SUGAR DRAGON LIMITED

ACN 157 789 761

Annual Financial Report
30 June 2016

Contents

CORPORATE INFORMATION

ACN 157 789 761

Directors
Mr Matthew Sheldrick
Mr James Robinson
Mr Robert Clifford

Company secretary
Mr Sonu Cheema

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Solicitors
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West Leederville
Perth WA 6007

Bankers
National Australia Bank
1232 Hay Street
West Perth WA 6005

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Website www.sugardragon.com.au

DIRECTORS' REPORT

Your directors submit the annual financial report of Sugar Dragon Limited and the entities it controlled for the financial period ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Matthew Sheldrick	Non-executive Chairman
James Robinson	Non-executive Director
Robert Clifford	Executive Director (appointed 20 January 2016)
Andrew Chapman	Non-executive Director (resigned 20 January 2016)

Names, qualifications, experience and special responsibilities

Mr Matthew Sheldrick

Non-executive Chairman

Mr Sheldrick holds a Bachelor of Commerce Degree from the University of Western Australia and is a qualified Chartered Accountant. He has over 25 years' experience in the securities, finance and corporate advisory industries, with particular emphasis in the resources and energy sectors. He has founded a number of ASX listed companies, and has been involved in the growth of these companies by way of mergers and acquisitions. He has also previously acted for a number of public and ASX listed companies in a variety of executive and non-executive roles.

Mr James Robinson

Non-executive Director

Mr Robinson gained extensive capital markets experience during 10 years with one of Western Australia's leading corporate advisory and stockbroking firms. He currently serves as a Director of Jacka Resources Limited (ASX: JKA) and Wangle Technologies Limited (ASX: WGL). He is also a Director of corporate advisory firm Cicero Advisory Services and is a member of the Australian Institute of Company Directors. Mr Robinson holds a Bachelor of Economics from the University of Western Australia.

Mr Robert Clifford

Executive Director

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.

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 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 Oval. In addition, Mr Clifford was responsible for catering at 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.

Mr Sonu Cheema

Company Secretary

Mr Cheema holds the position of Company Secretary for Sugar Dragon Limited and has over 10 years' experience working with public and private companies in Australia and abroad. Mr Cheema has completed a Bachelor of Commerce majoring in Accounting at Curtin University and is a CPA member.

DIRECTORS' REPORT (continued)

Interests in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at 30 June 2016:

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Matthew Sheldrick	-	-
James Robinson	-	-
Robert Clifford	-	-
Totals	**-**	**-**

Dividends

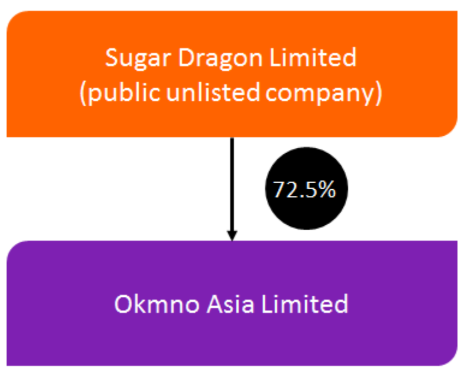
No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

Principal Activities

The principal activity of the company during the period involved conducting operations through its majority owned subsidiary Company, Okmno Asia Limited for the manufacture, branding and distribution of Candy Crush Candies in Greater China (China, Hong Kong, Taiwan and Macau) and South Korea. Please refer to the review of operations for further details.

Review of Operations

The Company currently holds a 72.5% interest in Okmno Asia Limited - the holder of a four year exclusive licensing deal (plus rights to extend) with King.com Limited for the manufacture, branding and distribution of Candy Crush Candies in Greater China (China, Hong Kong, Taiwan and Macau) and South Korea. Candy Crush Saga is the immensely popular game developed by King that has taken the online world by storm and thrust King to a circa $6 Billion market capitalisation (NYSE: KING).



The Company lodged a Prospectus with ASIC on 27 January 2016 seeking to raise $3.2 million associated with an ASX listing. In conjunction with the Lead Manager to the offer, Sanlam Private Wealth Pty Ltd, the Company undertook a roadshow and various investor presentations resulting in Sanlam receiving bids of approximately $5.0 million under the offer and the offer closed oversubscribed. The maximum $3.2 million was held on trust by the Company pending admission to the ASX.

On 30 March 2016, the Company was verbally informed by ASX of a new second-tier approval process for certain selected listing applications. ASX later had verbally confirmed that this new second-tier approval process would apply to the Listing Application.

On 11 April 2016, ASX informed the Company in writing that it would refuse to admit the Company to the official list. ASX cited reasons including (i) the Company's limited trading history and a qualification in its 2015 financial accounts (copies of which

DIRECTORS' REPORT (continued)

were supplied to ASX with the Listing Application); (ii) the short-term and non-exclusive nature of the Company's licences from King.com; and (iii) the split ownership with Ms Zhang of the Company's subsidiary Okmno Asia Ltd.

On 13 April 2016, the Company was invited by ASX to submit an application for in-principle advice including proposals to remedy ASX's concerns. Due to the delay, the Company issued the Supplementary Prospectus dated 21 April 2016 to extend the requirement for the Company's shares to become listed on ASX within 3 months of the Prospectus.

On 19 April 2016, the Company submitted its application for in-principle advice. The Company recorded in this application that (inter alia) (i) there was in fact no qualification in the 2015 financial accounts, and the Company had already raised $3.2 million; (ii) the greater China licence from King.com had been extended to 31 December 2019, and the South Korea licence from King.com could be extended and a new Australia and New Zealand licence could be entered into upon the Company accessing funds raised by the offer; and (iii) Mr Rob Clifford had been appointed to the Board of Okmno, and the Company had amended the Okmno shareholders agreement to remove the veto rights on decisions previously held by Ms Zhang (Okmno's Managing Director and 27.5% shareholder).

On 29 April 2016, ASX wrote to the Company confirming its decision not to admit it to the official list. The only explanation provided was that ASX does not consider the Company to be suitable for admission "having regard to its structure, operations and limited history".

As a result the Company was forced to withdraw the offer contained in its Prospectus and Supplementary Prospectus and to refund all monies received.

This was an incredibly disappointing development given the very favourable reception the Company received from various investors who wished to participate in the offer and the fact the Company held the maximum subscription funds on trust. In spite of its apparent reluctance to provide further details, the Company continued to seek clarification from the ASX regarding its concerns future.

The Company will keep shareholders updated in this regard and thanks shareholders of their continued support.

Significant events after the end of the period

There has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years

Operating results for the period

The comprehensive loss of the Group for the financial period, after providing for income tax amounted to $606,361.

Review of financial conditions

The Company currently has $58,433 in cash assets. The Directors are of the opinion that the Company is a going concern, and recognizes that additional funds may be required.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Environmental legislation

The Company is not subject to any environmental legislation requirements.

DIRECTORS' REPORT (continued)

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the period and the number of meetings attended by each director was as follows:

	Board Meetings	
Director	**Attended**	**Eligible to Attend**
James Robinson	-	-
Matthew Sheldrick	-	-
Robert Clifford	-	-
Andrew Chapman	-	-

In addition, there were 4 circulating resolutions executed by the Board.

Remuneration report (Audited)

This report outlines the remuneration arrangements in place for directors and senior management of Sugar Dragon Limited ("Sugar Dragon" or the "Company") for the financial period ended 30 June 2016.

Key Management Personnel

The KMP of the Company during or since the end of the financial year were as follows:

Directors

Matthew Sheldrick	Non-executive Chairman
James Robinson	Non-executive Director
Robert Clifford	Executive Director (appointed 20 January 2016)
Andrew Chapman	Non-executive Director (resigned 20 January 2016)

Remuneration philosophy

The remuneration policy of Sugar Dragon Limited has been designed to align Director's objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Sugar Dragon Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create aligned goals between directors and shareholders.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Company's constitution states that an aggregate remuneration of $250,000 per period can be paid to the non-executive directors. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and Company options (as determined from time to time). In addition to the Company employees and directors, the Company has contracted key consultants on contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

access to external, independent advice where necessary. Key management personnel received remuneration during the period ending 30 June 2016. This remuneration was deemed variable as it factors in additional directorship services conducted by the board members.

Variable Remuneration

The board collectively agreed to pay variable remuneration during the period for directorship services. The level of variable remuneration paid was accordance with the company constitution. The variable remuneration component of the key management personnel is detailed in Table 1.

Options

No Options were granted by the Company as remuneration during the year ended 30 June 2016.

Performance-based Remuneration

The Company currently has no performance-based remuneration component built into director and executive remuneration packages.

Remuneration of key management personnel

Table 1: Key management personnel remuneration for the period ended 30 June 2016

		Short-term employee benefits			Post-employment benefits	Equity		
		Salary & Fees $	Bonuses $	Non-Monetary Benefits $	Super-annuation $	Options Granted $	Total $	Performance Related %
Directors								
Matthew Sheldrick	2016	-	-	-	-	-	-	-
James Robinson	2016	3,000	-	-	-	-	3,000	-
Robert Clifford	2016	2,000	-	-	-	-	2,000	-
Andrew Chapman	2016	-	-	-	-	-	-	-
Total	**2016**	**5,000**	**-**	**-**	**-**	**-**	**5,000**	**-**

Remuneration of key management personnel

Table 1: Key management personnel remuneration for the period ended 30 June 2015

		Short-term employee benefits			Post-employment benefits	Equity		
		Salary & Fees $	Bonuses $	Non-Monetary Benefits $	Super-annuation $	Options Granted $	Total $	Performance Related %
Directors								
Matthew Sheldrick	2015	5,000	-	-	-	-	5,000	-
James Robinson	2015	10,000	-	-	-	-	10,000	-
Andrew Chapman	2015	-	-	-	-	-	-	-
Timothy Johnston	2015	5,000	-	-	-	-	5,000	-
Total	**2015**	**20,000**	**-**	**-**	**-**	**-**	**20,000**	-

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(a) Option holdings of KMP

30 June 2016	Balance at Beginning	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of Period
Directors					
Mathew Sheldrick	1,000,000	-	-	(1,000,000)	-
James Robinson	-	-	-	-	-
Robert Clifford[1]	-	-	-	-	-
Andrew Chapman[2]	-	-	-	-	-
Total	1,000,000	-	-	(1,000,000)	-

[1]Appointed 20 January 2016, [2]Resigned 20 January 2016

30 June 2015	Balance at Beginning	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of Period
Directors					
Mathew Sheldrick	1,000,000	-	-	-	1,000,000
James Robinson	-	-	-	-	-
Andrew Chapman	-	-	-	-	-
Timothy Johnston[1]	-	-	-	-	-
Total	1,000,000	-	-	-	1,000,000

[1]Resigned 5 July 2014

(b) Shareholdings of KMP

No KMP hold shares in the Company as at 30 June 2016 or 30 June 2015.

(c) Transactions with KMP

	Consolidated 2016 $	Consolidated 2015 $
The Director, James Robinson, paid costs in relation to travel for business purposes in relation to Sugar Dragon. These costs were reimbursed to Mr. Robinson during the year. Amount payable at balance date $Nil (2015: $Nil)	9,477	-
The Director, Robert Clifford, paid costs in relation to travel for business purposes in relation to Sugar Dragon. These costs were reimbursed to Mr. Clifford during the year. Amount payable at balance date $Nil (2015: $Nil)	9,544	-
	19,021	-

End of Remuneration Report

DIRECTORS' REPORT (continued)

Proceedings on behalf of the Company

There are no proceedings on behalf of the Company.

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 12 and forms part of this directors' report for the period ended 30 June 2016.

Non-Audit Services

Details of amounts paid or payable to the auditors for non-audit services provided during the year by the auditor are outlined in Note 14 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.

Matthew Sheldrick

Mr Matthew Sheldrick

Chairman

Dated this 2 February 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sugar Dragon Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
2 February 2017

N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street, Perth WA 6000 PO Box 8124 Perth BC WA 684. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Continuing Operations			
Revenue		122,658	40,190
Other Income		11,806	217
Cost of Sales		(92,321)	(33,193)
Share of Other Comprehensive Loss of an Associate		-	(1,273)
Amortisation expense	6	(182,178)	(174,120)
Other expenses	2	(466,326)	(170,882)
Loss before income tax expense		(606,361)	(339,061)
Income tax expense	3	-	-
Loss after tax from continuing operations		(606,361)	(339,061)
Net loss for the period		(606,361)	(339,061)
Other comprehensive income			
Items that may be reclassified to Profit and Loss:			
Exchange differences on translation of foreign operations		(7,215)	12,374
Total comprehensive loss for the period		(599,146)	(326,687)
Loss attributable to:			
Owners of the parent		(499,215)	(278,965)
Non-controlling interest		(107,146)	(60,096)
Total comprehensive income attributable to:			
Owners of the parent		(493,984)	(266,591)
Non-controlling interest		(105,162)	(60,096)
Basic loss per share (cents per share)	4	(4.85)	(3.31)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current Assets			
Cash and cash equivalents	8	58,433	317,240
Inventory	10	83,045	29,250
Other current assets		14,506	3,758
Total Current Assets		**155,984**	**350,248**
Non-Current Assets			
Intangible Assets	6	296,252	478,430
Total Non-Current Assets		**296,252**	**478,430**
Total Assets		**452,236**	**828,678**
Liabilities			
Current Liabilities			
Trade and other payables	9	148,091	12,585
Accrued Expenses	9	102,198	15,000
Total Current Liabilities		**250,289**	**27,585**
Total Liabilities		**250,289**	**27,585**
Net Assets		**201,947**	**801,093**
Equity			
Issued capital	5	2,206,598	2,206,598
Reserves	7	27,605	22,374
Accumulated losses		(1,866,998)	(1,367,783)
Total parent entity interest		**369,205**	**861,189**
Non-controlling interests		**(165,258)**	**(60,096)**
Total Equity		**201,947**	**801,093**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated				
	Issued Capital $	Accumulated Losses $	Reserves $	Non-controlling interests	Total Equity $
Balance at 1 July 2015	2,206,598	(1,367,783)	22,374	(60,096)	801,093
Loss for the year	-	(499,215)	-	(107,146)	(606,361)
Other comprehensive income, net of income tax	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	5,231	1,984	7,215
Total comprehensive income/(loss) for the period	-	(499,215)	5,231	(105,162)	(599,146)
Shares issued during the period	-	-	-	-	-
Options issued during the period	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-
Balance at 30 June 2016	2,206,598	(1,866,998)	27,605	(165,258)	201,947

	Issued Capital $	Accumulated Losses $	Reserves $	Non-controlling interests $	Total Equity $
Balance at 1 July 2014	1,559,163	(1,088,818)	10,000	-	480,345
Loss for the year	-	(278,965)	-	(60,096)	(339,061)
Other comprehensive income, net of income tax	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	12,374	-	12,374
Total comprehensive income/(loss) for the period	-	(278,965)	12,374	(60,096)	(326,687)
Shares issued during the period	675,000	-	-	-	675,000
Options issued during the period	-	-	-	-	-
Transaction costs on share issue	(27,565)	-	-	-	(27,565)
Balance at 30 June 2015	2,206,598	(1,367,783)	22,374	(60,096)	801,093

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
		Inflows/(Outflows)	*Inflows/(Outflows)*
Cash flows from operating activities			
Receipts from customers		121,414	40,407
Payments to suppliers and employees		(375,877)	(384,608)
Interest paid		(5,190)	(50,000)
Net cash used in operating activities	8	(259,653)	(394,201)
Cash flows from Investing activities			
Payment under financing agreement		-	(379,160)
Net cash used in investing activities		-	(379,160)
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		2,000	647,435
Proceeds from borrowing		29,016	-
Repayment of borrowing		(29,016)	-
Net cash provided by financing activities		2,000	647,435
Net (decrease)/increase in cash held		(257,653)	(125,926)
Effect of exchange rate fluctuations on cash held		(1,154)	-
Cash and cash equivalents at the beginning of the period		317,240	443,166
Cash and cash equivalents at the end of the period		58,433	317,240

The accompanying notes form part of these financial statements

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is an unlisted public company, incorporated in Australia and conducts its principal operations of the manufacture, branding and distribution of Candy Crush Candies in Greater China (China, Hong Kong, Taiwan and Macau) through its majority owned subsidiary company, Okmno Asia Limited.

(b) Adoption of new and revised standards
Changes in accounting policies on initial application of Accounting Standards

This is financial report of the Company and covers the financial year ending 30 June 2016.

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Company accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on – 2 February 2017

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Company reassess 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.

When the Company has less than a majority of the voting rights if 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 or not 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.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

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.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) 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 ongoing 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.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

(g) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.
The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. 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 the statement of comprehensive income.

(i) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Sugar Dragon Limited.

(q) Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

For the financial year ended 30 June 2016, the Company incurred a loss of $606,361 and a net cash outflow of $259,653 from operating and investing activities as disclosed in the statement of comprehensive income and the statement of cash flows, respectively.

As at 30 June 2016, the Company had $58,433 in cash and cash equivalents. The Directors consider that the Company is a going concern however current cash flow forecasts indicate that the Company will require additional funding to ensure that it can continue to fund its operations during the twelve month period from the date of approval of this financial report.

Should additional funding not be obtained, there is a material uncertainty that may cast significant doubt as to whether the Company will be available to realise its assets and extinguish its liabilities in the normal course of business.

(r) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

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

NOTE 2: REVENUES AND EXPENSES

	Consolidated 2016 $	Consolidated 2015 $
(a) Expenses		
Administration expenses	336,412	54,130
ASIC fees	3,556	1,606
Legal and professional	105,859	3,639
Interest expense	-	50,000
Directors fees	5,000	20,000
Salary and Wages	15,499	25,206
Other	-	16,301
	466,326	170,882

NOTE 3: INCOME TAX

	Consolidated 2016 $	Consolidated 2015 $
(a) Income tax benefit	-	-
(b) Numerical reconciliation between tax-expense and pre-tax net loss		
Loss from ordinary activities	(606,361)	(339,061)
Income tax using the Company's domestic tax rate of 30%	(181,908)	(101,718)
Temporary differences not recognised		
Other non-deductible expenses/(deductible tax adjustments)	-	-
Current period losses for which no deferred tax asset was recognised	181,908	101,718
Income tax benefit attributable to entity	-	-
Attributable to:		
Continuing operations	181,908	101,718
Discontinued operations	-	-

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

NOTE 3: INCOME TAX (continued)

(c) Tax losses

The tax effect of unused losses of $181,908 (2015: $101,718) has not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Company satisfying the requirements imposed by the regulatory authorities. The benefit of deferred tax assets not brought to account will only be brought to account if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realized.
- The conditions for deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.

(d) Unrecognised temporary differences

	Consolidated 2016 $	Consolidated 2015 $
Net deferred tax balances (calculated at 30%) have not been recognised in respect of the following items:		
Income tax losses not brought to account	181,908	101,718
Unrecognised deferred tax assets	181,908	101,718
Attributable to:		
Continuing operations	181,908	101,718
Discontinued operations	-	-

NOTE 4: LOSS PER SHARE

	2016 cents per share	2015 cents per share
Basic loss per share		
Continuing operations	(4.85)	(3.31)
Discontinuing operations	-	-
Total basic loss per share	(4.85)	(3.31)
	$	$
Loss for the year	(606,361)	(339,061)
Loss from continuing operations	(606,361)	(339,061)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic loss per share:	12,500,000	10,250,959

There are no potential ordinary shares that are considered dilutive, as a result no dilutive loss per share has been disclosed.

The loss per share for 30 June 2015 have been restated for the one for four share consolidation undertaken by the Consolidated Entity during the year ended 30 June 2016. Refer to Note 5 Share Capital.

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

NOTE 5: SHARE CAPITAL

	Consolidated 2016 $	Consolidated 2015 $
(a) Ordinary shares		
Balance on 1 July	2,206,598	1,559,163
Shares issued	-	675,000
Less share issue costs	-	(27,565)
At 30 June	2,206,598	2,206,598
Movements in ordinary shares on issue	No.	No.
Balance on 1 July	12,500,000	9,900,000
Movements during the period:		
Shares issued	-	2,600,000
At 30 June	12,500,000	12,500,000

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share Consolidation

Sugar Dragon Limited completed its one for four share consolidation in July 2015, following approval by shareholders at a general meeting in July 2015. The share consolidation involved the conversion of every four fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a financial entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in July 2015, the number of Sugar Dragon Limited shares on issue reduced from 50,000,000 shares to 12,500,000 shares.

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

NOTE 6: INTANGIBLE ASSETS

	Consolidated License $	Consolidated Total $
Cost		
Balance at 1 July 2015	652,550	652,550
Additions	-	-
Balance at 30 June 2016	652,550	652,550
Accumulated amortisation and impairment		
Balance at 1 July 2015	174,120	174,120
Amortisation expense	182,178	182,178
Balance at 30 June 2016	356,298	356,298
Carrying value		
30 June 2015	478,430	478,430
30 June 2016	296,252	296,252

The intangible asset acquired during the period is a four year exclusive licensing agreement between Okmno Asia Limited and King.com Limited to manufacture and distribute ‘Candy Crush’ (both Candy Crush Saga and Candy Crush Soda) branded confectionery products in China, Hong Kong, Taiwan and South Korea. Monies paid for the exclusive licensing agreement totaled $652,550 which have been amortised over a four year period. The amortisation expense has been recognised in the statement of comprehensive income in the line item titled amortization expense.

NOTE 7: RESERVES

	Consolidated 2016 $	Consolidated 2015 $
Option Reserve		
At 1 July	10,000	10,000
Options issued	-	-
As at 30 June	10,000	10,000
Movements in Company Options on issue		
At 1 July	10,000,000	10,000,000
Movements during the period:		
Options issued	-	-
Options cancelled pursuant to deeds of option cancellation during July 2015	(10,000,000)	
At 30 June	-	10,000,000

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

NOTE 7: RESERVES (continued)

The 10,000,000 unlisted Company options exercisable at $0.20 on or before 30 June 2016 were cancelled during the year ending 30 June 2016 following execution of Deeds of Option Cancellation between the Option holders and the Company that all Options it holds are hereby cancelled and are of no further force or effect.

	Consolidated 2016 $	Consolidated 2015 $
Foreign Currency Translation Reserve		
At 1 July	12,374	-
Foreign exchange differences	5,231	12,374
As at 30 June	17,605	12,374

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated 2016 $	Consolidated 2015 $
Cash at hand and in bank	58,433	317,240
	58,433	317,240

Cash at bank earns interest at floating rates based on daily deposit rates.

The Company did not engage in any non-cash financing activities for the period ended 30 June 2016 and was not party to any borrowing facilities for the same period.

Reconciliation of loss for the period to net cash flows from operating activities

Loss after tax from continuing operations	(606,361)	(339,061)
Amortisation of intangible	182,178	-
Net foreign exchange (gain)/loss	8,368	-
Changes in assets and liabilities:		
(Increase) in other current assets	(10,748)	-
Increase in trade payables and accruals	220,704	(25,890)
Movement in inventories	53,794	(29,250)
Net cash (used in) operating activities	(259,653)	(394,201)

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

NOTE 9: TRADE AND OTHER PAYABLES

	Consolidated 2016 $	Consolidated 2015 $
Trade payables[(i)]	148,091	12,585
Accrued expenses[(ii)]	102,198	15,000
Balance at 30 June	250,289	27,585

[(i)] Trade payables are non-interest bearing and are normally settled on 60-day terms

[(ii)] Includes accrued audit, consulting and other fees.

NOTE 10: INVENTORIES

	Consolidated 2016 $	Consolidated 2015 $
Finished goods – at net realisable value	83,045	29,250
	83,045	29,950

Inventory write-downs charged to cost of sales totalled $Nil (2015: $Nil).

NOTE 11: FINANCIAL INSTRUMENTS

	Consolidated 2016 $	Consolidated 2015 $
Financial assets		
Other current assets	14,506	3,758
Cash and cash equivalents	58,433	317,240
Balance at end of period	72,939	320,998
Financial liabilities		
Trade and other payables	250,290	27,585
Balance at end of period	250,290	27,585

The following table details the expected maturity/s for the Group's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2016						
Non-interest bearing	-	-	58,433	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	58,433	-	-	-

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

NOTE 11: FINANCIAL INSTRUMENTS (continued)

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2015						
Non-interest bearing	-	-	317,240	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	317,240	-	-	-

The following table details the Company's and the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2016						
Non-interest bearing	-	-	250,290	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	250,290	-	-	-

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2015						
Non-interest bearing	-	-	27,585	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	27,585	-	-	-

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

Financial risk management objectives and policies:

The Company has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Capital risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial

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

NOTE 11: FINANCIAL INSTRUMENTS (continued)

instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments.

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers and suppliers.

The Company's exposure and the credit ratings of its counter-parties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Company does not have any significant credit risk exposure to the NAB. The credit risk on liquid funds and Term Deposits is reduced because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company did not have any undrawn facilities at its disposal as at balance date.

(c) Interest rate risk management

The Company is exposed to interest rate risk as the Company deposits the bulk of the Company's cash reserves in Short Term Deposits with the NAB or other acceptable Australian Banking entities. The risk is managed by the Company by maintaining an appropriate mix between short term deposits and at call deposits. The Company's exposure to interest rate on financial assets is detailed in the interest rate risk sensitivity analysis section of this note.

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the Company's cash and cash equivalent exposure to interest rates. A 100 basis point increase or decrease is used when reporting interest rate risk. The Company's sensitivity to interest rates may decrease during the current period depending on the use of the cash reserves of the Company. The effect on loss and equity as a result of change in the interest rate, with all other variable remaining constant as is considered to not be material as no interest has been earned.

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to movements in market interest rates on short term deposits. The Company does not have short or long term debt**,** and therefore the risk is minimal. The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

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

NOTE 11: FINANCIAL INSTRUMENTS (continued)

(e) Capital Risk Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Company's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Company funding being equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

(f) Foreign currency sensitivity analysis

The Group is exposed to US Dollar (USD) currency fluctuations and Hong Kong Dollars (HKD).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency.

For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Consolidated USD Impact	
	2016	**2015**
	$	$
Profit or loss (*i*)	16,330	55,000

(i) This is mainly attributable to the exposure outstanding on USD receivables and payables at year end in the Group

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

NOTE 12: KEY MANAGEMENT PERSONNEL DISCLOSURES

KMP Compensation

Refer to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Company's key management personnel (KMP) for the year ended 30 June 2016. The totals of remuneration paid to KMP of the Company during the year are as follows:

	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	5,000	20,000
Post-employment benefits	-	-
Other long-term benefits	-	-
Total KMP compensation	5,000	20,000

Other Transactions and balances with KMP

	Consolidated 2016 $	Consolidated 2015 $
The Director, James Robinson, paid costs in relation to travel for business purposes in relation to Sugar Dragon. These costs were reimbursed to Mr. Robinson during the year. Amount payable at balance date $Nil (2015: $Nil)	9,477	-
The Director, Robert Clifford, paid costs in relation to travel for business purposes in relation to Sugar Dragon. These costs were reimbursed to Mr. Clifford during the year. Amount payable at balance date $Nil (2015: $Nil)	9,544	-
	19,021	-

NOTE 13: EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years

NOTE 14: AUDITORS' REMUNERATION

	Consolidated 2016 $	Consolidated 2015 $
The auditor of Sugar Dragon Limited is HLB Mann Judd.		
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of financial statements	9,500	10,000
Other services	7,000	5,000
	16,500	15,000

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

NOTE 15: DIVIDENDS

The directors of the Company have not declared any dividend for the period ended 30 June 2016.

NOTE 16: RELATED PARTY DISCLOSURES

On 1 June 2012, the Company entered into an agreement with Cicero Corporate Services Pty Ltd (an entity Mr Robinson holds a 36% equity stake) (Cicero) defining the terms of engagement for the provision of administration services by Cicero as a contractor to the Group. Cicero Corporate Services Pty Ltd was paid fees totalling $84,118 during the year ended 30 June 2016 (2015:$ 20,148) pursuant to the Administration Agreement. Cicero provided the registered office, bookkeeping, company secretarial and administration services to the Company for a monthly fee of $10,000 plus GST. The agreement can be terminated by 90 days written notice by either party.

DIRECTORS' DECLARATION

In the opinion of the directors of Sugar Dragon Limited ('the Company'):

1. The accompanying financial statements and notes thereto, as set out on pages 16 to 32, are in accordance with the Corporations Act 2001 including:

    a. giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the period then ended; and

    b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The financial statements and notes thereto are in accordance with International Financial Reporting Standards used by the International Accounting Standard Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295(A) of the Corporations Act 2001 and is signed in accordance with a resolution of the Board of Directors.

Matthew Sheldrick

Mr Matthew Sheldrick

Chairman

Dated this 2 February 2017

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Sugar Dragon Limited

Report on the Financial Report

We have audited the accompanying financial report of Sugar Dragon Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Sugar Dragon Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Note 1(q) to the financial report which indicates that the Company will require additional funding to ensure that it can continue to fund its operations during the twelve month period from the date of approval of this financial report.

Should additional funding not be obtained, there is a material uncertainty that may cast significant doubt as to whether the Company will be able to realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Sugar Dragon Limited or the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Norman Glade

N G Neill
Partner

Perth, Western Australia
2 February 2017