



## Sugar Dragon Limited

ABN 157 789 761

### Prospectus

**For an offer of 16,000,000 Shares at an issue price of A\$0.20 each to raise A\$3,200,000**

This Prospectus has been issued to provide information on the offer of 16,000,000 Shares to be issued at a price of A\$0.20 per Share to raise a total of A\$3,200,000 (before costs).

It is proposed that the Offer will close at 5:00pm (WST) on 7 March 2016. The Directors reserve the right to close the Offer earlier or to extend this date without notice. Applications must be received before that time.

This is an important document and requires your immediate attention. It should be read in its entirety. Please consult your professional adviser(s) if you have any questions about this document.

***Investment in the Shares offered pursuant to this Prospectus should be regarded as highly speculative in nature, and investors should be aware that they may lose some or all of their investment. Refer to Section 5 for a summary of the key risks associated with an investment in the Shares.***



Sanlam Private Wealth Pty Ltd (ACN 136 960 775) is the holder of Australian Financial Services Licence No. 337927.

## **Important notice**

This Prospectus is dated, and was lodged with ASIC on 27 January 2016. Neither ASIC nor ASX (or their respective officers) take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The expiry date of this Prospectus is 5.00pm WST on that date which is thirteen (13) months after the date this Prospectus was lodged with ASIC. No Shares will be issued on the basis of this Prospectus after that expiry date.

Application will be made to ASX within seven (7) days of the date of this Prospectus for Official Quotation of the Shares the subject of the Offer.

No person is authorised to give any information or to make any representation in connection with the Offer, other than as is contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company or the Directors in connection with the Offer.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

### **Exposure Period**

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus. In such circumstances, any Application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications under this Prospectus will not be processed by the Company until after the Exposure Period. No preference will be conferred upon Applications received during the Exposure Period.

### **Electronic Prospectus and Application Forms**

This Prospectus will generally be made available in electronic form by being posted on the Company's website at [www.sugardragon.com.au](http://www.sugardragon.com.au). Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus and the relevant Application Form (free of charge) from the Company's Australian registered office during the Offer Period by contacting the Company. Contact details for the Company and details of the Company's Australian registered office are detailed in the Corporate Directory. The Offer constituted by this Prospectus in electronic form is only available to persons receiving an electronic version of this Prospectus and relevant Application Form within Australia.

Applications will only be accepted on the relevant Application Form attached to, or accompanying, this Prospectus or in its paper copy form as downloaded in its entirety from [www.sugardragon.com.au](http://www.sugardragon.com.au). The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus.

Prospective investors wishing to subscribe for Shares under the Offer should complete the Application Form. If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

## **Website**

No document or information included on the Company's website is incorporated by reference into this Prospectus.

## **Foreign investors**

No action has been taken to register or qualify the Shares the subject of this Prospectus, or the Offer, or otherwise to permit the public offering of the Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this Prospectus outside of Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

## **Speculative investment**

The Shares offered pursuant to this Prospectus should be considered highly speculative. There is no guarantee that the Shares offered pursuant to this Prospectus will make a return on the capital invested, that dividends will be paid on the Shares or that there will be an increase in the value of the Shares in the future.

Prospective investors should carefully consider whether the Shares offered pursuant to this Prospectus are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position. Refer to Section 5 for details relating to the key risks applicable to an investment in the Shares.

## **Using this Prospectus**

Persons wishing to subscribe for Shares offered by this Prospectus

should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses, and prospects of the Company and the rights and liabilities attaching to the Shares offered pursuant to this Prospectus. If persons considering subscribing for Shares offered pursuant to this Prospectus have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser for advice.

## **Privacy statement**

To apply for Shares you will be required to provide certain personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. The Corporations Act and taxation law requires some of this personal information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes detailed in this Privacy Statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public

register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder.

Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with its legal and regulatory requirements.

### **Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "targets", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key risk factors associated with an investment in the Company are detailed in Section 5. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new

information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

### **Photographs and diagrams**

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

### **Currency**

All financial amounts contained in this Prospectus are expressed as Australian currency unless otherwise stated. Conversions may not reconcile due to rounding. All references to "\$" or "A\$" are references to Australian dollars.

### **Time**

All references to time in this Prospectus are references to WST, being the time in Perth, Western Australia, unless otherwise stated.

### **Glossary**

Defined terms and abbreviations used in this Prospectus are detailed in the glossary in Section 10.

## Corporate directory

### Directors

Matthew Sheldrick, Non-Executive  
Chairman  
James Robinson, Non-Executive  
Director  
Rob Clifford, Executive Director

### Company Secretary

Sonu Cheema

### Registered Office

Suite 9, 330 Churchill Avenue,  
Subiaco Western Australia  
Telephone: +61 (8) 6489 1600  
Email: [admin@sugardragon.com.au](mailto:admin@sugardragon.com.au)  
Website: [www.sugardragon.com.au](http://www.sugardragon.com.au)

### Lead Manager

Sanlam Private Wealth Pty Ltd  
Level 15, 37 York Street, Sydney, New  
South Wales

### Share Registry \*

Security Transfer Registrars Pty Ltd  
770 Canning Highway,  
Applecross, Western Australia

### Auditor \*

HLB Mann Judd  
Level 4, 130 Stirling Street,  
Perth, Western Australia

### Investigating Accountant

HLB Mann Judd  
Level 4, 130 Stirling Street,  
Perth, Western Australia

### Australian Taxation Adviser

Nexia Australia  
Level 3, 88 William Street  
Perth, Western Australia

### Australian Lawyers

Eaton Hall  
Unit 9, 628-630 Newcastle Street  
Leederville  
Perth, Western Australia

### Proposed Stock Exchange Listing

Australian Securities Exchange (ASX)  
Proposed ASX Code: SDC

\* These entities have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

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## Indicative timetable

Lodgement of Prospectus with ASIC	27 January 2016
Opening date of the Offer	4 February 2016
Closing date of the Offer	7 March 2016
Dispatch of holdings statements	14 March 2016
Expected date for quotation on ASX	21 March 2016

## Investment overview

Topic	Summary	More information
<b>A. Company and business overview</b>		
Who is issuing this Prospectus?	Sugar Dragon Limited (ACN 157 789 761) ( <b>Company</b> ) is issuing this Prospectus.	See Sections 2.4.
What does the Company do?	<p>The Company owns a 72.5% interest in Okmno Asia Limited, a company incorporated and based in Hong Kong (<b>Okmno</b>).</p> <p>Okmno is a confectionary wholesaling business based in Hong Kong. Okmno contracts the manufacture of the confectionary products with manufacturers in Germany and mainland China. Okmno also contracts with wholesale customers in East Asia. The majority of Okmno's revenue is derived from sales to wholesale customers in South Korea and Taiwan.</p> <p>Okmno operates under licence agreements from King.com. Okmno is party to two licence agreements with King.com which allow it to manufacture and distribute "Candy Crush" branded confectionery products (including "Candy Crush Saga" and "Candy Crush Soda") into Taiwan, Hong Kong, Macau, mainland China and South Korea. "Candy Crush Saga" and "Candy Crush Soda" are online games available from King.com as smart phone applications.</p> <p>The confectionary produced pursuant to the licence agreements with King.com is the Group's only source of revenue. Whilst the Group intends to consider new opportunities to expand its business, the Group is not currently intending to introduce any additional revenue streams in the near future.</p>	See Section 2.
What are the Company's financial prospects and position?	<p>The Group has only recently begun its current business of arranging the distribution of, and wholesaling, confectionary products and therefore has a very limited operating history in relation to this business.</p> <p>As at 30 September 2015, the Group has:</p> <ul style="list-style-type: none"> <li>• a cash balance of A\$225,677;</li> <li>• total assets of A\$757,730;</li> <li>• net assets of A\$688,694; and</li> <li>• shareholders' equity of A\$688,694.</li> </ul>	See Section 4.

Topic	Summary	More information
Why is the Company seeking to raise funds?	<p>The Company is seeking to raise funds in order to:</p> <ul style="list-style-type: none"> <li>• undertake further product designs;</li> <li>• increase production of trading stock;</li> <li>• undertake marketing and channel development;</li> <li>• make new jurisdiction royalty prepayments; and</li> <li>• undertake new project investigations and opportunities.</li> </ul>	See Sections 1.3, 1.4 and 1.5.
What will be the focus of the Company's activities and how will it determine which investments it makes?	<p>The Company intends to expand its distribution channels and thereby increase sales of its confectionary products.</p> <p>The Company plans to achieve future growth primarily via:</p> <ul style="list-style-type: none"> <li>• the marketing and promotion of its confectionary products, including coordinated marketing campaigns with King.com; and</li> <li>• by the utilisation of priority channels for Candy Crush confectionary in China, Hong Kong, South Korea and Taiwan, including: snack stores, pick and mix speciality stores, supermarkets, convenience stores, online food stores, special events, corporate sales and ecommerce channels.</li> </ul> <p>The Group may also look to identify new sources of revenue outside of the wholesale and distribution of King.com branded confectionary.</p>	See Section 1.3.
Will the Company pay dividends?	<p>The Directors can provide no guarantee as to the future dividend policy, the extent of future dividends or the level of franking or imputation credits applying to such dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the company at the time.</p> <p>In particular, the Company does not expect to declare any dividends in the short term.</p> <p>Further, the Group is not likely to be subjected to any Australian tax that will allow it to generate franking credits.</p>	See Section 8.
<b>B. Key risks</b>		
What are the key risks of investing in the Company?	<p>Investment in the Shares offered pursuant to this Prospectus should be regarded as highly speculative in nature, and investors should be aware that they may lose some or all of their investment.</p> <p>Some of the key risks in investing in the Company are detailed below.</p> <p>The list of key risks is not exhaustive and further</p>	See Section 5.

Topic	Summary	More information
	<p>details of these key risks and other risks associated with an investment in the Company are described in Section 5.</p> <p>In undertaking its business activities, the Company will be exposed to various risks, which include but are not limited to:</p> <ul style="list-style-type: none"> <li>• <b>Limited operating history</b> <p>The Group has a limited operating history in undertaking its confectionary wholesale and distribution business. The Group's limited financial history makes it difficult for investors to assess its past performance. In addition, there can be no assurance that the Company will achieve profitability in the future.</p> </li> <li>• <b>Actions of King.com</b> <p>The Group's business is primarily dependent on its licence agreements with King.com. These licence agreements could be terminated, or not renewed when they both expire on 31 December 2017. The Group currently does not have any alternative revenue streams. In addition, the two licences which King.com has granted Okmno are non-exclusive only. Whilst King.com has not granted any other such licences in the jurisdictions to which Okmno's licences relate there is a risk that King.com may expand into and/or appoint other licensees in the territories in which Okmno operates.</p> </li> <li>• <b>Ability to continue as a going concern</b> <p>The ability of the Company to continue as a going concern is dependent on the Company being able to raise additional funds as required to ensure that it can continue to fund its operations during the twelve month period from 1 July 2015.</p> </li> <li>• <b>Concentration of reliance on manufacturers and customers</b> <p>The Group's main two manufacturers are each engaged by the Group on a non-exclusive basis, and are free to not engage with the Group and/or instead engage with a competitor of the Group or the Group's licensee King.com. The manufacturers could fail to effectively manage the Group's manufacturing requirements, or fail to make delivery to the Group. There is no guarantee that the Group would be able to engage new manufacturers or replacement wholesale customers.</p> </li> <li>• <b>Actions of competitors</b> <p>Entities competing with the Group may have advantages over the Group, including greater financial, marketing and other resources. Any significant competition may adversely affect the overall</p> </li> </ul>	

Topic	Summary	More information
	<p>performance of the Company.</p> <ul style="list-style-type: none"> <li data-bbox="544 304 1066 595"> <p>• <b>Short term contracts</b></p> <p>The Group's contracts with its manufacturers and its wholesale customers are generally of a short term nature. The Group does not have long term contracts and there is no guarantee that the Group will be able to continue to find manufacturers or wholesale customers to facilitate the distribution of its products in the future.</p> </li> <li data-bbox="544 613 1066 904"> <p>• <b>Enforcement of contracts in foreign jurisdictions</b></p> <p>As part of its business, the Group enters into contracts which are governed by the laws of countries other than Australia. Should a contractual dispute result in court action or should the Group be required to enforce its rights, the procedure of the courts in the various foreign jurisdictions may be different to those in Australia.</p> </li> <li data-bbox="544 922 1066 1323"> <p>• <b>New investment opportunities</b></p> <p>The Company may consider acquisitions and business development opportunities that may add value to the Company. The acquisition and development of business opportunities (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only a limited period for due diligence and/or prior to the completion of a comprehensive due diligence process by the Company. There can be no guarantee that any proposed acquisition or development will be completed or successful.</p> </li> <li data-bbox="544 1341 1066 1688"> <p>• <b>Regulatory environments</b></p> <p>The Company is exposed to the risks posed by current and potential future regulations and legislation that apply to both the industry in which it operates and the industries in which the entities in which it invests operate. Changes in the regulatory environments in mainland China, Hong Kong, Taiwan, Macau and South Korea and other markets in which the Group operates, may have consequences for the Group.</p> </li> <li data-bbox="544 1706 1066 2020"> <p>• <b>Foreign currency and exchange rate fluctuations</b></p> <p>Foreign exchange may adversely affect the Company's financial position, operating results and Share price. The Group's business is based out of Hong Kong and its revenue is generated largely in Hong Kong Dollars (HKD). The Group also conducts business in other jurisdictions and is therefore exposed to the effects of changes in currency exchange rates.</p> </li> </ul>	

Topic	Summary	More information
<b>C. Summary of the Offer</b>		
What is the Offer and what are its key terms?	The Company is offering 16,000,000 Shares at an issue price of A\$0.20 each, to raise A\$3,200,000 (before associated costs) ( <b>Offer</b> ).	See Section 1.1.
What is the effect of the Offer on the capital structure of the Company?	<p>The Shares issued under the Offer will represent approximately 56% of the enlarged issued share capital of the Company following the Offer (on an undiluted basis).</p> <p>Following the Offer, assuming it does not participate in the Offer, Star Striker Limited (as the largest existing Shareholder prior to the Offer) will hold voting power in the Company of approximately 6.75% (on an undiluted basis).</p>	See Sections 1.6 and 7.7.
Is the Offer underwritten?	The Offer is not underwritten.	See Section 1.15.
<b>D. Directors and related party interests and arrangements</b>		
Who are the officers, and what is their expertise and experience?	<p>The officers of the Company are:</p> <ul style="list-style-type: none"> <li>• Matthew Sheldrick Mr Sheldrick is a chartered accountant with extensive experience in the securities industry advising both domestic and international institutional clients on Australian equities. He has founded a number of listed companies in the energy and resources sectors.</li> <li>• Rob Clifford Mr Clifford is the founder and principal of Alto Cibum, which provides consultancy services to the food beverage and hospitality industries in the Asia Pacific Region. Mr Clifford has expertise in sales and marketing, and began his career in hospitality with Hyatt International Hotels and Resorts, where he held management positions in Perth, Canberra and Macau.</li> <li>• James Robinson Mr Robinson has over 15 years experience in capital markets and advisory with some of Western Australia's leading corporate advisory and stockbroking firms. Mr Robinson has served in either board or managerial positions of companies operating in North America, South America, Africa, Eastern Europe, Asia and Australia.</li> <li>• Sonu Cheema Mr Cheema holds the position of Accountant and Company Secretary for Cicero Corporate with over 8 years' experience working with public and private companies in Australia and abroad.</li> </ul>	See Section 3.

Topic	Summary	More information
How will the Directors be remunerated?	<p>The Directors will be remunerated as follows:</p> <ul style="list-style-type: none"> <li>• Mr Clifford is remunerated via the payment of executive director's fees of A\$120,000 per annum by the Company; and</li> <li>• The remaining non-executive Directors are remunerated via the payment of director's fees of A\$50,000 per annum in the case of Mr Sheldrick and A\$40,000 in the case of Mr Robinson, by the Company.</li> </ul>	See Section 7.3.
What important contracts with related parties is the Company a party to?	<p>The only contracts that the Company has with related parties are:</p> <ul style="list-style-type: none"> <li>• the loan agreement between the Company, Okmno and Cicero Advisory, of which Mr James Robinson is a director, whereby the Company agreed to loan funds to Okmno;</li> <li>• the agreement with Cicero Corporate, of which Mr James Robinson is a director, for administration services to the Company, which was negotiated on an arms length basis and contains commercial terms which are no less favourable to the Company than those that would be offered by a third party;</li> <li>• the agreement with Cicero Advisory, of which Mr James Robinson is a director, for advisory services to the Company, which was negotiated on an arms length basis and contains commercial terms which are no less favourable to the Company than those that would be offered by a third party;</li> <li>• the agreements with each of the Directors for their engagement as Directors; and</li> <li>• the agreements with each of the Directors for their insurance and indemnity by the Company for liabilities incurred as directors, and access from the Company to certain company records for the purposes of defending any actions against them as directors.</li> </ul>	See Section 6.4.
What interests do Directors have in the securities of the Company?	None of the directors own or otherwise have an interest in the securities of the Company.	See Sections 7.1 and 7.2.
<b>E. Applications for Shares and other information</b>		
Who is eligible to participate in the Offer?	The Offer is open to all investors with a registered address in Australia.	See Section 1.13.
How do I apply for Shares?	Applications under the Offer can be made by completing the Application Form, in accordance with the instructions accompanying the Application Form.	See Section 1.8 and the Application Form.

<b>Topic</b>	<b>Summary</b>	<b>More information</b>
What is the allocation policy?	The Directors will allocate Shares at their sole discretion with a view to ensuring an appropriate Shareholder base for the Company going forward.	See Section 1.11.
What is the cost of the Offer?	Assuming A\$3,200,000 is raised by the Offer, the expenses of the Offer are estimated to be approximately A\$367,000.	See Section 7.6.
<b>F. Further information</b>		
How can I obtain further information?	Further information can be obtained by reading this Prospectus and consulting your professional advisors. You can also contact the Company on +61 8 6489 1600 for further details.	Corporate Directory.
Company contact	You can contact the Company on +61 8 6489 1600 for further details.	Corporate Directory.

## Letter from the Chairman

Dear Investor

On behalf of the board of Sugar Dragon Limited (**Company**), I am pleased to present this Prospectus and to invite you to become a shareholder in the Company.

The Company owns a 72.5% interest in Okmno Asia Limited, a company incorporated in Hong Kong (**Okmno**).

Okmno is a confectionary wholesaling business based in Hong Kong. Okmno contracts the manufacture of the confectionary products with manufacturers in Germany and mainland China. Okmno also contracts with wholesale customers in East Asia. The majority of Okmno's revenue is derived from sales to wholesale customers in South Korea and Taiwan.

Okmno operates under licence agreements from King.com. Okmno is party to two licence agreements with King.com which allow it to manufacture and distribute "Candy Crush" branded confectionery products (including "Candy Crush Saga" and "Candy Crush Soda") into Taiwan, Hong Kong, Macau, mainland China and South Korea. "Candy Crush Saga" and "Candy Crush Soda" are online games available from King.com as smart phone applications.

The Company intends to expand its distribution channels and thereby increase sales of its confectionary products.

The Company plans to achieve future growth primarily via:

- the marketing and promotion of its confectionary products, including coordinated marketing campaigns with King.com; and
- by the utilisation of priority channels for Candy Crush confectionary in Taiwan, Hong Kong, Macau, mainland China and South Korea, including: snack stores, pick and mix speciality stores, supermarkets, convenience stores, online food stores, special events, corporate sales and ecommerce channels.

The purpose of the Offer is to raise A\$3,200,000 (before associated costs) by the issue of up to 16,000,000 Shares at an issue price of A\$0.20 each.

The proceeds of the Offer will be primarily utilised to enable the Company to undertake further product designs, increase production of trading stock, marketing and channel development, new jurisdiction royalty prepayments, and new project investigations and opportunities.

**This Prospectus contains detailed information about the Offer and the current and proposed operations of the Company, as well as the risks pertaining to an investment in the Company which has a very limited operating history. Potential investors in the Company should carefully consider those risks (detailed in Section 5).**

**In particular, potential investors should note that the Group primarily relies on two licence agreements with King.com. These licence agreements could be terminated, or not renewed when they expire on 31 December 2017.**

We look forward to welcoming you as a Shareholder of Sugar Dragon Limited should you decide to take up Shares pursuant to the Offer.

Yours faithfully

A handwritten signature in black ink that reads "Matthew Sheldrick". The signature is written in a cursive style with a small dot above the 'i' in "Sheldrick".

Mr Matthew Sheldrick  
Non-executive Chairman  
Sugar Dragon Limited

## **1. DETAILS OF OFFER**

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### **1.1 The Offer**

This Prospectus invites investors to apply for 16,000,000 Shares at an issue price of A\$0.20 each to raise A\$3,200,000 (before associated costs).

All Shares offered under this Prospectus will rank equally with the existing Shares on issue. Refer to Section 6.5 for details of the rights attaching to Shares.

### **1.2 Minimum Subscription**

The minimum total subscription under the Offer is A\$3,200,000 (being 16,000,000 Shares at A\$0.20 each) (**Minimum Subscription**).

None of the Shares offered under this Prospectus will be issued if Applications are not received for the Minimum Subscription. Should Applications for the Minimum Subscription not be received within three months from the date of this Prospectus, the Company will either repay the Application Monies (without interest) to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and have their Application Monies refunded to them (without interest).

### **1.3 Objectives of the Company**

The Company's main objectives upon completion of the Offer are to:

- (a) undertake further product designs;
- (b) increase production of trading stock;
- (c) undertake marketing and channel development;
- (d) make new jurisdiction royalty prepayments; and
- (e) undertake new project investigations and opportunities.

### **1.4 Purpose of Prospectus**

The purpose of this Prospectus is to:

- (a) raise A\$3,200,000 pursuant to the Offer (assuming the Offer is fully subscribed);
- (b) assist the Company to meet the requirements of ASX and satisfy Chapters 1 and 2 of the Listing Rules, as part of the Company's application for admission to the Official List; and
- (c) position the Company to seek to achieve the objectives detailed in Section 1.3.

## 1.5 Funding allocation

As at 30 September 2015, the Group had cash reserves of approximately A\$225,677 (refer to Section 4 for further details). As at the date of this Prospectus the Group has cash reserves of approximately A\$118,094.

***The Board believes that its current cash reserves and the funds raised from the Offer will provide the Company with sufficient working capital to achieve its stated objectives as detailed in this Prospectus.***

The following table shows the expected use of funds in the two year period following admission of the Company to the Official List assuming that A\$3,200,000 is raised via the Offer:

Item	A\$3,200,000 Raised
Cash reserves as at the date of this Prospectus	A\$118,094
Funds raised from the Offer	A\$3,200,000
<b>Total Funds Available</b>	<b>A\$3,318,094</b>
Product design	A\$100,000
Production of trading stock	A\$600,000
Marketing and channel development	A\$225,000
New jurisdiction royalty prepayments	A\$180,000
New project investigations and opportunities	A\$600,000
Expenses of the Offer <sup>1</sup>	A\$367,000
Corporate overheads	A\$622,500
Working capital	A\$623,594
<b>Total funds allocated</b>	<b>A\$3,318,094</b>

Note:

1. See Section 7.6.

Shareholders should note that the above estimated expenditures will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities. Due to market conditions, the development of new opportunities (in respect of the Company's confectionary wholesale business) and/or any number of other factors (including the risk factors outlined in Section 5), actual expenditure levels may differ significantly to the above estimates.

## 1.6 Capital structure

On the basis that the Company completes the Offer on the terms in this Prospectus, the Company's capital structure will be as follows:

<b>Description</b>	<b>A\$3,200,000 Raised</b>
Shares on issue as at the date of this Prospectus	12,500,000
Shares issued under the Offer	16,000,000
Options issued to Lead Manager and/or its nominees	9,000,000
<b>Total</b>	<b>37,500,000</b>

## 1.7 Forecasts

The Directors note that the Company's business is effectively an early-stage business and that there are significant uncertainties associated with the business at this stage.

Due to the speculative nature of the Company's activities, and the very limited operating and financial history of the Group, there are significant uncertainties associated with forecasting future revenues (if any) from the Company's proposed activities.

The Directors have considered the matters detailed in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable financial forecasts in the Prospectus.

Refer to Section 2 for further information in respect to the Company's proposed activities.

## 1.8 How to apply for Shares

Accompanying and forming part of this Prospectus is an Application Form for use if you wish to apply for Shares under the Offer. To participate in the Offer, the Application Form must be completed and received, together with the Application Monies, in accordance with the instructions on its reverse side. Completed Application Forms should be returned to the relevant address below, together with the Application Monies in full, prior to 5.00pm (WST) on the Closing Date:

<b>By Post To:</b>	<b>Delivered To:</b>
Sugar Dragon Limited C/- Security Transfer Registrars Pty Ltd PO Box 535, Applecross WA 6953	Sugar Dragon Limited C/- Security Transfer Registrars Pty Ltd 770 Canning Highway, Applecross WA 6153

Applicants should make their cheques payable in A\$, based on an issue price of A\$0.20 per Share. All cheques should be made payable to “Sugar Dragon Limited Application Account” and be crossed “Not Negotiable”.

Applications must be for a minimum of 10,000 Shares (i.e. A\$2,000) and, thereafter, in multiples of 1,000 Shares (i.e. A\$200). Applications for less than the minimum Application of 10,000 Shares will not be accepted.

An original completed and lodged Application Form (or a paper copy of the Application Form from the Electronic Prospectus), together with a cheque for the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not have to be signed to be a valid Application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

The Offer may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offer or accept late Applications.

## **1.9 CHES**

The Company will apply to CHES. The Company will operate an electronic CHES sub-register and an electronic issuer sponsored sub-register. These two sub-registers will make up the Company’s register of shares. The Company will not issue certificates to shareholders. Rather, holding statements (similar to bank statements) will be dispatched to shareholders as soon as practicable after allotment. Holding statements will be sent either by CHES (for shareholders who elect to hold shares on the CHES sub-register) or by the Company’s Share Registry (for shareholders who elect to hold their shares on the issuer sponsored sub-register). The statements will set out the number of Shares allotted under the Prospectus and provide details of a shareholder’s Holder Identification Number (for shareholders who elect to hold shares on the CHES sub register) or Shareholder Reference Number (for shareholders who elect to hold their shares on the issue sponsored sub-register). Updated holding statements will also be sent to each shareholder following the month in which the balance of their shareholding changes, and also as required by the Listing Rules or the Corporations Act.

## **1.10 ASX Listing and Official Quotation**

Within 7 days after the date of this Prospectus, the Company will apply to ASX for admission to the Official List and for the Shares, including those offered by this Prospectus, to be granted Official Quotation (apart from any Shares that may be designated by ASX as restricted securities).

If ASX does not grant permission for Official Quotation within 3 months after the date of this Prospectus (or within such longer period as may be permitted by ASIC) none of the Shares offered by this Prospectus will be allotted and issued. If no allotment and issue is made, all Application Monies will be refunded to Applicants (without interest) as soon as practicable.

ASX takes no responsibility for the content of this Prospectus. The fact that ASX may grant Official Quotation is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

### **1.11 Allotment**

Application Monies will be held in trust for Applicants until the allotment of the Shares. Any interest that accrues will be retained by the Company. No allotment of Shares under this Prospectus will occur unless:

- (a) the Minimum Subscription is achieved (refer to Section 1.2); and
- (b) ASX grants conditional approval for the Company to be admitted to the Official List (refer to Section 1.9).

The Company reserves the right to reject any Application or to issue a lesser number of Shares than those applied for. Where the number of Shares issued is less than the number applied for, surplus Application Monies will be refunded (without interest) as soon as reasonably practicable after the Closing Date.

Subject to the matters in Section 1.9, Shares under the Offer are expected to be allotted on the Allotment Date. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares issued under the Offer. Applicants who sell Shares before they receive their holding statements do so at their own risk.

### **1.12 Risk factors of an investment in the Company**

Prospective investors should be aware that an investment in the Company should be considered highly speculative and involves a number of risks inherent in the various business segments of the Company. Section 5 details the key risk factors which prospective investors should be aware of. It is recommended that prospective investors consider these risks carefully before deciding whether to invest in the Company.

This Prospectus should be read in its entirety as it provides information for prospective investors to decide whether to invest in the Company. If you have any questions about the desirability of, or procedure for, investing in the Company please contact your stockbroker, accountant or other independent adviser.

### **1.13 Overseas Applicants**

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit the public offering of the Shares, in any jurisdiction outside of Australia.

The distribution of this Prospectus within jurisdictions outside of Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

#### **1.14 Restricted securities**

The Company does not envisage that any Shares on issue following completion of the Offer will be classified by ASX as restricted securities. However, ASX may determine that certain Shares on issue prior to the Offer may be classified as restricted securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Shares (if any) are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Shares (if any) required to be held in escrow prior to the Shares commencing trading on ASX.

None of the Shares issued pursuant to the Offer are expected to be restricted securities.

#### **1.15 Underwriting**

The Offer is not underwritten.

#### **1.16 Commission**

The Company reserves the right to pay a commission of up to 6% (exclusive of GST) of amounts subscribed through any Australian financial services licensee in respect of any Applications lodged and accepted by the Company and bearing the stamp of the Australian financial services licensee. Payment will be made subject to the receipt of a proper tax invoice from the Australian financial services licensee.

#### **1.17 Withdrawal**

The Directors may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application Monies (without interest) within 28 days of giving notice of their withdrawal.

#### **1.18 Currency and exchange rates**

The functional currency of certain financial information relating to the Company is in HKD and, in certain Sections, these amounts have been converted to A\$. For the purposes of converting HKD denominated amounts to A\$, an exchange rate of A\$1.00 : HKD5.44 (being the equivalent of approximately HKD1 : A\$0.18) has been used, unless indicated otherwise.

### **1.19 Paper copies of Prospectus**

The Company will provide paper copies of this Prospectus (including any supplementary or replacement document) and the applicable Application Form to investors upon request and free of charge. Requests for a paper copy from Australian resident investors should be directed to the Company Secretary on +61 6489 1600.

### **1.20 Enquiries**

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser. Enquiries from Australian resident investors relating to this Prospectus, or requests for additional copies of this Prospectus, should be directed to the Company Secretary on +61 6489 1600.

## **2. COMPANY OVERVIEW**

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### **2.1 Background**

The Company has acquired a 72.5% interest in Okmno, which is the holder of two non-exclusive licensing agreements with King.com for the manufacture, branding and distribution of Candy Crush branded confectionary in Taiwan, Hong Kong, Macau, mainland China and South Korea. To date King.com has not granted any other such licences in these jurisdictions.

Okmno is a wholesaling business based in Hong Kong. It operates under licence agreements from King.com. Okmno contracts the manufacture and distribution of the confectionary products to manufacturers in Germany and mainland China. Okmno sells products predominantly to wholesale customers for distribution in South Korea and Taiwan.

The majority of Okmno's revenue (approximately 65%) is derived from sales to wholesale customers in South Korea and Taiwan. Okmno also receives revenue from a royalty from sales in mainland China and sales in Hong Kong.

The confectionary products manufactured and distributed for and by Okmno are branded in line with the "Candy Crush Saga" and "Candy Crush Soda" smart phone applications which are owned by King.com.

### **2.2 Candy Crush Saga and Candy Crush Soda**

Candy Crush Saga is a puzzle video game released by King.com in 2012 for use on online social media and mobile phone and computer operating systems such as Facebook, iOS, Android, Fire OS, Windows Phone and Tizen.

Throughout the game, players solve puzzles by 'bursting' different types of candy so its main character Tiffi can solve problems plaguing the residents of Candy Crush Saga's Candy Kingdom.

Candy Crush Saga has "episodes" of 15 levels each (the first two "episodes" have only 10 levels).

The game is periodically updated, including by the addition of new "episodes" and more playable levels. New levels are updated simultaneously on Facebook, Android and iOS.

Through its widespread popularity, the Candy Crush brand has become recognisable worldwide due to the distinctive branding and artwork contained within the games.

### **2.3 Okmno's main licence agreements**

The first licence agreement entered into with King.com on 18 March 2014, provides Okmno with the right to manufacture, package, promote, distribute and advertise sugared and acid jelly, shiny jelly, hard boiled candy, marshmallow, bubble gum, liquorice, and chocolate with candy shell in Taiwan, Hong Kong, Macau and mainland China.

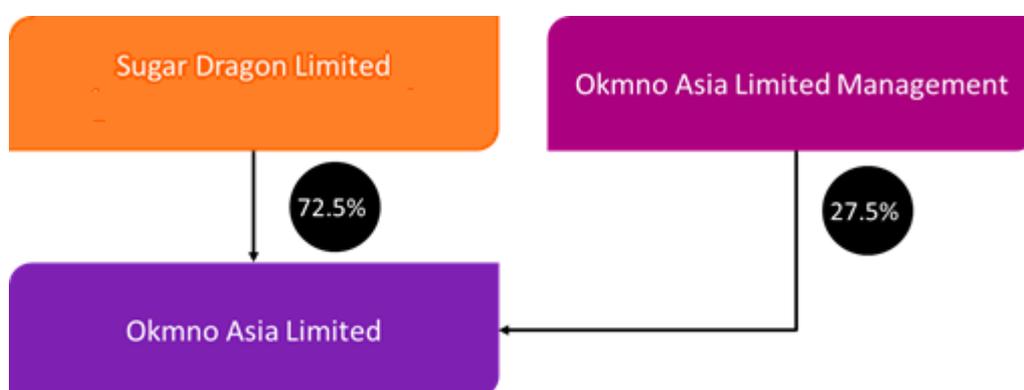
The second licence agreement entered into with King.com on 9 June 2015 provides Okmno with the right to manufacture, package, promote, distribute and advertise sugared and acid jelly, shiny jelly, hard boiled candy, marshmallow, bubble gum, liquorice, and chocolate with candy shell in South Korea.

Further information on the King.com licences is set out in Section 6.3.

## 2.4 The Group's corporate structure and background

The Company acquired its 72.5% interest in Okmno via share purchases and the provision of loans totalling US\$650,000 to fund product launch and royalty pre-payments. The Company also holds a first right of refusal over the remaining 27.5% interest in Okmno, which is held by Okmno's Managing Director Ms Jade Zhang.

The Group's structure is as follows:



During the financial year ending 30 June 2015, a company which is a shareholder in the Company, Star Striker Limited (ASX: SRT) (previously named Resource Star Limited), conditionally agreed to acquire a 60% interest in the Company. Following consultation and feedback from the investment community and from existing shareholders, the Directors decided not to pursue the investment with Star Striker Limited and instead for the Company to seek to list on the ASX in its own right via an initial public offering.

The A\$300,000 refundable deposit and A\$200,000 convertible loan paid by Star Striker Limited to the Company converted into fully paid ordinary shares at the conversion price of A\$0.25 per share on a post-consolidation basis, providing Star Striker Limited with a 15% equity position in the Company.

To date, Okmno has sold over 26 tonnes of Candy Crush branded confectionary products throughout Taiwan and South Korea.

In addition to Okmno working closely with confectionary customers in Asia, King.com is collaborating with Okmno to use the licensed confectionary products in its major marketing campaigns.

King.com is currently promoting its Candy Crush Soda game in South Korea as part of its summer offline campaign. The Company believes King.com's activities in relation to its Candy Crush Soda game provide complementary marketing support for Okmno's confectionary products.

Okmno intends to launch a Candy Crush Soda Teddy Bear confectionary range in early 2016. This is intended to coincide with King.com's impending official launch of the Candy Crush Soda Saga game in Hong Kong, Taiwan and mainland China.

Prior to entering into the licence agreements with King.com, Okmno did not have any material business operations. Okmno now intends for its core business to be the distribution of confectionary products, in line with its licence agreements with King.com.

Okmno's signing of the licence agreements with King.com coincided with King.com's launch of the Chinese version of the Candy Crush Saga game in 2014, through the Tencent (QQ and WeChat) social networking / messaging platforms.

## **2.5 Business model and strategy**

Okmno has used its licences from King.com to arrange the manufacture of confectionary products that bring the characters in the Candy Crush games to player's daily lives.

Okmno intends to exploit the King.com licences through outsourcing the manufacture and distribution of sugared and acid jelly, shiny jelly, hard boiled candy, marshmallow, bubble gum, liquorice, and chocolate with candy shell confectionary products.

Okmno hopes to not only capitalise on the popularity of the Candy Crush games in the short term, but also to create a household brand name for Candy Crush branded confectionary.

Okmno currently intends to maintain a small team based in Hong Kong focussing on marketing, contract management and administration of the products which it sells.

## **2.6 Product design**

The confectionary products sold by Okmno are designed so as to achieve immediate brand recognition, and each product is a replica of the candies in the Candy Crush games.

## **2.7 Manufacturing**

Okmno has entered into agreements with Trolli Germany and Trolli China, both of which are part of the German based Mederer GmbH confectionary group, under which Trolli Germany and Trolli China are responsible for the manufacture of sugared acid jelly and shiny jelly candies for distribution by Okmno and its customers in Taiwan, Hong Kong, Macau and South Korea.

The Mederer GmbH confectionary group are experienced confectionary manufacturers, and have access to the latest confectionary manufacturing technology, as well as an ability to provide fast turnaround times.

Okmno has entered into a separate agreement with Trolli China, under which Trolli China is responsible for the manufacture, promotion, distribution and sale of sugared acid jelly and shiny jelly candies in mainland China. For the

confectionary manufactured and distributed by Trolli China under this agreement Okmno receives a 12% royalty from Trolli China.

For further information on the agreements between Okmno, Trolli Germany and Trolli China, see Section 6.3.

## **2.8 Distribution**

Okmno has entered into distribution agreements with two other companies, one of which (with Sweet Space) allows for the sale and distribution of Candy Crush confectionary products in South Korea, and the other (with MITI) which allows for distribution of the products within Taiwan.

Under the distribution agreement for:

- (a) South Korea, Okmno has agreed to sell Candy Crush confectionary products manufactured by Trolli China to Sweet Space; and
- (b) Taiwan, Okmno has agreed to sell Candy Crush confectionary products manufactured by Trolli Germany to MITI (MITI also receives some confectionary product from Gelking Laboratories Inc, a portion of which it sells to Okmno at cost prices).

Therefore, upon receipt of an order from Sweet Space and MITI, Okmno processes the order through either Trolli China or Trolli Germany as the case may be, and arranges for the products to be shipped directly to these parties.

Okmno invoices Sweet Space and MITI for all confectionary ordered and Trolli China and Trolli Germany respectively invoice Okmno for confectionary ordered by Okmno on behalf of MITI and Sweet Space.

The prices contained within the respective agreements, have generally equated to a profit margin of between 12% and 28% on all confectionary sold to Sweet Space and MITI. In addition, the respective agreements with Sweet Space and MITI contain obligations from the clients in relation to minimum quantities to be sold.

Okmno has identified several priority channels for Candy Crush confectionary in China, South Korea and Taiwan, including: snack stores, pick and mix speciality stores, supermarkets, convenience stores, online food stores, special events, corporate sales, and ecommerce channels. All confectionary product will be distributed through these channels by Okmno's existing distribution partners.

## **2.9 Marketing and promotion**

The opportunity for Candy Crush confectionary initially lies in the combination of recognition and connection with the Candy Crush game portfolio, and the quality of taste of the confectionary.

Okmno plans to market and promote the confectionery brand in East Asia by leveraging off marketing activities carried out by King.com in relation to its Candy Crush suite of online games, including:

- (a) digital promotion by King.com using online social media marketing (Facebook, Line, Wechat, Weibo, Naver, KaoKao, Twitter, Instagram, YouTube and YouKu);
- (b) endorsements, for example King.com sponsored the well known South Korean television program Infinite Challenge as part of the 2015 Candy Crush Soda game campaign; and
- (c) providing gifts for offline marketing campaigns by King.com, for example the development of the Candy Crush Candy Cart containing Okmno's confectionary which was provided to new game players at various locations throughout South Korea in 2015.

In addition to leveraging off the marketing activities of King.com, Okmno plans to carry out the following additional marketing activities to promote the Candy Crush range of confectionary:

- (d) cross-selling with licensees of other Candy Crush products. For example, in Hong Kong, Okmno has provided Candy Crush confectionary for use on meals at Candy Crush Cafés which are owned and operated by third party licensees of King.com;
- (e) launching an official Candy Crush Candies e-commerce store to sell confectionary directly to consumers in Hong Kong and Taiwan, which would enable consumers to redeem offers from the Candy Crush games; and
- (f) introducing (in conjunction with King.com) special promotions within the Candy Crush confectionary packaging, such as information to enable consumers to advance through levels and solve puzzles within the games. Promotions could include allowing players to:
  - (i) collect codes from Candy Crush confectionary and swap these for boosters in the games;
  - (ii) input codes in the games and win confectionary products;
  - (iii) purchase the Candy Crush flavour of the week and be provided with an unlock key for the Candy Crush game; and
  - (iv) pass 10 levels in 1 day and receive a special candy gift from any participating Candy Crush confectionary outlet.

Okmno hopes to create a long term Candy Crush confectionery business predominantly in Taiwan, Hong Kong, Macau and South Korea. The Company believes that there is potential in the market for the Candy Crush confectionary brand to continue to expand even if the game's popularity starts to decline given the quality and visual appeal of the confectionary products. This is because Okmno aims to create quality confectionary that will carry on to satisfy consumer tastes in the future.

### **3. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE**

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#### **3.1 Directors' profiles**

The names and details of the Directors in office as at the date of this Prospectus are:

(a) Matthew Sheldrick

Mr Sheldrick was appointed as a Non-Executive Director on 18 May 2012.

Mr Sheldrick is a chartered accountant with over 25 years' experience in the securities industry advising both domestic and international institutional clients on Australian equities. He has founded a number of listed companies in the energy and resources sectors, including Eureka Energy Limited, Gawler Resources Ltd and Black Fire Minerals Limited, and has been involved in the growth of these companies by way of mergers and acquisitions.

Mr Sheldrick currently provides a range of corporate and capital raising advisory services to both ASX listed and unlisted companies.

Mr Sheldrick holds a Bachelor of Commerce from the University of Western Australia.

(b) Robert Clifford

Mr Clifford was appointed as an Executive Director on 20 January 2016.

Mr Clifford is the founder and principal of Alto Cibus, which provides consultancy services to the food beverage and hospitality industries in the Asia Pacific Region.

Mr Clifford has expertise in sales and marketing, and began his career in hospitality with Hyatt International Hotels and Resorts, where he held management positions in Perth, Canberra and Macau.

Following his employment with Hyatt International Hotels and Resorts, Mr Clifford was the General Manager of the Perth Convention Exhibition Centre before moving to Melbourne to join the renowned catering brand, Epicure.

During his employment with Epicure, Mr Clifford was responsible for catering at some of the largest and most high profile venues in Australia including the Melbourne Cricket Ground, Parliament House of Australia, the Australian War Memorial, NIB Stadium, Suncorp Stadium and Subiaco Stadium. In addition, Mr Clifford was responsible for top Australian sporting events such as the Grand Prix, the Australian V8 Series, the Presidents Cup, the Victorian Spring Racing Carnival, the Australian Open Golf and the Australian Masters.

Mr Clifford is currently the President of the Irish Australian Chamber of Commerce, a national business organisation that facilitates trade and information exchange for a diverse membership base across Australia.

(c) James Robinson

Mr Robinson was appointed as a Non-Executive Director on 13 April 2012.

Mr Robinson has over 15 years capital markets and advisory experience with some of Western Australia's leading corporate advisory and stockbroking firms. He has served in either board or managerial positions of companies operating in North America, South America, Africa, Eastern Europe, Asia and Australia.

As a founding shareholder and director of Condor Energy Services Limited, Mr Robinson was instrumental in the successful launch of Australia's first home-grown fracture stimulation company, which has secured in excess of \$40 million in funding since its launch.

He currently serves as a Director of Jacka Resources Limited (ASX: JKA), VTX Holdings Limited (ASX: VTX) and the Company. Along with his various personal interests, he is also a Director of Cicero Advisory. Mr Robinson is a member of the Australian Institute of Company Directors and holds a Bachelor of Economics from the University of Western Australia.

### **3.2 Senior management**

Following Admission, senior management of the Company will be as it is at present. Other than the Executive Director, the Company's other key senior management members are as follows:

(a) Sonu Cheema, Company Secretary – Sugar Dragon Limited

Mr Cheema holds the position of Accountant and Company Secretary for Cicero Corporate with over 8 years' experience working with public and private companies in Australia and abroad. Roles and responsibilities held by Mr Cheema include completion and preparation of management and ASX financial reports, investor relations, initial public offer, mergers and acquisitions, management of capital raising activities and auditor liaison.

Currently Mr Cheema is Company Secretary for West Peak Iron Limited (ASX: WPI), Star Striker Limited (ASX: SRT), Sena Resources Limited and the Company.

Mr Cheema has completed a Bachelor of Commerce majoring in Accounting at Curtin University and is a CPA member. Having completed the CPA Program, the core competencies and key areas of focus by Mr Cheema include Financial Reporting, Taxation, Management Accounting and Ethics & Governance. Mr Cheema's core strengths include the ability to communicate and complete regulatory reporting requirements, assist company board and management personnel with implementing strong business structures

and controls, sound governance and compliance with reporting requirements.

(b) Jade Zhang, Managing Director – Okmno Asia Limited

Ms Zhang has over 10 years of experience in the fast moving consumer goods industry, having worked in project management, finance and marketing, retail, advertising and e-commerce. Ms Zhang's most recent project prior to her involvement with the Group was the successful launch of global online fashion brand ASOS into China.

Ms Zhang has completed a Bachelor of Commerce and a Bachelor of Information Systems, both at the University of Melbourne, and is also a CPA member. Mrs Zhang is an Australian citizen who has recently moved to Hong Kong to further the Okmno business endeavours.

Ms Zhang has a 27.5% shareholding in Okmno.

### 3.3 ASX Corporation Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company's policies and procedures with openness and integrity, and pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are detailed below. The Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website at [www.sugardragon.com.au](http://www.sugardragon.com.au).

(a) Board of Directors

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities.

In general, the Board assumes (amongst others) the following responsibilities:

- (i) providing leadership and setting the strategic objectives of the Company;
- (ii) appointing and when necessary replacing the Executive Director;
- (iii) approving the appointment and when necessary replacement, of other senior executives;
- (iv) undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director;
- (v) overseeing management's implementation of the Company's strategic objectives and its performance generally;
- (vi) approving operating budgets and major capital expenditure;
- (vii) overseeing the integrity of the company's accounting and corporate reporting systems including the external audit;
- (viii) overseeing the company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (ix) ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the board expects management to operate; and
- (x) monitoring the effectiveness of the Company's governance practices.

The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director which detail the terms of their appointment.

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. The Board currently consists of an Executive Director and two Non-Executive Directors (each of whom is independent). As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

(c) Identification and management of risk

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(d) Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

(e) Independent professional advice

Subject to the Non-Executive Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(f) Remuneration Committee

The Board currently carries out the function of the Remuneration Committee.

The Constitution provides that the Non-Executive Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company or pursuant to a resolution passed at a general meeting of the Company (subject to complying with the Listing Rules). Until a different amount is determined, the amount of the remuneration is A\$50,000 per annum for Mr Matthew Sheldrick and A\$40,000 per annum for Mr James Robinson.

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

Directors are also entitled to be paid reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors.

The Board, in carrying out the function of the Remuneration Committee, reviews and approves the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

(g) Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Executive Director). The policy

generally provides that the written acknowledgement of the Non-Executive Chairman (or the Board in the case of the Non-Executive Chairman) must be obtained prior to trading.

(h) Diversity policy

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has set in place a diversity policy. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

(i) Audit and Risk Committee

The Board currently carries out the function of the Audit and Risk Committee under an Audit and Risk Committee Charter which includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and the Company's risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function.

(j) External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors following the recommendation from the Audit Committee.

(k) Internal audit

The Company does not have an internal audit function. The Board considers the financial control function in conjunction with its risk management policy is sufficient for a Company of its size and complexity.

### 3.4 Departures from Recommendations

Following admission to the Official List, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are detailed in the table below.

Principles and Recommendation	Explanation for Departure
2.1 The board of a listed entity should:  (a) have a nomination committee which:	The Board does not currently have a nomination committee.  The Board currently performs the role of

Principles and Recommendation	Explanation for Departure
<p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>the nomination committee when required as far as possible in accordance with the charter for that committee.</p>
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Company does not currently have a skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board does not currently have an audit committee.</p> <p>The Board currently performs the role of the audit committee when required as far as possible in accordance with the charter for that committee.</p>

Principles and Recommendation	Explanation for Departure
<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Board does not currently have a risk committee.</p> <p>The Board currently performs the role of the risk committee when required as far as possible in accordance with the charter for that committee.</p>
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Board does not currently have an internal audit function.</p> <p>In carrying out the role of the audit and risk committee, the Board:</p> <ul style="list-style-type: none"> <li>• monitors the need for a formal internal audit function and its scope;</li> <li>• reviews risk management and internal compliance procedures; and</li> <li>• reviews the internal control reports on a quarterly basis.</li> </ul>
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout</p>	<p>The Board does not currently have a remuneration committee.</p> <p>The Board currently performs the role of the remuneration committee when required as far as possible in accordance with the charter for that committee.</p>

Principles and Recommendation	Explanation for Departure
<p>the period and the individual attendances of the members at those meetings;<sup>43</sup> or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	

## **4. INVESTIGATING ACCOUNTANT'S REPORT**

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22 January 2016

The Board of Directors  
Sugar Dragon Limited  
Suite 9, 330 Churchill Avenue  
SUBIACO WA 6008

Dear Sirs

## **INVESTIGATING ACCOUNTANT'S REPORT - SUGAR DRAGON LIMITED**

### **INTRODUCTION**

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 25 January 2016 ("Prospectus") by Sugar Dragon Limited ("Sugar Dragon" or "the Company") in relation to the Company's proposed listing on the Australian Stock Exchange Limited ("ASX") and the offer of 16,000,000 shares at an issue price of \$0.20 to raise \$3,200,000, before costs ("Capital Raising " or the "Offer").

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of the Company.

All amounts are expressed in Australian dollars unless otherwise stated and expressions defined in the Prospectus have the same meaning in this report.

This Report does not address the rights attaching to the shares to be issued in accordance with the Offer, nor the risks associated with accepting the Offer. HLB Mann Judd has not been requested to consider the prospects for the Company, nor the merits and risks associated with becoming a shareholder, and accordingly has not done so, nor purports to do so.

HLB Mann Judd has not made and will not make any recommendation, through the issue of this report, to potential investors of the Company, as to the merits of the Offer and takes no responsibility for any matter or omission in the Prospectus other than the responsibility for this report.

Further declarations are set out in Section 6 of this Report.

### **STRUCTURE OF REPORT**

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

**1. BACKGROUND INFORMATION**

The Company was registered on 13 June 2012 as Vesuvius Minerals Limited for the purpose of pursuing various investment opportunities in the resources sector.

On 18 March 2014, the Company entered into an agreement to achieve up to 100% of Okmno Asia Limited, the holder of a non-exclusive license with King.com to manufacture and distribute "Candy Crush" (both Candy Crush Saga and Candy Crush Soda) branded confectionary products in China, Hong Kong, Taiwan and Macau which expires on 31 December 2017. The Company acquired a 72.5% interest in Okmno. The Company holds a first right of refusal over the remaining 27.5% interest in Okmno.

On 30 January 2015, the company changed its name to Sugar Dragon Limited.

On 9 June 2015, Okmno entered in a second non-exclusive license with King.com to manufacture and distribute "Candy Crush" branded confectionary products in South Korea which also expires on 31 December 2017.

Further details are outlined in Section 2 of the Prospectus.

The proforma financial information presented in this Report is the historical financial information of the Company for the period ended 30 September 2015, assuming that the proposed transactions set out in Section 3(c) of this Report had been completed as at that date.

The proforma consolidated financial information has been prepared using a balance date of 30 September 2015 corresponding to the most recently available management financial information.

For completeness, extracts of historical financial information of Sugar Dragon are set out in Appendix 2.

The intended use of the funds raised by the issue of shares under the Prospectus is specified in Section 1.5 of the Prospectus.

**2. SCOPE OF REPORT**

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- a) the historical financial information of the Company and its controlled entities comprising the historical Statement of Financial Position as at 30 September 2015 and the historical Statement of Comprehensive Income, historical Statement of Cash Flows and historical Statement of Changes in Equity for the period to 30 September 2015 as set out in Appendix 1 to this Report; and
- b) the proforma financial information of the Company comprising the proforma Consolidated Statement of Financial Position as at 30 September 2015 and the proforma Consolidated Statement of Comprehensive Income, proforma Consolidated Statement of Cash Flows and proforma Consolidated Statement of Changes in Equity for the period to 30 September 2015 as set out in Appendix 1 to this Report.

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

The historical financial information and the proforma financial information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting

Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

The historical financial information as set out in Appendix 1 has been extracted from the management financial statements of the Company and its controlled entities for the period ended 30 September 2015.

We performed a review of the historical and proforma financial information of the Company as at 30 September 2015 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review of the historical and proforma financial information of the Company and controlled entities was conducted in accordance with Australian Auditing Standards applicable to assurance engagements. Our review was carried out in accordance with Auditing Standard on Assurance Engagements ASRE 3450 *"Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information"* and included such enquiries and procedures which we considered necessary for the purposes of this Report.

The review procedures undertaken by HLB in our role as Investigating Accountant were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and proforma financial information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or proforma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- a) support by another person, corporation or an unrelated entity has not been assumed;
- b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- c) the going concern basis of accounting has been adopted.

### **3. FINANCIAL INFORMATION**

Set out in Appendix 1 (attached) are:

- a) the historical financial information of the Company and its controlled entities comprising the historical Statement of Financial Position as at 30 September 2015 and the historical Statement of Comprehensive Income, historical Statement of Cash Flows and historical Statement of Changes in Equity for the period to 30 September 2015; and
- b) the proforma Consolidated Statement of Financial Position of the Company as at 30 September 2015 and the proforma Consolidated Statement of Comprehensive Income, proforma Consolidated Statement of Cash Flows and proforma Consolidated Statement of Changes in Equity of the Company for the period to 30 September 2015 as they would appear after incorporating the following significant events and proposed transactions by the Company and its controlled entities subsequent to 30 September 2015:
  - i) the issue by the Company pursuant to this Prospectus of 16,000,000 ordinary fully paid shares issued at \$0.20 each raising \$3,200,000 before the expenses of the offer,

- ii) the write off against issued capital of the estimated cash expenses of the issue as outlined in Section 7.6 of the Prospectus of \$367,000, noting that an additional \$20,000 was paid prior to 30 September 2015 and is offset against issued capital,
  - iii) the issue to the Lead Manager of 9,000,000 options exercisable at \$0.25 on or before 31 March 2019; and
- c) Notes to the historical financial information and proforma information.

**4. SUBSEQUENT EVENTS**

There have been no material items, transactions or events subsequent to 30 September 2015 not otherwise disclosed in the Prospectus which have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

**5. STATEMENTS**

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) the historical financial information of the Company as at 30 September 2015 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended;
- b) the proforma consolidated financial information of the Company as at 30 September 2015 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company and its controlled entities as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended, as if the transactions referred to in Section 3(c) of this Report had occurred during that period; and
- c) the assumptions and applicable criteria used in the preparation of the proforma consolidated financial information do not provide a reasonable basis for presenting the significant effects directly attributable to the acquisition and do not reflect proper application of those adjustments to the unadjusted financial information.

**6. DECLARATION**

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates.
- b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in the Company or the promotion of the Company.
- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the

Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears.

Yours faithfully  
**HLB MANN JUDD**

A handwritten signature in blue ink, appearing to read "Norman Neill", written in a cursive style.

**N G NEILL**  
Partner

## - APPENDIX 1 –

**SUGAR DRAGON LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2015**

	<i>Notes</i>	<i>Reviewed Consolidated Historical \$</i>	<i>Proforma Adjustments \$</i>	<i>Reviewed Consolidated Proforma \$</i>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	2	225,677	2,833,000	3,058,677
Trade receivables		41,012	-	41,012
Inventory		31,943	-	31,943
Other current assets		7,030	-	7,030
<b>TOTAL CURRENT ASSETS</b>		<b>305,662</b>	<b>2,833,000</b>	<b>3,138,662</b>
<b>NON-CURRENT ASSETS</b>				
Prepaid royalty		452,068	-	452,068
<b>TOTAL NON-CURRENT ASSETS</b>		<b>452,068</b>	<b>-</b>	<b>452,068</b>
<b>TOTAL ASSETS</b>		<b>757,730</b>	<b>2,833,000</b>	<b>3,590,730</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		48,602	-	48,602
Other		20,434	-	20,434
<b>TOTAL CURRENT LIABILITIES</b>		<b>69,036</b>	<b>-</b>	<b>69,036</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>69,036</b>	<b>-</b>	<b>69,036</b>
<b>NET ASSETS</b>		<b>688,694</b>	<b>2,833,000</b>	<b>3,521,694</b>
<b>EQUITY</b>				
Issued capital	3	2,186,144	2,572,500	4,758,644
Reserves		92,427	260,500	352,927
Accumulated losses		(1,493,387)	-	(1,493,387)
Total parent entity interest		785,184	2,833,000	3,618,184
Non-controlling interest		(96,490)	-	(96,490)
<b>TOTAL EQUITY</b>		<b>688,694</b>	<b>2,833,000</b>	<b>3,521,694</b>

The above should be read in conjunction with the accompanying notes.

**SUGAR DRAGON LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD TO 30 SEPTEMBER 2015**

	<i>Reviewed Consolidated Historical \$</i>	<i>Proforma Adjustments</i>	<i>Reviewed Consolidated Proforma \$</i>
Revenue	39,630	-	39,630
Other income	-	-	-
	<u>39,630</u>	<u>-</u>	<u>39,630</u>
Administration costs	(87,365)	-	(87,365)
Amortisation expense	(86,425)	-	(86,425)
Other expenses	(27,837)	-	(27,837)
Loss from ordinary activities before tax	(161,998)	-	(161,998)
Income tax expense	-	-	-
Loss from ordinary activities after tax	(161,998)	-	(161,998)
Other comprehensive income net of tax	-	-	-
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	70,053	-	70,053
Total comprehensive profit for the period	<u>(91,945)</u>	<u>-</u>	<u>(91,945)</u>

The above should be read in conjunction with the accompanying notes.

**SUGAR DRAGON LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD TO 30 SEPTEMBER 2015**

<b>HISTORICAL</b>	<i>Issued capital</i>	<i>Accumulated losses</i>	<i>Equity based compensation reserve</i>	<i>Foreign Currency Translation reserve</i>	<i>Non-Controlling Interest reserve</i>	<i>Total Equity</i>
	\$	\$	\$	\$	\$	\$
As at 1 July 2015	2,206,598	(1,367,783)	10,000	12,374	(60,096)	801,093
Loss for the period	-	(125,604)	-	-	(36,394)	(161,998)
Shares issued (net of costs)	(20,454)	-	-	-	-	(20,454)
Exchange differences arising on translation of foreign subsidiaries	-	-	-	70,053	-	70,053
As at 30 September 2015	2,186,144	(1,493,387)	10,000	82,427	(96,490)	688,694
<b>REVIEWED PROFORMA CONSOLIDATED</b>						
Balance as at 30 September 2015	2,186,144	(1,493,387)	10,000	82,427	(96,490)	688,694
Shares issued pursuant to prospectus	3,200,000	-	-	-	-	3,200,000
Share issue costs	(367,000)	-	-	-	-	(367,000)
Issue of options to Lead Manager	(260,500)	-	260,500	-	-	-
Proforma total – 30 September 2015	4,758,644	(1,493,387)	270,500	82,427	(96,490)	3,521,694

The above should be read in conjunction with the accompanying notes.

**SUGAR DRAGON LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD TO 30 SEPTEMBER 2015**

	<i>Reviewed Consolidated Historical</i>	<i>Proforma Adjustments</i>	<i>Reviewed Consolidated Proforma</i>
		\$	\$
<i>Cash flows from operating activities</i>			
Receipts from customers	39,630	-	39,630
Payments to suppliers & employees	(94,266)	-	(94,266)
<i>Net cash used in operating activities</i>	(54,636)		(54,636)
<i>Cash flows from investing activities</i>			
<i>Net cash used in investing activities</i>	-	-	-
<i>Cash flows from financing activities</i>			
Proceeds from the issue of shares/options	(454)	3,200,000	3,199,546
Share issue costs	(20,000)	(367,000)	(387,000)
<i>Net cash provided by financing activities</i>	(20,454)	2,833,000	2,812,546
Net increase in cash and cash equivalents	(75,090)	2,833,000	2,757,910
Cash at the beginning of the financial period	317,240	-	317,240
Effect of exchange rate fluctuations on cash held	(16,473)	-	(16,473)
<i>Cash at the end of the financial period</i>	<u>225,677</u>	<u>2,833,000</u>	<u>3,058,677</u>

The above should be read in conjunction with the accompanying notes.

**SUGAR DRAGON LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD TO 30 SEPTEMBER 2015**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial information has been prepared in accordance with applicable accounting standards including the Australian equivalents of International Reporting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies have been adopted in the preparation of the historical and proforma financial information are shown below.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

*Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(m).

*Going concern*

This financial information has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

**(b) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (collectively referred to as "the Group"). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

**SUGAR DRAGON LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD TO 30 SEPTEMBER 2015**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(b) Principles of consolidation (cont'd)**

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties, rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

**(c) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(d) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

**SUGAR DRAGON LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD TO 30 SEPTEMBER 2015**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(d) Trade and other receivables (cont'd)**

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**(e) Impairment of assets**

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

**(f) Trade payables**

These amounts represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**SUGAR DRAGON LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD TO 30 SEPTEMBER 2015**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(g) Employee Entitlements**

**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**Long Service Leave**

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Based on the Group's experience of employee departures, a long service leave liability is only recognised once an employee has been employed by the Group for a period of 5 years. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows

**(h) Foreign Currency Translation**

**i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

**ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

**(i) Issued capital**

Ordinary share capital is recognised as the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(j) Share-based payment transactions**

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted.

**SUGAR DRAGON LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD TO 30 SEPTEMBER 2015**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(j) Share-based payment transactions (cont'd)**

Where the identifiable consideration received (if any) is less than the fair value of the equity instruments granted or liability incurred, the unidentifiable goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received) measured at the grant date.

**(k) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

*Sale of goods*

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(l) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

**SUGAR DRAGON LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD TO 30 SEPTEMBER 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) Income tax (cont'd)**

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

**(m) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Impairment of assets**

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates.

**(n) Proforma transactions**

The proforma Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been derived from the historical financial information as at 30 September 2015 adjusted to give effect to the following actual or proposed significant events and transactions by the Company subsequent to 30 September 2015:

- i) the issue by the Company pursuant to this Prospectus of 16,000,000 ordinary fully paid shares issued at \$0.20 each raising \$3,200,000 before the expenses of the offer; and
- ii) the write off against issued capital and accumulated losses of the estimated cash expenses of the issue as outlined in Section 7.6 of the Prospectus of \$367,000, noting that an additional \$20,000 was paid prior to 30 September 2015 and is offset against issued capital; and
- iii) the issue to the Lead Manager of 9,000,000 options exercisable at \$0.25 on or before 31 March 2019.

**SUGAR DRAGON LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD TO 30 SEPTEMBER 2015**

**2. CASH AND CASH EQUIVALENTS**

	<i>Reviewed Consolidated Historical</i>	<i>Proforma Adjustments</i>	<i>Reviewed Consolidated Proforma</i>
	\$	\$	\$
Balance as at 30 September 2015	225,677	-	225,677
Proceeds from shares issued pursuant to this Prospectus	-	3,200,000	3,200,000
Payment of share issue costs	-	(367,000)	(367,000)
	<u>225,677</u>	<u>2,833,000</u>	<u>3,058,677</u>

**3. ISSUED CAPITAL**

	<i>Note</i>	<i>Number</i>	<i>\$</i>
<b><i>Audited Historical</i></b>			
Balance as at 30 September 2015		12,500,000	2,186,144
<b><i>Reviewed Proforma Consolidated</i></b>			
Shares issued pursuant to prospectus		16,000,000	3,200,000
Share issue costs - cash		-	(367,000)
Share issue costs – options issued to Lead Manager		-	(260,500)
<b>Proforma balance</b>		<u>28,500,000</u>	<u>4,758,644</u>

**4. OPTIONS**

Assuming the successful completion of all events in the Prospectus, the following options shall be on issue (exercisable at \$0.25 per share):

	<i>Number</i>
Options exercisable on or before 31 March 2019	<u>9,000,000</u>

**5. CONTINGENCIES AND COMMITMENTS**

The Directors are not aware of any contingencies other than as set out in the Prospectus.

**6. RELATED PARTY TRANSACTIONS**

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in Section 7 of the Prospectus.

## - APPENDIX 2 –

**SUGAR DRAGON LIMITED  
HISTORICAL FINANCIAL INFORMATION**

Set out below is summarised financial information of Sugar Dragon Limited. The following information has been extracted from the audited financial statements.

The 2015, 2014 and 2013 Auditor's reports contained an emphasis of matter in relation to going concern.

**SUGAR DRAGON LIMITED  
STATEMENTS OF FINANCIAL POSITION**

	<i>Consolidated</i> <b>30 June 2015</b>	<i>Audited</i> <i>Parent</i> <b>30 June 2014</b>	<i>Parent</i> <b>30 June 2013</b>
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	317,240	443,166	23,209
Inventory	29,250	-	-
Other current assets	3,758	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>350,248</b>	<b>443,166</b>	<b>23,209</b>
<b>NON-CURRENT ASSETS</b>			
Deferred exploration expenditure	-	-	857,198
Other receivables	-	106,895	-
Prepaid royalty	478,430	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>478,430</b>	<b>106,895</b>	<b>857,198</b>
<b>TOTAL ASSETS</b>	<b>828,678</b>	<b>550,061</b>	<b>880,407</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12,585	4,891	91
Accrued expenses	15,000	64,825	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>27,585</b>	<b>69,716</b>	<b>91</b>
<b>TOTAL LIABILITIES</b>	<b>27,585</b>	<b>69,716</b>	<b>91</b>
<b>NET ASSETS</b>	<b>801,093</b>	<b>480,345</b>	<b>880,316</b>
<b>EQUITY</b>			
Issued capital	2,206,598	1,559,163	1,057,023
Reserves	22,374	10,000	10,000
Accumulated losses	(1,367,783)	(1,088,818)	(186,707)
Total parent entity interest	861,189	480,345	880,316
Non-controlling interest	(60,096)	-	-
<b>TOTAL EQUITY</b>	<b>801,093</b>	<b>480,345</b>	<b>880,316</b>

The above should be read in conjunction with the notes outlined in Appendix 1.

**SUGAR DRAGON LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

	<i>Consolidated</i>	<i>Audited</i>	
	<i>30 June 2015</i>	<i>Parent</i>	<i>Parent</i>
	\$	<i>30 June 2014</i>	<i>30 June 2013</i>
		\$	\$
Revenue	40,190	-	-
Other income	217	-	-
Share of other comprehensive loss of an associate	(1,273)	-	-
Amortisation expense	(174,120)	-	-
Other expenses	(204,075)	(30,027)	(186,707)
Loss before income tax	(339,061)	(30,027)	(186,707)
Income tax expense	-	-	-
<b>Profit / (Loss) for the year</b>	(339,061)	(30,027)	-
Loss after tax from discontinued operations	-	(872,084)	-
<b>Net loss for the period</b>	(339,061)	(902,111)	(186,707)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange gain/(loss) arising on translation of foreign operations	12,374	-	-
<b>Total comprehensive loss</b>	(326,687)	(902,111)	(186,707)

The above should be read in conjunction with the notes outlined in Appendix 1.

**SUGAR DRAGON LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

	<i>Issued capital</i> \$	<i>Accumulated losses</i> \$	<i>Reserves</i> \$	<i>Total Equity</i> \$	
As at 1 July 2012	-	-	-	-	
Loss for the period	-	(186,707)	-	(186,707)	
Total comprehensive loss for the year	-	(186,707)	-	(186,707)	
Fair value of options issued	-	-	10,000	10,000	
Shares issued during the period	1,100,001	-	-	1,100,001	
Share issue costs	(42,978)	-	-	(42,978)	
As at 30 June 2013	1,057,023	(186,707)	10,000	880,316	
As at 1 July 2013	1,057,023	(186,707)	10,000	880,316	
Loss for the period	-	(902,111)	-	(902,111)	
Total comprehensive loss for the year	-	(902,111)	-	(902,111)	
Shares issued during the period	535,880	-	-	535,880	
Share issue costs	(33,660)	-	-	(33,660)	
As at 30 June 2014	1,559,163	(1,088,818)	10,000	880,316	
	<i>Issued capital</i> \$	<i>Accumulated losses</i> \$	<i>Reserves</i> \$	<i>Non- controlling interest</i> \$	<i>Total Equity</i> \$
As at 1 July 2014	1,559,163	(1,088,818)	10,000	-	880,316
Loss for the period	-	(278,965)	-	(60,096)	(339,061)
Exchange gain/(loss) on translation of foreign operations	-	-	12,374	-	12,374
Total comprehensive loss for the year	-	(278,965)	12,374	(60,096)	(326,687)
Shares issued during the period	675,000	-	-	-	675,000
Share issue costs	(27,565)	-	-	-	(27,565)
As at 30 June 2015	2,206,598	(1,367,783)	22,374	(60,096)	801,093

The above should be read in conjunction with the notes outlined in Appendix 1.

**SUGAR DRAGON LIMITED**  
**STATEMENT OF CASH FLOWS**

	<b>Consolidated</b>	<b>Audited</b>	<b>Parent</b>
	<b>30 June 2015</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
	\$	\$	\$
<i>Cash flows from operating activities</i>			
Receipts from customers	40,407	-	-
Payments to suppliers & employees	(384,608)	(14,062)	(186,616)
Interest paid	(50,000)	-	-
<i>Net cash used in operating activities</i>	<u>(394,201)</u>	<u>(14,062)</u>	<u>(186,616)</u>
<i>Cash flows from investing activities</i>			
Payments for exploration and evaluation expenditure	-	(14,886)	(857,198)
Payment under financing agreement	(379,160)	(106,895)	-
<i>Net cash used in investing activities</i>	<u>(379,160)</u>	<u>(121,781)</u>	<u>(857,198)</u>
<i>Cash flows from financing activities</i>			
Proceeds from the issue of shares/options (net)	647,435	555,800	1,067,023
<i>Net cash provided by financing activities</i>	<u>647,435</u>	<u>555,800</u>	<u>1,067,023</u>
Net increase / (decrease) in cash and cash equivalents	(125,926)	419,957	23,209
Cash at the beginning of the financial period	443,166	23,209	-
Effects of exchange rate fluctuations on the balances of cash in foreign currencies	-	-	-
<i>Cash at the end of the financial period</i>	<u>317,240</u>	<u>443,166</u>	<u>23,209</u>

The above should be read in conjunction with the notes outlined in Appendix 1.

## **5. RISK FACTORS**

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The Shares are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend that potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, and consult their professional advisers before deciding whether to apply for Shares under this Prospectus.

The proposed future activities of the Company are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Company and cannot be mitigated.

Investors should be aware that the performance of the Company may be affected and the value of its Shares may rise or fall over any given period. Some of the factors which investors should consider before they make a decision whether or not to take up their entitlement include, but are not limited to, the risks in this Section.

### **5.1 Company-specific risks**

(a) Limited operating history

The Group has a limited operating history in undertaking its confectionary wholesaling business. As an early stage business, the Company also has a limited financial history that makes it difficult for investors to assess its past performance. There can be no assurance that the Company will achieve profitability in the future.

(b) Actions of King.com

The Group's business is primarily dependent on its two licence agreements with King.com. These licence agreements could be terminated, or not renewed when they expire on 31 December 2017. If the licence agreements with King.com were terminated or not renewed, this would severely impact the Group's ability to earn revenue. In those circumstances the Group would be forced to look for alternative revenue streams. This would adversely affect the overall performance of the Company.

In addition, the two licences which King.com has granted Okmno are non-exclusive only. Whilst King.com has not granted any other such licences in the jurisdictions to which Okmno's licences relate, therefore there is a risk that King.com may expand into and/or appoint other licensees in the territories in which Okmno operates. This would severely impact the Group's ability to earn revenue and would adversely affect the overall performance of the Company.

(c) Ability to continue as a going concern

The ability of the Company to continue as a going concern is dependent on the Company being able to raise additional funds as required to ensure that it can continue to fund its operations during the 12 month period from 1 July 2015.

The Company's ability to raise further capital (equity or debt) within an acceptable time, of a sufficient amount and on terms acceptable to the Company will vary according to a number of factors, including the ability to achieve sufficient sales of product and the ability to purchase product at acceptable prices.

No assurance can be given that future funding will be available to the Company on favourable terms (or at all). If adequate funds are not available on acceptable terms the Company may not be able to further develop its revenue streams and it may impact on the Company's ability to continue as a going concern.

(d) Concentration of reliance on manufacturers and customers

The Group currently relies on Trolli China and Trolli Germany to produce all of the products which the Group sells (other than a small proportion of confectionary manufactured by Gelking Laboratories Inc), and 3 main wholesale customers (including Trolli China, who also distributes within China for which the Group receives a royalty).

If a manufacturer was to fail or fail to effectively manage the manufacturing requirements, or fail to make delivery to the Group, the Group's sales would ultimately be affected until the Group is able to engage a replacement manufacturer. Additionally, if the Group's wholesale customers were to fail to effectively manage the Group's distribution requirements, the Group's sales would ultimately be affected. There is no guarantee that the Group would be able to engage new manufacturers or replacement wholesale customers.

In addition, the Group engages its manufacturers and wholesale customers on a non-exclusive basis. The manufacturers and wholesale customers are therefore free to not engage with the Group and/or instead engage with a competitor of the Group or the Group's licensee King.com. If the manufacturer or the wholesale customers were to cease engagement with the Group and cease to produce or sell the Group's products, the Group's sales would ultimately be affected.

(e) Actions of competitors

The two licence agreements entered into by Okmno provide it with non-exclusive licences only to manufacture and distribute "Candy Crush" branded confectionery products (both "Candy Crush Saga" and "Candy Crush Soda"). Whilst King.com has not granted any other such licences in the jurisdictions to which Okmno's licences relate, the Group faces competition from other entities that operate in the confectionary wholesale sector and anticipates that the level of competition in this sector will increase in the future. Those entities competing with the Group may have advantages over the Group, including greater financial, marketing and other resources. Any significant competition may adversely affect the overall performance of the Company.

(f) Manager risk

The success and profitability of the Company will largely depend on the ability of the Executive Director and Managing Director of Okmno who are responsible for devising and implementing the Company's marketing and sales strategy, to procure that the Company achieves sales of its confectionary products.

The Company is exposed to the risk that the Executive Director and Managing Director of Okmno may fail to make suitable decisions in relation to the marketing and sales strategy. In addition, the Company is exposed to the risk that the Executive Director and Managing Director of Okmno cease to be involved with the Group in an executive capacity, and as a result, cease to manage the Group's operations. In this event, the Company will need to identify and engage suitably qualified and experienced replacements to implement the Company's marketing and sales strategy.

(g) Ability to promote the Group's brand

A significant factor in the success of the Group's confectionary distribution business is its reputation and branding. A failure by King.com to maintain the strength of its brand could impact on the Group's ability to attract clients, maintain corporate relationships and successfully implement its business strategy.

Unforeseen issues or events which adversely affect the Group's reputation may impact on its future growth and profitability. Any matter occurring that adversely affects the reputation of the Company or its key personnel could impede its ability to compete successfully and jeopardise its future business plans. This may, in turn, have a material adverse effect on the financial performance of the Company.

(h) Short term contracts

The Company's contracts with its manufacturers and its wholesale customers are generally of a short term nature (the agreements with Sweet Space and MITI expire on 31 December 2017, the manufacture and distribution agreement with Trolli China expires on 1 December 2016, the supply agreement with Trolli China expires on 25 July 2016) and the supply agreement with Trolli Germany expires on 2 March 2016). The Company derives all of its revenue from such short term contracts. The Company does not have long term contracts and there is no guarantee that the Company will be able to continue to find wholesale customers to distribute its products in the future.

(i) Achievement and management of growth

The Company has had a limited operating history. Achievement of growth is dependent on many factors. There is a risk that the Company may not be able to successfully execute its growth strategies.

No assurance is given that the Company will be successful in achieving or managing growth.

(j) Enforcement of contracts in foreign jurisdictions

As part of its business, the Company enters into contracts which are governed by the laws of countries other than Australia.

Should a contractual dispute result in court action or should the Company be required to enforce its rights, the procedure of the courts in the various foreign jurisdictions may be different to those in Australia.

(k) New investment opportunities

The Company may consider acquisitions and business development opportunities that may add value to the Company. The acquisition and development of business opportunities (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only a limited period for due diligence and/or prior to the completion of a comprehensive due diligence process by the Company. There can be no guarantee that any proposed acquisition or development will be completed or successful. If the proposed acquisition or development is not completed, monies already advanced may not be recoverable, which could have a material adverse effect on the Company.

(l) Contractual disputes

As with any contract, there is a risk that the business could be disrupted in situations where there is a disagreement or dispute in relation to a term of the contract. Should such a disagreement or dispute occur, this may have an adverse impact on the Company's operations and performance generally. It is not possible for the Company to predict or protect itself against all such risks.

(m) Reliance of relationships and alliances

The Company has relationships and alliances with technical and advisory parties and other stakeholders in the design and marketing industries in the countries in which it operates. The Company's success, in part, depends upon the continued successful relations with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on the financial position and prospects of the Company.

(n) Third party risk

The operations of the Company require the involvement of a number of third parties, including manufacturers, wholesale customers and King.com.

Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of the Group. It is not possible for the Company to predict or protect against all such risks.

(o) Regulatory environments

The Group is exposed to the risks posed by current and potential future regulations and legislation that apply to the industry and jurisdictions in which it operates.

Changes in the regulatory environments in Hong Kong, Taiwan, Macau, mainland China and South Korea and other markets in which the Group operates, may have consequences for the Group.

(p) Potential funding issues

The Company's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms, or at all. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures.

(q) Foreign currency and exchange rate fluctuations

Foreign exchange may adversely affect the Company's financial position, operating results and Share price.

The Group's business is based out of Hong Kong and conducts business in other jurisdictions and is therefore exposed to the effects of changes in currency exchange rates. Unfavourable movements in these exchange rates may have an adverse effect on the Company's revenue and/or cost of operating and therefore affect the market price of the Shares.

(r) Legal system and legal risks

Although only a relatively small proportion of the Group's overall revenue is derived from China (and noting that the two supply agreements which the Group has with Trolli China are governed by the laws of Hong Kong and Western Australia respectively), in the event of having to enforce a judgement made in a jurisdiction outside of China, the Group would be subject to the laws and regulations of China.

China has a civil law legal system based on written statutes. Unlike the common law system, previous court decisions in China may be cited for reference but have limited precedential value. Although the overall effect of legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investments in China, it has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities.

In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. Such uncertainties may limit the

legal protections available to the Group and to other foreign investors, including Applicants.

## 5.2 Industry-specific risks

### (a) Food manufacturing

The Group's products are food items that will be sold to children and adults. Contamination of food products, either inadvertently or deliberately, has the capacity to cause harm to consumers and to greatly affect consumers' views of a product. The Company recognises this risk and will look to ensure that it engages manufacturers with appropriate expertise and processes in place to minimise this risk. However, if contamination of the Group's products was to occur, it could negatively impact the Company's future revenues and performance.

### (b) Product liability

The Group may be exposed to liability claims if the products which it distributes are provided in fault and/or cause harm to its customers or consumers. As a result, the Group may have to expend significant financial and managerial resources to defend against such claims. If a successful claim is made against the Group, the Group may be fined or sanctioned and its reputation and brand may be negatively impacted, which could materially and adversely affect its reputation, business prospects, financial condition and results of operation.

### (c) New and current markets, and regulatory requirements

The Group believes it has obtained all regulatory approvals that are required in each jurisdiction in which the Group's products are intended to be sold. However should the Group wish to expand the sales of its products into other territories, it will be required to comply with regulatory requirements in those markets. The Group would therefore need to engage manufacturers and customers that are able to comply with these requirements. If the Group has difficulty complying with, or its manufacturers or wholesale customers are not able to comply with, the relevant regulatory requirements in any current or future markets this may inhibit the Group's ability to sell its products and could negatively impact the Company's future revenues and performance.

### (d) Sugar prices

As one of the main ingredients in confectionary, the price of sugar can be a major factor in the success of confectionary production. Rising sugar prices can reduce sales if confectionary producers raise product prices to protect profits. This, in turn, may negatively affect industry sales and profits.

### (e) Global food activism

Food activism may not be restricted to targeting a particular product. Some advocate groups may be able to influence future governments

to increase regulation surrounding the confectionary markets due to health concerns (such as obesity, diabetes and tooth decay) associated with the consumption of products with a high sugar content. This, in turn, may negatively affect industry sales and profits.

### **5.3 General risks**

(a) Securities investments

Applicants should be aware that there are risks associated with any securities investment. The prices at which the Company's Shares trade may be above or below the Offer price and may fluctuate in response to a number of factors. Further, the stock market is prone to price and volume fluctuations. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of the Shares, regardless of Company's operational performance.

(b) Share market conditions

The market price of the Shares may fall as well as rise and may be influenced by the varied and unpredictable movements in the equity markets. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Hong Kong, Taiwan, Macau, mainland China and South Korea, the rate of growth of gross domestic product, interest rates and the rate of inflation.

(d) Future capital needs and additional funding

The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of this Offer should be adequate to fund its business activities in the short term as stated in this Prospectus.

However, should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

(e) Policies and legislation

Any material adverse changes in government policies or legislation of Hong Kong, Taiwan, Macau, mainland China and South Korea or any

other country that the Company has economic interests may affect the viability and profitability of the Company.

## **6. MATERIAL CONTRACTS AND RIGHTS ATTACHING TO SHARES**

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### **6.1 Material contracts**

The Company is a party to material contracts and/or material agreements with related parties of the Company. These are summarised in Sections 6.2 and 6.4.

In addition, Okmno (which is 72.5% owned by the Company) has entered into various contracts relating to the business of manufacturing and distribution “Candy Crush” branded confectionery products. These are summarised in Section 6.3.

### **6.2 Company material contracts**

#### **(a) Lead Manager Agreement**

The Company entered into an agreement with the Lead Manager dated 13 January 2016 (**Lead Manager Agreement**), under which the Lead Manager was appointed to facilitate (amongst other things) the raising of sufficient funds with sufficient shareholder spread as required by ASX for completion of the Offer. The Lead Manager’s role does not include any commitment to underwrite the Offer or any part of it.

The fees payable by the Company to the Lead Manager in consideration for performing its lead manager role are:

- (i) a management fee of 2% of funds raised;
- (ii) a fee of 4% of funds raised;
- (iii) a corporate administration fee of \$10,000;
- (iv) 9,000,000 Options (to be issued to the Lead Manager and/or its nominee); and
- (v) travel, accommodation and related expenses for roadshows and presentations.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

#### **(b) Shareholders Agreement**

The Company, Okmno and Mr Pierre Emmanuel Czaja entered into a shareholders agreement dated 26 June 2014 (**Shareholders Agreement**), the execution of which being a condition precedent to the obligation of the Company to loan funds to Okmno under the Terms Sheet.

Ms Jade Zhang became a party to the Shareholders Agreement by entering into a deed of accession dated 26 June 2014. Mr Pierre Emmanuel Czaja is no longer a shareholder in Okmno.

The Shareholders Agreement contains, inter alia, restrictions on Ms Zhang's right to transfer shares in Okmno, a right for the Company to have the first right of refusal in relation to any shares to be issued by Okmno, and a pre-emptive right for the Company to purchase Ms Zhang's shares in Okmno subject to the terms of the Shareholders Agreement.

The Shareholders Agreement does not have a definite term.

### 6.3 Okmno material contracts

- (a) King Licence Agreement – Taiwan, Hong Kong, Macau and mainland China

Okmno entered into a licensing agreement with King.com dated 18 March 2014 (**First King Licence Agreement**) under which King granted Okmno a non-exclusive licence to use the Candy Crush assets as they appear in King's style guide, and the intellectual property in the same, for the design, manufacture, packaging, promotion, distribution and advertisement of sugared and acid jelly, shiny jelly, hard boiled candy, marshmallow, bubble gum, liquorice, and chocolate with candy shell.

Under the First King Licence Agreement, Okmno has been granted the licence to exercise its rights, and therefore manufacture, distribute and sell the confectionary products, in Taiwan, Hong Kong, Macau and mainland China.

The First King Licence Agreement expires on 31 December 2017.

During the period commencing on the date which is 3 months prior to the expiration of the First King Licence Agreement and ending on the date of expiration of the First King Licence Agreement (**Renewal Period**), Okmno shall have the right of first refusal to renew the licensing arrangements provided that:

- (i) Okmno has met, or King in its sole opinion determines that Okmno is on target to achieve, net sales receipts equal to US\$500,000 before the commencement of the Renewal Period;
- (ii) Okmno is not in breach of any term of the First King Licence Agreement;
- (iii) Okmno offers the most favourable commercial terms, as determined by King in its sole opinion, against any offers which are received but which were not solicited by King in the Renewal Period; and
- (iv) the First King Licence Agreement has not been terminated by either party for any reason prior to the commencement of the Renewal Period.

During the Renewal Period King may not proactively solicit third parties to licence the licensed products.

Under the First King Licence Agreement, Okmno has an obligation to incur marketing expenditure for the confectionary products during:

- (i) Year 1 of the term, of at least 7% of net sales receipts; and
- (ii) Year 2 of the term of at least 5% of net sales receipts; and
- (iii) Year 3 of the term, of at least 5% of net sales receipts.

During the term of the First King Licence Agreement, and for a 2 year period thereafter, Okmno is required to maintain detailed books of account and records detailing all transactions relating to the First King Licence Agreement, in accordance with generally accepted accounting principles consistently applied, and King has the right at all reasonable hours of the day, on reasonable prior written notice, to examine and audit such books of account and records and any other documents and materials in Okmno's possession or under its control relating to the First King Licence Agreement.

The First King Licence Agreement provides King with a right to terminate in the event of Okmno committing an act of default (as defined in the First King Licence Agreement).

The fees payable by Okmno to King under the First King Licence Agreement are:

- (i) 5% of net sales receipts of licensed products (**China Royalty**); and
- (ii) a minimum guarantee of US\$500,000 (which has been paid by Okmno), to be reduced by the sum or aggregate of all China Royalties and advance payments actually made to King by Okmno.

(b) King Licence Agreement – South Korea

Okmno entered into a licensing agreement with King.com dated 9 June 2015 (**Second King Licence Agreement**) under which King granted Okmno a non-exclusive licence to use the Candy Crush assets as they appear in King's style guide, and the intellectual property in the same, for the design, manufacture, packaging, promotion, distribution and advertisement of sugared and acid jelly, shiny jelly, hard boiled candy, marshmallow, bubble gum, liquorice, and chocolate with candy shell.

Okmno has been granted the licence to exercise its rights, and therefore manufacture, distribute and sell the confectionary products, in South Korea.

The Second King Licence Agreement expires on 31 December 2017.

During the period commencing on the date which is 3 months prior to the expiration of the Second King Licence Agreement and ending on the date of expiration of the Agreement (**Renewal Period**), Okmno

shall have the right of first refusal to renew the licensing arrangements provided that:

- (i) Okmno is not in breach of any term of the Second King Licence Agreement;
- (ii) Okmno offers the most favourable commercial terms, as determined by King in its sole opinion, against any offers which are received but which were not solicited by King in the Renewal Period; and
- (iii) the Second King Licence Agreement has not been terminated by either party for any reason prior to the commencement of the Renewal Period.

During the Renewal Period King may not proactively solicit third parties to licence the licensed products.

Under the Second King Licence Agreement, Okmno does not have an obligation to incur marketing expenditure for the confectionary products.

During the term of the Second King Licence Agreement, and for a 2 year period thereafter, Okmno is required to maintain detailed books of account and records detailing all transactions relating to the Second King Licence Agreement, in accordance with generally accepted accounting principles consistently applied, and King has the right at all reasonable hours of the day, on reasonable prior written notice, to examine and audit such books of account and records and any other documents and materials in Okmno's possession or under its control relating to the Second King Licence Agreement.

The Second King Licence Agreement provides King with a right to terminate in the event of Okmno committing an act of default (as defined in the agreement).

The fees payable by Okmno to King under the Second King Licence Agreement are:

- (i) an advance of US\$30,000;
- (ii) 5% of net sales receipts of licensed products (**South Korea Royalty**); and
- (iii) a minimum guarantee of US\$30,000, to be reduced by the sum or aggregate of all South Korea Royalties and advance payments actually made to King by Okmno, payable as follows:

Minimum Guarantee	Relevant Payment Date
US\$30,000	Upon signing of the Second King Licence Agreement

(c) South Korea Manufacturing Agreement

Okmno entered into an agreement with Trolli China dated 25 July 2015 (**South Korea Manufacturing Agreement**), under which Trolli China is required to manufacture and supply Candy Crush branded confectionary to Okmno.

The confectionary manufactured and supplied to Okmno under the South Korea Manufacturing Agreement is sold by Okmno for distribution in South Korea.

Under the China Distribution Agreement, Okmno granted Trolli China the right to use the Candy Crush intellectual property for the purposes of the manufacture and supply of Candy Crush branded confectionary to Okmno.

Okmno is required to pay for all Candy Crush branded confectionary manufactured and supplied under the South Korea Manufacturing Agreement at the rates contained in the Germany Distribution Agreement.

Under the South Korea Manufacturing Agreement, Trolli China is responsible for:

- (i) ensuring that the products are properly packed and secured in such manner as to enable them to reach the delivery point and final destination in good condition; and
- (ii) comply with all applicable laws, enactments, orders, regulations and other instruments relating to the manufacture, packaging, marking, storage, handling and delivery of the products.

Subject to certain limitations and exclusions, Trolli China must indemnify Okmno against all liabilities, costs, expenses, damages and losses suffered or incurred by Okmno arising out of or in connection with:

- (i) any claim made against Okmno for infringement of a third party's intellectual property rights arising out of, or in connection with, the supply or use of the products;
- (ii) any claim made against Okmno by a third party arising out of, or in connection with, the supply of the products, to the extent that such claim arises out of the breach, negligent performance or failure or delay in performance of the agreement by Trolli China; and
- (iii) any claim made against Okmno by a third party for death, personal injury or damage to property arising out of, or in connection with, defective products, to the extent that the defect in the products is attributable to the acts or omissions of Trolli China.

The South Korea Manufacturing Agreement, unless terminated earlier in accordance with the agreement, is for a period of 12 months, and will be automatically renewed for further 12 month periods unless one party provides no less than 60 days notice that it wishes to terminate the South Korea Manufacturing Agreement at the end of the then current term.

In addition, the South Korea Manufacturing Agreement shall terminate automatically in the event of the First King Licence Agreement terminating.

(d) Taiwan Manufacturing Agreement

Okmno entered into an agreement with Trolli Germany dated 2 March 2015 (**Taiwan Manufacturing Agreement**), under which Trolli Germany is required to manufacture and supply Candy Crush branded confectionary to Okmno.

The confectionary manufactured and supplied to Okmno under the Taiwan Manufacturing Agreement is sold by Okmno for distribution in Taiwan.

Under the Germany Distribution Agreement, Okmno granted Trolli Germany the right to use the Candy Crush intellectual property for the purposes of the manufacture and supply of Candy Crush branded confectionary to Okmno.

Okmno is required to pay for all Candy Crush branded confectionary manufactured and supplied under the Taiwan Manufacturing Agreement at the rates contained in the Taiwan Manufacturing Agreement.

Under the Taiwan Manufacturing Agreement, Trolli Germany is responsible for:

- (i) ensuring that the products are properly packed and secured in such manner as to enable them to reach the delivery point and final destination in good condition; and
- (ii) comply with all applicable laws, enactments, orders, regulations and other instruments relating to the manufacture, packaging, marking, storage, handling and delivery of the products.

Subject to certain limitations and exclusions, Trolli Germany must indemnify Okmno against all liabilities, costs, expenses, damages and losses suffered or incurred by Okmno arising out of or in connection with:

- (iii) any claim made against Okmno for infringement of a third party's intellectual property rights arising out of, or in connection with, the supply or use of the products;
- (iv) any claim made against Okmno by a third party arising out of, or in connection with, the supply of the products, to the extent

that such claim arises out of the breach, negligent performance or failure or delay in performance of the agreement by Trolli Germany; and

- (v) any claim made against Okmno by a third party for death, personal injury or damage to property arising out of, or in connection with, defective products, to the extent that the defect in the products is attributable to the acts or omissions of Trolli Germany.

The Taiwan Manufacturing Agreement, unless terminated earlier in accordance with the agreement, is for a period of 12 months, and will be automatically renewed for further 12 month periods unless one party provides no less than 60 days notice that it wishes to terminate the Taiwan Manufacturing Agreement at the end of the then current term.

In addition, the Taiwan Manufacturing Agreement shall terminate automatically in the event of the First King Licence Agreement terminating.

(e) South Korea Distribution Agreement

Okmno entered into an agreement with Sweet Space dated on or around 21 July 2015 (**Korea Distribution Agreement**), under which Okmno appointed Sweet Space as its exclusive distributor for the promotion and sale of Candy Crush Soda Gummies and Candy Crush Soda Teddy Bear Gummies within South Korea.

Under the terms of the Korea Distribution Agreement, Sweet Space:

- (i) must engage in the active solicitation of potential new business for the sale of the products;
- (ii) must use best efforts in carrying out his activities;
- (iii) must obtain any necessary import licences or permits necessary for the entry of the products into South Korea; and
- (iv) may purchase the Crush Soda Gummies and Candy Crush Soda Teddy Bear Gummies products at the prices specified in the Korea Distribution Agreement, for which there is a lead time for delivery of approximately 4 weeks from the placement of an order.

During the term of the Korea Distribution Agreement, Okmno must maintain product liability insurance and indemnify Sweet Space against liability arising from any fault or defect in the materials or workmanship of the products manufactured or supplied by Okmno.

Sweet Space must indemnify Okmno against all liability arising out of or in connection with Sweet Space's acts which are not compliant with the Korea Distribution Agreement.

The Korea Distribution Agreement is for a term until 31 December 2017, following which the parties shall discuss in good faith whether they wish to renew the agreement for a further period.

Either Okmno or Sweet Space has the right to terminate the Korea Distribution Agreement by providing 6 month written notice to the end of a period.

In addition, Okmno may at any time terminate the Korea Distribution Agreement with immediate effect upon written notice and payment to Sweet Space of a sum equal to 20% of paid sales of products to Sweet Space during the twelve (12) months preceding the date of such notice of termination.

(f) Taiwan Distribution Agreement

Okmno entered into an agreement with MITI dated 16 March 2015 (**Taiwan Distribution Agreement**), under which Okmno appointed MITI as its exclusive distributor for the promotion and sale of Candy Crush sugared acid jelly and shiny jelly candy within Taiwan.

Under the terms of the Taiwan Distribution Agreement, MITI:

- (i) must use its best endeavours to promote the distribution and sale of the products;
- (ii) must submit written reports at regular intervals to Okmno, showing details of sales, quarter or semi-annual sales reports, sales reports by channels, and any other information relating to the performance of its obligations under Taiwan Distribution Agreement that Okmno may reasonably require from time to time;
- (iii) must maintain, on its own account, an inventory of the products at levels which are appropriate and adequate for MITI to meet all customer delivery requirements for the products throughout Taiwan;
- (iv) shall be responsible for obtaining any necessary import licences or permits necessary for the entry of the products into Taiwan; and
- (v) may purchase the products at the prices contained in the Taiwan Distribution Agreement, in which case it shall pay the amount invoiced to it by Okmno, 50% being payable within 7 days of placing an order and 50% being payable within 7 days of delivery.

Under the terms of the Taiwan Distribution Agreement, Okmno grants MITI the exclusive right to use the Candy Crush trade mark in Taiwan for the promotion and sale of the products, and MITI acknowledges that such intellectual property shall remain vested in Okmno or its licensors. In addition, MITI may not sub-license, transfer or otherwise deal with the rights of use of the intellectual property

In each 12 month period from the commencement of the Taiwan Distribution Agreement, MITI must place orders with Okmno for no less than:

- (i) 50 tonnes in the first 12 months;
- (ii) 100 tonnes in the second 12 months; and
- (iii) 150 tonnes in the third 12 months,

and each individual order placed must shall exceed the amount of 5 tonnes or 1 standard 40 foot packing container.

Under the Taiwan Distribution Agreement, Okmno shall be responsible for the costs of returning any products not delivered in accordance with the agreement, including shipping costs and customs and inspection costs.

For the period commencing 6 months from delivery of the products, if any delivered products are not in accordance with the Taiwan Distribution Agreement or are subject to a product recall, MITI may return the defective products and Okmno shall replace the defective products at no cost. Okmno shall be responsible for the freight costs of all replacement products.

Risk and title in any products purchased under the Taiwan Distribution Agreement passes to MITI on completion of loading at MITI's nominated port of shipment, as specified by MITI.

The Taiwan Distribution Agreement is for a term ending 31 December 2017, however shall terminate automatically in the event of the First King Licence Agreement terminating.

(g) MITI Purchase Agreement

Okmno has entered into an agreement with MITI dated 30 November 2015 (**MITI Purchase Agreement**), under which MITI agreed to supply confectionary to Okmno at the cost at which MITI purchases it from a third party manufacturer.

The appointment of the third party as a manufacturer has been approved by King.com, and all of the confectionary manufactured by that party will be sold to MITI, following which a portion will be distributed in Taiwan by MITI (from which Okmno will not derive any profit or revenue) and the remainder will be sold by MITI to Okmno for distribution in Hong Kong (for which Okmno will apply a mark up and therefore derive a profit).

Under the MITI Purchase Agreement, Okmno will issue purchase orders for the supply of confectionary, and MITI must deliver the confectionary to the delivery address specified in the purchase order.

The confectionary supplied must be of acceptable quality, safe and free from defects, and acceptable in appearance and finish.

Title in confectionary ordered under the MITI Purchase Agreement passes to Okmno on the earlier of:

- (i) delivery of the goods to Okmno (or its agent); or
- (ii) payment by Okmno,

and risk in the goods passes to the Company when the goods are delivered to the specified delivery address and accepted by Okmno.

Okmno may audit MITI's records to determine if the price which has been applied to any confectionary ordered has been correctly calculated in accordance with the MITI Purchase Agreement.

MITI must indemnify Okmno from and against all liabilities, losses, damages, actions, suits, proceedings, claims, costs and expenses arising from or in connection with:

- (iii) injury to (including illness or disability), or death, of any persons; and
- (iv) loss or destruction of or damage to or loss of use of any property,

caused or contributed to by the act or omission of MITI or its directors, officers, employees, agents or suppliers or by any breach of the MITI Purchase Agreement by MITI, except to the extent and the proportion that it has been caused or contributed to by the wilful default or unlawful or negligent act or omission of Okmno.

Okmno must pay all invoices within 30 days of receipt of an invoice, following delivery of the confectionary to the agreed delivery point.

The MITI Purchase Agreement is for an indefinite term, however may be terminated by Okmno in its absolute discretion, in which case Okmno must pay for any confectionary delivered by MITI in accordance with the agreement, along with the cost of materials MITI reasonably ordered prior to the date of termination.

(h) China Distribution Agreement

Okmno entered into an agreement with Trolli China dated 1 December 2014 (**China Distribution Agreement**), under which Okmno granted Trolli China a licence to use the Candy Crush trade mark in mainland China.

The purpose of the China Distribution Agreement is for Trolli China to manufacture confectionary for distribution by third parties in mainland China.

Under the China Distribution Agreement, Okmno granted Trolli China a non-exclusive licence to use the Candy Crush trade mark in relation to sugared acid jelly and shiny jelly candies, including in connection with the manufacture, promotion, distribution and sale of those products.

Trolli China is required to pay Okmno 12% of the net sales price for each product that is sold by Trolli China in mainland China, payable on the tenth day of each month for completed sales for the previous month. Trolli China must keep proper accounting records regarding the sale of the products, which shall be available for inspection by Okmno during business hours.

Under the China Distribution Agreement, Trolli China is responsible for:

- (i) ensuring that the products are safe for the use for which they are intended; and
- (ii) obtaining at its own expense all licences, permits and consents necessary for the provision of the products in mainland China.

Trolli China must effect product liability and comprehensive general liability insurance coverage to cover its liabilities under the China Distribution Agreement and, in addition, must indemnify Okmno against all liabilities arising out of or in connection with:

- (i) Trolli China's exercise of its rights granted under the China Distribution Agreement which are not compliant with the China Distribution Agreement;
- (ii) Trolli's breach or negligent performance or non-performance of the China Distribution Agreement;
- (iii) the enforcement of the China Distribution Agreement; and
- (iv) any claim made against Okmno by a third party for death, personal injury or damage to property arising out of or in connection with defective products, to the extent that such defects are attributable to the acts or omissions of Trolli China.

This China Distribution Agreement commenced on 1 December 2014 with an initial term of 12 months, and has been renewed for a further period of 12 months. It automatically renews for further 12 month periods unless one party provides no less than 90 days notice that it wishes to terminate the China Distribution Agreement at the end of the then current term. In addition, the China Distribution Agreement shall terminate automatically in the event of the First King Licence Agreement or Second King Licence Agreement Licence Agreement terminating.

#### **6.4 Related party arrangements**

- (a) Loan Terms Sheet

The Company and Okmno entered into a binding terms sheet (**Terms Sheet**) under which the Company agreed to loan Okmno:

- (i) USD100,000 within 3 days of execution of Terms Sheet (**First Amount**);

- (ii) USD150,000 on or before 31 August 2014 (**Second Amount**);
- (iii) USD150,000 on or before 30 September 2014 (**Third Amount**); and
- (iv) USD250,000 on or before 31 December 2014 (**Fourth Amount**),

(together the **Loan Amounts**).

The Company has provided the Loan Amounts to Okmno in accordance with its obligations in the Terms Sheet.

Under the Terms Sheet, Okmno must use the Loan Amounts for the following purposes:

- (i) the First, Third and Fourth Amounts are to be paid directly to King.com as pre-payments of Okmno's minimum guarantee obligations under the First Licence Agreement; and
- (ii) the Second Amount is to be used for Okmno's general working capital.

All Loan Amounts must be fully and finally repaid on or before 31 December 2017.

In consideration for the Loan Amounts, Okmno agreed to make the following share issues to the Company:

- (i) that number of Okmno shares which will comprise 10% of the share capital in Okmno at the time of payment of the First Amount;
- (ii) that number of Okmno shares which will comprise a further 10% (for a total of 20%) of the share capital in Okmno at the time of payment of the Second Amount;
- (iii) that number of Okmno shares which will comprise a further 10% (for a total of 30%) of the share capital in Okmno at the time of payment of the Third Amount; and
- (iv) that number of Okmno shares which will comprise a further 15% (for a total of 45%) of the share capital in Okmno at the time of payment of the Fourth Amount.

The Company may, upon the occurrence of a default event as defined in the Terms Sheet, immediately terminate the Terms Sheet by providing Okmno with written notice in which event the Loan Amounts shall be immediately due and payable.

(b) **Executive Director Agreement**

The Company has entered into an Executive Director engagement deed with a company associated with Robert Clifford, Altocibum Pty Ltd, pursuant to which the Company has agreed to pay A\$120,000

(plus GST) per annum for services provided to the Company by Mr Clifford as an Executive Director.

Under this agreement, Mr Clifford must provide services to the Company as an executive director and must, among other things:

- (i) perform his duties to the best of his abilities and knowledge;
- (ii) use all reasonable efforts to promote the interests, profitability, growth and reputation of the Company;
- (iii) not act, or be seen to be acting, in conflict with the interests of the Company;
- (iv) comply with all policies of the Company in place or as varied or replaced that are intended to apply to Mr Clifford; and
- (v) comply with all law and the rules and regulations of external agencies applying to his position and duties.

The remuneration payable under this agreement for the provision of services by Mr Clifford comprise the following:

- (i) A\$120,000 (plus GST) per annum, payable monthly; and
- (ii) subject to approval from the shareholders of the Company, long term performance incentives (in the form of securities) as may be agreed between the parties.

Either party may terminate this agreement without cause by providing the other party no less than 1 months notice in writing.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

(c) Zhang Consultancy Agreement

Okmno has entered into an agreement with Jade Zhang under which Ms Zhang was engaged to provide management and marketing services in relation to the sale of confectionary and other products by Okmno.

The fees payable to Ms Zhang in consideration for providing the services are US\$126,000 per annum.<sup>1</sup>

During the term of her engagement and for a period of 12 months following the term, Ms Zhang is subject to restrictions in relation to engaging in a business that is similar to the Company's business, and the solicitation of employees, clients or suppliers in Asia, South-East Asia, Hong Kong, Australia and any other jurisdiction, territory or nation where the Company has undertaken investments or operations within the 12 months prior to the termination of her employment.

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<sup>1</sup> The amount shown in US\$ is equivalent to A\$172,773 based on a nominal exchange rate of (A\$1 : US\$0.72928) chosen as at 4 January 2016. This exchange rate will fluctuate and may not be applicable in the future. Such fluctuations will result in changes to the A\$ amount shown.

Either party may terminate this agreement without cause by providing the other party no less than 1 months notice in writing.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

(d) Non-Executive Director Agreements

The Company has entered into separate Non-Executive Director engagement deeds with each of Messrs Sheldrick and Robinson pursuant to which the Company has agreed to pay Mr Sheldrick A\$50,000 per annum and Mr Robinson A\$40,000 per annum for services provided to the Company as Non-Executive Directors.

These agreements are otherwise on terms and conditions considered standard for agreements of this nature in Australia.

(e) Deeds of Insurance Indemnity and Access

The Company has entered into Deeds of Access, Indemnity and Insurance with each Director and the Company Secretary which confirm each person's right of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expires. The Deeds also require the Company to provide an indemnity for liability incurred as an officer of the Company, to the maximum extent permitted by law.

Pursuant to the Deeds of Access, Indemnity and Insurance, the Company shall arrange and maintain Directors' and Officers' Insurance during each Director's and the Company Secretary's period of office and for a period of seven years after a Director or Company Secretary ceases to hold office. This seven-year period can be extended where certain proceedings or investigations commence before the seven years expires.

The Deeds of Access, Indemnity and Insurance are otherwise on terms and conditions considered standard for agreements of this nature in Australia.

(f) Cicero Corporate Agreement

The Company and Cicero Corporate entered into an agreement dated 18 August 2015 (**Cicero Corporate Agreement**) under which Cicero Corporate agreed to provide administration services to the Company, including the provision of:

- (i) a registered address; principle place of business; and the provision of a PO Box address;
- (ii) a personal receptionist during business hours;
- (iii) general administrative services including mail, fax, email and local phone calls;

- (iv) bookkeeping, including MYOB preparations for quarterly business activity statements, and preparation of half yearly and annual accounts;
  - (v) preparation of unaudited statutory financial statements, income tax returns, and profit and loss;
  - (vi) preparation of budgets and cash flow reports; and
  - (vii) all company secretarial services,
- (together the **Cicero Corporate Services**).

In consideration for the Cicero Corporate Services, the Company must pay a monthly fee of A\$10,000 plus GST.

Under the Cicero Corporate Agreement, the Company has agreed to indemnify, defend and hold harmless Cicero Corporate and its respective employees, agents and contractors against all claims, demands, costs, losses, expenses and liabilities arising out of or incidental to:

- (i) the negligent or otherwise wrongful performance or non-performance of the Cicero Corporate Services; and
- (ii) the presence of the Company or any of its subcontractors or any of their employees, agents and sub-contractors on or about Cicero Corporate's premises or elsewhere, in respect of any injury or death of any person, or damage to, loss or destruction of, any property of any person, to the extent and to the proportion caused by the negligent or otherwise wrongful acts or omissions of the Company.

In addition, the Cicero Corporate Agreement provides that Cicero Corporate shall not be under any liability to the Company in respect of any loss or damage (including consequential loss or damage) however caused which may be suffered or incurred or which may arise directly or indirectly in respect of the failure or omission on the part of Cicero Corporate to comply with its obligations under the Cicero Corporate Agreement.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

(g) **Cicero Advisory Agreement**

The Company and Cicero Advisory entered into an agreement dated 1 January 2016 (**Cicero Advisory Agreement**) under which Cicero Advisory agreed to provide advisory services to the Company, including:

- (i) assisting with the identification and introduction of investors;
- (ii) advising on negotiations with any investors;

- (iii) facilitating the efficient execution of the initial public offering;
- (iv) assisting with the development of corporate presentations to support investor and broker road shows; and
- (v) such other services as may from time to time be agreed upon by Cicero Advisory and the Company,

(together the **Cicero Advisory Services**).

In consideration for the Cicero Advisory Services, the Company must pay a fee of A\$50,000 plus GST upon the successful completion of the initial public offering.

Under the Cicero Advisory Agreement, the Company has agreed to indemnify, defend and hold harmless Cicero Advisory and its respective employees, agents and contractors against all claims, demands, costs, losses, expenses and liabilities arising out of or incidental to:

- (i) all actions, claims, demands or proceedings which may be instituted against Cicero Advisory; and
- (ii) all liabilities, losses, damages, costs and expenses (including reasonable legal costs and expenses) which may be suffered or incurred by Cicero Advisory in connection with or arising out of the Cicero Advisory Agreement,

to the extent and to the proportion caused by the negligent or otherwise wrongful acts or omissions of the Company.

In addition, the Cicero Advisory Agreement provides that Cicero Advisory shall have no liability (whether direct or indirect, in contract or tort or otherwise) to the Company or any of its related bodies corporate for or in connection with the Cicero Advisory Agreement or any transaction contemplated by or during the Cicero Advisory Agreement except to the extent that liability arises, and is finally judicially determined to have directly resulted, from a breach of law or contract by Cicero Advisory.

## 6.5 Rights attaching to Shares

A summary of the rights attaching to the Shares under the Offer is detailed below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities that attach to the Shares in any specific circumstances, the Shareholder should seek legal advice.

### (a) Voting

At a General Meeting, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

### (b) Meetings

Subject to the provisions of the Corporations Act, the Company is required to give Shareholders at least 28 days' notice of a meeting of Shareholders. Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Corporations Act, Constitution and Listing Rules.

Under the Corporations Act, Shareholders of the Company holding not less than 5% of such of the paid-up capital of the Company as carries voting rights have a right to requisition the directors to call for a general meeting of the Company. Shareholders holding not less than 5% of the issued shares of the Company are also entitled to call for a general meeting of the Company without requisitioning the directors to do so.

### (c) Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

### (d) Transfer of Shares

Subject to the Constitution, Shares may be transferred by:

- (i) an ASX settlement transfer or any other method of transferring or dealing in Shares introduced by ASX or operated in accordance with the ASX Settlement Rules or Listing Rules and in any such case recognised under the Corporations Act; or

- (ii) an instrument in writing in any usual or common form or in any other form that the Board approves.
- (e) Issue of further Shares

Subject to the Corporations Act and Listing Rules, the Company may issue further shares on such terms and conditions as the Board resolves.
- (f) Purchase of own Shares

Subject to the Corporations Act, the Company may purchase or otherwise acquire its own shares upon such terms and subject to such conditions as the Company determines from time to time.
- (g) Winding up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set a value as the liquidator considers fair upon any property to be so decided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.
- (h) Unmarketable parcels

Subject to the Constitution, Listing Rules and ASX Settlement Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.
- (i) Variation of rights

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Constitution, the Corporations Act, Listing Rules, and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

  - (i) a special resolution passed at a meeting of the Shareholders holding Shares in that class; or
  - (ii) the written consent of Shareholders 75% of the votes that may be cast in respect of Shares in that class.
- (j) Directors – appointment and removal

At the Company's annual General Meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director except a Managing Director shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots. A retiring Director is eligible for re-election.

An election of Directors shall take place each year.

(k) Directors – remuneration

The total aggregate fixed sum per annum to be paid to the Directors (excluding salaries of Executive Directors) from time to time will not exceed the sum determined by the Shareholders in general meeting and the total aggregate fixed sum will be divided between the Directors as the Directors shall determine and, in default of agreement between them, then in equal shares.

(l) Indemnities

To the extent permitted by law, the Company:

(i) indemnifies and agrees to keep indemnified every Director, executive officer or Secretary of the Company; and

(ii) may, by deed, indemnify or agree to indemnify an officer (other than a Director, executive officer or Secretary) of the Company,

against a liability to another person, other than the Company or a related body corporate of the Company, provided that:

(iii) the provisions of the Corporations Act (including, but not limited to, Chapter 2E) are complied with in relation to the giving of the indemnity; and

(iv) the liability does not arise in respect of conduct involving a lack of good faith on the part of the officer.

(m) Litigation

Under the Corporations Act as well as at common law, a member of the Company is entitled, subject to the fulfilment of various pre-conditions, to bring or intervene in legal proceedings on behalf of the Company.

(n) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of the Company's members present and voting at a General Meeting.

(o) Transactions requiring shareholder approval

The types of "transactions" that require shareholder approval are governed by the Corporations Act and the Constitution. Generally speaking, the following types of transactions will require shareholder approval:

- (i) amendments to the Constitution;
- (ii) amalgamations;
- (iii) disposing of substantially the whole of the company's property or undertaking;
- (iv) change of name of the company;
- (v) reduction of share capital;
- (vi) winding up;
- (vii) share buy-back;
- (viii) removal of company auditors; and
- (ix) certain alteration of capital and variations of rights attaching to Shares.

This is not an exhaustive list but sets out common transactions that require shareholder approval.

## 7. ADDITIONAL INFORMATION

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### 7.1 Interests of Directors

Other than as set out in this Prospectus, no Director (or entity in which they are a partner or director) has, or has had in the two years before the date of this Prospectus, any interests in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (c) the Offer, and

no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- (d) any Director to induce him or her to become, or to qualify as, a Director; or
- (e) any Director for services which he or she (or an entity in which they are a partner or director) has provided in connection,

with the formation or promotion of the Company or the Offer, except as disclosed in this Prospectus and as follows.

### 7.2 Director holdings

The Directors and their related entities have the following interests in Shares as at the date of this Prospectus:

Director	Shares Held
Matthew Sheldrick	Nil
James Robinson	Nil
Robert Clifford	Nil

Based on the intentions of the Directors at the date of this Prospectus in relation to the Offer, the Directors and their related entities will have the following interests in Shares on Admission:

Director	Shares Held
Matthew Sheldrick	Nil
James Robinson	Nil
Robert Clifford	Nil

### 7.3 Remuneration of Directors

Other than the following payments, the Directors have not received any remuneration since their appointment, and payment of remuneration to all Directors shall commence upon the Admission of the Company to the Official List.

Director	Single payments made during the financial year ended 30 June 2015
Matthew Sheldrick	A\$5,000
James Robinson <sup>1</sup>	A\$10,000
Robert Clifford	Nil

Note:

1. James Robinson is a director and shareholder of both Cicero Advisory and Cicero Corporate. Further details of the interests of Cicero Advisory and Cicero Corporate are set out in Section 7.4.

### 7.4 Interests of promoters, experts and advisers

No promoter or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus (or entity in which they are a partner or director) holds, has, or has had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be paid to a promoter or any person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director), provided in connection with the formation or promotion of the Company or the Offer, except as disclosed in this Prospectus and as follows:

- (d) Merchant Capital Markets Pty Ltd has been paid A\$25,910 for the provision of corporate advisory services to the Company in the 24 months prior to the date of this Prospectus;
- (e) Sanlam Private Wealth Pty Ltd will be paid \$202,000 plus the issue of 9,000,000 Options for the provision of lead manager services to the Company upon completion of the initial public offering;
- (f) Cicero Corporate, a company of which James Robinson (a Non-Executive Director of the Company) is a director and shareholder, has been paid A\$39,745 for the provision of corporate administrative

services to the Company in the 24 months prior to the date of this Prospectus. Subsequent to the date of this Prospectus, fees will continue to be paid to Cicero Corporate of at least A\$10,000 per month;

- (g) Cicero Advisory, a company of which James Robinson (a Non-Executive Director of the Company) is a director and shareholder, will be paid A\$50,000 for the provision of advisory services to the Company upon completion of the initial public offering;
- (h) HLB Mann Judd has acted as the Investigating Accountant and has prepared the Investigating Accountant's Report. The Company has paid a total of A\$10,000 for these services. Subsequently fees will be charged in accordance with normal hourly rates;
- (i) Nexia Australia has acted as the Taxation Advisor and has prepared the Taxation Report. The Company has paid a total of A\$3,850 for these services. The Company does not expect to incur any further fees with Nexia Australia; and
- (j) Eaton Hall has acted as the lawyers to the Company. The Company estimates that it will pay Eaton Hall a total of A\$47,500 for these services.

The amounts disclosed above are exclusive of GST (if any) payable by the Company in respect of those amounts.

## 7.5 Related party transactions

At the date of this Prospectus, no material transactions with related parties and Directors' interests exist that the Directors are aware of, other than those disclosed in the Prospectus. For further information on related party arrangements, see Section 6.4.

## 7.6 Expenses of Offer

The total expenses of the Offer payable by the Company are:

Item	A\$3,200,000 Raised
ASIC Lodgement Fee	A\$2,320
ASX Fees	A\$43,500
Broker Commissions <sup>1</sup>	A\$202,000
Legal Fees	A\$47,500
Investigating Accountant Fees	A\$10,000
Corporate Advisory Fees	A\$50,000
Share Registry Costs	A\$3,000
Printing and Distribution	A\$2,000

Miscellaneous	A\$6,680
<b>Total</b>	<b>A\$367,000</b>

Note:

1. Refer to Section 1.16.

## 7.7 Effect of the Offer on control and substantial Shareholders

Those Shareholders holding an interest in 5% or more of the Shares on issue as at the date of this Prospectus are as follows:

Name	Number of Shares	Percentage of Shares (undiluted <sup>1</sup> )	Percentage of Shares (fully diluted <sup>2</sup> )
Star Striker Limited	1,923,077	15.38%	8.94%
The Trust Company (Australia) Limited	1,450,000	11.60%	6.74%
Sayers Investments (ACT) Ltd	1,250,000	10%	5.81%
Lorraine Von Der Weid-De	1,200,000	9.60%	5.58%
Red Apple Superannuation Pty Ltd	1,025,000	8.20%	4.77%
John Andrew Rogers	1,009,616	8.07%	4.70%
Station Nominees Pty Ltd	800,000	6.40%	3.72%
Fifehead Mill Pty Ltd	625,000	5%	2.91%

Notes:

1. Assuming that no Options are exercised by the Lead Manager and/or its nominees. For further information on the Options see Section 6.2(a).
2. Assuming that all Options are exercised by the Lead Manager and/or its nominees. For further information on the Options see Section 6.2(a).

Based on the information known as at the date of this Prospectus, on Admission, the following persons will have an interest in 5% or more of the Shares on issue:

Name	Number of Shares	Percentage of Shares (undiluted <sup>1</sup> )	Percentage of Shares (fully diluted <sup>2</sup> )
Star Striker Limited	1,923,077	6.75%	5.13%
The Trust Company (Australia) Limited	1,450,000	5.09%	3.87%

Notes:

1. Assuming that no Options are exercised by the Lead Manager and/or its nominees. For further information on the Options see Section 6.2(a).
2. Assuming that all Options are exercised by the Lead Manager and/or its nominees. For further information on the Options see Section 6.2(a).

## **7.8 Taxation**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above. Please also see the Taxation Report at Section 8.

## **7.9 Continuous disclosure obligations**

The Company will be a “disclosing entity” for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which will require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

## **7.10 Litigation and claims**

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company (or any other member of the Group) is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company or the Group.

## **7.11 Consents**

Each of the parties referred to in this Section 7.11:

- (a) has given the following consents in accordance with the Corporations Act which have not been withdrawn as at the date of lodgement of this Prospectus with ASIC; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 7.11.

None of the parties referred to in this Section 7.11 authorised or caused the issue of this Prospectus or the making of the Offer.

King.com has given its written consent to being named as licensor of intellectual property to Okmno and for the use of its intellectual property in the Prospectus. King.com has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Sanlam Private Wealth Pty Ltd has given its written consent to being named as the Lead Manager to the Company in respect to the Offer. Sanlam Private Wealth Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

HLB Mann Judd has given its written consent to be named as Investigating Accountant and to the inclusion of the Investigating Accountant's Report in Section 4 of the Prospectus in the form and context in which the report is included. HLB Mann Judd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Nexia Australia has given its written consent to be named as Taxation Advisor and to the inclusion of the Taxation Report in Section 8 of the Prospectus in the form and context in which the report is included. Nexia Australia has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Security Transfer Registrars Pty Ltd has given its written consent to being named as the Share Registry to the Company. Security Transfer Registrars Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

HLB Mann Judd has given its written consent to being named as auditor to the Company. HLB Mann Judd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Eaton Hall has given its written consent to being named as Australian legal advisor to the Company. Eaton Hall has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Each of the Directors has given their written consent to being named in this Prospectus in the context in which they are named and have not withdrawn their consent prior to lodgement of this Prospectus with ASIC.

## **7.12 Electronic prospectus**

Pursuant to Regulatory Guide 107 ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic application form, subject to compliance with certain provisions. If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company and the Company will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application moneys received will be dealt with in accordance with section 722 of the Corporations Act.

### **7.13 Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 330 Churchill Avenue, Subiaco WA 6008:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 7.11.

### **7.14 Statement of Directors**

The Directors report that after due enquiries by them, in their opinion, since the date of the financial statements in the financial information in Section 4, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

## **8. TAXATION REPORT**

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21 January 2016

**PRIVATE & CONFIDENTIAL**

The Board of Directors  
Sugar Dragon Limited  
Suite 9, 330 Churchill Avenue  
SUBIACO WA 6008

Dear Sirs

**TAXATION REPORT  
SUGAR DRAGON LIMITED**

**1. INTRODUCTION**

At the request of the Directors of Sugar Dragon Limited (alternatively 'the company'), this Taxation Report has been prepared for inclusion in a Prospectus to be dated on or about 25 January 2016 relating to the offer for subscription of up to 16,000,000 ordinary shares at an offer price of \$0.20 each to raise up to a total of \$3,200,000, with a minimum subscription requirement to raise the full \$3,200,000.

**2. TAXATION IMPLICATIONS**

This Report considers the Australian taxation implications for Australian resident investors of an investment in ordinary shares issued at \$0.20 each in Sugar Dragon Limited.

The tax implications for shareholders in Sugar Dragon Limited relate to the receipt of dividends and potential capital gains arising on disposal of the shares.

**3. GENERAL**

We are advised that Sugar Dragon Limited is incorporated in Australia and directly owns a 72.5% stake in Okmno Asia Limited, a Hong Kong-incorporated company that is also a resident company of Hong Kong for taxation purposes.

**Perth Office**

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p +61 8 9463 2463, f +61 8 9463 2499  
info@nexiaperth.com.au, www.nexia.com.au

Independent member of Nexia International



#### 4. SCOPE

The intention of this opinion is to provide a general understanding of the Australian taxation implications for shareholders in Sugar Dragon Limited. This report only covers investors who are residents of Australia for taxation purposes, and in relation to their Australian taxation obligations. Shareholders who are not tax residents of Australia should separately seek their own tax advice in respect of their shareholdings in Sugar Dragon Limited.

This report provides a general outline for shareholders who hold their shares as an investor, and are therefore subject to the Capital Gains Tax ('CGT') rules in the Income Tax Assessment Act 1997 (ITAA 1997) in respect of the sale of their shares. This report does not cover circumstances where shares are held for sale under a profit-making undertaking or in the course of carrying on a business.

This report is based on Australian income tax legislation and established interpretations of that legislation at the date of this report. However, it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every investor.

This report does not purport to provide advice to any particular investor, as the taxation position of each investor may vary depending on the specific circumstances of the investor. Investors should obtain professional advice relevant to their specific circumstances.

#### **Disclaimer**

To persons receiving this document in Australia:

- The information contained in this document does not constitute 'financial product advice' within the meaning in the Corporations Act 2001 (Cth) (Corporations Act). Nexia Perth Pty Ltd is not licensed to provide financial product advice under the Corporations Act.
- To the extent that this document contains any information about a 'financial product' within the meaning in the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product.
- This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act.
- Any recipient should, before acting on this material, also consider the appropriateness of this material, having regard to their objectives, financial situation and needs, and consider obtaining independent financial advice.

## 5. TAXATION TREATMENT OF DIVIDENDS

The capital raising of Sugar Dragon Limited involves the issue of shares which will be an equity interest for Australian tax purposes.

Sugar Dragon Limited may choose to pay a dividend in respect of these shares. Further, the company may choose to “frank” any such dividend for Australian taxation purposes to the extent the dividends are paid out of profits and are “frankable” for tax purposes. To the extent that franked dividends are paid by Sugar Dragon Limited, the percentage of franking of such dividends will be set by the company and will depend on the amount of franking credits available to the company.

Generally, Sugar Dragon Limited will be entitled to receive franking credits by the payment of corporate income tax and/or the receipt of franked dividends from another entity.

However, franking credits will not arise in respect of the receipt by Sugar Dragon Limited of income that is non-assessable or exempt. For example, Sugar Dragon Limited may receive foreign-sourced dividends from Okmno Asia Limited, a non-Australian resident company in which Sugar Dragon Limited holds a shareholding of at least 10%. Such dividends will generally not be assessable in Australia, and thus in respect of which Sugar Dragon Limited will not be liable to pay corporate income tax. Accordingly, these dividends will not generate franking credits for Sugar Dragon Limited.

Furthermore, based on the information contained in the prospectus, Okmno Asia Limited will derive more than 95% of its income as “active” income. On that basis, the directors are of the opinion there should be no activities conducted by this foreign subsidiary of Sugar Dragon Limited that would give rise to attribution of income to Sugar Dragon Limited under the Controlled Foreign Company (‘CFC’) provisions. However, this is a matter that will require ongoing monitoring and compliance by Sugar Dragon Limited.

Accordingly, Sugar Dragon Limited is not likely to be subject to any Australian income tax in respect of its profits, except perhaps on small amounts of Australian-sourced investment income. We understand Sugar Dragon Limited would (if so determined by the directors) pay dividends to its shareholders primarily out of its foreign dividend income, from which the company does not generate franking credits. Therefore, it is not envisaged that dividends paid by Sugar Dragon Limited will be franked in the immediate future.

The following comments are applicable to franked and unfranked dividends received by an ordinary shareholder. The tax treatment will vary depending on the nature of the entity owning the ordinary shares.

### 5.1. Individual Investors

The calculation of an individual’s assessable income will depend on whether the dividend from Sugar Dragon Limited is franked.

An individual receiving a dividend that is unfranked will include the amount of the dividend in the individual's assessable income, with tax being paid at the individual's marginal rate of tax.

If the dividend is fully or partly franked, the individual's assessable income is grossed up to include the franking credit attaching to the dividend. The individual should be entitled to a tax offset equal to the amount of the franking credit included in the individual's assessable income.

An individual's marginal rate of tax may be greater than the company tax rate such that the individual's gross tax payable on the dividend exceeds the available franking offset. In this case, further tax (commonly referred to as "top-up" tax) will be payable on the grossed up dividend.

Where the individual's marginal rate of tax is less than the company tax rate such that the individual's gross tax payable on the dividend is less than the available franking offset, a refundable tax offset is available to reduce tax payable on other income or alternatively results in a refund of the excess franking credits.

Depending on the personal circumstances of the individual, an additional Medicare Levy might be payable as a result of receiving the dividends.

## 5.2. [Company Investors](#)

The taxation treatment of a company investor is similar to the taxation treatment of individuals in respect of dividends received on their shares.

A company investor receiving an unfranked dividend will pay tax at the applicable company tax rate, currently 30%. Small business companies are subject to a company tax rate of 28.5%.

Where dividends are franked, the company investor will include in its assessable income the amount the dividend received and the amount of any franking credits attached to that dividend. The company tax rate is then applied to the grossed up dividend.

A tax offset will arise equivalent to the franking credit. In the event the dividend is fully franked, a company investor will pay no further tax on the dividend.

Company investors will include in their franking account the franking credit attached to the dividend received.

Company investors that have tax losses and receive franked dividends can convert any excess franking offsets to current year losses.

In limited circumstances, certain corporate entities (e.g. exempt institutions and life insurance companies) may be entitled to receive a refund of the franking credit if they satisfy Division 67 of the ITAA 1997. These entities should seek separate tax advice in respect of their particular circumstances.

In all other cases, a company investor cannot receive a refund of franking credits.

### 5.3. Trustee Investors

The taxation treatment of an investor who holds shares as trustee for a trust, for example, either under a discretionary trust or under a fixed or unit trust on behalf of other beneficiaries, will be subject to specific trust taxation rules and dividend and capital gains streaming rules in respect of their shares.

Ultimately, so long as appropriate taxation compliance steps are undertaken, and so long as the trust has sufficient income in respect of which beneficiaries are presently entitled, franked or unfranked dividends derived by a trust in respect of the shares in Sugar Dragon Limited will generally “flow through” to the trust’s beneficiaries and will be taxed to those presently entitled beneficiaries in accordance with the tax laws as they apply to those beneficiaries.

Trustees who seek to invest in Sugar Dragon Limited should seek their own separate tax advice in respect of such investments.

### 5.4. Complying Superannuation Funds

Complying Superannuation Funds are assessable on dividends received, and gross up a franked dividend in the same way as individuals and companies.

The rate of tax payable by complying superannuation entities is generally 15% on the grossed up amount. The franking credit is available to offset tax payable on other income of the complying superannuation entity or alternatively results in a refund of the excess franking credits.

### 5.5. Anti-Avoidance Measures

Numerous anti-avoidance measures are contained in taxation legislation to target dividend streaming and franking credit trading. Depending on the availability of franking credits generated by Sugar Dragon Limited, dividends paid on the new shares will be franked equally across all ordinary shares. Providing the shares are held ‘at risk’ for a period of 45 days, it is not considered that any of the anti-avoidance measures will have application to the dividends paid on the ordinary shares.

## 6. TAXATION TREATMENT OF DISPOSAL OF EQUITY INTERESTS

The ordinary shares will be listed on the Australian Stock Exchange and can be sold separately. Disposal of the ordinary shares by Australian tax resident individuals will generally constitute a Capital Gains Tax (CGT) event (in the absence of any available CGT rollover, which is outside the scope of this report). A capital gain will arise where the disposal proceeds are greater than the cost of acquisition of the shares.

Where the new shares acquired in the initial capital raising are held for more than twelve months, individuals and complying superannuation funds might be entitled to reduce ('discount') a capital gain by 50% for individuals and 33<sup>1/3</sup>% for complying superannuation funds when the shares are disposed.

Company taxpayers will receive no discount and will pay tax at the applicable company tax rate on any net capital gain.

Trustee shareholders will typically distribute any capital gains to presently entitled beneficiaries who will include the gains in their assessable income and be taxed according to that beneficiary's own tax circumstances. So long as certain compliance steps are taken, and the trust has sufficient income to which beneficiaries are presently entitled, the capital gain can be "streamed" to the trust's beneficiaries.

In certain circumstances, a trustee who fails to distribute capital gains will be taxed on such gains at the applicable trustee tax rates. Trustees who seek to invest in Sugar Dragon Limited should seek their own separate tax advice in respect of such investments.

#### **7. QUOTATION OF TAX FILE NUMBER**

Sugar Dragon Limited cannot insist that investors in Sugar Dragon Limited ordinary shares provide their Tax File Number (TFN) or Australian Business Number (ABN). However, if investors choose not to provide to it their TFN or ABN, Sugar Dragon Limited is required by tax legislation to withhold 49% of the unfranked part of any dividend.

#### **8. GOODS & SERVICES TAX (GST)**

The GST implications for investors are dependent on the specific GST position of the investor. However, the acquisition, holding and disposal of shares in Australia are input taxed supplies for GST purposes.

Therefore, there should be no GST consequences for an investor not registered or required to be registered for GST, as there is no GST on the acquisition or disposal of shares.

Yours sincerely,  
**Nexia Perth**

A handwritten signature in black ink that reads "D Montani".

**David Montani** | Director – Tax Consulting  
[david.montani@nexiaperth.com.au](mailto:david.montani@nexiaperth.com.au)

DM: SUGAR00/enc

## **9. AUTHORISATION**

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This Prospectus is authorised by the Company and lodged with ASIC pursuant to section 718 of the Corporations Act.

Each of the Directors has consented to the lodgement of this Prospectus with ASIC, in accordance with section 720 of the Corporations Act, and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by:



Harpreet Sonu Singh Cheema  
Company Secretary  
Dated 27 January 2016

## 10. GLOSSARY OF TERMS

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These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

**A\$** means Australian dollars.

**Admission** means Admission of the Company to the Official List, following completion of the Offer.

**Allotment Date** means the date, as determined by the Directors, on which the Shares offered under this Prospectus are allotted, which is anticipated to be the date identified in the Indicative Timetable.

**Application Form** means the application form attached to this Prospectus.

**Applicant** means a person who submits an Application Form.

**Application** means a valid application for Shares under the Offer made pursuant to an Application Form.

**Application Monies** means Application monies for Shares under the Offer received and banked by the Company.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or, where the context requires, the financial market operated by it.

**ASX Settlement Rules** means ASX Settlement Operating Rules of ASX Settlement Pty Ltd (ABN 49 008 504 532).

**Board** means Directors of the Company as at the date of this Prospectus.

**CHES** means Clearing House Electronic Subregister System.

**Cicero Corporate** means Cicero Corporate Services Pty Ltd (ACN 130 397 714).

**Cicero Advisory** means Cicero Advisory Services Pty Ltd (ACN 166 321 393).

**Closing Date** means the closing date of the Offer detailed in the Indicative Timetable.

**Company** means Sugar Dragon Limited (ACN 157 789 761).

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company.

**Electronic Prospectus** means the electronic copy of this Prospectus located at the Company's website [www.sugardragon.com.au](http://www.sugardragon.com.au).

**Executive Director** means Robert Clifford.

**Exposure Period** means in accordance with section 727(3) of the Corporations Act, the period of 7 days (which may be extended by ASIC to up to 14 days) after lodgement of this Prospectus with ASIC during which the Company must not process Applications.

**General Meeting** means a general meeting of Shareholders.

**Group** means the Company and Okmno.

**GST** means Goods and Services Tax.

**Indicative Timetable** means the indicative timetable for the Offer on page 6 of this Prospectus.

**Investigating Accountant** means HLB Mann Judd (ABN 22 193 232 714).

**Investigating Accountant's Report** means the report contained in Section 5.

**King.com** means King.com Limited, a company registered in Malta under no C42504 and having its registered office at Aragon Business Centre, Level 4, Dragonara Road, St Julians STJ3140, Malta.

**Lead Manager** means Sanlam Private Wealth Pty Ltd (ACN 136 960 775).

**Listing Rule** means the listing rules of the ASX.

**Minimum Subscription** has the meaning given in Section 1.2.

**MITI** means Made In Trading Incorporation Ltd, a company registered in Taiwan, Taiwan company number 24774026.

**Non-Executive Directors** means Matthew Sheldrick and James Robinson.

**Offer** means the offer by the Company, pursuant to this Prospectus, of 16,000,000 Shares at an issue price of A\$0.20 each to raise A\$3,200,000.

**Official List** means the official list of the ASX.

**Official Quotation** or **Quotation** means official quotation by ASX in accordance with the Listing Rules.

**Okmno** means Okmno Asia Limited, a company incorporated in Hong Kong, Hong Kong company number 1552622.

**Opening Date** means the date specified as the opening date in the Indicative Timetable.

**Options** means an option to acquire one Share exercisable at \$0.25 per Option on or before 31 March 2019.

**Prospectus** means this prospectus dated 27 January 2016.

**Section** means a section of this Prospectus.

**Shareholder** means any person holding Shares.

**Share Registry** means Security Transfer Registrars Pty Ltd (ACN 008 894 488).

**Shares** means ordinary fully paid voting shares in the capital of the Company.

**Sweet Space** means Sweet Space Co Ltd, a company registered in the Republic of South Korea.

**Taxation Advisor** means BDO (WA) Pty Ltd (ACN 124 158 863).

**Taxation Report** means the report contained in Section 8.

**Trolli China** means Trolli Guangzhou Confectionary Co Ltd, a company registered in China, China company number 716635557-9.

**Trolli Germany** means Trolli GmbH, a company registered in Germany, Germany company number HRB 2881.

## 11. APPLICATION FORM

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