</p> <p>The decentralised nature of the operations requires significant oversight by Management to monitor activities, review component financial reporting and undertake the Group consolidation.</p> <p>We focused on:</p> <ul style="list-style-type: none"> ▪ understanding the components and identifying the significant risks of misstatement within them; ▪ the scoping of relevant procedures consistent with the risks identified and to enable coverage of significant aggregated balances; ▪ the assessment of components compliance with Group accounting policies, particularly revenue recognition; and ▪ the consolidation process and aggregating of results from component procedures. <p>Disclosures relating to the Groups subsidiary's can be found at note 14 <i>Investment in a Subsidiary</i></p>	<p>Audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> ▪ We instructed component audit teams from Crowe Horwath Malaysia to perform procedures on the financial information prepared for consolidation purposes for two components. The selected components were those of most significance to the audit of the Group, by both individual size and risk, and included over 95% of the Group's assets and revenues. The objective of this being to gather evidence that aggregates to form the Group's financial reporting ▪ The component audit teams performed audits of the financial information of the components in accordance with our specific group reporting package information and local statutory financial reporting. We worked with the component audit teams to understand the components, to identify risks that are significant to the audit of the Group and to plan relevant procedures. We discussed the audits as they progressed to identify and address any issues, working with the component audit teams as appropriate. ▪ We read component audit teams audit reports to us and the underlying memos explaining component results. ▪ We evaluated the work performed by the component audit teams for sufficiency for our overall audit purpose. ▪ We considered the component auditors' reporting about the components' compliance with the Group's accounting policies, including revenue recognition. ▪ We tested the financial data used in the consolidation process for consistency with the financial data audited by the component audit teams. We also assessed the consolidation process for compliance

Key audit matter	How our audit addressed the matter
	<p>with accounting standards.</p> <ul style="list-style-type: none"> For the components not within the scope of the component audit teams, our procedures included testing the Groups key monitoring controls and performance of analytical procedures.
Business Combinations	
<p>The financial report has been prepared in accordance with the principles of the pooling of interests method. This method has been used on the basis that the combination of businesses as outlined in note 3 involves entities under common control. Consequently, the requirement of AASB 3 – <i>Business Combinations</i>, has not been applied.</p> <p>The principles underlying the application of the pooling of interests method are not codified in Australian Accounting Standards and the directors of the Company have developed and applied the accounting policy as outlined in note 4.2 to the combination of entities that comprise the Group.</p>	<p>We evaluated the application of the accounting policy developed by management by utilizing our technical accounting specialists to research the pooling of interests method.</p> <p>We further examined the information and associated calculations to ensure that management had accounted for the Group entities in accordance with its stated accounting policy.</p>
Revenue recognition	
<p>The accuracy and completeness of amounts recorded as revenue is an inherent industry risk due to the complexity of the products and services offered by the Group, and the combination of those products and services sold, together with price changes in the year.</p> <p>A significant part of the Group's revenue processes are also heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of revenue transactions.</p> <p>Disclosures relating to revenue recognition can be found at note 4.15 <i>Revenue and Other Income</i></p>	<p>We evaluated the design and operating effectiveness of controls over the capture and measurement of revenue transactions, including evaluating the relevant IT systems.</p> <p>We examined the process and controls over the capture and assessment of the timing of revenue recognition for contracts with customers, as well as testing a sample of new contracts as supporting evidence.</p> <p>We assessed the Group accounting policies as set out in note 4.15 Revenue and Other Income, for compliance with the revenue recognition requirements of Australian Accounting Standards.</p>

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and securities information included in the annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, discussing, 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 cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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 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 entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 are also required to 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 be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 10 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of I Synergy Group 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.

**CROWE HORWATH PERTH**

SEAN MCGURK
Partner

Signed at Perth, 31 March 2017

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ADDITIONAL SECURITIES INFORMATION

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issue capital of the Company at 17 March 2017 is 185,593,643 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 17 March 2017

		No. of Shares Held	% Held
1	CAPZ VENTURE SDN BHD	66,000,000	35.562%
2	DATO CHEE HONG TEO	50,746,192	27.343%
3	TIME GUARDIAN VENTURES LIMITED	22,337,400	12.036%
4	FAME OPUS MANAGEMENT LIMITED	7,960,000	4.289%
5	ORCHARD LANE HOLDINGS LIMITED	7,000,000	3.772%
6	TRIPPLE GEM SDN BHD	6,000,000	3.233%
7	SANFORD CAPITAL PLT	3,500,000	1.886%
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,349,000	0.727%
9	LIM BENG HIAN	1,200,000	0.647%
10	NOVUS CAPITAL LIMITED	933,351	0.503%
11	MOHAMMAD YAZID BIN DAUD	505,000	0.272%
12	ANKY HANDOKO	500,000	0.269%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	495,000	0.267%
14	LU MIN YONG & SIEW MEE YONG & AMY HUI HOONG YOONG	400,000	0.216%
15	ENG GUO MIAO	395,000	0.213%
16	ISHARIZAT BIN IBRAHIM	320,000	0.172%
17	TEO SIONG YAM	300,000	0.162%
18	AMRAN BIN MUNIR	250,000	0.135%
19	TALIB BIN MINGU	202,000	0.109%
20	ROSINI BINTI JAILANI	200,000	0.108%
	TOTAL	170,592,943	91.917%

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ADDITIONAL SECURITIES INFORMATION

Shares Range	No. of Holders	No. of Shares
100,001 and Over	37	173,052,943
10,001 to 100,000	177	6,323,000
5,001 to 10,000	569	5,646,800
1,001 to 5,000	153	570,900
1 to 1,000	0	0
	936	185,593,643

Number holding less than a marketable parcel at a share price of \$0.20

64 128,000

Shareholders by Location

Australian holders

Overseas holders

No. of Holders	No. of Shares
399	7,547,351
537	178,046,292
936	185,593,643

Voting Rights

The holders of ordinary shares are entitled to one vote per share at meetings of the Group.

SUBSTANTIAL SHAREHOLDERS AS AT 17 March 2017

	No. of Shares Held	% Held
1 CAPZ VENTURE SDN BHD	66,000,000	35.562%
2 DATO CHEE HONG TEO	50,746,192	27.343%
3 TIME GUARDIAN VENTURES LIMITED	22,337,400	12.036%

Option Holdings

The Group has the following classes of options on issue at 17 March 2017 as detailed below. Options do not carry any rights to vote.

Class	Terms	No. of Options
A	Unlisted Options 30c Advisor Options Expiring 22-Jan-2020	5,540,109
B	Unlisted Options 30c Incentive Options Expiring 17-Jan-2022	1,950,000
		7,490,109

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ADDITIONAL SECURITIES INFORMATION

Options Range

	Unlisted Options	
	No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	5	7,490,109
	5	7,490,109

The following Option holders hold more than 20% of a particular class of the Group's Unlisted Options.

Holder	A	B
Mr Richard Symon	-	600,000
Ventnor Capital Pty Ltd	5,540,109	-
Eng Guo Miao	-	450,000
Dato Chee Hong Teo	-	600,000

performance Rights Holdings

The Group has the following classes of performance rights on issue at 17 March 2017 as detailed below. Performance rights do not carry any rights to vote.

Classes	Terms	No. of Options
A	Performance Rights The holder remains engaged by the Company for 1 year from Listing.	200,000
B	Performance Rights The holder remains engaged by the Company for 2 years from Listing.	200,000
C	Performance Rights The holder remains engaged by the Company for 3 years from Listing.	200,000
		600,000

I SYNERGY GROUP LIMITED

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ADDITIONAL SECURITIES INFORMATION

Performance Rights Range

	Unlisted Options	
	No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	1	600,000
	1	600,000

The following Performance Rights holders hold more than 20% of a particular class of the Group's Performance Rights.

Holder	A	B	C
Dato Chee Hong Teo	200,000	200,000	200,000

Requirement Listing Rule 4.10.19

In accordance with the listing rule 4.10.19 the company confirms that the entity used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with the business's objectives.