

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
APPENDIX 4D HALF YEAR REPORT FOR THE PERIOD ENDED 30 JUNE 2016

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

Current period: 1 January 2016 - 30 June 2016
 Prior corresponding period: 1 January 2015 - 30 June 2015

2. Results for announcement to the market

Key Information	Half year ended 30 June 2016 \$	2 months ended 30 June 2015 \$	Up/ down	Change %
Revenues from ordinary activities	374,826	9,292	Up	3934%
Loss from ordinary activities after tax attributable to members	(895,357)	(100,228)	Up	793%
Net loss for the period attributable to members	(895,357)	(100,228)	Up	793%

3. Dividend Information

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

Brief explanation necessary to enable the figures above to be understood:

The previous corresponding period was for 2 months as the Group and its operations started operating in May 2015.

Please refer to the Review of Operations within the Directors Report for an explanation of the results.

4. Net Tangible Assets per security

	Half year ended 30 June 2016 (cents)	9 months ended 31 December 2015 (cents)
Net tangible assets per security (with the comparative figures for the previous corresponding period)	0.54	(0.40)

5. Details of entities over which control has been gained

Name of Entity: N/A

Date of control:

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

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**Financial Report For The Half-Year Ended
30 June 2016**

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

Financial Report For The Half-Year Ended 30 June 2016

CONTENTS	Page
Directors' Report	1
Auditor's Independence Declaration	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	16
Independent Auditor's Report	17

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

DIRECTORS' REPORT

Your directors of I Candy Interactive Limited ("the Company") present their report on the consolidated entity ("Group"), consisting of I Candy Interactive Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2016.

General Information

Directors

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

Kin Wai Lau

Donald Han Low

Robert Kolodziej

Ivan Perry Wu (resigned 29 February 2016)

Review of Operations

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

The consolidated loss for the six month period ended 30 June 2016 was \$895,357. (unaudited 2015 loss: \$100,228)

The net assets of the Group as at 30 June 2016 was \$2,694,242. (31 December 2015: net deficit of \$481,756)

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

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

To entice in-game monetisation via players purchasing virtual items, the Company employs the following two monetisation strategies:

- **Time Sink** - rather than spending long periods of time playing one of the Company's video games in order to advance and unlock higher game levels (where the games could be more interesting), the players are given the option of purchasing virtual items that will expedite their progress to higher game levels.

Connected to this, the Company can implement restrictions on gameplay on its games to create demand for in-game purchases (for example by slowing the progress of players once a certain game level is reached by requiring them to request a 'level-pass ticket' from friends to unlock new levels or by giving players limited 'lives' to play a game in a given period of time). Players who wish to continue playing games without these restrictions are encouraged to make an in-game purchase of a 'special pass ticket' and/or extra 'life' to unlock the next level of the game.

- **Unique Items** - players can purchase special virtual items which are normally not available during normal gameplay (for example, in the Company's Mobfish Hunter game, players are enticed to purchase special 'baits' which have unique properties which allow players to enjoy difference capabilities in the gameplay).

The Company can add achievement items to its games which reward players for perfecting each game level. To perfect a level, the players are generally required to play more and refine their gameplay strategies. This requirement in turn generates a demand for in-game 'boosters' and 'power ups', which are available for in-game purchase and assist players in their quest to perfect each level and earn the achievement item.

The Company can also offer special items which can help players overcome game obstacles and challenges which they find difficulty to pass. With the in-game purchase of these special items, the players can clear difficult levels more easily and quickly, which in turn helps them score higher game points and a higher ranking during gameplay.

To implement and drive these monetisation strategies, it is imperative that the Company focuses on the development of highly engaging and challenging mobile games. The Group's games are available worldwide although the majority of downloads of the Group's games have occurred in the Asia Pacific region. The Group's immediate focus for growth will be on the Asia Pacific region followed by other regions worldwide.

To date, the Company mobile games have achieved an estimated of more than 15 million downloads worldwide. Just recently, one of the Company's studio Appxplore was awarded a 'Top Developer' badge on the Google Play store. Awarded by Google Play editorial staff, the Top Developer badge recognizes 'established, respected developers for their commitment to launching high-quality and innovative apps on Android.'

The Company launched a new game titled CrabWar, using a new proprietary game engine that was developed in-house. CrabWar has shown very promising results in terms of downloads and revenue generation. The Company intends to continue to dedicate more resources onto enhancing the CrabWar title.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration is included on page 3 of the half-year financial report.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Donald Low', with a long horizontal flourish extending to the right.

Donald Low
Director
Melbourne

Dated this 26 day of August 2016

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

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2016 there have been no contraventions of:

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

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. Wong

L.S. WONG
Partner

Melbourne: 26 August 2016

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

		Consolidated Group	
		30 June 2016	Unaudited 30 June 2015
	Note	\$	\$
Continuing operations			
Revenue	2	374,826	9,292
Other income	2	-	7
Cost of sales		(18,754)	(3,459)
Gross Profit		<u>356,072</u>	<u>5,840</u>
Marketing expenses		(109,818)	(5,156)
Accounting fees		(18,175)	-
Audit fees		(11,447)	-
Listing and filing fees		(81,268)	-
Professional fees		(797,574)	(1,326)
Occupancy expenses		(8,858)	(2,644)
Legal fees		(18,522)	-
Employee benefits expense		(144,861)	(63,108)
Depreciation		(34,795)	(18,889)
Computer expenses		(2,137)	(5,860)
Other expenses		(15,826)	(7,168)
Finance expenses		(1,876)	-
Travel expenses		(6,272)	(1,917)
Loss before income tax		<u>(895,357)</u>	<u>(100,228)</u>
Tax expense		-	-
Net Loss from continuing operations		<u>(895,357)</u>	<u>(100,228)</u>
Net Loss for the year		<u><u>(895,357)</u></u>	<u><u>(100,228)</u></u>
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(36,784)	66,003
Other comprehensive income for the year		<u>(36,784)</u>	<u>66,003</u>
Total comprehensive income for the year		<u><u>(932,141)</u></u>	<u><u>(34,225)</u></u>
Earnings per share			
From continuing and discontinued operations:			
Basic loss per share (cents)		(0.40)	-
Diluted loss per share (cents)		(0.36)	-

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

		Consolidated Group	
		30 June 2016	31 December 2015
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,717,779	427,197
Trade and other receivables		180,716	167,970
Other assets		-	98,541
TOTAL CURRENT ASSETS		1,898,495	693,708
NON-CURRENT ASSETS			
Trade and other receivables		961,142	-
Other financial assets		324,827	-
Property, plant and equipment		20,213	15,119
Intangible assets	5	171,544	202,461
TOTAL NON-CURRENT ASSETS		1,477,726	217,580
TOTAL ASSETS		3,376,221	911,288
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		65,143	753,271
TOTAL CURRENT LIABILITIES		65,143	753,271
NON-CURRENT LIABILITIES			
Trade and other payables		616,836	639,773
TOTAL NON-CURRENT LIABILITIES		616,836	639,773
TOTAL LIABILITIES		681,979	1,393,044
NET ASSETS		2,694,242	(481,756)
EQUITY			
Issued capital	6	24,169,836	20,061,697
Reserves		(20,329,983)	(20,293,199)
Retained earnings		(1,145,611)	(250,254)
TOTAL EQUITY		2,694,242	(481,756)

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Note	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Other components of Equity	Total
		\$	\$	\$	\$	\$
Consolidated Group						
Balance at 20 March 2015 (incorporation date)						-
Comprehensive income						
Loss for the year		-	(100,228)	-	-	(100,228)
Other comprehensive income for the period		-	-	66,003		66,003
Total comprehensive income for the period		-	(100,228)	66,003	-	(34,225)
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period		20,362,076	-	-	-	20,362,076
Transaction costs						-
Premium on assets acquired		-	-	-	(20,289,999)	(20,289,999)
Total transactions with owners and other transfers		20,362,076	-	-	(20,289,999)	72,077
Balance at 30 June 2015		20,362,076	(100,228)	66,003	(20,289,999)	37,852
Balance at 1 January 2016		20,061,697	(250,254)	(3,200)	(20,289,999)	(481,756)
Comprehensive income						
Loss for the period		-	(895,357)	-	-	(895,357)
Other comprehensive income for the period		-	-	(36,784)	-	(36,784)
Total comprehensive income for the period		-	(895,357)	(36,784)	-	(932,141)
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period		4,500,000	-	-	-	4,500,000
Transaction costs		(391,861)	-	-	-	(391,861)
Total transactions with owners and other transfers		4,108,139	-	-	-	4,108,139
Total Other		-	-	-	-	-
Balance at 30 June 2016		24,169,836	(1,145,611)	(39,984)	(20,289,999)	2,694,242

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Consolidated Group	
	30 June 2016	Unaudited 30 June 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	148,104	5,384
Interest received	15,863	121
Payments to suppliers and employees	(1,289,305)	(29,635)
Net cash provided by (used in) operating activities	<u>(1,125,337)</u>	<u>(24,130)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,973)	-
Purchase of financial assets	(324,827)	-
Loans to related parties:		
- payments made	(1,057,026)	-
Net cash provided by (used in) investing activities	<u>(1,390,826)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Pre-IPO funds received	-	165,299
Proceeds from shares issued	4,117,584	-
Payments for capital raising costs	(391,861)	-
Proceeds from borrowings - related party	71,629	92,112
Net cash provided by (used in) financing activities	<u>3,797,352</u>	<u>257,411</u>
Net increase in cash held	<u>1,281,188</u>	<u>233,281</u>
Cash and cash equivalents at beginning of the period	427,197	136,182
Effect of exchange rates on cash holdings in foreign currencies	9,394	-
Cash and cash equivalents at end of financial year	<u><u>1,717,779</u></u>	<u><u>369,463</u></u>

The accompanying notes form part of these financial statements.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 712

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

The consolidated financial statements of Icandy Interactive Limited for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 26 August 2016 and covers the consolidated entity consisting of Icandy Interactive Limited and its controlled entities ("the Group") as required by the Corporations Act 2001.

The financial statements were authorised for issue on 26 August 2016 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all the notes of the type usually included in the annual financial report. It is therefore recommended that this financial report be read in conjunction with the financial report for the nine months ended 31 December 2015 and any public announcements made by the Company since 31 December 2015 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Basis of Preparation

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

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were used in the Group's last reported annual financial statements as at 31 December 2015, unless otherwise stated.

(a) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

(b) Accounting for Common Control

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

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

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

(Note 1: Summary of Significant Accounting Policies (Con't))

(c) Comparative Figures

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

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

The 30 June 2015 figures are unaudited.

(d) New Accounting Standards for Application in Future Periods

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

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

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

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

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

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

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

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

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

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

- **AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*** (applicable to annual reporting periods beginning on or after 1 January 2016).

This Standard amends AASB 11: *Joint Arrangements* to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

(Note 1: Summary of Significant Accounting Policies (Con't))

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

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

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

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

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

Note 2 Revenue and Other Income

	Note	Consolidated Group	
		30 June 2016	Unaudited 30 June 2015
(a) Revenue from continuing operations		\$	\$
Revenue			
— Sale of mobile game applications		360,525	9,049
		<u>360,525</u>	<u>9,049</u>
Other revenue			
— Interest Income		15,863	243
— Realised foreign exchange gain/(loss)		(1,562)	-
		<u>14,301</u>	<u>243</u>
Total revenue		<u>374,826</u>	<u>9,292</u>
Other income		-	7
Total other income		<u>-</u>	<u>7</u>

Note 3 Dividends

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

Note 4 Interests in Subsidiaries

(a) Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group.

Name of subsidiary	Country of Incorporation	Ownership interest held by the Group	
		30 June 2016	31 December 2015
Kensington Ventures Pte Ltd	Singapore	100%	100%
Icandy Ventures Limited	British Virgin Island	100%	100%
Appxplore Sdn Bhd (100% owned by Icandy Ventures Limited)	Malaysia	100%	100%

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

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

Note 5 Intangible Assets

	Consolidated Group	
	30 June 2016	31 December 2015
	\$	\$
Computer software:		
Cost	286,145	286,145
Accumulated amortisation and impairment losses	(114,601)	(83,684)
Net carrying amount	<u>171,544</u>	<u>202,461</u>
Total intangibles	<u>171,544</u>	<u>202,461</u>

Consolidated Group:

	Computer Software	Total
	\$	\$
Half-Year ended 30 June 2015		
Balance at 20 March 2015	-	-
Additions	247,484	247,484
Impairment losses	(16,158)	(16,158)
	<u>231,326</u>	<u>231,326</u>

Half-Year ended 30 June 2016

Balance at the beginning of the year	202,461	202,461
Additions	-	-
Amortisation charge	(30,917)	(30,917)
Closing value at 30 June 2016	<u>171,544</u>	<u>171,544</u>

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

Note 6 Issued Capital

	Consolidated Group	
	30 June 2016	31 December 2015
	\$	\$
229,283,334 fully paid ordinary shares (31 December 2015: 206,783,334)	24,169,836	20,061,697

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

(a) Ordinary Shares

	Consolidated Group	
	30 June 2016	31 December 2015
	No.	No.
At the beginning of the reporting period	206,783,334	-
Shares issued during the year	22,500,000	206,783,334
At the end of the reporting period	<u>229,283,334</u>	<u>206,783,334</u>

On 1 February 2016, the company issued 22,500,000 ordinary shares raising a total of \$4,108,139, net of capital raising costs.

(b) Options

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

Note 7 Contingent Liabilities

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

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

Note 8 Operating Segments

General Information

Identification of reportable segments

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

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

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

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

Types of products and services by segment

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

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

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

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

OPERATING SEGMENTS

- (i) **Segment performance**

Half-year ended 30 June 2016

REVENUE

External sales

Other income

Interest revenue

Total segment revenue

Reconciliation of segment revenue to group revenue

Total group revenue

Segment net profit from continuing operations before tax

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

Intersegment eliminations

Net profit before tax from continuing operations

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

Unaudited 3 months ending 30 June 2015

REVENUE

External sales

Other income

Interest revenue

Total segment revenue

Reconciliation of segment revenue to group revenue

Total group revenue

Segment net profit from continuing operations before tax

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

Net profit before tax from continuing operations

Development of digital media	Development of intellectual properties	All other segments	Total
\$	\$	\$	\$
-	9,049	-	9,049
-	-	-	-
-	-	243	243
-	9,049	243	9,292
(60,586)	(34,788)	(4,854)	(100,228)
			9,292
			(100,228)

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

Note 8: Operating Segments (Con't)

(ii) Segment assets

30 June 2016

Segment assets

Segment assets include:

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

Reconciliation of segment assets to group assets

Intersegment eliminations

Total group assets

Development of digital media	Development of intellectual properties	All other segments	Total
\$	\$	\$	\$
959,492	1,360,860	24,059,398	26,379,750
173,673	18,085	-	191,758
			(23,003,529)
			<u>3,376,221</u>

31 December 2015

Segment assets

Segment assets include:

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

Reconciliation of segment assets to group assets

Intersegment eliminations

Total group assets

Development of digital media	Development of intellectual properties	All other segments	Total
\$	\$	\$	\$
349,012	68,917	493,359	911,288
205,435	12,145	-	217,580
			-
			<u>911,288</u>

(iii) Segment liabilities

30 June 2016

Segment liabilities

Reconciliation of segment liabilities to group liabilities

Intersegment eliminations

Total group liabilities

Development of digital media	Development of intellectual properties	All other segments	Total
\$	\$	\$	\$
2,044,036	1,511,329	130,140	3,685,505
-	-	-	(3,003,526)
			<u>681,979</u>

31 December 2015

Segment liabilities

Reconciliation of segment liabilities to group liabilities

Intersegment eliminations

Total group liabilities

Development of digital media	Development of intellectual properties	All other segments	Total
\$	\$	\$	\$
726,786	187,380	478,878	1,393,044
-	-	-	-
			<u>1,393,044</u>

(iv) Revenue by geographical region

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

	30 June 2016	Unaudited 30 June 2015
	\$	\$
Australia	15,812	243
Singapore	197,532	-
Malaysia	161,482	9,049
Total revenue	<u>374,826</u>	<u>9,292</u>

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

Note 8: Operating Segments (Con't)

(v) **Assets by geographical region**

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

	30 June 2016	31 December 2015
	\$	\$
Australia	24,059,398	493,359
Singapore	959,492	349,012
Malaysia	1,360,860	68,917
Total Assets	26,379,750	911,288

Note 9 Events After the Reporting Period

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

Note 10 Fair Value Measurements

	30 June 2016		31 December 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial assets:				
Cash and cash equivalents	1,717,779	1,717,779	427,197	427,197
Trade and other receivables	180,716	180,716	167,970	167,970
Related parties - advances	961,142	961,142	-	-
Other financial assets	324,827	324,827	-	-
Other assets	-	-	98,541	98,541
Total financial assets	3,184,464	3,184,464	693,708	693,708
Financial liabilities:				
Trade and other payables	65,143	65,143	753,271	753,271
Related parties - loans	616,836	616,836	639,773	639,773
Total financial liabilities	681,979	681,979	1,393,044	1,393,044

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

— available-for-sale financial assets;

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) *Fair value hierarchy*

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
ABN: 87 604 871 712
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

Note 10: Fair Value Measurements (Cont'd)

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

30 June 2016				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets				
Available-for-sale financial assets				
— Shares in unlisted companies – unrelated parties	324,827	-	-	324,827
Total financial assets recognised at fair value on a recurring basis	324,827	-	-	324,827

31 December 2015				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets				
Available-for-sale financial assets				
— Shares in unlisted companies – related parties	-	-	-	-
Total financial assets recognised at fair value	-	-	-	-

Note 11 Reserves

a. Foreign Current Translation Reserve

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

Consolidated Group		
	30 June 2016	31 December 2015
	\$	\$
Balance at the beginning of the period	(3,200)	-
Foreign currency movements during the year	(36,784)	(3,200)
	(39,984)	(3,200)

b. Premium on Assets Acquired

During May 2015 the Company acquired iCandy Ventures Limited, previously known as High Joyful International Limited (a company incorporated in British Virgin Island) and Kensington Venture Pte Ltd (incorporated in Singapore), a transaction that was assessed as a transaction involving entities under common control. The Company was formed to effect the business combination and consideration was settled via the issue of equity interests. As the Company was incorporated to effect the transactions it was determined that iCandy could not be the accounting acquirer and is was subsequently determined that iCandy Ventures Limited would be in the accounting acquirer an entity that was carrying on a business prior to the business combination.

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

The revaluation surplus records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

Consolidated Group		
	30 June 2016	31 December 2015
	\$	\$
Balance at the beginning of the period	20,289,999	-
Movements during the year	-	20,289,999
	20,289,999	20,289,999
Total value of shares issued:		
- Acquisition of iCandy Ventures Limited, previously known as High Joyful International Limited (150,000,000 shares at \$0.10 per share)	15,000,000	15,000,000
- Acquisition of Kensington Ventures Pte Ltd (500,000 shares at \$0.10 per share)	5,000,000	5,000,000
	20,000,000	20,000,000
Net assets acquired:		
- iCandy Ventures Limited, previously known as High Joyful International Limited	(47,427)	(47,427)
- Kensington Ventures Pte Ltd	(242,571)	(242,571)
	(289,999)	(289,999)
Premium of assets acquired:	20,289,999	20,289,999
	20,289,999	20,289,999
Consolidated Group		
	30 June 2016	31 December 2015
	\$	\$
Total Reserves		
Foreign currency translation reserve	(39,984)	(3,200)
Other components of equity	(20,289,999)	(20,289,999)
	(20,329,983)	(20,293,199)

ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES

ABN: 87 604 871 172

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 4 to 15, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, AASB 134 'Interim Financial Reporting' which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the half-year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.



Director

Donald Low

Dated this 26 August 2016

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of iCandy Interactive Limited and controlled entities ("the entity"), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the half-year ended on that date, notes comprising a summary of significant accounting policies, statement or description of accounting policies as required by AASB 134 and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standards and the Corporations Act 2001 and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ICANDY INTERACTIVE LIMITED AND CONTROLLED ENTITIES
continued

Conclusion

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Other matter

Without qualifying our conclusion expressed above, we draw attention to Note 1(c) in the financial report which indicates that the 30 June 2015 figures are unaudited.

Our conclusion is not qualified in respect of this matter.



MSI RAGG WEIR
Chartered Accountants



L.S. WONG
Partner

Melbourne: 26 August 2016