



Prospectus

Candy Club Holdings Limited

ACN 629 598 778

Proposed ASX Code: CLB

By this Prospectus, Candy Club Holdings Limited ACN 629 598 778 (**the Company**) invites investors to apply for up to 40,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$8,000,000, with the ability to accept an Oversubscription of up to \$2,000,000. The Offer has a Minimum Subscription of \$4,500,000.

The Offer made by this Prospectus is conditional upon ASX confirming that it will admit the Company to Official Quotation, subject to the satisfaction of such terms and conditions prescribed by the ASX Listing Rules, as well as other conditions detailed in this Prospectus.

The Offer is scheduled to close at 5.00pm (AEDT) on 21 December 2018 unless extended or withdrawn. Applications must be received before that time to be valid.

IMPORTANT NOTICE

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. If, after reading this Prospectus, you have any questions about the Offer, you should contact your professional advisors.

There are risks associated with an investment in the Company and the Shares offered under this Prospectus are to be regarded as a speculative investment. Please refer to Section 6 of this Prospectus for the risk factors associated with the Offer.



Lead Manager*

Peak Asset Management Pty Ltd is a corporate authorised representative (#1249050) of Arrow Securities Group Pty Ltd (AFSL #448218). Peak Asset Management Pty Ltd shall provide the services of the Lead Manager in connection with the Offer.



IMPORTANT NOTICES

General

This Prospectus is dated 30 November 2018. A copy of this Prospectus was lodged with the ASIC on 30 November 2018. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus.

The Company will apply to ASX within seven (7) days following the date of this Prospectus for official quotation by ASX of the Shares offered by this Prospectus.

It is important that you read this Prospectus carefully and in full before deciding to subscribe for Shares in the Company.

Conditional Offer

The Offer is subject to and conditional upon approval of the admission of the Company's Shares to Official Quotation on the ASX.

Expiry Date

No securities will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

Investment Advice

This Prospectus does not take into account your financial circumstances, financial objectives or particular needs (including your financial or taxation issues). Therefore, this Prospectus does not constitute investment advice. You should obtain professional investment advice before subscribing for Offer Shares.

Additional Copies of Prospectus

Additional copies of this Prospectus are available at the registered office of the Company.

The Corporations Act prohibits any person from passing onto another person an Application Form unless it is attached to or accompanied by the complete and unaltered version of this Prospectus.

Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company Secretary via email at justyn@stedwell.com.au.

A copy of this Prospectus can be downloaded from the website of the Company, <https://www.candyclub.com/>. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

Please note that no document or information included on our website is incorporated by reference into this Prospectus.

Restrictions on Offer

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. No action has been taken to register or qualify the Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia and the Offer is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who reside outside Australia and who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any person who has a registered address in any other country who receives this Prospectus may only apply for Offer Shares where that person can rely on a relevant exception from, or is not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have a registered address.

The Company will not offer to sell, nor solicit an offer to purchase, any securities in any jurisdiction where such offer, sale or solicitation may not lawfully be made. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Application Forms

Applications for Shares can only be made pursuant to the Application Form attached to and forming part of this Prospectus. The Corporations Act prohibits any person from passing the Application Form to any other person unless it is attached to, or accompanied by, a complete and unaltered version of the Prospectus.

The Application Form contained in this Prospectus contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of seven (7) days from the date of this Prospectus. This period may be extended by a further seven (7) days by ASIC. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act.

Namely, Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period and will receive no preference.

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Privacy

If you apply for Shares you will provide personal information to the Company and the Share Registry. This enables your Application to be assessed, you to be registered as the holder of Shares, you to be entered in the Company's register of members and to enable the Company to contact you. The Company may from time to time be required to disclose your personal information to the Australian Taxation Office, other government agencies or as required by law. The Company and the Share Registry may disclose your personal information to its agents and service providers as authorised by the *Privacy Act 1988* (Cth) or for purposes required by the ASX Listing Rules or the Corporations Act. You may access your personal information by contacting the Share Registry and may request corrections to such personal information.

Forward Looking Statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way implicitly portrayed within this Prospectus. These risks, uncertainties and other factors include, but are not limited to, the matters described in Section 6 of this Prospectus. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved. Except to the extent required by law, the Company has no intention

to update or review 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. Applicants should carefully consider the risk factors that affect the Company specifically and the confectionery industry in which it proposes to operate. Applicants should understand that an investment in the Company is both speculative and subject to a wide range of risks and that Applicants may lose the entire value of their investment.

Financial Performance

Section 7 of this Prospectus sets out in detail the financial information referred to in this Prospectus. The basis of preparation of the financial information is set out in Section 7 of this Prospectus.

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise.

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Statements of Past Performance

This Prospectus includes information regarding the past performance of the Candy Club Group, including but not limited to the financial information included in Section 7 of the Prospectus. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Definitions

Please refer to the Glossary in Section 13 of this Prospectus for terms and abbreviations used in parts of this Prospectus.

Miscellaneous

Items displayed in photographs in this Prospectus are not necessarily assets owned by the Company. The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of Offer Shares.

All reference to time relate to the time in Victoria, Australia unless otherwise stated.

Lead Manager

Peak Asset Management Pty Ltd is a corporate authorised representative (#1249050) of Arrow Securities Group Pty Ltd (AFSL #448218). Peak Asset Management (**Lead Manager**) shall provide the services of the Lead Manager in connection with the Offer. The Lead Manager has not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus that is based on any statement made by it or by any of its affiliates, officers or employees. To the maximum extent permitted by law, the Lead Manager and its affiliates, officers, employees and advisors expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to its name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Letter from the Founder & CEO

Dear Investor,

On behalf of the Board, it is my pleasure to offer you the opportunity to become an investor in Candy Club Holdings Limited ACN 629 598 778 (**the Company**). By the issue of this Prospectus, the Company is seeking to raise up to \$8,000,000 through the issue of up to 40,000,000 Shares at an issue price of \$0.20 per Share. The Company reserves the right to accept Oversubscriptions of up to an additional \$2,000,000.

THE CANDY CLUB BUSINESS

The Company operates in the confectionery industry sector in the USA, a large category that accounted for over US\$35 billion in retail sales in 2017 alone. Broadly, confectionery encompasses sugar confectionery, chocolates and gum.

The business operated by the Company commenced as a business-to-consumer subscription service (**B2C Business**), which delivered a curated box of sweet treats (**Candy Boxes**) to subscribers on a monthly basis. We take great pride in offering our subscribers a wide variety of premium confectionery products, from the latest introductions to timeless classics, selected for their enjoyment, discovery and surprise. A subscription for our Candy Boxes makes a great addition to any candy lover's home or workplace and makes a great gift.

In mid-2018, the Company launched a business-to-business model where premium confectionery is sold to third party specialty market retailers (**B2B Business**). Under the B2B Business segment the Company's products are sold to a wide range of retailers, from single store proprietors to nationally recognized chains. Target customers operate in many sectors, including department stores, apparel retailers, gift shops, boutiques, hotels and resorts, e-commerce retailers and many others.

The Board believes that the B2C Business and the B2B Business are highly complementary and will create incremental revenue and marketing opportunities, operational efficiencies and other synergies that will add to the Company's value proposition over time.

The funds raised under the Offer will be used to scale both the B2C Business and the B2B Business, hire key employees, purchase automation equipment and for general corporate purposes.

Following completion of the Offer, the Company may explore further expansion by selling its product line through additional distribution channels, to corporate partners and in markets outside of the USA.

While the Company has an experienced management team that operates the Candy Club Business in the USA at its headquarters in Los Angeles, California, the Company has appointed a strong Board based in Australia that will oversee the Company's operations following Admission.

This Prospectus contains detailed information about the Company, the Candy Club Business and the risks of participating in an investment of this nature. The Board recommends that investors read this Prospectus carefully and in its entirety. The Offer is conditional on the Company gaining approval from the ASX for the Admission.

On behalf of the Board, I look forward to welcoming you as a Shareholder of the Company.

Yours faithfully,



Keith Cohn
Founder & CEO (Executive Director)

1. INVESTMENT OVERVIEW



1. Investment Overview

The following is a summary only and is not intended to be comprehensive. Prospective investors should read the full text of this Prospectus and if you are uncertain about any matter you should consult your professional advisors before making an investment decision.

1.1 PURPOSE OF THE PROSPECTUS

The purpose of this Prospectus is to:

- (a) facilitate the Company's Admission to the Official List of the ASX; and
- (b) to raise up to \$8,000,000 pursuant to the Offer, with the right to accept up to a further \$2,000,000 in Oversubscriptions, in order to assist the Company in meeting its commercial objectives, which include:
 - increasing sales and marketing initiatives in USA for the online subscriptions of the Candy Boxes under the B2C Business and for the Candy Club Branded Confectionery under the B2B Business;
 - automating the Company's assembly and fulfilment line processes where purchased confectionery is repackaged as Candy Club Branded Confectionery and where the Candy Boxes are sorted and assembled;
 - implementing an enterprise resource plan and appropriate computing software in order to facilitate the management of the Company's business finances, operations and customers relations;
 - expanding inventory holdings of Candy Club Branded Confectionery and developing the Company's own proprietary candy formulations; and
 - funding the Company's operating costs and providing working capital.

1.2 SUMMARY OF THE OFFER

This Prospectus provides investors with the opportunity to participate in the initial public offering of Offer Shares in Candy Club Holdings Limited ACN 629 598 778, a company incorporated in Victoria, Australia.

1.2.1 The Offer

| KEY OFFER STATISTICS | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION | OVER- SUBSCRIPTION |
|---|-------------------------|-------------------------|-----------------------|
| Offer Price | \$0.20 | \$0.20 | \$0.20 |
| Offer Shares to be issued | 22,500,000 | 40,000,000 | 50,000,000 |
| Shares on issue as at the date of this Prospectus | 106,726,399 | 106,726,399 | 106,726,399 |
| Shares to be issued to the Lead Manager (or its nominees) on Admission ¹ | 6,202,161 | 7,358,376 | 8,018,376 |
| Total cash proceeds from the Offer | \$4,500,000 | \$8,000,000 | \$10,000,000 |
| Total gross expenses of the Offer ² | \$2,224,502 | \$2,463,843 | \$2,598,153 |
| Market capitalisation at completion of the Offer ³ | \$27,085,712 | \$30,816,955 | \$32,948,955 |

Notes:

1. Pursuant to the Lead Manager Mandate, the Shares to be issued to the Lead Manager (or its nominees) on Admission, include Shares equivalent to 3% of the Company's Enterprise Value as at Admission. Thus, this amount is an estimate only based on an approximate calculation of the Company's Enterprise Value as at Admission. For more information on the terms of the Lead Manager Mandate and the securities to be issued to the Lead Manager (or its nominees) on Admission, please refer to Section 10.11 of this Prospectus.
2. This includes the value of cash and non-cash expenses of the Offer. For more information on the estimated expenses of the Offer, please refer to Section 11.6 of this Prospectus.
3. Market capitalisation is calculated as the total number of Shares on issue on completion of the Offer multiplied by the Offer Price.

1.2.2 Key Dates*

| EVENT | DATE (AEDT) |
|---|------------------|
| Prospectus lodged with ASIC | 30 November 2018 |
| Exposure Period ends | 7 December 2018 |
| Offer Opening Date | 10 December 2018 |
| Offer Closing Date | 21 December 2018 |
| Expected Allotment Date of Offer Shares | 27 December 2018 |
| Expected dispatch of Holding Statements | 31 December 2018 |
| Admission of Company to ASX | 4 January 2019 |

* Please note that the dates set out in the above timetable may be varied in accordance with the Corporations Act, and, where required, in consultation with ASX. These dates are indicative only and are subject to change. The Company reserves the right to vary the dates without prior notice.

1.3 OVERVIEW OF THE COMPANY

| ITEM | SUMMARY | FURTHER INFORMATION |
|---------------------------------------|--|---------------------|
| Who is the issuer of this Prospectus? | Candy Club Holdings Limited ACN 629 598 778 (the Company) is an Australian incorporated company seeking to be listed on ASX. | Section 2 |
| What does the Company do? | Through its operating subsidiary, Candy Club LLC, being a company incorporated in California, USA (CCL), the Company operates a business selling confectionery products direct to consumers through monthly subscription plans (the B2C Business) and to specialty market retailers (the B2B Business). | Section 2 |
| What is the B2C Business? | <p>In 2015, CCL commenced selling monthly subscriptions of Candy Club Branded Confectionery to consumers throughout the USA. Consumers who purchase subscriptions via the Candy Club Group's website receive a package containing up to six varieties of confectionery each month (Candy Boxes).</p> <p>CCL sources its confectionery from manufacturers based primarily in USA and Europe, which are then repackaged into Candy Club branded packaging and sorted into the Candy Boxes at warehouses based in Indianapolis and Utah in USA. The Candy Boxes are then shipped to individual subscribers on a monthly basis. CCL currently delivers to 48 states in USA, excluding Hawaii and Alaska.</p> <p>While subscriber numbers fluctuate, the Company estimates that there were between approximately 15,000 and 20,000 subscribers during any given month in 2018.</p> | Section 2 |

1. Investment Overview

| ITEM | SUMMARY | FURTHER INFORMATION |
|---|---|---------------------|
| What is the B2C Business? continued | <p>CCL is able to utilise the data about customer preferences gathered on its online subscription platform to track shifts in consumer behaviour and preferences, facilitating product and supplier management, minimising stock wastage and assisting CCL to identify popular products. In mid-2018, CCL began selling such popular products to specialty market retailers under the B2B Business, as described below.</p> <p>The Company is also piloting selling subscriptions of the Candy Boxes through a major online retailer, which offers subscription plans for a variety of digital and physical products to its customers. CCL started selling subscriptions for the Candy Boxes through this online retailer in September 2018.</p> | Section 2 |
| What is the B2B Business? | <p>In mid-2018, CCL started selling the Candy Club Branded Confectionery contained in the Candy Boxes to specialty market retailers in the USA, including retailers operating in the hospitality, retail fashion, gift and e-commerce industries. The specialty market retailers purchase the Candy Club Branded Confectionery in bulk based on consumer demand which are sold in their physical or online stores together with their core products.</p> <p>Since the launch of the B2B Business, the Company has sold product to approximately 150 unique specialty market retailers representing 500 retail locations. Over 50% of total sales recorded to date under the B2B Business have been received as repeat orders from specialty market retailers.</p> | Section 2 |
| In what market does the Company operate? | <p>The Company is incorporated in Australia and has two wholly owned subsidiaries, Candy Club Holdings Inc (CCH), a corporation incorporated in Delaware, USA and its operating subsidiary, CCL, incorporated in California, USA.</p> <p>The Candy Club Group is headquartered in Los Angeles, California and currently only makes its products available to customers in the 48 contiguous states of USA, being all states excluding Hawaii and Alaska.</p> | Section 2 |
| How does the Company generate its income? | <p>The Company was incorporated on 24 October 2018 as the vehicle for the purposes of undertaking a listing to list on the ASX. Therefore, the Company does not, in itself, have a trading history or generate income.</p> <p>The Company generates income through its operating subsidiary, CCL. CCL currently generates income through:</p> <ul style="list-style-type: none"> the B2C Business, under which the Company sells subscriptions plans for the Candy Boxes, which are delivered to subscribers monthly and contain up to six varieties of Candy Club Branded Confectionery; and the B2B Business, under which the Company sells the Candy Club Branded Confectionery to specialty market resellers in bulk. | Section 2 |

| ITEM | SUMMARY | FURTHER INFORMATION |
|--|--|---------------------|
| What will be the Company's principal activities after Admission? | <p>Following successful completion of the Offer, the Company will focus on:</p> <ul style="list-style-type: none"> • increasing sales and marketing initiatives in USA for the online subscriptions of the Candy Boxes under the B2C Business and for the Candy Club Branded Confectionery under the B2B Business; • automating the Company's assembly and fulfilment line processes where purchased confectionery is repackaged as Candy Club Branded Confectionery and where the Candy Club Boxes are sorted and assembled; • implementing an enterprise resource plan and appropriate computing software in order to facilitate the management of the Company's business finances, operations and customers relations; and • expanding inventory holdings of Candy Club Branded Confectionery and developing the Company's own proprietary candy formulations. <p>Notwithstanding that the Company intends to pursue the expansion of the Candy Club Business, as outlined above, there is no guarantee that such expansion will be successfully achieved by the Company.</p> | Section 2 |
| What are the key dependencies of the Company's business model? | <p>Key dependencies of the Company's business model include:</p> <ul style="list-style-type: none"> • reliance on a small number of key management personnel; • sufficient consumer uptake of the Candy Club Branded Confectionery; • the ability to acquire customers cost effectively and retain them sufficiently to make a profit; • continued access to desirable confectionery products (or suitable replacements) on reasonable commercial terms; • delivery of goods and services from CCL's vendors and suppliers within agreed timeframes and budgets; and • the maintenance of the Company's reputation and ability to deliver quality products to serve the B2C Business and the B2B Business. | Section 2 |
| Business ownership and structure | <p>As noted above, the Candy Club Business is operated by CCL. Pursuant to the Share Purchase Agreement, the Company acquired all the issued share capital in CCH, which is the sole shareholder of CCL, from the original shareholders of CCH (Original CCH Shareholders). Following completion of the Share Purchase Agreement, the Company became the sole shareholder in CCH thereby indirectly owning CCL and the Candy Club Business.</p> <p>Please refer to Section 2.1 of this Prospectus for more information on the Candy Club Group's corporate structure.</p> | Section 2 |

1. Investment Overview

| ITEM | SUMMARY | FURTHER INFORMATION |
|--|--|-----------------------------|
| Who are the Original CCH Shareholders? | <p>The Original CCH Shareholders include the directors, key employees of the Candy Club Business as well as early stage investors of the Candy Club Business who have contributed seed capital prior to the incorporation of the Company. As at the date of this Prospectus, the Original CCH Shareholders collectively hold a total of 75,381,502 Shares of which 75,303,017 Shares were issued as consideration for the acquisition of CCH pursuant to the Share Purchase Agreement. For more information on the key terms of the Share Purchase Agreement, please refer to Section 10.1 of this Prospectus.</p> <p>Upon Admission, the Shares held by the Original CCH Shareholders will comprise 55.66% and 48.92% of the Company's fully diluted share capital on the Minimum Subscription and the Maximum Subscription respectively (assuming that no Shares are issued pursuant to the Oversubscriptions, the exercise of the Options and/or the conversion of the Performance Shares).</p> | Section 1.6 |
| Shares on issue as at the date of this Prospectus | <p>As at the date of this Prospectus the Company has 106,726,399 Shares on issue, of which:</p> <ul style="list-style-type: none"> the Original CCH Shareholders hold 75,381,502 Shares, constituting 70.63% of the total Shares on issue as at the date of this Prospectus; the Seed Capitalists hold 29,181,370 Shares, constituting 27.34% of the total Shares on issue as at the date of this Prospectus; and the Lead Manager (and its nominees) hold 2,163,527 Shares, constituting 2.03% of the total Shares on issue as at the date of this Prospectus. <p>The Company has also issued 4,000,000 performance shares to the Key Management Entities, which are convertible into up to 4,000,000 Shares upon the achievement of certain milestones (Performance Shares). For more information on the key terms of issue of the Performance Shares, please refer to Section 3.12 of this Prospectus.</p> | Sections 1.6 and 3.12 |
| Options on issue as at the date of this Prospectus | <p>As at the date of this Prospectus the Company has issued the following Options which will be unlisted:</p> <ul style="list-style-type: none"> 2,332,874 CCH ESOP Options have been issued under the CCH ESOP. Please refer to Section 3.11 of this Prospectus for the terms of the CCH ESOP Options; and 87,668 Options have been issued to Mr Keith Cohn. Please refer to Section 3.10 of this Prospectus for the terms of these Options. <p>Upon completion of the Offer, the Company will also issue 2,000,000 Options to the Lead Manager (or its nominees) pursuant to the Lead Manager Mandate. Please refer to Section 3.10 of this Prospectus for the terms of these Options.</p> | Sections 1.6, 3.11 and 3.10 |

| ITEM | SUMMARY | FURTHER INFORMATION |
|---------------------------------------|---|---------------------|
| Who is the Lead Manager? | <p>Pursuant to the Lead Manager Mandate, the Company has appointed the Lead Manager to provide the services of Lead Manager in connection with the Offer.</p> <p>In consideration for providing corporate and fundraising services in its role as Lead Manager, the Lead Manager will be entitled to the following fees upon completion of the Offer:</p> <ul style="list-style-type: none"> • 1% management fee for funds raised under the Offer (whether such funds are raised by the Lead Manager or another party), such fees to be settled via the issue of Shares on Admission at the Offer Price of \$0.20 to the Lead Manager (or its nominees); • a 5% capital raising fee for any funds raised by the Lead Manager, such fees to be settled via the issue of Shares on Admission at the Offer Price of \$0.20 to the Lead Manager (or its nominees); • 2,000,000 Shares in the Company, to be issued to the Lead Manager or its nominees; • 2,000,000 Options in the Company, to be issued to the Lead Manager or its nominees, each exercisable for \$0.30 to acquire one (1) Share and expiring four (4) years from the date of issue; and • Shares in the Company equivalent to 3% of the Enterprise Value of the Company, to be issued to the Lead Manager or its nominees. <p>For more information on the terms of the Lead Manager Mandate and the fees payable to the Lead Manager, please refer to Section 10.12 of this Prospectus.</p> | Section 10.12 |
| Who are the directors of the Company? | <p>The directors of the Company are:</p> <ul style="list-style-type: none"> • Mr Robert Hines (Non-Executive Chairperson); • Mr Keith Cohn (Executive Director); • Mr Zachry Rosenberg (Non-Executive Director); and • Mr Chi Kan Tang (Non-Executive Director). <p>Upon successful completion of the Offer, the Company intends to appoint Mr James Baillieu as a Non-Executive Director of the Company.</p> <p>Please refer to Section 5.1 of this Prospectus for profiles of each director and the Proposed Director. Details of the securities holdings of each director are set out in Section 5.3 of this Prospectus.</p> | Section 5 |
| Who is the Company Secretary? | <p>Mr Justyn Stedwell is the Company Secretary.</p> <p>Please refer to Section 5.2 of this Prospectus for Mr Stedwell's profile.</p> | Section 5 |

1. Investment Overview

1.4 KEY RISK FACTORS

Investing in Shares involves substantial risks. The key risks as listed in the table below are not exhaustive and an investment in the Company should be considered speculative. Before making an investment decision, potential investors should read the entire Prospectus. In particular, investors should give full consideration to the detailed discussion on the risks that are associated with, and which could affect the financial performance of, an investment in the Company, as set out in Section 6 of this Prospectus.

| ITEM | SUMMARY | FURTHER INFORMATION |
|----------------------------|---|---------------------|
| Sufficiency of funding | As at the date of this Prospectus the Company is not cash flow positive, meaning the Company is reliant on raising funds from investors in order to continue its operations. Upon completion of the Offer the Board anticipates that the Company will have sufficient funds to pursue its activities for a further two (2) years, following which the Company may need to raise additional capital in order to continue its operations if the Company is not profitable at such time. | Section 6 |
| Consumer demand | If consumers do not perceive the Candy Club Branded Confectionery to be of sufficient quality, value or novelty, the Company may be unable to acquire new customers or retain existing customers, adversely affecting the Company's business operations and profitability. | Section 6 |
| Customer acquisition costs | Customer demand for subscription plans of the Candy Boxes is currently generated, in part, from paid online media sources such as Facebook and Google. Customer acquisition costs, in particular from online media sources may rise in the future and in such circumstances the Company could find it difficult to acquire customers at a price sufficient to make a profit. | Section 6 |
| Food safety and hygiene | Selling food for human consumption carries inherent risks related to food safety. The business carried on by the Company may be adversely affected to the extent there are any food safety incidents involving the Candy Club Branded Confectionery (such as tampering or contamination). | Section 6 |
| Supply of confectionery | While the Company is not dependent on any one supplier of confectionery, its business operations may be affected by the failure of a supplier to meet its contractual obligations to the Company or to supply products that meet the Company's production standards. Any such failure by a supplier may have adverse implications on the Company's business. | Section 6 |
| Privacy and Data | The Company is reliant on third party suppliers for data processing and payment services, and the Company and such suppliers collect, store and transmit significant amounts of customer information. Any security breach or interruption in service may adversely affect the Company's reputation and substantially interrupt the Company's business operations. | Section 6 |

| ITEM | SUMMARY | FURTHER INFORMATION |
|---------------------------|---|---------------------|
| Intellectual Property | The success of Candy Club Group's business operations is reliant on its intellectual property, such as customer data, trademarks, domain names, copyrights and know-how. If competitors utilise or infringe the Company's intellectual property, the Company may be adversely affected. | Section 6 |
| Reliance on Key Personnel | The Candy Club Group is heavily reliant on key personnel, including the Company's Executive Director, Mr Keith Cohn. The Candy Club Group's continued success depends on the continuing efforts and retention of its management team and staff, and if it is not able to attract highly skilled staff to support its planned growth, its business operations may be impacted. | Section 6 |

1.5 KEY FINANCIAL INFORMATION

| TOPIC | SUMMARY | FURTHER INFORMATION |
|--|--|---------------------|
| Are there any forecasts of future earnings? | There are no forecasts of future earnings of the Company provided in this Prospectus. | Section 7 |
| Will the Company have sufficient funds for its activities? | <p>In the Board's opinion, upon successful completion of the Offer, the Company will have sufficient funds to pursue its activities for a further two (2) years from funds raised pursuant to the Offer, existing cash holdings and ongoing cash revenues from the Candy Club Business.</p> <p>For more information, please refer to the Financial Information in Section 7 of this Prospectus.</p> | Section 7 |
| What is the financial outlook for the Company? | <p>The Company is in its development and expansion phase and is not currently profitable. However the Company is aiming to become profitable through the expansion activities outlined above that the Company will pursue using funds raised pursuant to the Offer.</p> <p>Notwithstanding this, there is no guarantee that such expansion will be successfully implemented by the Company. Furthermore, even if successfully implemented, there is no guarantee that the Company will achieve a commercial return from such expansion.</p> <p>For more information on the financial position of the Company, please refer to the Financial Information in Section 7 of this Prospectus.</p> | Section 7 |

1. Investment Overview

| TOPIC | SUMMARY | FURTHER INFORMATION |
|---------------------------------|--|---------------------|
| Will the Company pay dividends? | <p>The Board anticipates that significant expenditure will be incurred in executing its proposed expansion strategies following completion of the Offer. These activities are expected to dominate at least, the two year period following the date of Admission. Accordingly, the Company does not expect to declare any dividends during that period.</p> <p>Notwithstanding this, please refer to the Taxation Report in Section 9 for information in relation to the taxation treatment of dividends that may be distributed by the Company.</p> | Sections 3.13 and 9 |

1.6 CAPITAL STRUCTURE FOLLOWING THE OFFER

Shares

Following completion of the Offer, the share capital structure of the Company will be as follows at the Minimum Subscription, the Maximum Subscription and the Oversubscription respectively:

| SHAREHOLDER | MINIMUM SUBSCRIPTION | | MAXIMUM SUBSCRIPTION | | OVERSUBSCRIPTION | |
|--|----------------------|---------------|----------------------|---------------|--------------------|---------------|
| | SHARES | % | SHARES | % | SHARES | % |
| Shares on issue as at the date of Prospectus | | | | | | |
| Original CCH Shareholders | 75,381,502 | 55.66% | 75,381,502 | 48.92% | 75,381,502 | 45.76% |
| Seed Capitalists | 29,181,370 | 21.55% | 29,181,370 | 18.94% | 29,181,370 | 17.71% |
| Lead Manager (or its nominees) | 2,163,527 | 1.60% | 2,163,527 | 1.40% | 2,163,527 | 1.31% |
| Subtotal | 106,726,399 | 78.81% | 106,726,399 | 69.26% | 106,726,399 | 64.78% |
| Shares to be issued following completion of the Offer | | | | | | |
| Lead Manager (or its nominees) ¹ | 6,202,161 | 4.58% | 7,358,376 | 4.78% | 8,018,376 | 4.87% |
| Offer Shares | 22,500,000 | 16.61% | 40,000,000 | 25.96% | 50,000,000 | 30.35% |
| Subtotal | 28,702,161 | 21.19% | 47,358,376 | 30.74% | 58,018,376 | 35.22% |
| Total Shares on issue on Admission | 135,428,560 | 100% | 154,084,775 | 100% | 168,744,775 | 100% |

Notes:

- Pursuant to the Lead Manager Mandate, upon Admission the Lead Manager (or its nominees) is entitled to be issued such amount of Shares which includes a component equivalent to 3% of the Company's Enterprise Value as at Admission. This amount is therefore an estimate only based on the approximate calculation of the Company's Enterprise Value as at Admission and includes Shares relating to the GST payable on such amount. For more information on the terms of the Lead Manager Mandate and the securities to be issued to the Lead Manager (or its nominees) on Admission, please refer to Section 10.11 of this Prospectus.

Investors should also note that, subject to the achievement of the relevant performance milestones, the Company may issue up to 4,000,000 additional Shares pursuant to the Performance Shares. For more information on the key terms of issue of the Performance Shares as well as the performance milestones upon the achievement of which the Performance Shares will be convertible into Shares, please refer to Section 3.12 of this Prospectus.

Where all of the performance milestones are achieved and all the Performance Shares are converted into 4,000,000 Shares, the share capital structure of the Company will be as follows at the Minimum Subscription, the Maximum Subscription and the Oversubscription respectively:

| SHAREHOLDER | MINIMUM SUBSCRIPTION | | MAXIMUM SUBSCRIPTION | | OVERSUBSCRIPTION | |
|---|----------------------|---------------|----------------------|---------------|--------------------|---------------|
| | SHARES | % | SHARES | % | SHARES | % |
| Shares on issue as at the date of Prospectus | | | | | | |
| Original CCH Shareholders | 75,381,502 | 54.06% | 75,381,502 | 47.68% | 75,381,502 | 44.67% |
| Seed Capitalists | 29,181,370 | 20.93% | 29,181,370 | 18.46% | 29,181,370 | 17.29% |
| Lead Manager (or its nominees) | 2,163,527 | 1.55% | 2,163,527 | 1.37% | 2,163,527 | 1.28% |
| Subtotal | 106,726,399 | 76.55% | 106,726,399 | 67.51% | 106,726,399 | 63.25% |
| Shares to be issued following completion of the Offer | | | | | | |
| Lead Manager (or its nominees) ¹ | 6,202,161 | 4.45% | 7,358,376 | 4.65% | 8,018,376 | 4.75% |
| Offer Shares | 22,500,000 | 16.14% | 40,000,000 | 25.30% | 50,000,000 | 29.63% |
| Subtotal | 28,702,161 | 20.59% | 47,358,376 | 29.96% | 58,018,376 | 34.38% |
| Shares issued upon achievement of Performance Milestones | | | | | | |
| Holders of Performance Shares | 4,000,000 | 2.87% | 4,000,000 | 2.53% | 4,000,000 | 2.37% |
| Subtotal | 4,000,000 | 2.87% | 4,000,000 | 2.53% | 4,000,000 | 2.37% |
| Total Shares on issue on Admission | 139,428,560 | 100% | 158,084,775 | 100% | 168,744,775 | 100% |

Notes:

- Pursuant to the Lead Manager Mandate, upon Admission the Lead Manager (or its nominees) is entitled to be issued such amount of Shares which includes a component equivalent to 3% of the Company's Enterprise Value as at Admission. This amount is therefore an estimate only based on the approximate calculation of the Company's Enterprise Value as at Admission and includes Shares relating to the GST payable on such amount. For more information on the terms of the Lead Manager Mandate and the securities to be issued to the Lead Manager (or its nominees) on Admission, please refer to Section 10.11 of this Prospectus.

Options

Following completion of the Offer, the option capital structure of the Company will be as follows at the Minimum Subscription, the Maximum Subscription and the Oversubscription respectively:

| HOLDER | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION | OVER-SUBSCRIPTION |
|---|----------------------|----------------------|-------------------|
| Options on issue as at the date of Prospectus | | | |
| Holders of CCH ESOP Options ¹ | 1,725,951 | 1,725,951 | 1,725,951 |
| Mr Keith Cohn ² | 631,333 | 631,333 | 631,333 |
| Subtotal | 2,357,284 | 2,357,284 | 2,357,284 |
| Options to be issued following completion of the Offer | | | |
| Lead Manager (or its nominees) ³ | 2,000,000 | 2,000,000 | 2,000,000 |
| Options offered under this Prospectus | Nil | Nil | Nil |
| Subtotal | 2,000,000 | 2,000,000 | 2,000,000 |
| Total Options on Admission | 4,357,284 | 4,357,284 | 4,357,284 |

Notes:

- The CCH ESOP Options have been issued pursuant to the CCH ESOP. For more information on the CCH ESOP and the terms of issue of the CCH ESOP Options, please refer to Section 3.11 of this Prospectus.
- Mr Keith Cohn holds a total of 543,665 CCH ESOP Options and an additional 87,668 Options. For more information on the key terms of issue of these Options, please refer to Sections 3.11 and 3.10 of this Prospectus respectively.
- Pursuant to the Lead Manager Mandate, upon Admission, the Lead Manager (or its nominees) is entitled to be issued 2,000,000 Options. For more information on the terms of the Lead Manager Mandate and the securities to be issued to the Lead Manager (or its nominees) on Admission, please refer to Section 10.11 of this Prospectus.

1. Investment Overview

1.7 ANSWERS TO KEY QUESTIONS

| ITEM | SUMMARY | MORE INFORMATION | | | | | | | | | | | | |
|---|--|----------------------|----------------------|----------------------|-------------------|--------|-------------|-------------|-------------|------------------------|--------------|--------------|--------------|-------------|
| What is being offered? | <p>This Prospectus invites investors to apply for a total of up to 40,000,000 Offer Shares at an issue price of \$0.20 per Offer Share to raise up to \$8,000,000. An additional \$2,000,000 may be raised through Oversubscriptions.</p> <p>The Minimum Subscription condition under the Offer is \$4,500,000.</p> <p>The Offer will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer to pursuant to this Prospectus.</p> | Section 1.2 | | | | | | | | | | | | |
| What is the Offer Price? | The Offer Price is \$0.20 per Offer Share. | Section 1.2 | | | | | | | | | | | | |
| Is the Offer underwritten? | No, the Offer is not underwritten. | Section 1.2 | | | | | | | | | | | | |
| What are the key dates of the Offer? | <p>The Offer closes on 21 December 2018.</p> <p>The Offer Shares are expected to be allotted on 27 December 2018.</p> <p>Holding statements for the Offer Shares are expected to be dispatched on 31 December 2018.</p> <p>The Shares are expected to commence trading on ASX on 4 January 2019.</p> | Section 1.2 | | | | | | | | | | | | |
| What is the Maximum Subscription available under the Offer? | The Company is offering a Maximum Subscription of 40,000,000 Shares to raise \$8,000,000 before costs of the Offer. | Section 1.2 | | | | | | | | | | | | |
| What is the Minimum Subscription available under the Offer? | The Company is offering a Minimum Subscription of 22,500,000 Shares to raise \$4,500,000 before costs of the Offer. If the Minimum Subscription is not achieved then the Company will not proceed with the Offer and will repay all Application monies received (without interest). | Section 1.2 | | | | | | | | | | | | |
| What will the market capitalisation of the Company be upon Admission? | <p>Based on the Offer Price of \$0.20 per Share, the Company's market capitalisation upon Admission will be as follows:</p> <table><tr><th></th><th>MINIMUM SUBSCRIPTION</th><th>MAXIMUM SUBSCRIPTION</th><th>OVER-SUBSCRIPTION</th></tr><tr><td>Shares</td><td>135,428,560</td><td>154,084,775</td><td>168,744,775</td></tr><tr><td>Market Capitalisation*</td><td>\$27,085,712</td><td>\$30,816,955</td><td>\$32,948,955</td></tr></table> <p>* This calculation assumes that no Performance Shares are converted into Shares and that no Options are exercised.</p> | | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION | OVER-SUBSCRIPTION | Shares | 135,428,560 | 154,084,775 | 168,744,775 | Market Capitalisation* | \$27,085,712 | \$30,816,955 | \$32,948,955 | Section 1.2 |
| | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION | OVER-SUBSCRIPTION | | | | | | | | | | | |
| Shares | 135,428,560 | 154,084,775 | 168,744,775 | | | | | | | | | | | |
| Market Capitalisation* | \$27,085,712 | \$30,816,955 | \$32,948,955 | | | | | | | | | | | |
| Will the Shares issued under the Offer be listed? | The Company will apply to the ASX for quotation of all offer Shares as required under the Corporations Act, under the ASX ticker code, "CLB". | N/A | | | | | | | | | | | | |

| ITEM | SUMMARY | MORE INFORMATION |
|---|---|------------------|
| Is there a minimum investment amount under the Offer? | Applications for Offer Shares must be for a minimum of 10,000 Offer Shares and thereafter in multiples of 1,000 Offer Shares. | Section 3.3 |
| Are there any conditions to the Offers? | <p>The Offer is conditional on:</p> <ul style="list-style-type: none"> the Company being granted conditional approval to list on the ASX; and the Company raising the Minimum Subscription under the Offer. <p>If any of these conditions are not met, the Offer will not proceed and investors' Application monies will be returned (without interest).</p> | Section 3.8 |
| What are the rights and liabilities attaching to the Shares issued under the Offer? | <p>All Offer Shares will rank equally in all respects with existing Shares on issue.</p> <p>For a summary of the material rights and liabilities attaching to the Shares issued under the Offer, please refer to Section 3.9 of this Prospectus.</p> | Section 3.9 |
| Are there any restrictions on securities? | <p>No Offer Shares will be subject to escrow.</p> <p>Shares, Performance Shares and Options on issue in the Company as at the date of this Prospectus, will be subject to mandatory escrow in accordance with the ASX Listing Rules.</p> <p>The Company intends to apply for cash formula relief for the Shares issued to the Original CCH Shareholders who are not related parties of the Company pursuant to the Share Purchase Agreement seeking a waiver for unrelated Original CCH Shareholders to be treated as seed capitalists of the Company for the purposes of Chapter 9 and Appendix 9B of the ASX Listing Rules.</p> <p>For details of the escrow restrictions which the Company anticipates will apply under the ASX Listing Rules, please refer to Section 3.18 of the Prospectus.</p> | Section 3.18 |

1. Investment Overview

| ITEM | SUMMARY | MORE INFORMATION |
|---|---|---------------------|
| How will the proceeds of the Offer be used? | <p>The Offer proceeds will be used for:</p> <ul style="list-style-type: none"> • fees associated with the listing of the Company and Official Quotation of the Offer Shares; • increasing sales and marketing initiatives in USA for the online subscriptions of the Candy Boxes under the B2C Business and for the Candy Club Branded Confectionery under the B2B Business; • automating the Company's assembly and fulfilment line processes where purchased confectionery is repackaged as Candy Club Branded Confectionery and where the Candy Boxes are sorted and assembled; • implementing an enterprise resource plan and appropriate computing software in order to facilitate the management of the Company's business finances, operations and customers relations; and • expanding inventory holdings of Candy Club Branded Confectionery and developing the Company's own proprietary candy formulations. <p>For more information on the intended allocation of funds raised under the Offer, please refer to Section 2.3 of this Prospectus.</p> | Section 2.3 |
| What are the tax implications of purchasing Shares under this Offer? | <p>The taxation consequences of an investment in the Shares under the Offer contained in this Prospectus, including the acquisition and disposal of Shares, will depend on the particular circumstances of each Applicant. HLB Mann Judd (Vic) Pty Ltd has prepared the Taxation Report contained in Section 9 of this Prospectus, as a general guide to investors contemplating investing in the Company.</p> <p>It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in the Company should seek independent professional advice with respect to the tax consequences arising from such an investment.</p> | Sections 3.16 and 9 |
| How do I apply for Offer Shares? | You can apply for Offer Shares by submitting a valid Application Form contained within or accompanying this Prospectus (including the electronic version of the Prospectus) in accordance with the instructions contained within. | Section 3.6 |
| What is the allocation policy? | The Company, in conjunction with the Lead Manager will determine the basis for the allocation of Offer Shares. | Section 3.7 |
| When will I receive confirmation that my Application has been successful? | Holding Statements confirming Applicants' allocations under the Offer are expected to be dispatched to Shareholders on 31 December 2018. | Section 1.2 |

| ITEM | SUMMARY | MORE INFORMATION |
|---------------------------------------|--|------------------|
| How can I obtain further information? | <p>You can obtain further information from:</p> <ul style="list-style-type: none"> the Share Registry, Automic Group, on 1300 288 664 (within Australia) or +612 9698 5414 (outside Australia) in relation to the Application process; or the Lead Manager on 1300 304 460 in relation to the Offer. <p>If you require additional copies of the Prospectus, you should contact the Share Registry at 1300 288 664 (within Australia) or +612 9698 5414 (outside Australia) between 9:00 am and 5:00 pm AEDT from Monday to Friday or email corporate.actions@automic.com.au.</p> <p>If you are unclear in relation to any matter, or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional advisor before deciding whether to invest.</p> | |



2. COMPANY STRUCTURE AND BUSINESS OVERVIEW

2. Company Structure and Business Overview

2.1 COMPANY BACKGROUND AND STRUCTURE

Candy Club Holdings Limited ACN 629 598 778 (**the Company**) is an unlisted Australian public company incorporated in 2018 for the purposes of acquiring the Candy Club Business to undertake an initial public offering of shares to list on the ASX.

The Company acquired the Candy Club Business pursuant to a share purchase agreement (**Share Purchase Agreement**) whereby the Company acquired all the issued share capital in Candy Club Holdings, Inc, being a corporation incorporated in Delaware, USA (**CCH**). For a summary of the key terms of the Share Purchase Agreement, please refer to Section 10.1 of this Prospectus.

CCH is the holding company of Candy Club LLC, being a company incorporated in California, USA (**CCL**). As at the date of this Prospectus, the corporate structure of the Candy Club Group comprising the Company, CCH and CCL, is as follows:

Figure 1: Candy Club Group Structure



2.2 OVERVIEW OF THE CANDY CLUB BUSINESS

The Candy Club Business was established in 2015, is headquartered in Los Angeles, California, USA and currently employs 23 employees.

The Candy Club Business is comprised of the following components:

- the B2C Business, under which the Company sells subscriptions plans for the Candy Boxes in the USA, which are delivered to subscribers monthly and contain up to six varieties of Candy Club Branded Confectionery; and
- the B2B Business, which commenced in July 2018 whereby the Company sells the Candy Club Branded Confectionery to specialty market resellers in the USA in bulk.

The Board believes that this hybrid direct to consumer and omni-channel strategy creates a self-reinforcing dynamic to extend the Candy Club Group's business operations and leverage its infrastructure to create a scalable confectionery company as follows:

- the Company is able to utilise the data about preferences of subscribers under the B2C Business gathered on its online subscription platform to track shifts in consumer behaviour, to understand what subscribers prefer in real-time, facilitating product and supplier management and minimising stock wastage; and
- the Company can then sell the popular confectionery products through promotional partners and under-served speciality outlets as part of the B2B Business, thereby increasing consumer recognition of the Candy Club brand.

2. Company Structure and Business Overview

A summary of the B2C Business and the B2B Business is provided in turn below. For more information on the confectionery industry in which the Company operates, please refer to Section 4 of this Prospectus (Industry and Market Overview).

2.2.1 Procurement and Packaging of Candy Club Branded Confectionery

The Company purchases confectionery from various manufacturers based in USA and Europe which the Company rebrands and repackages with the Company's own branding (**Candy Club Branded Confectionery**).

Confectionery purchased for the Candy Club Business is delivered directly to and stored at warehouses operated by a third party logistics company (**Fulfilment Company**) in Indiana and Utah, USA.

The Company outsources the repackaging function to the Fulfilment Company which also coordinates the delivery of the final products to the respective customers. The confectionery is first repackaged as Candy Club Branded Confectionery, which may then be sold directly as part of the B2B Business.

The Fulfilment Company also assists with sorting the Candy Club Branded Confectionery into boxes containing up to six varieties of the Candy Club Branded Confectionery (**Candy Boxes**), which are sold as part of the B2C Business.

Pictured below are the Candy Club Branded Confectionery and the Candy Boxes:

Figure 2: Candy Club Branded Confectionery

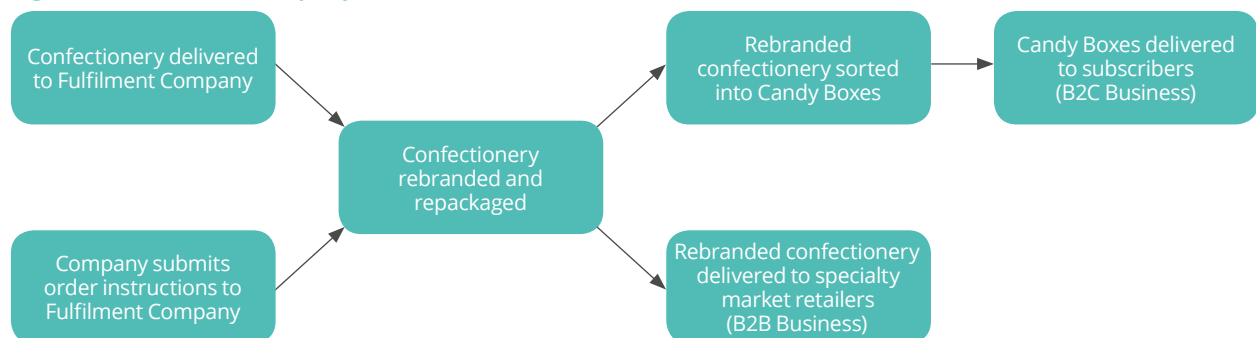


Figure 3: Candy Boxes



Finally, the Fulfilment Company will organise the delivery of the Candy Club Branded Confectionery to the specialty market retailers under the B2B Business or the Candy Club Boxes to subscribers under the B2C Business. An illustration of the process flow of the functions outsourced to the Fulfilment Company is provided below:

Figure 4: Fulfilment Company functions



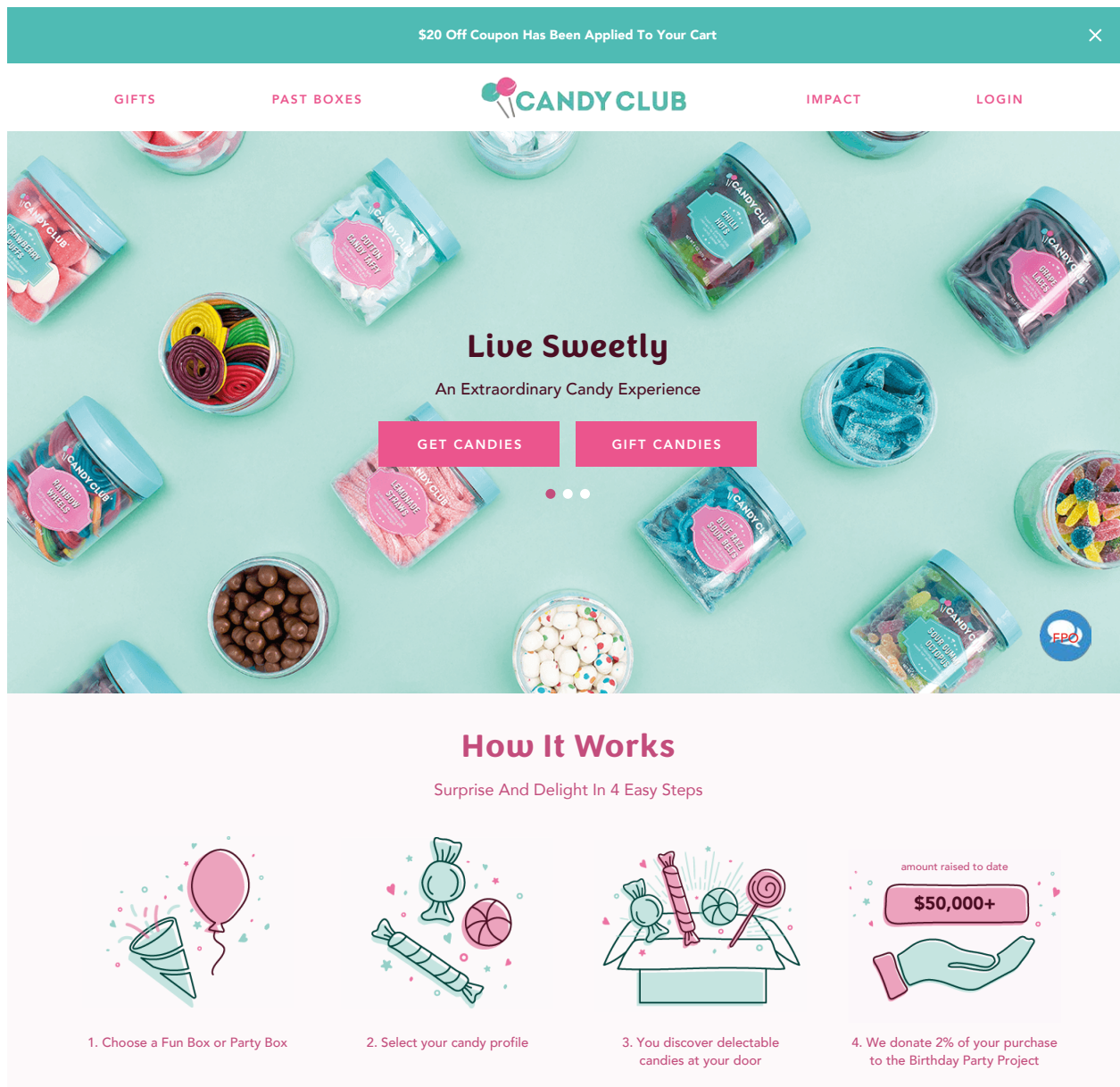
2. Company Structure and Business Overview

2.2.2 B2C Business

The Candy Club Business commenced operations with the B2C Business where subscribers can purchase subscriptions for the Candy Boxes which contain up to six varieties of Candy Club Branded Confectionery, which are delivered directly to subscribers on a monthly basis. The Candy Boxes are available for shipment to 48 states in USA, excluding the states of Hawaii and Alaska.

The variety of confectionery selected for a particular Candy Box can either be customised by subscribers according to their individual preferences or will be curated by the Company using its data analytics database. Subscription plans for the Candy Boxes are purchased via the Company's website whereby subscribers are required to provide full payment of the relevant subscription fee before the Candy Boxes are shipped.

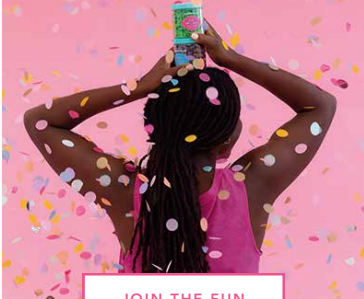
The Company's website interface on which subscribers register and purchase subscription plans for the Candy Boxes is pictured below:



Join Us
Live Sweetly By Choosing An Option Below

First Box
ONLY \$19.99
- plus shipping -

FUN BOX
Six 6-oz candy cups
\$39.99/month
- plus shipping -




JOIN THE FUN

DOUBLE THE FUN!

First Box
ONLY \$39.99
- free shipping -

PARTY BOX
Six 13-oz candy cups
\$59.99/month
- free shipping -



JOIN THE PARTY

While subscriber numbers fluctuate, the Company estimates that there were between approximately 15,000 and 20,000 subscribers for Candy Boxes during any given month in 2018. While there are a broad range of individuals who currently subscribe for the Candy Boxes, the Company's core subscribers under the B2C Business are female consumers between the ages of 25 and 45.

The Company uses data collected on consumer preferences to track shifts in consumer behaviour and preferences to facilitate product and supplier management. The Company is also able to minimise inventory obsolescence because the Company can manage excess stock as part of the curated Candy Boxes. Furthermore, the Company utilises information on popular products to identify the varieties of Candy Club Branded Confectionery which can be sold as part of the B2B Business.

Since September 2018, the Company has also commenced piloting a partnership with a major USA online retailer, which offers a platform where businesses can sell subscription based services to consumers, such as subscription plans for the Candy Boxes.

2.2.3 B2B Business

In July 2018, the Company commenced the B2B Business, whereby the Candy Club Branded Confectionery is sold in bulk to specialty market retailers such as retailers operating in the hospitality, retail fashion, gift and e-commerce sectors. As noted above, the Candy Club Branded Confectionery is delivered directly to the specialty market retailers by the Fulfilment Company based on purchase orders submitted by the relevant retailers.

The Candy Club Branded Confectionery is then retailed by the specialty market retailers based on prices agreed between the Company and the relevant retailer. Since the launch of the B2B Business, the Company has sold product to approximately 150 unique specialty market retailers representing 500 retail locations. Over 50% of total sales recorded to date under the B2B Business have been received as repeat orders from specialty market retailers.

2. Company Structure and Business Overview

2.3 DEVELOPMENT OF COMPANY'S BUSINESS MODEL

Following Admission, the Company plans to procure further development of the Candy Club Group's business model and channel further resources into the B2B Business, whilst retaining the historic subscription B2C Business.

The Company intends to facilitate expansion of the B2C Business by investing in increased marketing and expanding the number of online and offline sources where the Company acquires new customers, in order to grow its subscriber base and generate more revenues for the Company.

Conversely, the Company intends to drive expansion of the B2B Business by enhancing the Company's sales reach and capabilities and increasing the number of retailers who carry the Candy Club Branded Confectionery which will in turn generate more revenues for the Company.

In the future, the Company may explore additional revenue streams for the B2B Business through corporate gifting, corporate partnerships, promotional partnerships and white labelling opportunities and may explore additional opportunities for the B2C Business by offering subscribers memberships and the ability to purchase individual units of the Candy Club Branded Confectionery on the Company's e-commerce website. The Company may also explore marketing the B2C Business and/or the B2B Business outside of the USA. However, investors should note that while the Company may potentially elect to explore one or more of these additional strategies in the future, the Company does not currently have any plans to implement these strategies.

2.4 APPROVALS AND PERMITS

As the Company repackages candy purchased from third party manufacturers, rather than manufacturing products itself, it is not currently required to hold any food safety approvals or permits. The Company requires that all suppliers of confectionery product hold all applicable certifications required by law and carry product liability insurance.

2.5 EMPLOYMENT

CCL's employees are employed "at will", as permitted under California law, including the California Labor Code. "At will" employment means that employment, having no specified term, may be terminated at the will of either party for any reason or no reason and without previous notice to the other. California law generally presumes that an employment relationship is at will in the absence of written employment contracts that require good cause or specific provisions for termination, employment for a specific number of years, or where employee and/or employer words and/or actions overcome the presumption.

2.6 INTELLECTUAL PROPERTY

2.6.1 Trademarks

The Candy Club Group's trademark is summarised below:

| TRADE MARK | REGISTRATION NUMBER | OWNER | JURISDICTION | CLASSES | REGISTRATION DATE | EXPIRY DATE |
|------------|---------------------|----------------|--------------|---------|-------------------|-------------|
| Candy Club | 5268183 | Candy Club LLC | USA | 35 | 15/08/2017 | N/A |

This mark is filed on the Supplemental Register maintained by the US Patent and Trade Mark office (**USPTO**) and carries more limited rights than a trade mark filed on the USPTO's Principal Register. The U.S. Trademark Act provides for two separate registers for the registration of trademarks with the U.S. Patent and Trademark office (**USPTO**), being the Principal Register and Supplemental Register.

The Principal Register is the site for the registration of marks that are distinctive, by virtue of either their unique characteristics or their long and exclusive use.

The Supplemental Register is used for marks which have either been refused registration by the USPTO on the Principal Register because they are “merely descriptive” of the services provided by the applicant or marks which the applicant believes are descriptive of its services at the time of filing but will acquire distinctiveness through use. If the USPTO believes that the trade mark has the potential to identify the source of the goods or services with the applicant, it may allow the applicant to subsequently register the trademark on the Principal Register.

Registration on the Supplemental Register does not give the applicant prima facie evidence of ownership and use, unlike a registration on the Principal Register. Further, registration on the Principal Register allows a trade mark, after five years of continuous, uninterrupted use from the date of registration, of achieving incontestable status (limiting the grounds of third-party attacks to cancel the mark), which is not available trade mark registered on the Supplemental Register.

However, like a registration on the Principal Register, a registration on the Supplemental Register is a bar to subsequent applications for registration for a similar trade mark by third parties, and also allows applicants to use an indicia of registration (®).

The Candy Club Group's trademark application is summarised below:

| TRADE MARK | SERIAL NUMBER | APPLICANT | JURISDICTION | CLASSES | APPLICATION DATE |
|---|---------------|----------------|--------------|---------|------------------|
|  CANDY CLUB | 88098200 | Candy Club LLC | USA | 35 | 29/08/2018 |

2.6.2 Domain Names

The Candy Club Group currently holds the following domain name:

| DOMAIN NAME | EXPIRY DATE |
|---|-------------|
| https://www.candyclub.com/ | 03/02/2024 |

2. Company Structure and Business Overview

2.7 USE OF FUNDS RAISED UNDER THE OFFER

The Company will receive proceeds of \$4,500,000 (before costs) on the Minimum Subscription and of \$8,000,000 (before costs) on the Maximum Subscription from the issue of the Offer Shares at the Offer Price of \$0.20. The Company reserves the right to raise up to an additional \$2,000,000 through Oversubscriptions.

As noted above, the Company's primary focus following completion of the Offer will be to further develop its revenue streams under the B2C Business and the B2B Business through increased sales and marketing initiatives, automation of its packaging fulfilment processes, increasing inventory available to sell and making select key hires to grow the Candy Club Business. Therefore the Company intends to allocate the proceeds of the Offer to the following expansion strategies as detailed in the table below:

| USE OF FUNDS | MINIMUM SUBSCRIPTION | | MAXIMUM SUBSCRIPTION ¹ | | OVERSUBSCRIPTION ¹ | |
|---|----------------------|-------------|-----------------------------------|-------------|-------------------------------|-------------|
| | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Customer acquisition through B2C advertisements, gifting ² | \$1,000,000 | 22.22% | \$2,000,000 | 25% | \$2,500,000 | 25% |
| Increasing sales staff ³ | \$250,000 | 5.56% | \$500,000 | 6.25% | \$500,000 | 5% |
| Acquisition of inventory ⁴ | \$750,000 | 16.67% | \$2,000,000 | 25% | \$2,500,000 | 25% |
| Repayments under Promissory Note Agreements ⁵ | \$620,000 | 13.78% | \$620,000 | 7.75% | \$620,000 | 6.20% |
| Working capital | \$1,880,000 | 41.78% | \$2,880,000 | 36% | \$3,880,000 | 38.80% |
| Total | \$4,500,000 | 100% | \$8,000,000 | 100% | \$10,000,000 | 100% |

Notes:

1. If the Company raises less than the Maximum Subscription or accepts less than the full Oversubscription then the budgets set out above may be reduced proportionately.
2. This includes costs associated with exploring new channels for customer acquisitions including via online and offline channels as well as developing more partnerships to acquire corporate clientele.
3. This includes costs associated with employing additional personnel to execute the Company's marketing strategies such as sales representatives, account managers and support staff.
4. This includes costs associated with purchasing inventory of confectionery in anticipation of orders under the B2C Business and the B2B Business, which will be repackaged as Candy Club Branded Confectionery.
5. Under the terms of the Promissory Note Agreements, the Company is required to repay a total of approximately \$620,000 to the Noteholders upon Admission. For a summary of the key terms of the Promissory Note Agreements, please refer to Section 10.7 of this Prospectus.

The Candy Club Group intends to fund the expenses of the Offer from the Company's existing cash and from the monies raised from Other Investors in the 12-month period prior to the IPO.

The Directors consider that on completion of the Offer (based on the Minimum Subscription) the Company will have adequate capital to meet its current objectives and requirements as set out in this Prospectus.

However, investors should be aware that the Company may expend its cash reserves on its activities more quickly than anticipated. The Directors will consider further equity funding where it considers that the raising of such further capital is necessary to meet the Company's objectives and requirements.

3. DETAILS OF THE OFFER



3. Details of the Offer

3.1 OFFER SHARES OFFERED

This Prospectus invites investors to apply for a total of up to 40,000,000 Offer Shares at an issue price of \$0.20 per Offer Share to raise up to \$8,000,000, with the potential to raise a further \$2,000,000 in Oversubscriptions by the issue of an additional 10,000,000 Offer Shares. The Offer will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer pursuant to this Prospectus.

All Offer Shares will be issued as fully paid and will rank equally in all respects with Shares already on issue.

Applications must be for a minimum of 10,000 Offer Shares and thereafter in multiples of 1,000 Offer Shares. The details of how to apply for Offer Shares are set out below.

Applicants should be aware that ASX will not admit any Offer Shares to Official Quotation until the Company has complied with Chapters 1 and 2 of the ASX Listing Rules and is admitted by ASX to the Official List. As such, the Offer Shares may not be able to be traded for some time after the close of the Offer.

In the event that the Company does not receive approval for Admission to the Official List, the Offer will be withdrawn and the Company will repay all Application monies received by it in connection with the Offer (without interest).

3.2 MINIMUM APPLICATION

Applications must be for a minimum of 10,000 Offer Shares and thereafter in multiples of 1,000 Offer Shares. Applications to acquire Offer Shares will only be accepted on submission of the Application Form attached to this Prospectus.

The Directors may reject any application or allocate any Applicant fewer Offer Shares than that Applicant applied for.

3.3 MINIMUM SUBSCRIPTION

The Minimum Subscription for this Offer is 22,500,000 Offer Shares to raise \$4,500,000. If the Minimum Subscription is not achieved within four (4) months after the date of this Prospectus, the Company will not allot any Offer Shares and all Application Monies will be returned without interest or the Company will issue a supplementary prospectus or replacement prospectus and allow Applicants one (1) month to withdraw their Applications and have their application monies refunded (without interest).

3.4 OVER-SUBSCRIPTIONS

The Company has the right but not the obligation to accept up to \$2,000,000 in Oversubscriptions through the issue of a further 10,000,000 Offer Shares. Therefore, the maximum amount that may be raised under this Prospectus is \$10,000,000 through the issue of 50,000,000 Offer Shares.

3.5 OPENING AND CLOSING DATES

Subscription for Offer Shares will open on 9:00am AEDT on the Offer Opening Date and remain open until 5:00pm AEDT on the Offer Closing Date.

The Offer Opening Date and Offer Closing Date are subject to the right of the Directors to either close the Offer at an earlier time and date or to extend the Offer Closing Date without prior notice. Applicants are encouraged to submit their Applications as early as possible.

3.6 APPLICATIONS FOR OFFER SHARES – HOW TO APPLY

Applications for Offer Shares may only be made on the Application Form attached to and forming part of this Prospectus. Please read the instructions on the Application Form carefully before completing it.

Completed Application Forms must be accompanied by a cheque in Australian dollars, crossed “Not Negotiable” and made payable to “Candy Club Holdings Limited Subscription A/C” and may be lodged at any time after the issue of the Prospectus and on or before the Offer Closing Date as follows:

by post to:

Candy Club Holdings Limited
C/- Automic Group
GPO Box 5193
Sydney NSW 2001

by hand to:

Candy Club Holdings Limited
C/- Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000

No brokerage or stamp duty is payable by Applicants.

3.7 ACCEPTANCE OF APPLICATIONS

An Application for Offer Shares may be accepted in full, for any lesser number, or rejected by the Directors, in consultation with the Lead Manager. If any Application is rejected, in whole or in part, the relevant Application monies will be returned without interest.

3.8 COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

The ASX requires the Company to comply with Chapters 1 and 2 of the ASX Listing Rules in order to be admitted to the Official List of the ASX.

There is a risk that the Company may not be able to meet the ASX’s requirements for listing. In the event that the conditions to the Offer are not satisfied, or the Company does not receive conditional approval for Official Quotation of its securities on the ASX, then the Company will not proceed with the Offer and will repay all Application monies received (without interest).

The key requirements of Chapters 1 and 2 of the ASX Listing Rules are:

- (a) a prospectus must be issued and lodged with ASX. This Prospectus is anticipated to fulfil this requirement;
- (b) the shareholder spread requirements set out in ASX Listing Rule 1.1 relating to the minimum spread of shareholdings and the minimum number of shareholders must be met;
- (c) the Company must satisfy either the ‘profits test’ or the ‘assets test’ contained in ASX Listing Rule 1.2 and 1.3 respectively (the Company is relying on the ‘assets test’ for Admission); and
- (d) the issue price of the Offer Shares under the Prospectus must be at least \$0.20.

3.9 COMPANY CONSTITUTION AND RIGHTS ATTACHING TO SHARES

The Constitution sets out the internal rules of the Company. This Section 3.9 summarises the material provisions of the Constitution, including the rights and liabilities attached to Shares. This summary is not intended to constitute an exhaustive statement of the rights and liabilities of Shareholders.

Issue of Shares

The issue of Shares by the Company is under the control of the Directors, subject to the Corporations Act, ASX Listing Rules and any rights attached to any special class of shares.

Transfer of Shares

Pursuant to the Constitution, a Shareholder may transfer a Share by any means permitted by the Corporations Act or by law.

3. Details of the Offer

The Company participates in the share registration and transfer system known as CHESS, which is operated by ASX under the Security Clearing House Business Rules. Under CHESS, the Company may issue holding statements in lieu of share certificates. The Company is not permitted to charge any fee for registering a transfer of shares. The Directors may refuse to register a transfer of Shares only if the refusal would not contravene the Corporations Act or the ASX Listing Rules, where the registration would create a new parcel of unmarketable securities.

Variation of rights attaching to Shares

The rights attached to Shares or any class of shares may, unless their terms of issue state otherwise, be varied with the written consent of 75% of the holders of issued shares of the affected class, or authorised by a special resolution passed at a separate meeting of the holders of the shares of the affected class.

Meetings of Shareholders (General meetings)

The Directors may call a meeting of Shareholders whenever they think fit.

Shareholders may call a meeting in accordance with the Corporations Act. Pursuant to the Constitution, the Notice of General Meeting sent to Shareholders must contain certain information.

The Constitution contains provisions prescribing the content requirements for notices of meetings sent to Shareholders. All Shareholders are entitled to attend, and will receive at least 21 days' notice of a general meeting (where the Company is listed on the ASX, a notice period of 28 days applies). A quorum for a general meeting is two (2) Shareholders who are eligible to vote at the general meeting.

The Company will hold an annual general meeting in accordance with the Corporations Act and the ASX Listing Rules.

Voting rights

Subject to any rights or restrictions for the time being attached to any Shares or class of shares of the Company, each Shareholder, whether present in person or by proxy, attorney or representative at a meeting of Shareholders, has one (1) vote on a show of hands and one (1) vote on a poll for each fully paid Share held and a fraction of a vote for each partly paid Share, equivalent to the proportion paid up on that Share. Resolutions of Shareholders will be decided by a show of hands unless a poll is demanded.

A poll may be demanded by the chairperson of the meeting, at least five (5) Shareholders (or their proxy, attorney or representative) entitled to vote on the resolution, or any one or more Shareholders holding not less than five percent (5%) of the votes that may be cast on the resolution on a poll.

Directors

The business of the Company is to be managed by or under the direction of the Directors. The Company must have at least three (3) Directors and not more than ten (10). The Board may appoint a person to be a Director at any time, but any such Director must retire at the next annual general meeting (at which meeting he or she may be eligible for election as Director).

The Company in general meeting may elect Directors by ordinary resolution.

At each annual general meeting, with the exception of the Managing Director and those Directors appointed by the Board, one third of the Directors and any Director who will have been in office for three (3) or more years must retire from the Board, and are eligible for re-election.

The aggregate remuneration of the non-executive Directors must not exceed the amount last fixed by ordinary resolution.

Dividends

The Directors may pay any interim and final dividends as, in their judgment, the financial position of the Company justifies.

Subject to any rights attaching to Shares which may in the future be issued with special or preferred rights, the Directors may fix the amount, the time for payment and the method of payment of a dividend. Subject to any special rights attaching to Shares or any other class of shares (such as preference shares), dividends will be paid proportionately. The Company is not required to pay any interest on dividends.

Winding Up

On a winding up of the Company a liquidator may, with the sanction of a special resolution of the Shareholders, divide among the Shareholders the property of the Company in proportion to the Shares held by them. The liquidator may determine how the division is to be carried out as between the members or different classes of members.

3.10 OPTIONS

Lead Manager Options

Pursuant to the Lead Manager Mandate, the Company will issue 2,000,000 Options to the Lead Manager (or its nominees) following completion of the Offer, on the terms and conditions below (**Lead Manager Options**). All other terms and conditions of the Lead Manager Options will be in accordance with the requirements of the ASX Listing Rules:

- (a) Each Lead Manager Option entitles the holder, on exercise, to one Share in the Company at the exercise price of \$0.30, per Lead Manager Option exercised.
- (b) Shares issued on exercise of the Lead Manager Options will rank equally with other Shares of the Company.
- (c) Each Lead Manager Option can be exercised at any time prior to four (4) years from the date of issue of the Lead Manager Option (Expiry Date), by completing a Notice of Exercise and delivering it to the Company, together with:
 - the exercise monies payable to the Company,
 - the original option certificate in respect of the Lead Manager Options referred to in the Notice of Exercise of Lead Manager Options.
- (d) Any Lead Manager Options that have not been exercised prior to the Expiry Date automatically lapse on the Expiry Date.
- (e) The Notice of Exercise of Lead Manager Options is, once given to the Company, irrevocable.
- (f) Lead Manager Options may not be transferred.
- (g) If the Company is admitted to the official list of the ASX on the date of exercise of the Lead Manager Options, the Company will apply to ASX for official quotation of Shares issued thereunder. However, quotations of Lead Manager Options on the ASX will not be sought.
- (h) There are no participating rights or entitlements inherent in the Lead Manager Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Lead Manager Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least nine (9) Business Days after the issue is announced.
- (i) If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves (Bonus Issue), each holder of the Lead Manager Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Lead Manager Options, the number of Shares which would have been issued under the Bonus Issue (Bonus Shares) to a person registered as holding the same number of Shares as that number of Shares to which the holder of the Lead Manager Options may subscribe for, pursuant to the exercise of those Lead Manager Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).
- (j) In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Lead Manager Options to which each holder is entitled or the exercise price of his or her Lead Manager Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the ASX Listing Rules.

3. Details of the Offer

Options issued to Keith Cohn

In addition, the Company has issued 87,668 Options to Mr Keith Cohn as consideration for the termination of an option that Mr Keith Cohn held to acquire shares in CCH on terms otherwise identical to the terms of issue of the Lead Manager Options except as follows:

| HOLDER | OPTIONS HELD | EXERCISE PRICE | EXPIRY DATE |
|------------|--------------|----------------|---------------|
| Keith Cohn | 87,668 | US\$1.17 | 11 March 2020 |

3.11 EMPLOYEE SHARE OPTION PLAN

As part of the corporate restructure whereby the Company acquired all the issued share capital in CCH, the Company agreed to assume the obligations of CCH pursuant to an employee share option plan adopted by CCH (**CCH ESOP**). Under such arrangement, the Company, CCH and the holders of options under the CCH ESOP have agreed to convert the entitlements of the optionees under the CCH ESOP into 2,269,616 Options (**CCH ESOP Options**) which will entitle the holders of the CCH ESOP Options to receive up to 2,269,616 Shares upon payment of the relevant exercise price referred to below on or before the relevant expiry date.

| HOLDER | CCH ESOP OPTIONS HELD | EXERCISE PRICE | EXPIRY DATE | GRANT DATE |
|---|--------------------------|----------------|-------------------------------------|--|
| Employees of the Candy Club Business | 143,823 | US\$1.17 | 48 months from the date of grant | Between 30 March 2015 and 12 September 2016 |
| Employees of the Candy Club Business | 1,582,128 | US\$0.0029 | 48 months from the date of grant | Between 5 April 2017 and 15 August 2018 |
| Keith Cohn | 543,665 | US\$1.17 | 48 months from the date of grant | 5 November 2015 and 1 July 2016 |
| TOTAL | 2,269,616 | | | |

The CCH ESOP Options are subject to a vesting condition that the holder of the CCH ESOP Options continue to be employed by the Candy Club Group, whereby the CCH ESOP Options shall vest and be exercisable by such CCH ESOP Options holder in accordance with the following:

- 25% of the CCH ESOP Options shall vest and be exercisable on the date being 12 months from the date of grant of the relevant CCH ESOP Options; and
- 75% of the CCH ESOP Options shall vest and be exercisable rateably on a monthly basis for the remaining 36 months prior to the expiry date of the relevant CCH ESOP Options.

3.12 PERFORMANCE SHARES

The Company has issued Performance Shares to the Key Management Entities, as follows:

| HOLDER | NUMBER OF PERFORMANCE SHARES | RELATIONSHIP TO COMPANY |
|-------------------------------------|---------------------------------|---------------------------------------|
| Sabone Internet Investments, LLC | 2,000,000 | Related entity of Mr Keith Cohn |
| RJIR Pty Ltd <The ZDR Family Trust> | 2,000,000 | Related entity of Mr Zachry Rosenberg |
| TOTAL | 4,000,000 | |

The Performance Shares shall be convertible into 4,000,000 Shares upon the achievement of the milestones referred to below on or before the date being three (3) years from the date of the Company's Admission to the ASX.

| PERFORMANCE SHARE | NUMBER | PERFORMANCE MILESTONE |
|-------------------|------------------|---|
| Class A | 1,000,000 | The Company achieving accumulated revenue of at least \$15,000,000 within any 12 month period prior to the expiry date of the Performance Shares. |
| Class B | 1,000,000 | The Company achieving accumulated revenue of at least \$20,000,000 within any 12 month period prior to the expiry date of the Performance Shares. |
| Class C | 1,000,000 | The Company achieving accumulated revenue of at least \$25,000,000 within any 12 month period prior to the expiry date of the Performance Shares. |
| Class D | 1,000,000 | The Company achieving accumulated revenue of at least \$30,000,000 within any 12 month period prior to the expiry date of the Performance Shares. |
| TOTAL | 4,000,000 | |

The Performance Shares have been issued on the following terms and conditions:

- (a) that unless and until the applicable performance milestone is achieved and Performance Shares are converted into Shares, each Performance Share shall not:
 - (i) be transferable (and consequently, not be quoted on ASX or any other exchange);
 - (ii) confer any right to vote, except as otherwise required by law;
 - (iii) confer any entitlement to a dividend, whether fixed or at the discretion of the directors;
 - (iv) confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise;
 - (v) confer any right to participate in the surplus profit or assets of the Company upon a winding up; or
 - (vi) confer any right to participate in new issues of securities, such as bonus issues or entitlement issues;
- (b) that the conversion of the Performance Shares into Shares shall be subject to the relevant performance milestones being achieved within three (3) years from the date of the Company's admission to the Official List of the ASX;
- (c) that if the relevant performance milestones are not achieved by such date, the Performance Shares shall be cancelled for nil consideration.

Effect on share capital structure of the Company

The tables below provide a summary of the effect on the Company's share capital structure following completion of the Offer at the Minimum Subscription, Maximum Subscription and if the full amount of the Oversubscription is raised in two alternate scenarios depending on whether:

- Scenario 1 – where none of the performance milestones are achieved and no Performance Shares are converted into Shares; and
- Scenario 2 – where all of the performance milestones are achieved and 4,000,000 Performance Shares are converted into 4,000,000 Shares.

Both scenarios assume that no Options have been exercised and no Shares have been issued thereunder.

3. Details of the Offer

Scenario 1

| | MINIMUM SUBSCRIPTION | | MAXIMUM SUBSCRIPTION | | OVERSUBSCRIPTION | |
|--|----------------------|---------------|----------------------|---------------|--------------------|---------------|
| SHAREHOLDER | SHARES | % | SHARES | % | SHARES | % |
| Shares on issue as at the date of Prospectus | | | | | | |
| Original CCH Shareholders | 75,381,502 | 55.66% | 75,381,502 | 48.92% | 75,381,502 | 45.76% |
| Seed Capitalists | 29,181,370 | 21.55% | 29,181,370 | 18.94% | 29,181,370 | 17.71% |
| Lead Manager (or its nominees) | 2,163,527 | 1.60% | 2,163,527 | 1.40% | 2,163,527 | 1.31% |
| Subtotal | 106,726,399 | 78.81% | 106,726,399 | 69.26% | 106,726,399 | 64.78% |
| Shares to be issued following completion of the Offer | | | | | | |
| Lead Manager (or its nominees) ¹ | 6,202,161 | 4.58% | 7,358,376 | 4.78% | 8,018,376 | 4.87% |
| Offer Shares | 22,500,000 | 16.61% | 40,000,000 | 25.96% | 50,000,000 | 30.35% |
| Subtotal | 28,702,161 | 21.19% | 47,358,376 | 30.74% | 58,018,376 | 35.22% |
| Total Shares on issue on Admission | 135,428,560 | 100% | 154,084,775 | 100% | 168,744,775 | 100% |

Notes:

- Pursuant to the Lead Manager Mandate, upon Admission the Lead Manager (or its nominees) is entitled to be issued such amount of Shares which includes a component equivalent to 3% of the Company's Enterprise Value as at Admission. This amount is therefore an estimate only based on the approximate calculation of the Company's Enterprise Value as at Admission and includes Shares relating to the GST payable on such amount. For more information on the terms of the Lead Manager Mandate and the securities to be issued to the Lead Manager (or its nominees) on Admission, please refer to Section 10.11 of this Prospectus.

Scenario 2

| | MINIMUM SUBSCRIPTION | | MAXIMUM SUBSCRIPTION | | OVERSUBSCRIPTION | |
|---|----------------------|---------------|----------------------|---------------|--------------------|---------------|
| SHAREHOLDER | SHARES | % | SHARES | % | SHARES | % |
| Shares on issue as at the date of Prospectus | | | | | | |
| Original CCH Shareholders | 75,381,502 | 54.06% | 75,381,502 | 47.68% | 75,381,502 | 44.67% |
| Seed Capitalists | 29,181,370 | 20.93% | 29,181,370 | 18.46% | 29,181,370 | 17.29% |
| Lead Manager (or its nominees) | 2,163,527 | 1.55% | 2,163,527 | 1.37% | 2,163,527 | 1.28% |
| Subtotal | 106,726,399 | 76.55% | 106,726,399 | 67.51% | 106,726,399 | 63.25% |
| Shares to be issued following completion of the Offer | | | | | | |
| Lead Manager (or its nominees) ¹ | 6,202,161 | 4.45% | 7,358,376 | 4.65% | 8,018,376 | 4.75% |
| Offer Shares | 22,500,000 | 16.14% | 40,000,000 | 25.30% | 50,000,000 | 29.63% |
| Subtotal | 28,702,161 | 20.59% | 47,358,376 | 29.96% | 58,018,376 | 34.38% |
| Shares issued upon achievement of Performance Milestones | | | | | | |
| Holders of Performance Shares | 4,000,000 | 2.87% | 4,000,000 | 2.53% | 4,000,000 | 2.37% |
| Subtotal | 4,000,000 | 2.87% | 4,000,000 | 2.53% | 4,000,000 | 2.37% |
| Total Shares on issue on Admission | 139,428,560 | 100% | 158,084,775 | 100% | 168,744,775 | 100% |

Notes:

- Pursuant to the Lead Manager Mandate, upon Admission the Lead Manager (or its nominees) is entitled to be issued such amount of Shares which includes a component equivalent to 3% of the Company's Enterprise Value as at Admission. This amount is therefore an estimate only based on the approximate calculation of the Company's Enterprise Value as at Admission and includes Shares relating to the GST payable on such amount. For more information on the terms of the Lead Manager Mandate and the securities to be issued to the Lead Manager (or its nominees) on Admission, please refer to Section 10.11 of this Prospectus.

3.13 DIVIDEND POLICY

The Board anticipates that significant expenditure will be incurred in executing its proposed expansion strategies following completion of the Offer. These activities are expected to dominate at least, the period of two years following the date of Admission. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the sole discretion of the Directors and will depend on the availability of distributable earnings, operating results and financial condition of the Company, future capital requirements and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

3.14 ALLOTMENT

Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Offer Shares for which the Application is accepted.

The Company will allot and issue the Offer Shares offered by this Prospectus as soon as possible after the grant of Official Quotation of the Shares offered under this Prospectus.

Following the allotment and issue of the Offer Shares, statements illustrating Applicants' shareholdings in the Company will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

3.15 APPLICATION MONIES HELD ON TRUST

All Application monies received for the Offer Shares offered under this Prospectus will be held in trust in a bank account established solely for the purpose of depositing Application monies received pursuant to this Prospectus until the Offer Shares are allotted. Application monies will be returned (without interest) if the Offer Shares are not allotted.

3.16 TAXATION

The taxation consequences of an investment in the Shares under the Offer contained in this Prospectus, including the acquisition and disposal of Shares, will depend on the particular circumstances of each Applicant. HLB Mann Judd (Vic) Pty Ltd has prepared the Taxation Report contained in Section 9 of this Prospectus, as a general guide to investors contemplating investing in the Company.

It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in the Company should seek independent professional advice with respect to the tax consequences arising from such an investment.

3.17 FOREIGN SELLING RESTRICTIONS AND OVERSEAS APPLICANTS

This Prospectus does not, and is not intended to, constitute an offer of securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has not taken any action to register or qualify the Shares the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

It is the responsibility of any applicant for Shares that is based in a foreign jurisdiction (outside Australia) to ensure compliance with all laws of any foreign jurisdiction that are relevant and applicable to their Application. The return of a properly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of any applicable foreign jurisdiction laws and that all necessary approvals and consents have been obtained.

3. Details of the Offer

3.18 ESCROW

No Shares issued under the Offer are subject to escrow.

However, a proportion of the Shares and Options currently on issue as at the date of this Prospectus will be subject to ASX imposed escrow for a period of up to 24 months from Admission.

Additionally, the Company intends to apply for “look through” relief from Appendix 9B and Chapter 9 of the ASX Listing Rules to allow the Shares held by unrelated Original CCH Shareholders to be treated similarly to those of seed shareholders in the Company (**ASX Waiver Application**).

Apart from the ASX Waiver Application, the Company has not applied for or obtained any additional modifications of, or exemptions from, the ASX Listing Rules pursuant to this Offer.

Assuming that the ASX Waiver Application is granted, the Company anticipates that the following securities on issue as at the date of this Prospectus, will be subject to escrow restrictions under the ASX Listing Rules as follows:

- a proportion of the Shares held by Original CCH Shareholders will be escrowed for up to 24 months from the date of Admission;
- 4,662,770 Shares issued to unrelated Seed Capitalists will be escrowed for 12 months from the date of issue of the relevant Shares;
- 1,633,434 Shares held by Seed Capitalists that are parties related to related entities of the Company will be escrowed for 24 months from the date of Admission;
- 1,938,527 Shares held by the Lead Manager (or its nominees) will be escrowed for 24 months from the date of Admission; and
- any Shares issued pursuant to the 4,000,000 Performance Shares will be escrowed for 24 months from the date of Admission.

Additionally, the Company anticipates the following Shares and Options to be issued on Admission will be subject to escrow restrictions under the ASX Listing Rules as follows:

- up to 8,018,376 Shares to be issued to the Lead Manager (or its nominees) will be escrowed for 24 months from the date of Admission; and
- 2,000,000 Lead Manager Options to be issued to the Lead Manager (or its nominees) will be escrowed for 24 months from the date of Admission.

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

3.19 CHESS

The Company will apply to participate in the Clearing House Electronic Sub-Register System (**CHESS**) operated by ASX Settlement Pty Ltd (**ASX Settlement**), a wholly owned subsidiary of ASX, in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.

Under this system, the Company will not issue certificates to investors. Instead, investors will receive a statement of their holdings in the Company.

If an investor is broker sponsored, ASX Settlement will send them a CHESS statement. The CHESS statement will set out the number of securities allotted to each investor under the Prospectus, give details of the investor's Holder Identification Number (**HIN**) and provide the participant an identification number of the sponsor.

Alternatively, if an investor is registered on the issuer sponsored subregister, their statement will be dispatched by the Share Registry and will contain the number of securities allotted under the Prospectus and the investor's Security holder Reference Number (**SRN**) and their Sponsor Issuer Number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be made for additional statements.

3.20 PROFESSIONAL ADVICE

The Directors recommend that potential investors, when making an informed assessment of what will be the assets and liabilities, financial position, profits and losses and prospects of the Company should read this Prospectus in its entirety. Potential investors who have any questions about investing in the Company or are in any doubt about any matter relating to the Offer, should seek the advice of their professional advisors.

3.21 WITHDRAWAL

The Company may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application monies without interest at the earliest practicable time.

4. INDUSTRY AND MARKET OVERVIEW



4. Industry and Market Overview

4.1 SUBSCRIPTION RETAIL

The Candy Club Group's operations have historically been based on a subscription retail business model, where individuals located in the USA can subscribe for monthly shipments of confectionery, based on a variety of plan types.

This retail strategy of offering products via "subscription boxes" is often considered to have been popularised by a company in 2010 that began delivering its subscribers with a sample of beauty products on a monthly basis. Since then, many other providers of subscription boxes have entered the market, with a wide range of product offerings. It has been estimated that as of February 2018, there were close to 7,000 subscription box companies globally, and 70% of these companies were based in the USA.

Subscription boxes are becoming an increasingly popular method of purchasing products online, with 15% of e-commerce shoppers estimated to have purchased a subscription for subscription boxes in the 12 months to November 2017. During Q1 2018, it was estimated that 18.5 million Americans visited at least one website offering subscription boxes, representing a 24% year-on-year increase.

Broadly speaking, subscription boxes can be further delineated as:

- replenishment subscriptions – that allow consumers to automate the purchase of commodity items. Products commonly offered as replenishment subscriptions include shaving razors and baby diapers;
- curation subscriptions – that provide new items or personalized experiences in categories such as apparel, beauty and food; and
- access subscribers – that provide subscribers with exclusive members-only advantages such as lower prices.

Curation subscriptions were estimated to constitute 55% of all subscriptions box products available in 2018, suggesting a strong desire for personalized services. The Board considers that the subscription service for Candy Boxes offered as part of the B2C Business segment, which allows consumers to receive a customised or curated selection of the Candy Club Branded Confectionery by the Company, to fall within this category and will appeal to consumers who want to discover new varieties of confectionery.

Furthermore it is estimated that subscription services offering food products which already represents the largest category of available subscription box services, continue to experience strong interest as demonstrated by visits to online subscription services which have increased by 8% year-on-year from April 2017 to April 2018. The strong demand for subscription services offering food products is further supported by investment trends in food and beverage based subscription boxes which grew with a Compound Annual Growth Rate (**CAGR**) of 146.5% between 2013 and 2016.

4.2 CONFECTIONERY

The chocolate, sugar and gum categories have each experienced growth in 2017, delivering a 3.6% gain for the global confectionery industry in 2017. Total sales in the USA confectionery industry were US \$35 billion in 2017, with the biggest growth category experienced in sugar confectionery which experienced a 3.9% increase in sales from 2016. The USA National Confectioner's Association, an industry body for the USA confectionery industry, reports that in the USA, confectionery sales increased 1.8% in 2017, up from a growth of 1.2% in 2016, with non-chocolate sales (such as confectionery) leading growth.

The USA is by far the largest confectionery market in the world, accounting for more than 75% of the global confectionery volume share. Household penetration of confectionery was 97.2% in 2017, with the average US household purchasing confectionery 17.4 times per year. The average customer consumes confectionery two to three times a week, with 90% of USA consumers giving confectionery as a gift.

Confectionery is also the fourth largest category by revenue in multi-center stores (such as supermarkets, drug stores and mass market retail stores). In 2017 confectionery, which includes chocolate, non-chocolate and gum, was estimated to be the 4th largest category by sales in multi-centre stores and convenience stores, totalling approximately US\$25 billion, the top selling item by category in drug stores, the 6th largest category in convenience stores and the 8th largest category in grocery stores.

4. Industry and Market Overview

Changes in consumption rates of confectionery and snack food, are generally considered to be affected by several factors including levels of consumer disposable income. In particular, demand for confectionery is largely driven by the price of confectionery relative to per capita disposable income. During periods of economic downturn, many consumers retain less disposable income and respond by increasing inexpensive purchases, including confectionery, which is generally affordable. Because of low base prices and brand loyalty, consumer demand for confectionery remains steady despite the moderate rise in confectionery prices that followed recurrent periods of sugar price increases, and confectionery's affordability also drives impulse purchases.

Confectionery Industry Trends

Demand for confectionery is highly seasonal and in USA, total industry demand peaks during seasonal holidays such as Christmas, Valentine's Day, Halloween and Easter.

A trend in the confectionery industry is the increased prevalence organic or gluten-free confectionery, or confectionery using non-genetically modified (**GMO**) ingredients.

Additionally, producers are moving away from using animal-based gelatine and toward fruit pectin and vegetable-based starches, to develop products to appeal to consumers who may otherwise not purchase confectionery for personal or religious reasons. Premium, higher-margin confectionery has outpaced demand for lower-margin mainstream and private-label products, in part because of manufacturers' experimentation with new flavours, combinations and textures, and reformulation of ingredients to appeal to consumers' growing health consciousness.

Conversely, consumption of soft confectionery (such as gelatine based marshmallows, gummy worms, jelly beans and gum drops) is sugar-heavy or sugar coated, and therefore difficult to adapt to health-conscious consumers. Being most popular with children, sales of soft confectionery are also vulnerable to concerns about child obesity, and are declining as a share of revenue. However, hard confectionery (such as candy canes, boiled confectionery, or confectionery covered in a shell) is easier to produce sugar-free and also caters to older consumers, and for those reasons has not been as vulnerable to health concerns.

4.3 CONFECTIONERY CONSUMPTION

The market for confectionery varies by generation, with the USA National Confectioner's Association reporting that 46% percent of confectionery sales in the USA during 2017 and 87% of overall growth in the confectionery market could be attributed to millennials (those born during 1981 to 1997) and Gen X (those born during 1965 to 1980).

The USA National Confectioner's Association reports that "young" millennials tended to purchase gift box chocolates, liquorice, chewy confectionery and bags of individually wrapped confectionery, while "older" millennials tended to purchase plain mints, hard sugar confectionery, bags of individually wrapped confectionery and liquorice. Gen-X consumers tended to purchase plain mints, chewy confectionery, hard sugar confectionery and gift box chocolate, while baby boomers (those born during 1946 to 1964) showed no strong confectionery preference and older people (those born during 1964 or earlier) preferred novelty non-chocolate confectionery, chewy confectionery or gift box chocolates. Generally, millennials purchased relatively less confectionery, substituting snacks for confectionery.

Demographics play a key role in industry demand, as children under the age of nine are a major consumer market for confectionery and snack products. As more Americans have chosen not to have children, the number of households without children has risen, reducing the confectionery industry's primary consumer base and the demand for some confectionery products. Conversely, demand for premium confectionery products, which is primarily driven by adult consumers over the age of 25, has risen.

4.4 COMPETITORS

Confectionery Retail Industry

The confectionery retail industry has a very high level of market saturation, with confectionery and similar treats found across almost all retail channels, ranging from supermarkets and grocery stores to petrol stations and movie theatres. The Company therefore faces competition from a variety of confectionery retailers in the USA, from large retail chains (such as supermarkets, drug stores and bulk goods stores) to speciality outlets.

In the USA, supermarkets, grocery stores and mass merchandisers (i.e. locations that sell a variety of goods, including groceries, clothes and electronics) are the largest broad market for confectionery industry products and are anticipated to represent a combined 35.5% of wholesale revenue for the confectionery industry in 2018. Confectionery in such stores may be purchased directly from the manufacturer or from grocery distributors.

Convenience stores, which may or may not be connected to petrol stations, generally sell individual serving size confectionery items, and account for the majority of confectionery or chocolate purchases made on impulse.

Finally it is anticipated that speciality stores will account for 8.6% of confectionery retail industry revenue in the USA. Speciality stores provide premium to middle-end confectionery products that are more frequently bought for special occasions, such as holidays. All other retail channels account for the remaining 40.2% of industry revenue in the USA, including sales between wholesalers (estimated to account for 19.8% of revenue), with the remaining market characterized by a wide variety of different outlets, ranging from dollar stores and street vendors to gift shops, bookstores and other retail outlets.

Confectionery Manufacturing Industry

As the Company repackages and rebrands confectionery that it purchases from wholesalers for sale to retailers, it also faces competition from manufacturers of branded confectionery. The confectionery retail industry in the USA is relatively concentrated, with a high level of brand recognition.

The Hershey Company and Mars dominate USA confectionery sales, with the Hershey Company and Mars holding market share of approximately 15.8% and 38.1% respectively in the USA based on sales of confectionery for the 2017 calendar year. Mars operates within the industry through its chocolate and Wrigley segments, which include brands such as M&M's, Skittles, Milky Way, Snickers and Orbit and was estimated to have generated US\$35 billion in total global revenue in 2016. The Hershey Company is North America's largest manufacturer of chocolate as well as other cocoa-based grocery products, with its most recognisable brands including Hershey's Chocolate and Kisses, Kitkats and Reese's, generating total net sales of over US\$7.5 billion across all business segments and geographic regions in 2017.

Since confectionery and snacks are discretionary food items, quality is one of the most important bases of competition, and consumers tend to be discerning of confectionery products' quality (as measured by taste, colour and texture) and well-established brand names such as Mars, Nestle, Hershey and Godiva are typically perceived by consumers as higher quality goods.

Confectionery manufacturers may try to differentiate their products and distinguish their brands through marketing activities such as television and online advertising and in-store displays, or implementing creative or unusual packaging.

Substitutability

Sugar confectionery also can be substituted with chocolate, which is the confectionery industry's second largest product segment, accounting for an estimated 19.7% of industry revenue in the USA in 2018. Bar or block chocolates are stocked by supermarkets and convenience stores as impulse purchases while boxed chocolates are primarily sold as seasonal items marketed during holidays.

Health trends may favour dark chocolate, which naturally contains higher levels of bioflavonoids (beneficial antioxidants) and processed fats than regular milk chocolate. According to the USA National Confectioners' Association, retail sales of premium chocolate have experienced consecutive years of double-digit growth in 2015 and 2016.

This popularity may also be boosted by the use of innovative ingredients such as the inclusion of unorthodox ingredients including sea salt, chilli or acai berry in chocolate bars.

5. BOARD AND CORPORATE GOVERNANCE



5. Board and Corporate Governance

The Company is very cognizant of investor expectations with respect to governance and communications. In that regard, the Board is constituted of directors who have extensive skills and experience in both business operations and governance. The Board has a broad base of experience covering operational, technical, corporate and commercial backgrounds, spanning a number of decades and across a range of different industries. The Board is well positioned to implement, oversee and monitor the Company's strategic objectives.

5.1 DIRECTORS' PROFILES

Current Directors

| DIRECTOR | EXPERIENCE | | | | | | | | | | |
|--|---|------|---------------------------|----------|-----------|------------------------------|-------------|------------------------------|--|---------------------|--|
|  | <p>Mr Robert Hines</p> <p>Robert has been a member of the Australian Institute for Company Directors (AICD) since 1997, including serving on the AICD Board in Queensland from 2000 to 2004.</p> <p>Mr Hines has held a number of Board positions since 2001, including Chairman of Genetraks Ltd, Group Chairman of the CEO Circle, executive director of VeCommerce Ltd and non-executive director of Sportsbet Pty Ltd.</p> <p>He was also a member of the Advisory Board of Griffith University from 2002 to 2004.</p> <p>Robert is currently a non-executive director of Donaco International Limited (ASX:DNA), the Chair of Donaco International Limited's Audit & Risk Committee and Remuneration, Nominations & Corporate Governance Committee, a non-executive director of Peninsula Leisure Pty Ltd and the Chairman of the Advisory Board of Sportsbet Pty Ltd.</p> <p>Robert previously held the role of CEO of Racing Victoria Limited (RVL) from 2008 to 2012. RVL is the peak body for thoroughbred horse racing in Victoria, with a budget exceeding \$300 million per annum, direct responsibility for up to 200 staff and indirect responsibility for 58 race clubs and numerous member associations. As CEO of RVL, Robert oversaw all aspects of the operation and management for thoroughbred horse racing in Victoria, including the strategic direction of the business and stakeholder, government and member relations.</p> <p>Robert was previously the CEO of Jupiters Limited from 2000 to 2005. Jupiters Limited is a public company with diverse interests in tourism, leisure, gaming and technology, including 3 hotel/casinos in Queensland. It was acquired by TABCORP in 2005 to form the largest gaming entertainment company in Australia. Prior to that, Robert held the role of CEO of AWA Limited from 1997 to 2000, which has interests ranging from communications, micro-electronics, defence, traffic-control systems and computers, to marine, general aviation, radio broadcasting, tracking stations, closed-circuit televisions, surveillance systems and electrical equipment. Renowned for being at the technological forefront, AWA pioneered the introduction of both television and radio in Australia.</p> <p>Robert is also currently a non-executive director of the Sporting Chance Cancer Foundation and the Chairman of World of Difference Volunteer Tourism.</p> <table> <tr> <td>Role</td><td>Non-Executive Chairperson</td></tr> <tr> <td>Location</td><td>Australia</td></tr> <tr> <td>Independence or affiliations</td><td>Independent</td></tr> <tr> <td>Legal or disciplinary action</td><td>Robert has not been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of his duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Offer Shares.</td></tr> <tr> <td>Insolvent companies</td><td>Robert has not been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that he was an officer or within a 12 month period after he ceased to be an officer.</td></tr> </table> | Role | Non-Executive Chairperson | Location | Australia | Independence or affiliations | Independent | Legal or disciplinary action | Robert has not been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of his duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Offer Shares. | Insolvent companies | Robert has not been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that he was an officer or within a 12 month period after he ceased to be an officer. |
| Role | Non-Executive Chairperson | | | | | | | | | | |
| Location | Australia | | | | | | | | | | |
| Independence or affiliations | Independent | | | | | | | | | | |
| Legal or disciplinary action | Robert has not been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of his duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Offer Shares. | | | | | | | | | | |
| Insolvent companies | Robert has not been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that he was an officer or within a 12 month period after he ceased to be an officer. | | | | | | | | | | |

5. Board and Corporate Governance

DIRECTOR

EXPERIENCE



Mr Keith Cohn

Keith founded the Candy Club Business in 2014 and currently serves as the Chief Executive Officer of the Company.

Keith has over 20 years of consumer industry experience and has held various executive marketing roles in the industry. Keith began his career as a Product Manager for Parkers Brothers, a Division of Hasbro, Inc in managing the product lines of toys. He then proceeded to work as a Senior Product manager for Mattel, Inc. Keith subsequently worked at Equity Marketing, Inc, where he served as Vice President of the consumer division and was responsible for negotiating master licensing agreements with Universal Studios, Warner Bros. Entertainment Inc. and Lyrick Studios and launched product lines on a worldwide basis.

In 2000, Keith co-founded Vendare Media, a digital marketing enterprise. Keith grew Vendare Media from pre-revenue to approximately \$200 million in annual sales and remained Chief Executive Officer of Vendare Media until early 2006.

In 2008, Keith founded Bardon Advisors, a digital marketing company focused on high-value search engine marketing. He remained as the Chief Executive Officer until it was acquired in 2010 in a deal valued at \$30 million.

| | |
|-------------------------------------|---|
| Role | Chief Executive Officer, Executive Director |
| Location | Los Angeles, California, USA |
| Independence or affiliations | Not Independent |
| Legal or disciplinary action | Keith has not been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of his duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Offer Shares. |
| Insolvent companies | Keith has not been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that he was an officer or within a 12 month period after he ceased to be an officer. |

DIRECTOR**EXPERIENCE****Mr Zachry Rosenberg**

Zachry is the Founding Partner of Capital Zed, a private growth capital investor based out of Melbourne, Australia, with significant minority investments in Australia, New Zealand, the USA, Hong Kong and the United Kingdom.

His current Board roles include Unleashed Software Limited (New Zealand), The Influential Network (USA), Predictive Hire Pty Ltd (Australia) and Intelledox Pty Ltd (Australia), as well as a number of private investment companies and vehicles.

Zachry also serves as a Board Advisor to BidEnergy Limited (BID: ASX).

Zachry's previous roles include as Managing Director/Head of Investment Banking from 2012 to 2015 at Canaccord Genuity (Melbourne), Managing Director/Head of Investment Banking from 2009 to 2012 at Keefe, Bruyette & Woods (Hong Kong), Managing Director/Head of Investment Banking at Fox-Pitt, Kelton (Hong Kong) from 2005 to 2009 and Executive Director at CIBC World Markets (Hong Kong/Singapore) from 2000 to 2005.

Zachry holds a Bachelor of Commerce from Monash University.

| | |
|-------------------------------------|--|
| Role | Non-Executive Director |
| Location | Melbourne, Australia |
| Independence or affiliations | Independent |
| Legal or disciplinary action | Zachry has not been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of his duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Offer Shares. |
| Insolvent companies | Zachry has not been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that he was an officer or within a 12 month period after he ceased to be an officer. |

5. Board and Corporate Governance

DIRECTOR

EXPERIENCE



Mr Chi Kan Tang

Kan is the founding partner of Asia Summit Capital, a private equity firm established in 2014, focused on consumer growth and the technology sector in Indonesia and Southeast Asia. Prior to this, Kan developed considerable experience in the online and landbase gaming industry with particular expertise in markets within the Asia-Pacific region.

In 2003, Kan co-founded AsianLogic Limited, a Hong Kong based gaming company. During his time at Asianlogic, he took on numerous senior roles and responsibilities from CFO in the early stages of the company growth, to Business Development Director and was promoted to Chief Officer of Asianlogic from 2009 to 2014.

Kan has also launched a series of SMEs including multiple F&B, leisure and 7-Eleven franchises in Hong Kong and the Philippines.

Kan is a qualified Chartered Professional Accountant (CPA) and qualified Chartered Financial Analyst (CFA) and holds a Bachelor of Commerce from the University of Alberta.

| | |
|-------------------------------------|---|
| Role | Non-Executive Director |
| Location | Hong Kong |
| Independence or affiliations | Not Independent |
| Legal or disciplinary action | Kan has not been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of his duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Offer Shares. |
| Insolvent companies | Kan has not been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that he was an officer or within a 12 month period after he ceased to be an officer. |

Proposed Director

DIRECTOR

EXPERIENCE



Mr James Baillieu

James is currently Non-Executive Chairman of BidEnergy Limited (ASX:BID).

James previously served as Senior Vice President of Business Development at Aconex Limited (ASX:ACX) and was an early investor in and consultant to Aconex Limited.

James spent more than seven years as a consultant with McKinsey & Co, assisting businesses in Australia and internationally with strategy and operational improvement. James was previously a lawyer who practised in commercial law with Mallesons Stephen Jacques in the 1990s.

James holds an LLB (First Class Honours) and Bachelor of Arts from the University of Melbourne.

| | |
|-------------------------------------|---|
| Role | Proposed Non-Executive Director |
| Location | Melbourne, Australia |
| Independence or affiliations | Independent |
| Legal or disciplinary action | James has not been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of his duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Offer Shares. |
| Insolvent companies | James has not been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that he was an officer or within a 12 month period after he ceased to be an officer. |

5.2 OTHER KEY PERSONNEL

Mr Justyn Stedwell (Company Secretary)

Justyn Stedwell is a professional company secretary, with over 11 years' experience as a company secretary of ASX-listed companies in various industries including biotechnology, agriculture, mining and exploration, information technology and telecommunications.

Justyn's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting from Deakin University and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

He is currently company secretary at several ASX-listed companies, including Imugene Ltd (ASX:IMU), Ultracharge Limited (ASX:UTR), Rectifier Technologies Ltd (ASX:RFT), Eagle Health Holdings Limited (ASX:EHH), Atrum Coal Ltd (ASX:ATU), Fertoz Ltd (ASX:FTZ), Broo Ltd (ASX:BEE), Lifespot Health Ltd (ASX:LSH) and Golden Mile Resources Ltd (ASX:G88).

5. Board and Corporate Governance

5.3 DISCLOSURE OF DIRECTORS AND COMPANY SECRETARY'S INTERESTS

5.3.1 Directors' and Company Secretary's interests

Other than as set out below or elsewhere in this Prospectus, no Director and no firm in which a Director is a partner, has an interest in the promotion or in property proposed to be acquired by the Company in connection with its formation or promotion. Other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or any firm in which any Director is a partner, either to induce them to become, or to qualify them as, a Director or otherwise for services rendered by them or by the firm in which they are a partner in connection with the formation or promotion of the Company.

Shares

The Directors are entitled to apply for Shares under the Offer, but it is not currently expected that the Directors will subscribe for Offer Shares under the Offer.

As at the date of this Prospectus the Directors and the Company Secretary have relevant interests in Shares as set out in the table below:

| | SHARES | % OF TOTAL SHARES |
|----------------------------------|-------------------|-------------------|
| Directors | | |
| Mr Keith Cohn ¹ | 9,091,947 | 8.52% |
| Mr Robert Hines | Nil | Nil |
| Mr Zachry Rosenberg ² | 2,374,895 | 2.23% |
| Mr Chi Kan Tang | 20,438,189 | 19.15% |
| Proposed Director | | |
| Mr James Baillieu | 6,284,682 | 5.89% |
| Company Secretary | | |
| Mr Justyn Stedwell | Nil | Nil |
| Total | 38,189,713 | 35.78% |

Notes:

1. Includes Shares held by Sabone Internet Investments, LLC and Neysa DeMann.
2. Includes Shares held by RJIR Pty Ltd <The ZDR Family Trust> and Instanz Australia Pty Ltd <Instanz P.E. Unit Trust No 2>.

On completion of the Offer, assuming the Directors and the Company Secretary do not participate in the Offer, the Directors and the Company Secretary will have relevant interests in Shares as set out in the table below. Prior to Admission, final shareholdings of the Directors and the Company Secretary will be notified to the ASX.

| | SHARES | % OF TOTAL SHARES | | |
|----------------------------------|-------------------|-------------------------|-------------------------|-----------------------|
| | | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION | OVER- SUBSCRIPTION |
| Directors | | | | |
| Mr Keith Cohn ¹ | 9,091,947 | 6.71% | 5.90% | 5.52% |
| Mr Robert Hines | Nil | Nil | Nil | Nil |
| Mr Zachry Rosenberg ² | 2,374,895 | 1.75% | 1.54% | 1.44% |
| Mr Chi Kan Tang | 20,438,189 | 15.09% | 13.26% | 12.41% |
| Proposed Director | | | | |
| Mr James Baillieu | 6,284,682 | 4.64% | 4.08% | 3.81% |
| Company Secretary | | | | |
| Mr Justyn Stedwell | Nil | Nil | Nil | Nil |
| Total | 38,189,713 | 28.20% | 24.78% | 23.18% |

Notes:

1. Includes Shares held by Sabone Internet Investments, LLC and Neysa DeMann.
2. Includes Shares held by RJIR Pty Ltd <The ZDR Family Trust> and Instanz Australia Pty Ltd <Instanz P.E. Unit Trust No 2>.

In addition, the Company has issued 4,000,000 Performance Shares to the Key Management Entities, as follows:

| HOLDER | PERFORMANCE SHARES | RELATIONSHIP TO COMPANY |
|-------------------------------------|--------------------|---------------------------------------|
| Sabone Internet Investments, LLC | 2,000,000 | Related entity of Mr Keith Cohn |
| RJIR Pty Ltd <The ZDR Family Trust> | 2,000,000 | Related entity of Mr Zachry Rosenberg |
| TOTAL | 4,000,000 | |

For more information on the terms of issue of the Performance Shares as well as the performance milestones upon the achievement of which the Performance Shares are convertible into Shares, please refer to Section 3.12 of this Prospectus.

Options and CCH ESOP Options

As at the date of this Prospectus the Directors and Company Secretary have relevant interests in Options and CCH ESOP Options as set out in the table below:

| | OPTIONS | CCH ESOP OPTIONS | TOTAL |
|--------------------------|---------------|---------------------|----------------|
| Directors | | | |
| Mr Keith Cohn | 87,668 | 543,665 | 631,333 |
| Mr Robert Hines | Nil | Nil | Nil |
| Mr Zachry Rosenberg | Nil | Nil | Nil |
| Mr James Baillieu | Nil | Nil | Nil |
| Mr Chi Kan Tang | Nil | Nil | Nil |
| Company Secretary | | | |
| Mr Justyn Stedwell | Nil | Nil | Nil |
| Total | 87,668 | 543,665 | 631,333 |

For more information on the terms of issue of the CCH ESOP Options, please refer to Section 3.11 of this Prospectus.

5. Board and Corporate Governance

5.3.2 Related Party Transactions

Related parties of the Company relevantly include the Directors and entities controlled by the Directors. Chapter 2E of the Corporations Act prohibits a public company or an entity that it controls from giving a financial benefit to a related party of the public company unless either the giving of the financial benefit falls within one of the nominated exceptions to the prohibition, or shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

One of the nominated exceptions to the prohibition is where the financial benefit is reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length.

Except where indicated below, the following contracts or transactions with related parties have been determined by Directors who do not have a material personal interest in the matter to fall within the arm's length exception.

(a) Agreements with Directors

The Company has entered into agreements with each of the Directors whereby the remuneration payable by the Company under such agreements to each Director is as follows:

- Mr Keith Cohn (Executive Director): US\$275,000 per annum (approximately \$385,000);
- Mr Robert Hines (Non-Executive Chairperson): \$60,000 per annum (plus superannuation);
- Mr Zachry Rosenberg (Non-Executive Director): \$40,000 per annum (plus superannuation); and
- Mr Chi Kan Tang (Non-Executive Director): \$40,000 per annum (plus superannuation).

The Company has also entered into a Deed of Indemnity, Access and Insurance with each of the above directors.

The Company also intends to enter into a Deed of Indemnity, Access and Insurance as well as a Director's Service Agreement with the Proposed Director, Mr James Baillieu whereby the remuneration payable under such agreement will be \$40,000 per annum (plus superannuation).

(b) Promissory Note Agreement

CCH has entered into a Promissory Note Agreement with Mr Chi Kan Tang. For a summary of the key terms of such agreement, please refer to Section 10.7 of this Prospectus.

5.4 CORPORATE GOVERNANCE

5.4.1 Role of the Board

The Board is responsible for the following principal matters:

- the strategic direction of the Company;
- overseeing, negotiating and implementing the significant capital investments and material transactions entered into by the Company;
- management goals and the Company's policies;
- monitoring and reviewing the financial and operational performance of the Company;
- risk management strategy and review; and
- future expansion of the Company's business activities.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board;
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company;
- Overseeing Planning Activities: developing the Company's strategic plan;

- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;
- Monitoring, Compliance and Risk Management: developing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company; and
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.

5.4.2 ASX Corporate Governance Principles and Guidelines

The Board is committed to principles of best practice in corporate governance.

The Board will conduct itself in accordance with the ASX Corporate Governance Principles and Recommendations, 3rd Edition (2014) as issued by the ASX Corporate Governance Council (**ASX Principles and Recommendations**), to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company.

The Company has formulated its own Corporate Governance policies and practices using the ASX Principles and Recommendations as a guide.

The Board will review on an ongoing basis the corporate governance policies and structures that the Company has in place to ensure that these are appropriate for the size and structure of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards that the Board is committed to.

The following table provides a summary of Company's position in relation to the ASX Principles and Recommendations.

ASX PRINCIPLE AND RECOMMENDATION

COMPANY'S POSITION

Principle 1 – Lay solid foundations for management and oversight

The Role of the Board

The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company.

The Role of Management

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Company's officers and management have all entered into service contracts which outline the responsibilities of each of the company's officers and of management personnel when performing their roles for the Company.

5. Board and Corporate Governance

ASX PRINCIPLE AND RECOMMENDATION

Principle 2 – Structure the Board to add value

COMPANY'S POSITION

As at the date of this Prospectus, the Company has four directors, being Mr Keith Cohn, Mr Robert Hines, Mr Zachry Rosenberg and Mr Chi Kan Tang. Following completion of the Offer, the Board also intends to appoint the Proposed Director, Mr James Baillieu as a non-executive director of the Company.

The Board, which shall also comprise the Proposed Director following completion of the Offer, is an appropriate size to effectively and efficiently oversee the management and operations of the Company, based on the present size of the Company's activities.

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. Upon Admission a majority of the Board will comprise of independent directors, being Mr Robert Hines, Mr Zachry Rosenberg and the Proposed Director, Mr James Baillieu.

The Board is responsible for the nomination and selection of Directors. Given the size of the Company and the nature of its operations, the Board does not believe it to be appropriate to establish a nomination committee at this time. The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisors where considered appropriate.

Principle 3 – Act ethically and responsibly

Code of Conduct

The Board has established a *Code of Conduct* for the Board.

The Board is committed to meeting their responsibilities under the Constitution and Corporations Act when carrying out their functions as company officers.

Diversity Policy

The Board has established a *Diversity Policy* in accordance with the ASX Principles and Recommendations, and will endeavour to provide for appointments to the Board and Company in accordance with the Diversity Policy as the Company develops and grows.

ASX PRINCIPLE AND RECOMMENDATION

COMPANY'S POSITION

Principle 3 – Act ethically and responsibly continued

Securities Trading Policy

The Company has adopted a *Securities Trading Policy* for Directors, officers and employees of the Company.

The purpose of the *Securities Trading Policy* is to reduce the risk of insider trading and ensure that the Company's directors, officers and employees are aware of the legal restrictions on trading in Shares whilst in possession of undisclosed information concerning the Company.

The *Securities Trading Policy* sets out when trading in Shares by Directors, officers and employees of the Company is not permitted. Restrictions on trading are imposed by the Company to reduce the risk of insider trading and to minimise the chance that misunderstandings or suspicions arise that the Company's directors, officers, or employees are trading while in possession of undisclosed information concerning the Company.

Reporting Unethical or Illegal Practices

Company policy requires employees who are aware of unethical or illegal practices to report these practices to management. Any reports of unethical or illegal practices are investigated by the Board. Reporters of unethical practices may remain anonymous.

Principle 4 – Safeguard integrity in corporate reporting

The Company has established an *Audit and Risk Committee* which shall be responsible for monitoring and reviewing financial reporting by the Company.

The Company has adopted a Charter for the *Audit and Risk Committee* which sets out the committee's responsibilities, procedures, guidelines and composition.

Principle 5 – Make timely and balanced disclosure

The Company has adopted a *Communication and Disclosure Policy* to ensure compliance with its disclosure obligations under the ASX Listing Rules.

To comply with the ASX Listing Rules, the Company intends to immediately notify the ASX of 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; and
- that would, or would be likely to, influence persons who commonly invest in securities.

The *Communication and Disclosure Policy* includes processes designed to ensure that Company information:

- is disclosed in a timely manner;
- is factual;
- does not omit material information; and
- is expressed in a clear and objective manner that allows the input of the information when making investment decisions.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company. Accordingly, in following and adhering to its *Communications and Disclosure Policy* the Company will comply with its continuous disclosure obligations.

5. Board and Corporate Governance

ASX PRINCIPLE AND RECOMMENDATION

COMPANY'S POSITION

Principle 6 – Respect the rights of security holders

The Board is committed to ensuring that Shareholders receive information relating to the Company on a timely basis and shall endeavour to keep Shareholders well informed of all material developments of the Company.

The Board has adopted a *Communications and Disclosure Policy*, and as part of this policy, will ensure that all relevant announcements and documents are published on the Company's website in a prompt fashion.

The Company will respect the rights and entitlements of the Shareholders under the Constitution and the Corporations Act.

Principle 7 – Recognise and manage risk

The Company has established an *Audit and Risk Committee* which shall be responsible for monitoring, identifying and managing risks, and ensuring that these risk identification and management procedures are implemented and followed.

The Audit and Risk Committee has adopted a Charter.

The Company has also adopted a *Risk Management Policy* designed to ensure:

- all major sources of potential opportunity for harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the Company's good standing with its stakeholders continues.

Principle 8 – Remunerate fairly and responsibly

The Board is responsible for the Company's remuneration policy and has adopted a *Nomination and Remuneration Policy* which outlines the processes by which the Board shall review officer and management remuneration. The Company has provided disclosure of a summary of its remuneration policies for the Directors in this Prospectus.

The Company is committed to remunerating its officers and executives fairly and to a level which is commensurate with their skills and experience and which is reflective of their performance. Further disclosure of officer and executive remuneration will be made in accordance with the ASX Listing Rules and the Corporations Act.

As at the date of Admission, the Company will have complied with all of the ASX Principles and Recommendations except as set out below:

ASX RECOMMENDATION

SUMMARY OF COMPANY'S POSITION

Recommendation 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.

The Board has not, at this time adopted a board skills matrix. However the Company will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the Candy Club Business.

ASX RECOMMENDATION

Recommendation 7.2

The board or a committee of the board should (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place

SUMMARY OF COMPANY'S POSITION

While the Company has established an Audit and Risk Committee the first annual review of the Company's risk management framework has not yet been held.

Recommendation 8.1(b)

The board of a listed entity should, 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.

Given the size of the Board and the Company's current operations, as at the date of this Prospectus, the Company has not established a separate Remuneration and Nomination Committee as it is considered that no efficiencies or other benefits would be gained by establishing a separate committee. Prior to establishment of a separate committee, the Board will oversee matters usually within the responsibility of a Remuneration and Nomination Committee. The Board will review this position on an ongoing basis.

Under the ASX Listing Rules, the Company will be required to provide a Corporate Governance Statement on its website or in its annual report disclosing the extent to which it has followed the ASX Recommendations and Principles in the reporting period. Where the Company does not follow an ASX Recommendation and Principle, it must identify the ASX Recommendation and Principle that has not been followed and give reasons for the departure. Except as set out above, the Board does not anticipate that the Company will depart from the ASX Recommendations and Principles, however, it may do so in the future if it considers that such a departure would be reasonable.

5.5 SUBSTANTIAL SHAREHOLDERS

As at the date of this Prospectus, the following Shareholders hold 5% or more of the total number of Shares on issue in the Company:

| HOLDER | SHARES | % |
|---|-------------------|---------------|
| Instanz Nominees Pty LTD <Hearts Trust> | 12,562,500 | 11.77% |
| Chi Kan Tang | 20,438,189 | 19.15% |
| Sabone Internet Investments, LLC ¹ | 7,591,549 | 7.11% |
| James Baillieu | 6,284,682 | 5.89% |
| TOTAL | 46,876,920 | 43.92% |

Notes:

1. Sabone Internet Investments LLC is controlled by Mr Keith Cohn.

The Company will announce to the ASX details of its top 20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

6. RISK FACTORS



6. Risk Factors

As with any investment, there are risks involved with investing in the Offer Shares. This Section 6 describes some of the potential material risks associated with the Company's business and the industry in which it operates and risk associated with an investment in the Company. The Company is subject to a range of risks, both specific to its business activities and of a general nature which may either individually or in combination materially adversely impact the future operating and financial performance of the Company, investment returns and the value of Shares. This Section 6 does not purport to list every risk that may be associated with the Company's business or the industry in which it operates or an investment in Shares, now or in the future. This selection of risks has been based on the knowledge of the Directors as at the date of this Prospectus, and there can be no guarantee or assurance that the risks will not change or further risks will not emerge.

6.1 COMPANY-SPECIFIC RISK FACTORS

(a) Sufficiency of funding

At the date of this Prospectus the Company is not cash flow positive, meaning the Company is reliant on raising funds from investors in order to continue its operations. Although the Directors consider that the Company will, on completion of the Offer, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can be met without further funding. The Company has limited financial resources and may need to raise additional funds from time to time to achieve profitability, scale its business and/or to meet its other longer term objectives. The Company may never achieve profitability and its ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and the Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

(b) Business strategy risk

The Company's future growth and financial performance is dependent on its ability to successfully execute its business strategy. This will be impacted by a number of factors, including the Company's ability to scale up its business profitability which the Company intends to achieve by:

- increasing sales and marketing initiatives in the USA for the online subscriptions of the Candy Boxes under the B2C Business and for the Candy Club Branded Confectionery under the B2B Business;
- automating the Company's assembly and fulfilment line processes where purchased confectionery is repackaged as Candy Club Branded Confectionery and where the Candy Boxes are sorted and assembled;
- implementing an enterprise resource plan and appropriate computing software in order to facilitate the management of the Company's business finances, operations and customers relations; and
- expanding inventory holdings of Candy Club Branded Confectionery and developing the Company's own proprietary candy formulations.

(c) Key personnel risk

The Candy Club Group's performance reflects, to a large extent, the efforts and abilities of its senior management team, and in particular the Chief Executive Officer and Executive Director of the Company, Mr Keith Cohn. While Mr Cohn has entered into an Executive Employment Agreement with CCL, under the terms of the Executive Employment Agreement Mr Cohn is permitted to terminate his contract without notice and for any reason. Currently, the Candy Club Group employs a highly experienced and dedicated senior management team; however, its disbandment may have a material adverse impact on the operating and financial performance of the Company.

(d) At Will Employment

CCL's employees are employed "at will", as permitted under California law, including the California Labor Code. "At will" employment means that employment, having no specified term, may be terminated at the will of either party for any reason or no reason and without previous notice to the other. California law generally presumes that an employment relationship is at will in the absence of written employment contracts that require good cause or specific provisions for termination, employment for a specific number of years, or where employee and/or employer words and/or actions overcome the presumption. While CCL's employees have not been hired under a written employment contract, and CCL considers that the employment of its employees is at will, there is a risk that CCL's employees may be employed under an implied contract or otherwise overcome the at will employment presumption. CCL may therefore be vulnerable to litigation or other actions from employees terminated without cause, adversely affecting its reputation and that of the Company.

6. Risk Factors

(e) Customer Acquisition Costs

Customer demand for subscription plans of the Candy Boxes is currently generated, in part, from paid online media sources such as Facebook and Google. Customer acquisition costs, in particular from online media sources may rise in the future and in such circumstances the Company could find it difficult to acquire customers at a price sufficient to make a profit.

(f) Supply of Confectionery

The Company purchases confectionery which is repackaged into the Candy Club Branded Confectionery from a wide range of suppliers, including mass-market, specialist and boutique manufacturers. The Company has not entered into contracts with such suppliers, but merely submits purchase orders from time to time, and the continued availability of products is therefore not guaranteed.

While the Company is not dependent on any one supplier, its business operations may be affected by the failure of a supplier to meet its contractual obligations to the Company or to supply products that meet the Company's production standards. Any such failure by a supplier may have adverse implications on the Company's business.

If suppliers do not supply products of the required quantity or quality, the Company's ability to fulfil customer orders and ship products in the required timeframes may be jeopardised and the Company may have to source replacement products from new vendors. There can be no assurance that such products can be sourced on comparable terms or, in the case of specialist products, at all.

(g) Counterparty Risk

CCL has contractual obligations and rights with respect to a number of agreements which it is a party to. These agreements may include provisions which allow for termination (for convenience or otherwise). Additionally, no assurance can be given that all agreements will be fully performed by all contracting parties and that CCL will be successful in securing compliance with the terms of each agreement by the relevant third party. If a contracting party were to breach a material agreement or terminate a material agreement, this could have an adverse impact on CCL and therefore the Company's business, operations and financial performance.

(h) Privacy and Data

The Company is reliant on third party suppliers for data processing and payment services, and the Company and such suppliers collect, store and transmit significant amounts of customer information.

While the Company and its suppliers have implemented strategies to protect the security and integrity of customer data, there can be no assurance that unauthorised or inadvertent use or disclosure will occur or that the Company or its suppliers will not be subject to hacking attacks, malware, viruses or other measures, resulting in breaches of information security.

Any security breach or interruption in such services may adversely affect the Company's reputation and substantially interrupt the Company's business operations.

(i) Global Operations

The Company is incorporated in Australia, whilst its subsidiaries are incorporated in the USA and operate in the North American region. Therefore, the Candy Club Group will be subject to a number of risks inherent in selling and operating abroad which could adversely affect the Candy Club Group's ability to increase or maintain foreign sales. These include, but are not limited to, risks regarding:

- currency exchange rate fluctuations;
- local and international economic and political conditions;
- disruptions of capital and trading markets;
- accounts receivable collection and longer payment cycles;
- difficulties in staffing and managing foreign operations;
- potential hostilities and changes in diplomatic and trade relationships;
- restrictive governmental actions (such as restrictions on the transfer or repatriation of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);
- changes in legal or regulatory requirements;
- the laws and policies of Australia, the USA and other countries affecting trade, foreign investment and loans, and import or export licensing requirements; and
- tax laws.

Changes in circumstances or market conditions resulting from these risks may restrict the Company or its subsidiaries' ability to operate in an affected region and/or adversely affect the profitability of the Company or its subsidiaries' operations in that region.

(j) Taxation

Changes in Australian or USA tax laws (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the Company's tax liabilities or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in the Offer Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

(k) Additional Requirements for Capital

The Company's working capital is forecast to be sufficient for at least a 24 month period from Admission, after which the Company may require additional funding. There is no assurance that additional finance and/or funding will be available when required or whether the terms of such financing will be favourable to the Company. In certain circumstances, the Company's ability to successfully operate may be subject to its ability to raise funds which will be subject to factors beyond the control of the Company and its Directors (including without limitation cyclical factors affecting the economy and financial and share markets generally). Raising further equity capital may have the effect of diluting shareholdings.

(l) Protection of Intellectual Property

CCL holds a trade mark which has been granted for the USA, and a trade mark application, which is currently being examined by the USA Patents and Trade Mark Office (**USPTO**). There is no guarantee that the existing trade mark held by CCL or any trade mark granted under the trade mark application made by CCL will provide adequate protection over the relevant intellectual property. CCL may have to enforce its intellectual property rights, including via litigation against other parties if its rights are infringed. If the Candy Club Group's intellectual property rights cannot be protected, have not been protected adequately or are not protected, competitors may utilise or infringe the Candy Club Group's intellectual property, which may adversely affect the Candy Club Group's ability to compete effectively in the market and the Company's financial performance. While the Company has not, to the best of its knowledge, infringed any third parties' intellectual property rights, the Company may, in the future, face intellectual property infringement claims or litigation. If the Company infringes third party intellectual property, the Company's operations and financial performance may be adversely affected.

6. Risk Factors

6.2 INDUSTRY-SPECIFIC RISK FACTORS

(a) Consumer Demand

The Company competes with online and physical confectionery retailers, including supermarkets, a variety of food retailers, other consumer packaged-goods companies and a variety of online subscription companies that also offer confectionery.

If consumers do not perceive the Candy Club Branded Confectionery to be of sufficient quality, value or novelty, the Company may be unable to acquire new customers or retain existing customers, adversely affecting the Company's business operations and profitability.

Customers who have purchased subscriptions for the Candy Boxes under the B2C Business may evaluate whether the Candy Club Branded Confectionery matches their lifestyle, taste and preferences and may discontinue their subscription, not renew their subscription or renew their subscription for a shorter period.

While the Company utilises data about customer preferences gathered on its online subscription platform to track shifts in consumer behaviour and preferences, the Company may be unable to adapt to changing consumer trends and behaviours. If the Company is unable to expand or adapt its product offerings to appeal to changing consumer behaviours, existing competitors or new entrants into the market may increase their market share at the expense of the Company and therefore adversely affecting the Company's financial performance and profitability.

(b) Food Hygiene and Safety

Selling food for human consumption carries inherent risks related to food safety. Food safety incidents (such as tampering or contamination) could result in product liability lawsuits, product recalls, reputational damage and potential civil or criminal liability. Product recalls could result in significant losses because of the destruction of inventory and lost sales due to product unavailability, and any safety incidents could adversely affect the Company's ability to retain existing customers or attract new customers. Food tampering, including the introduction of foreign objects, chemical or biological contaminants into suppliers' confectionery or the Candy Club Branded Confectionery, could also result in serious harm to consumers.

While the Company has product insurance, its insurance coverage or limits may be inadequate to cover judgments or claims from food safety incidents. Food safety also depends on appropriate storage during transport, and the Company also depends on its suppliers and transport agents to maintain appropriate storage conditions. While confectionery is highly processed, so the risk of contamination is relatively low, there is a small risk that if the Company's products are transported, stored or handled inappropriately by third parties, the Company's products may be contaminated. Contamination may result in food-borne illness and reputational damage to the Company. While confectionery typically has a medium to long shelf life, any spoilage or degradation in quality due to retailers' failure to observe shelf life regulations or expiration dates may also adversely affect the Company's brand and reputation.

The Company requires its suppliers to hold current food safety certifications mandated by the Food and Drug Administration of the USA, and is not required to hold such certifications itself. However, the Company is unable to fully protect consumers against the risks of food contamination or adulteration.

(c) Product Liability

Retailing food for human consumption carries an inherent risk of product liability. The Candy Club Group may have to limit the retailing of its products if it cannot successfully secure or renew product liability insurance or defend itself against product liability claims. They may not be able to obtain further product liability insurance, or may not be able to obtain insurance on commercially viable terms. Any product liability claims may disrupt their business operations and may cause reputational harm, adversely affecting the Company's financial performance.

CCL currently holds liability insurance, which the Board considers to be appropriate for the Candy Club Group's current level of business operations.

However, the Company may not be able to obtain further product liability insurance, or may not be able to obtain insurance on commercially viable terms. Any product liability claims may disrupt the Company's business operations and may cause reputational harm, adversely affecting the Company's financial performance. Any claims brought against the Company may be outside the scope of the Candy Club Group's insurance policy or coverage, which may require the Company to satisfy such claims, if successful, from the Company's capital reserves.

(d) Government Regulation of Food Operations

The business operations of the Candy Club Group may be subject to food safety laws and regulations. Failure to comply with all applicable food safety laws and regulations may expose the Candy Club Group or its suppliers to fines, penalties, potential civil or criminal actions, product recalls and reputational damage. While the Candy Club Group takes its legal and regulatory obligations very seriously, any inadvertent breach by the Candy Club Group or any breach caused by its suppliers may adversely impact the financial performance or operating results of the Company. If existing food safety laws and regulations are revised to become more restrictive or new, more restrictive laws or regulations are introduced, the Candy Club Group may not be able to meet these new or revised requirements, which may jeopardize its business operations.

6.3 GENERAL INVESTMENT RISKS

Some of the general risks of investment which are considered beyond the control of the Company are as follows:

(a) Force Majeure

Force majeure events may occur in Australia, the USA or other countries in which the Candy Club Group conduct business operations that could impact upon the Company's business operations and financial performance. Such events include but are not limited to acts of terrorism, labour strikes, outbreak of domestic or international hostilities, fires, floods, earthquakes, civil wars, natural disasters, epidemics of disease or other man-made or natural events or occurrences that may have an adverse effect on the demand for the Candy Club Group's products and services.

(b) Returns not guaranteed

There is no guarantee of any income distribution or capital return on the Shares nor is there a guarantee of repayment of capital amounts. Shareholders will not be entitled to any guaranteed distributions of profits or capital.

There is no guarantee that distributions will be at a certain level or that there will be distributions at all.

(c) State of Australian and International Economies

A downturn in the Australian and/or the international economy may negatively impact the performance of the Company which in turn may negatively impact the value of securities in the Company. Any deterioration in the local or international economic conditions may have an adverse effect on the performance of the Company.

(d) Changes to Government Policies and Legislative Changes

Government policy and legislative changes which are outside the control of the Company may also have a negative impact on the financial performance of the Company.

(e) Movements in Local and International Stock Markets

The price of stocks in a publicly listed company can be highly volatile and the value of a company's securities can be expected to fluctuate depending on various factors, including stock market sentiment, government policies, investor perceptions, economic conditions and market conditions which affect the confectionery industry. It is therefore possible that the Company's securities will trade at below the offer price.

(f) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions or significant investments in other companies or enterprises. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies or enterprises. Further, there is no guarantee that the Company will make any future acquisitions.

6. Risk Factors

(g) Unforeseen Expenses

The Company is not aware of any expenses that it will be required to incur in the two years after listing and which it has not already taken into account. However, if the Company is required to incur any such unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities.

(h) Changes in Accounting Standards

Australian Accounting Standards are developed and implemented by the Australian Accounting Standards Board (AASB). The AASB may introduce new or refined accounting standards, which may affect the measurement and recognition of balance sheet items and income statements, including revenue and receivables. Conversely, interpretations of existing Accounting Standards may differ. Changes to Accounting Standards issued by the AASB or changes to generally held views about the application of such Accounting Standards may adversely affect the performance and position reported in the Company's consolidated financial statements.

(i) Unforeseen Litigation

Any unforeseen litigation may adversely affect future earnings of the Company due to the associated legal costs and expenses that may need to be met to protect the Company's position. The performance of the Company will be influenced by any litigation involving the Company. The legal costs and expenses associated with litigation may adversely affect future earnings of the Company and investment returns.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares.

7. FINANCIAL INFORMATION



7. Financial Information

Investors should note that the information included in this Prospectus on the past performance of the Candy Club Group, including the financial information included in this Section 7 should not be relied upon as being indicative of future performance of the Candy Club Group.

7.1. INTRODUCTION

The financial information of the Company contained in this Section includes the:

- (a) Reviewed historical statement of profit or loss and other comprehensive income for the period from 24 October 2018 (date of incorporation) to 31 October 2018;
 - (b) reviewed historical statement of cash flows for the period from 24 October 2018 (date of incorporation) to 31 October 2018;
 - (c) reviewed historical statement of financial position as at 31 October 2018; and
- (items a – c are together referred to as the '**Historical Financial Information – the Company**')
 (d) pro forma historical statement of financial position as at 30 June 2018 (the '**Pro Forma Historical Financial Information**').

This section also includes historical financial information of Candy Club Holdings, Inc. ('CCH') and its subsidiary ('CCH Group'). The Company purchased 100% of the share capital of CCH for which completion settled on 12 November 2018. The financial information of CCH Group contained in this Section includes:

- (a) audited historical statement of profit or loss and other comprehensive income for the financial years ended 31 December 2016 and 2017 and reviewed historical statement of profit or loss and other comprehensive income for the financial period ended 30 June 2018;
- (b) audited historical statement of cash flows for the years ended 31 December 2016 and 2017 and reviewed historical statement of cash flows for the financial period ended 30 June 2018; and
- (c) audited historical statement of financial position as at 31 December 2017 and reviewed historical statement of financial position as at 30 June 2018.

(items a – c are together referred to as the '**Historical Financial Information – CCH Group**').

The Group comprises the Company and the CCH Group.

Foreign Currency Conversion

As the historical financial information presented in Section 7.6, as extracted from CCH Group's financial statements, is presented in United States dollars ('USD'), it has been converted and presented in Australian dollars ('AUD') using the following exchange rates:

| AUD 1.00 = USD X.XXXX | PERIOD ENDED 30 JUNE 2018 | YEAR ENDED 31 DECEMBER 2017 | YEAR ENDED 31 DECEMBER 2016 | YEAR ENDED 1 JANUARY 2016 |
|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Average rate for the period (used for conversion of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cashflows) | 0.7716 | 0.7669 | 0.7443 | – |
| Spot rate at period end (used for conversion of the consolidated statement of financial position) | 0.7391 | 0.7800 | 0.7236 | 0.7223 |

The Company has a 31 December year-end for accounting purposes. In addition, investors should be aware that past performance is not an indication of future performance. There are no forecasts included in this financial information section.

7.2 FINANCIAL INFORMATION

The financial information included in this Section 7 was prepared by management and was adopted by the Directors. The Directors are responsible for the inclusion of all financial information in this Prospectus. The basis of preparation is identified in the relevant sections.

7.3 BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information included in this section has been prepared in accordance with the measurement and recognition criteria (but not the disclosure requirements) of Australian Accounting Standards ('AAS') and the summary of proposed significant accounting policies outlined in Section 7.8. The financial information is presented in an abbreviated form in so far as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with AAS and the Corporations Act.

The Historical Financial Information and Pro Forma Historical Financial Information has been prepared for the Offer.

The Historical Financial Information of the Company has been extracted from the reviewed financial statements for the period ended 31 October 2018 which were reviewed by HLB Mann Judd (Vic) Partnership. An unmodified review conclusion was issued, which contained an emphasis of matter paragraph related to the application of the going concern basis of accounting.

The Historical Financial Information of the CCH Group presented in section 7.6 has been extracted from the audited financial statements of the CCH Group for the years ended 31 December 2016 and 2017, and the reviewed interim financial statements for the period ended 30 June 2018. Green Hasson & Janks LLP reviewed the interim financial statements for the period ended 30 June 2018 and audited the financial statements for the years ended 31 December 2016 and 2017. The audit reports for the years ended 31 December 2016 and 2017 contained a disclaimer and a modification, respectively in respect of the inventory balance held by the CCH Group as at 31 December 2016 and 2017.

The modified reports were issued by Green Hasson & Janks LLP as they were not appointed auditors of the CCH Group until after 31 December 2017 and they were unable to observe the counting of inventory as at 31 December 2016 and 2017. They were unable to satisfy themselves by alternative means concerning inventory quantities held at 31 December 2016. They were able to perform alternative procedures to satisfy themselves in respect of the inventories as at 31 December 2017.

Since opening inventories enter into the determination of the financial performance, changes in equity and cash flows, they were unable to determine whether adjustments might have been necessary in respect of the reported results for the 2016 and 2017 financial years reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

The review conclusion in respect of the interim financial statements for the period ended 30 June 2018 was unmodified.

The audit reports for the years ended 31 December 2016 and 2017 and the review conclusion also contained an emphasis of matter paragraph related to the application of the going concern basis of accounting.

The Pro Forma Historical Financial Information has been reviewed by HLB Mann Judd Corporate Finance Pty Ltd as set out in the Investigating Accountant's Report (IAR) in Section 8. Investors should note the scope and limitations of the IAR.

7.4 GENERAL FACTORS AFFECTING THE OPERATING RESULTS OF THE COMPANY

Below is a discussion of the main factors which affected the Company's operations and relative financial performance for the period from 24 October 2018 to 31 October 2018 which the Company expects may continue to affect it in the future. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected the Company's historical operating and financial performance, nor everything which may affect the Company's operations and financial performance in the future. The information in this section should also be read in conjunction with the risk factors set out in Section 6 ('Risk Factors') of the Prospectus, and the other information contained in this Prospectus.

7. Financial Information

7.5 REVIEWED HISTORICAL FINANCIAL INFORMATION – THE COMPANY

7.5.1 Reviewed Historical Statement of Profit or Loss and Other Comprehensive Income

The table below presents the reviewed Historical Statement of Profit or Loss and Other Comprehensive Income of the Company for the period from 24 October 2018 to 31 October 2018.

| | 24 OCTOBER 2018 TO 31 OCTOBER 2018 |
|--------------------------------------|---------------------------------------|
| Revenue | – |
| Corporate and administration expense | (5,680) |
| Net loss before income tax | (5,680) |
| Income tax expense | – |
| Net loss after income tax | (5,680) |

Management's Discussion and Analysis

Revenue

There was no revenue generated for the period from 24 October 2018 to 31 October 2018. It is likely that interest will be earned on cash balances after the capital raising.

Expenses

Expenditure is comprised of professional service fees in respect of the review of the Company. Other than this transaction, the Company has had no operating history to date.

7.5.2 Reviewed Historical Statement of Cash Flows

The table below presents the reviewed Historical Statement of Cash Flows of the Company for the period from 24 October 2018 to 31 October 2018.

| | 24 OCTOBER 2018 TO 31 OCTOBER 2018 |
|--|---------------------------------------|
| Cash flows from financing activities | |
| Proceeds from issue of share capital | 200 |
| Net cash inflow/(outflow) from financing activities | 200 |
| Net change in cash and cash equivalents | 200 |
| Cash and cash equivalents at beginning of period | – |
| Cash and cash equivalents at end of period | 200 |

Management's Discussion and Analysis

During the period, the Company's cash flow activities were limited to the following:

- The Company raised funds from the issue of 20,001 shares totalling \$200 (refer to note 7.5.3 (ii)).

7.5.3 Reviewed Historical Statement of Financial Position

The table below presents the reviewed Historical Statement of Financial Position of the Company as at 31 October 2018.

| | 31 OCTOBER 2018 |
|-------------------------------|-----------------|
| Current assets | |
| Cash and cash equivalents (i) | 200 |
| Total current assets | 200 |
| Total assets | 200 |
| Current liabilities | |
| Trade and other payables (ii) | 5,680 |
| Total liabilities | 5,680 |
| Net liabilities | (5,480) |
| Equity | |
| Issued capital (iii) | 200 |
| Accumulated losses (iv) | (5,680) |
| Total equity | (5,480) |

Management's Discussion and Analysis

The following commentaries and notes aim to provide an understanding of the Company's statement of financial position as at 31 October 2018.

(i) Cash and cash equivalents

| | |
|--------------------------------------|------------|
| Proceeds from issue of share capital | 200 |
| Balance as at 31 October 2018 | 200 |

For further details of the cash and cash equivalents movement, refer to the statement of cash flows at Section 7.5.2.

(ii) Trade and other payables

| | |
|--------------------------------------|--------------|
| Opening balance | – |
| Other payables | 5,680 |
| Balance as at 31 October 2018 | 5,680 |

Trade and other payables include accrued professional services rendered up to 31 October 2018.

(iii) Issued capital

| | |
|--------------------------------------|------------|
| Incorporation of the Company | – |
| Issue of capital | 200 |
| Balance as at 31 October 2018 | 200 |

(iv) Accumulated losses

| | |
|--------------------------------------|----------------|
| Opening balance | – |
| Total loss for the period | (5,680) |
| Balance as at 31 October 2018 | (5,680) |

Refer to Section 7.5.1 for further details of the profit or loss and other comprehensive income for the period.

7. Financial Information

7.6 HISTORICAL FINANCIAL INFORMATION – CCH GROUP

7.6.1 Audited & Reviewed Historical Statement of Profit or Loss and Other Comprehensive Income – CCH Group

The table below presents the Historical Statement of Profit or Loss and Other Comprehensive Income of the CCH Group for the financial years ended 31 December 2016 and 2017 and for the period from 1 January 2018 to 30 June 2018.

| | USD | | | AUD | | |
|---------------------------------|--|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------------|
| | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 * | AUDITED YEAR ENDED 31-DEC-16 * | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 * | AUDITED YEAR ENDED 31-DEC-16 * |
| Net Sales | 3,994,255 | 8,412,650 | 6,233,843 | 5,176,858 | 10,970,261 | 8,375,978 |
| Cost of Sales | 1,944,323 | 5,047,923 | 3,441,254 | 2,519,990 | 6,582,591 | 4,623,772 |
| Gross Profit | 2,049,932 | 3,364,727 | 2,792,589 | 2,656,868 | 4,387,670 | 3,752,206 |
| Operating Expenses: | | | | | | |
| Selling | 2,565,735 | 4,844,344 | 4,827,869 | 3,325,388 | 6,317,120 | 6,486,869 |
| General and Administrative | 2,102,100 | 4,528,219 | 4,632,115 | 2,724,481 | 5,904,887 | 6,223,848 |
| Total Operating Expenses | 4,667,835 | 9,372,563 | 9,459,984 | 6,049,869 | 12,222,007 | 12,710,717 |
| Loss from Operations | (2,617,903) | (6,007,836) | (6,667,395) | (3,393,001) | (7,834,337) | (8,959,511) |
| Other Expenses: | | | | | | |
| Loss on extinguishment of debt | – | 574,653 | – | – | 749,359 | – |
| Interest Expense | 42,286 | 91,103 | 126,343 | 54,806 | 118,800 | 169,758 |
| Total Other Expenses | 42,286 | 665,756 | 126,343 | 54,806 | 868,159 | 169,758 |
| Net Loss | (2,660,189) | (6,673,592) | (6,793,738) | (3,447,807) | (8,702,496) | (9,128,269) |

* as noted in section 7.3, these audit reports contained a modification in respect of the inventory balance held by the CCH Group as at 31 December 2016 and 2017.

Management's Discussion and Analysis

Set out below is a discussion of the key factors that affected the Results for Financial Year Ended 31 December 2016 ("FY2016"), Financial Year Ended 31 December 2017 ("FY2017") and Financial Period Ended 30 June 2018 ("FP2018"). The discussion of these factors is intended to provide a summary only and does not detail all the factors.

The Company's launch strategy was to initially validate that the business model was highly scalable. If Candy Club did not show the potential to be a very big business, our Founder and early stage investors had no interest in continuing to invest time and money in the Company.

As such, the Company's initial focus was to acquire a significant number of recurring monthly customers and understand what the customer acquisition cost (CAC) would be at scale in order to assess the market opportunity and justify additional investment capital. It was critical to early investors that Candy Club could 1) demonstrate the ability to rapidly scale its subscriber base and 2) acquire those customers at scale and cost effectively enough to turn a profit once the Company's unit economic targets were achieved.

As such, the focus of 2016 and 2017 was solely on generating new customers and revenue. In 2016 revenues grew by 129% to \$8,375,978. In 2017 revenue grew by an additional 31% to \$10,970,261 over 2016 levels. The Company was able to do so at a CAC that would yield a satisfactory customer lifetime value (LTV) and return on investment (ROI) once average order (AOV) and cost of goods sold (COGS) targets were achieved.

The Board is satisfied that the Company had a scalable business model with a strong product-market fit. In early 2018, the Company turned its focus to improving unit economics and gross profits. In the first six months of 2018, gross profits increased to 51.3% vs. 39.9% in 2017 and 44.8% in 2016.

The increases to gross profit in a relatively short amount of time were the direct result of product enhancements, price increases that were taken as a result of the improved customer product and experience and decreases in COGS achieved through economies of scale and vendor concessions.

General and Administrative Expenses have been steadily declining year over year as a percentage of revenue and in actual dollars. In 2017, G&A expense dropped 2% vs. 2016 despite a 31% increase in revenue. In the first 6 months of 2018, G&A expense fell by an additional 14% vs. the first six months of 2017. Lower G&A expense was driven by improved efficiencies, business processes and tight cost management.

7. Financial Information

7.6.2 Audited & Reviewed Historical Statement of Cash Flows – CCH Group

The table below presents the Historical Statement of Cash Flows of the CCH Group for the financial years ended 31 December 2016 and 31 December 2017 and for the period from 1 January 2018 to 30 June 2018.

| | USD | | | AUD | | |
|---|--|---|---|--|---|---|
| | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 * | AUDITED YEAR ENDED 31-DEC-16 * | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 * | AUDITED YEAR ENDED 31-DEC-16 * |
| Cash Flows from Operating Activities: | | | | | | |
| Net Loss | (2,660,189) | (6,673,592) | (6,793,738) | (3,447,807) | (8,702,496) | (9,128,269) |
| Adjustments to Reconcile Net Income to Net Cash Used in Operations: | | | | | | |
| Stock Option Expense | 148,560 | 305,056 | 190,141 | 192,545 | 397,799 | 255,479 |
| Depreciation and Amortization | 35,717 | 130,402 | 195,846 | 46,292 | 170,047 | 263,145 |
| Loss on Extinguishment of Debt | – | 574,653 | – | – | 749,359 | – |
| (Increase) Decrease in: | | | | | | |
| Inventory | (124,563) | 870,447 | (859,566) | (161,443) | 1,135,080 | (1,154,939) |
| Prepaid Expenses and Other Current Assets | (19,858) | (20,252) | 17,521 | (25,737) | (26,409) | 23,542 |
| Increase (Decrease) in: | | | | | | |
| Accounts Payable | 321,931 | (389,004) | 710,748 | 417,247 | (507,269) | 954,982 |
| Accrued Expenses and Other Liabilities | (8,078) | 81,685 | 154,002 | (10,470) | 106,519 | 206,922 |
| Deferred Revenue | (35,936) | (141,503) | (499) | (46,576) | (184,523) | (670) |
| Net Cash (used in) Operating Activities | (2,342,416) | (5,262,108) | (6,385,545) | (3,035,949) | (6,861,893) | (8,579,808) |
| Cash Flows from Investing Activities: | | | | | | |
| Collection of Note Receivable from Related Party | 500,000 | – | – | 648,038 | – | – |
| Additions to Intangible Assets | (3,500) | – | – | (4,536) | – | – |
| Purchases of Property and Equipment | (2,696) | (28,872) | (59,259) | (3,494) | (37,650) | (79,622) |
| Development of Software | – | – | (83,325) | – | – | (111,958) |
| Net Cash provided by/ (used in) Investing Activities | 493,804 | (28,872) | (142,584) | (640,008) | (37,650) | (191,580) |

| | USD | | | AUD | | |
|--|--|---|---|--|---|---|
| | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 * | AUDITED YEAR ENDED 31-DEC-16 * | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 * | AUDITED YEAR ENDED 31-DEC-16 * |
| Cash Flows from in Financing Activities: | | | | | | |
| Restricted Cash | – | 869,619 | (869,619) | – | 1,134,000 | (1,168,446) |
| Principle Payments on Long – Term Debt | (247,511) | (505,086) | (406,571) | (320,793) | (658,642) | (546,281) |
| Proceeds from Long – Term Debt | 2,267,000 | 1,167,021 | 1,140,616 | 2,938,204 | 1,521,818 | 1,532,566 |
| Cash Received on Issuance of Stock (Net) | 16,500 | 4,073,145 | 6,159,724 | 21,385 | 5,311,461 | 8,276,389 |
| Net Cash Provided by Financing Activities | 2,035,989 | 5,604,699 | 6,024,150 | 2,638,796 | 7,308,637 | 8,094,228 |
| Net Increase (Decrease) in Cash | 187,377 | 313,719 | (503,979) | 242,855 | 409,094 | (677,160) |
| Cash – Beginning of the year/period | 428,965 | 115,246 | 619,225 | 549,955 | 159,268 | 847,557 |
| Effects of Exchange Rate Changes on Cash & Cash Equivalents | – | – | – | 41,099 | (18,407) | (11,129) |
| Cash – End of year/period | 616,342 | 428,965 | 115,246 | 833,909 | 549,955 | 159,268 |
| Supplemental Disclosure of Cash Flow Information: | | | | | | |
| Cash Paid During the Year for: | | | | | | |
| Interest | 11,446 | 59,846 | 95,086 | 14,835 | 78,040 | 127,760 |
| Supplemental Disclosure of Non-Cash Financing and Investing Activities: | | | | | | |
| Conversion of Notes Payable to Preferred Stock | – | 2,307,637 | – | – | 3,009,204 | – |
| Issuance of Preferred Stock in Exchange for Note Receivable from Related Party | 25,253 | 500,000 | – | 32,730 | 652,010 | – |

* as noted in section 7.3, these audit reports contained a modification in respect of the inventory balance held by the CCH Group as at 31 December 2016 and 2017.

Management's Discussion and Analysis

Candy Club has historically been a closely held company that was funded by its Founder & CEO and early investors. The Company sustained a net cash operating loss of \$8.6 million in 2016 and \$6.9 million in 2017 which were offset by new invested capital of \$8.1 million in 2016 and \$7.3 million in 2017. The invested capital plus operating gross profits together were enough to cover the Company's expenses and net cash operating losses during these periods.

In 2018 the Company focused heavily on improving gross margins and cost containment and as such reduced its net cash operating loss to \$3.0 million in the first six months of the year, even after accounting for investment activity in sales staff, product development and inventory ahead of its new B2B launch.

7. Financial Information

7.6.3 Reviewed Historical Statement of Financial Position – CCH Group

The table below presents the Historical Statement of Financial Position of the CCH Group as at 30 June 2018 and 31 December 2017.

| | USD | | AUD | |
|---|--|------------------------------------|--|------------------------------------|
| | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 |
| Assets | | | | |
| Current Assets: | | | | |
| Cash | 616,342 | 428,965 | 833,909 | 549,955 |
| Inventory | 1,046,368 | 921,805 | 1,415,733 | 1,181,801 |
| Note receivable from Related Party | 25,253 | 500,000 | 34,167 | 641,026 |
| Prepaid Expenses and Other Current Assets | 236,565 | 216,707 | 320,072 | 277,829 |
| Total Current Assets | 1,924,528 | 2,067,477 | 2,603,881 | 2,650,611 |
| Non-Current Assets: | | | | |
| Intangible Assets (Net) | 7,189 | 23,051 | 9,727 | 29,553 |
| Property and Equipment (Net) | 50,431 | 64,090 | 68,233 | 82,167 |
| Total Non-Current Assets | 57,620 | 87,141 | 77,960 | 111,720 |
| Total Assets | 1,982,148 | 2,154,618 | 2,681,841 | 2,762,331 |
| Liabilities and Stockholders' Equity (Deficit) | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 1,258,600 | 936,669 | 1,702,882 | 1,200,858 |
| Accrued Expenses and Other Liabilities | 567,625 | 575,703 | 767,995 | 738,081 |
| Deferred Revenue | 165,809 | 201,745 | 224,339 | 258,647 |
| Convertible Notes Payable to Stockholders | 1,542,000 | – | 2,086,321 | – |
| Current Maturities of Notes Payable to Stockholders | 56,644 | 304,155 | 76,639 | 389,942 |
| Total Current Liabilities | 3,590,678 | 2,018,272 | 4,858,176 | 2,587,528 |
| Non-Current Liabilities | | | | |
| Notes Payable to Stockholders | 725,000 | – | 980,923 | – |
| Total Non-Current Liabilities | 725,000 | – | 980,923 | – |
| Total Liabilities | 4,315,678 | 2,018,272 | 5,839,099 | 2,587,528 |

| | USD | | AUD | |
|---|--|------------------------------------|--|------------------------------------|
| | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 | REVIEWED PERIOD ENDED 30-JUN-18 | AUDITED YEAR ENDED 31-DEC-17 |
| Stockholders' Equity (Deficit) | | | | |
| Common Stock – \$0.001 Par Value, 29,000,000 Shares Authorized; 121,284 Shares Issued and Outstanding | 121 | 121 | 164 | 155 |
| Common Stock – Additional Paid-in-Capital | 643,757 | 495,197 | 871,001 | 634,868 |
| Preferred Series Seed A Stock – \$0.001 Par Value, 951,100 Shares Authorized; 933,962 Shares Issued and 17,160 Outstanding | 934 | 934 | 1,264 | 1,197 |
| Preferred Series A Stock: Additional Paid-In-Capital | 11,414,447 | 11,414,447 | 15,443,711 | 14,633,906 |
| Preferred Series A-1 Stock – \$0.001 Par Value, 954,482 Shares Authorized, 950,928 Issued and outstanding | 951 | 951 | 1,287 | 1,219 |
| Preferred Series A-1 Stock: Additional Paid-In-Capital | 3,426,613 | 3,426,613 | 4,636,197 | 4,393,094 |
| Preferred Series B Stock – \$0.001 Par Value, 11,577,705 Shares Authorized and 11,299,747 Issued and Outstanding (2017: 11,577,705 Shares Authorized and 11,079,031 Issued and Outstanding) | 11,230 | 11,079 | 15,194 | 14,204 |
| Preferred Series B Stock: Additional Paid-In-Capital | 4,058,394 | 4,016,792 | 5,490,994 | 5,149,733 |
| Accumulated Deficit | (21,889,977) | (19,229,788) | (29,256,501) | (25,808,694) |
| Foreign exchange reserve | – | – | (360,569) | 1,155,121 |
| Total Stockholders' Deficit | (2,333,530) | 136,346 | (3,157,258) | 174,803 |
| Total Liabilities and Stockholders' Deficit | 1,982,148 | 2,154,618 | 2,681,841 | 2,762,331 |

Management Discussion and Analysis

Between December 31, 2017 and June 30, 2018, total assets remained relatively constant at \$2.8 million and \$2.7 million, respectively. Cash, inventory and prepaid expenses are the primary components that make up the total asset accounts and any changes in balances between these accounts are generally due to timing gaps. The one notable change to the asset accounts between these periods is that an investment in the Company, by Founder & CEO Keith Cohn, for \$641,026 in the form of a receivable note that was outstanding at December 31, 2017 was received in full in the first half of 2018. A further investment in the company for \$34,167 in the form of a note receivable was made in January 2018 and remained outstanding at 30 June 2018.

Total liabilities jumped from \$2.6 million at December 31, 2017 to \$5.8 million at June 30, 2018 driven primarily by increases in net notes payable of \$3.1 million and accounts payable of \$500,000.

7. Financial Information

7.6.4 Retrospective AASB 9, 15 and 16 adjustments

The Company has performed a preliminary impact assessment regarding the application of AASB 9 *Financial Instruments*, AASB 15 *Contracts with Customers* and AASB 16 *Leases*. AASB 9 and 15 became applicable to the Company and the CCH Group on 1 January 2018 whilst AASB 16 is not effective until 1 January 2019. The Company's assessments of the retrospective impact of the implementation of these standards is presented below:

AASB 15 impact assessment:

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Company has adopted AASB 15, for the period ended 30 June 2018, using the retrospective approach. As a result, the Company has applied all of the requirements of AASB 15 retrospectively, except as described below; and the comparative period presented in the 2018 financial statements will be restated.

The Company used the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The expected impact upon the adoption of AASB 15 are described below.

(a) subscription revenue

The CCH Group sells candies via its website directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been dispatched to the customer. Payment of the transaction price must be cleared before the goods are dispatched.

Based on its assessment, the Company did not identify a significant change to its current practice on timing of revenue and cost recognition upon the adoption of AASB 15.

AASB 9 impact assessment:

The following assessments have been made on the basis of the following facts and circumstances that existed at 31 December 2017.

- The determination of the business model within which a financial asset is held;
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI"); and
- The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL").

The Company does not have investment in equity instruments that is held for trading or FVOCI.

The expected impact on adoption of AASB 9 are described below. The information below reflects the Company's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

(a) Classification and measurement: financial assets and liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL and replaces the existing AASB 139 categories of held-to-maturity, loans and receivables and available-for-sale. Classification under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 largely retains the existing requirements in AASB 139 for the classification of financial liabilities.

The Company did not identify a significant change to the measurement basis arising from adopting the new classification and measurement model.

(b) Impairment

AASB 9 replaced the current “incurred loss” model with a forward-looking expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

The Company did not identify a significant increase in impairment for trade and other receivables as a result of adopting the new model.

AASB 16 impact assessment:

AASB 16 replaces existing lease accounting guidance. AASB 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if AASB 15 is also applied. AASB 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (“ROU”) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Company plans to adopt the standard when it becomes effective for the year ending 31 December 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Company is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under AASB 16. The Company has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements.

The Company as lessee

The Company expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under AASB 16. As at 30 June 2018, the operating lease commitments on an undiscounted basis amount to approximately 49.72% of the total assets and 22.53% of total liabilities.

The Company will apply the short term leases exemption where the existing lease period is of 12 months or lesser from 1 January 2019. The Company will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

7. Financial Information

7.7 PRO FORMA HISTORICAL FINANCIAL INFORMATION

7.7.1 Reviewed pro forma historical financial information of the Group

Although the Company was not incorporated on 30 June 2018, the following proforma historical consolidated statement of financial position has been prepared as if the Company was incorporated at that date. The proforma historical statement of financial position as at 30 June 2018 and the accompanying notes set out below, have been prepared to illustrate the financial position of the Group, following completion of the Offer and the following transactions outlined below:

- (a) Acquiring 100% of the CCH Group by the Company for consideration of \$11.031 million. By this transaction, the Company obtains control of the CCH Group. The net assets (liabilities) held by the CCH Group as acquired is detailed in section 7.6.3. In determining the accounting treatment to be applied to these acquisitions, the Directors gave consideration to the fact that the Company and the CCH Group were controlled by the same group of shareholders before and after the acquisition. Accordingly, it was determined that the acquisition met the definition of a transaction between entities under common control as outlined in AASB 3, whereby the variance between the purchase consideration paid and the net assets acquired is recognised in equity on consolidation. The impact of this transaction is set out in the table below:

| PURCHASE CONSIDERATION PAYABLE: | | \$ |
|---|--|---------------------|
| Shares issued | | 11,031,892 |
| Less net assets acquired (section 7.6.3) net of options reserve | | (4,028,260) |
| Other reserve | | (15,060,152) |

- (b) Issue of \$1.531 million of convertible notes (round 1) in July 2018 and recognising fees payable \$171,600 (GST incl).
- (c) Conversion of convertible notes (tranches A & B) of \$2.162 million, round 1 convertible notes of \$2.513 million and associated lead managers fees of \$171,600 totalling \$4.847 million.
- (d) Issue of \$2.013 million (before costs) of convertible notes for round 2 capital raise in November 2018 and recognising fees paid of \$117,463 and recording the conversion of these notes and associated fees into shares.
- (e) Record promissory notes of \$541,199 less 2% draw down fees of \$10,824, plus \$54,120 of interest charges payable on early repayment of these balances using funds raised from the offer.
- (f) Issuing options in the Company to existing warrant and option holders in the CCH Group in lieu of them transferring their entitlements to the Company. No proforma transaction was recognised as this represented a modification of the plan and the impact of the modification is recognised prospectively over the remaining vesting period.
- (g) The Company executed a deed of variation to amend the lead manager's mandate to issue 2 million shares and 2 million options (inclusive of GST) as part of the lead manager's mandate. The value of these shares and options including GST totalled \$652,008.
- (h) The Company executed a deed of variation to amend the terms and conditions associated with the performance shares to be issued to Keith Cohn and Zac Rosenberg. The terms of the performance shares are outlined in section 3.12 of the Prospectus. No proforma transaction was recognised as the associated impact is recognised over the vesting period.
- (i) Issuing 22.5 million shares and up to a maximum of 40 million at \$0.20 per share to raise between \$4.5 – 8 million before costs. The expense associated with the offer consists of cash and equity settled components and would range between \$2.225 million and \$2.464 million as outlined below and expensing the associated DTA balance of between \$667,351 and \$739,153.

| | MIN \$ | MAX \$ |
|---|------------------|------------------|
| Auditor and Investigating Accountant fees (Australia) | 30,250 | 30,250 |
| Corporate advisory fees | 30,000 | 30,000 |
| Tax due diligence | 3,850 | 3,850 |
| Marketing, roadshows and travel | 27,500 | 27,500 |
| Fees payable to Lead Manager | 1,574,940 | 1,806,183 |
| ASX Listing Fees | 75,780 | 83,878 |
| Prospectus graphic design and printing fees | 15,392 | 15,392 |
| Legal fees (Australia) | 120,000 | 120,000 |
| Legal fees (US) | 125,000 | 125,000 |
| Accounting and audit (US) | 216,584 | 216,584 |
| Share registry fees | 2,000 | 2,000 |
| ASIC prospectus lodgement fees | 3,206 | 3,206 |
| Total estimated gross expenses of offer | 2,224,502 | 2,463,843 |
| Tax effect | 667,351 | 739,153 |
| Total estimated gross expenses of offer | 1,557,151 | 1,724,690 |
| Represented by: | | |
| cash paid or payable | 732,062 | 740,160 |
| Issue of shares | 1,240,432 | 1,471,675 |
| Issue of options | 252,008 | 252,008 |
| | 2,224,502 | 2,463,843 |

The pro forma historical Statement of Financial Position is intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Offer.

7. Financial Information

7.7.2 Pro Forma Historical Statement of Financial Position as at 30 June 2018

The Pro Forma Historical Statement of Financial Position as at 30 June 2018 set out below, has been prepared to illustrate the financial position of the Company, following completion of the Offer and the transactions outlined in Section 7.7.1.

| | | | | | IMPACT OF OFFER | | TOTAL PROFORMA | |
|--------------------------------------|---------------------------------------|-----------------------|--|------------------------------------|------------------|------------------|------------------|-------------------|
| | CANDY CLUB HOLDINGS LIMITED 30-JUN-18 | IMPACT OF ACQUISITION | IMPACT OF PROFORMA TRANSACTIONS NET OF ACQUISITION | SUB-TOTAL OF PROFORMA TRANSACTIONS | MIN \$ | MAX \$ | MIN \$ | MAX \$ |
| Current assets | | | | | | | | |
| Cash and cash equivalents (1) | 200 | 833,908 | 4,075,037 | 4,908,945 | 3,172,619 | 6,664,521 | 8,081,764 | 11,573,666 |
| Inventory (2) | - | 1,415,733 | - | 1,415,733 | - | - | 1,415,733 | 1,415,733 |
| Other (3) | - | 354,239 | - | 354,239 | - | - | 354,239 | 354,239 |
| Total current assets | 200 | 2,603,880 | 4,075,037 | 6,678,917 | 3,172,619 | 6,664,521 | 9,851,736 | 13,343,638 |
| Non-current assets | | | | | | | | |
| Property, plant and equipment (4) | - | 68,233 | - | 68,233 | - | - | 68,233 | 68,233 |
| Intangibles (5) | - | 9,727 | - | 9,727 | - | - | 9,727 | 9,727 |
| Total non-current assets | - | 77,960 | - | 77,960 | - | - | 77,960 | 77,960 |
| Total assets | 200 | 2,681,840 | 4,075,037 | 6,756,877 | 3,172,619 | 6,664,521 | 9,929,696 | 13,421,598 |
| Current liabilities | | | | | | | | |
| Trade and other payables (6) | 5,680 | 2,470,877 | 54,120 | 2,524,997 | (54,120) | (54,120) | 2,476,557 | 2,476,557 |
| Other liabilities (7) | - | 224,339 | - | 224,339 | - | - | 224,339 | 224,339 |
| Borrowings (8) | - | 2,162,960 | (1,632,585) | 530,375 | (530,375) | (530,375) | - | - |
| Total current liabilities | 5,680 | 4,858,176 | (1,578,465) | 3,279,711 | (584,495) | (584,495) | 2,700,896 | 2,700,896 |
| Non-current liabilities | | | | | | | | |
| Borrowings (8) | - | 980,923 | (980,923) | - | - | - | - | - |
| Total non-current liabilities | - | 980,923 | (980,923) | - | - | - | - | - |
| Total liabilities | 5,680 | 5,839,099 | (2,559,388) | 3,279,711 | (584,495) | (584,495) | 2,700,896 | 2,700,896 |
| Net assets/ (liabilities) | (5,480) | (3,157,259) | 6,634,426 | 3,477,167 | 3,757,114 | 7,249,016 | 7,228,800 | 10,720,702 |
| Equity | | | | | | | | |
| Issued capital (9) | 200 | 11,031,892 | 6,977,608 | 18,009,500 | 4,183,281 | 7,746,985 | 22,192,981 | 25,756,685 |
| Reserves (10) | - | (14,189,151) | - | (14,189,151) | 252,008 | 252,008 | (13,937,143) | (13,937,143) |
| Accumulated losses (11) | (5,680) | - | (343,183) | (343,183) | (678,175) | (749,977) | (1,027,038) | (1,098,840) |
| Total equity/ (deficiency) | (5,480) | (3,157,259) | 6,634,426 | 3,477,167 | 3,757,114 | 7,249,016 | 7,228,800 | 10,720,702 |

Note 1 – Cash and cash equivalents

| | MIN \$ | MAX \$ |
|--|------------------|-------------------|
| Reviewed balance as at 30 June 2018 | 200 | 200 |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 833,908 | 833,908 |
| Record net cash raised from Round 1 capital raising (b) | 1,531,592 | 1,531,592 |
| Record net cash raised from Round 2 capital raising (d) | 2,013,070 | 2,013,070 |
| Record net cash raised from promissory notes (e) | 530,375 | 530,375 |
| Pro-forma transaction subtotal | 4,908,945 | 4,908,945 |
| Proceeds from shares issued under the offer (i) | 4,500,000 | 8,000,000 |
| Cash payments for offer costs (i) | (732,062) | (740,160) |
| Repayment of promissory notes (e) | (595,319) | (595,319) |
| Impact of offer subtotal | 3,172,619 | 6,664,521 |
| Total proforma balance | 8,081,764 | 11,573,666 |

Note 2 – Inventory

| | MIN \$ | MAX \$ |
|--|------------------|------------------|
| Reviewed balance as at 30 June 2018 | – | – |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 1,415,733 | 1,415,733 |
| Pro-forma transaction subtotal | 1,415,733 | 1,415,733 |
| Impact of offer subtotal | – | – |
| Total proforma balance | 1,415,733 | 1,415,733 |

Note 3 – Other assets

| | MIN \$ | MAX \$ |
|--|----------------|----------------|
| Reviewed balance as at 30 June 2018 | – | – |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 354,239 | 354,239 |
| Pro-forma transaction subtotal | 354,239 | 354,239 |
| Impact of offer subtotal | – | – |
| Total proforma balance | 354,239 | 354,239 |

7. Financial Information

Note 4 – Property, plant and equipment

| | MIN \$ | MAX \$ |
|--|-----------|-----------|
| Reviewed balance as at 30 June 2018 | – | – |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 68,233 | 68,233 |
| Pro-forma transaction subtotal | 68,233 | 68,233 |
| Impact of offer subtotal | – | – |
| Total proforma balance | 68,233 | 68,233 |

Note 5 – Intangibles

| | MIN \$ | MAX \$ |
|--|-----------|-----------|
| Reviewed balance as at 30 June 2018 | – | – |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 9,727 | 9,727 |
| Pro-forma transaction subtotal | 9,727 | 9,727 |
| Impact of offer subtotal | – | – |
| Total proforma balance | 9,727 | 9,727 |

Note 6 – Trade and other payables

| | MIN \$ | MAX \$ |
|--|-----------|-----------|
| Reviewed balance as at 30 June 2018 | 5,680 | 5,680 |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 2,470,877 | 2,470,877 |
| Fees payable for Round 1 Capital raising (b) | 171,600 | 171,600 |
| Fees payable for Round 2 Capital raising (d) | 117,463 | 117,463 |
| Settlement of fees via issue of shares (c) & (d) | (289,063) | (289,063) |
| Interest payable on repayment of promissory notes (e) | 54,120 | 54,120 |
| Pro-forma transaction subtotal | 2,524,997 | 2,524,997 |
| Interest paid on repayment of promissory notes (e) | (54,120) | (54,120) |
| Impact of offer subtotal | (54,120) | (54,120) |
| Total proforma balance | 2,476,557 | 2,476,557 |

Note 7 – Other liabilities

| | MIN \$ | MAX \$ |
|--|-----------|-----------|
| Reviewed balance as at 30 June 2018 | – | – |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 224,339 | 224,339 |
| Pro-forma transaction subtotal | 224,339 | 224,339 |
| Impact of offer subtotal | – | 0 |
| Total proforma balance | 224,339 | 224,339 |

Note 8 – Borrowings

| | MIN \$ | MAX \$ |
|--|------------------|------------------|
| Reviewed balance as at 30 June 2018 | – | – |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 3,143,883 | 3,143,883 |
| Record Round 1 capital raising at amortised cost (b) | 1,359,992 | 1,359,992 |
| Conversion of Round 1 notes (c) | (4,503,875) | (4,503,875) |
| Record Round 2 capital raising at amortised cost (d) | 1,895,607 | 1,895,607 |
| Conversion of Round 2 notes (d) | (1,895,607) | (1,895,607) |
| Record promissory notes at amortised cost (e) | 530,375 | 530,375 |
| Pro-forma transaction subtotal | 530,375 | 530,375 |
| Repayment of promissory notes (e) | (530,375) | (530,375) |
| Impact of offer subtotal | (530,375) | (530,375) |
| Total proforma balance | – | – |

Note 9 – Issued capital

| | MIN \$ | MAX \$ |
|--|-------------------|-------------------|
| Reviewed balance as at 30 June 2018 | 200 | 200 |
| Acquisition and consolidation of Candy Club Holdings Inc (a) | 11,031,892 | 11,031,892 |
| Conversion of Round 1 notes and associated fees (c) | 4,847,075 | 4,847,075 |
| Conversion of Round 2 notes and associated fees (d) | 2,130,533 | 2,130,533 |
| Pro-forma transaction subtotal | 18,009,500 | 18,009,500 |
| Proceeds from shares issued under the offer (i) | 5,740,432 | 9,471,675 |
| Capital raising costs incurred net of tax effect (g) & (i) | (1,557,151) | (1,724,690) |
| Impact of offer subtotal | 4,183,281 | 7,746,985 |
| Total proforma balance | 22,192,981 | 25,756,685 |

Note 10 – Reserves

| | MIN \$ | MAX \$ |
|---|---------------------|---------------------|
| Reviewed balance as at 30 June 2018 | – | – |
| Commonly controlled reserve on acquisition and consolidation of Candy Club Holdings Inc (a) | (15,060,152) | (15,060,152) |
| Share based payment reserve on acquisition and consolidation of Candy Club Holdings Inc (a) | 871,001 | 871,001 |
| Pro-forma transaction subtotal | (14,189,151) | (14,189,151) |
| Issue of options to lead manager (g) & (i) | 252,008 | 252,008 |
| Impact of offer subtotal | 252,008 | 252,008 |
| Total proforma balance | (13,937,143) | (13,937,143) |
| Represented by: | | |
| Commonly controlled reserve | (15,060,152) | (15,060,152) |
| Share based payment reserve | 1,123,009 | 1,123,009 |

7. Financial Information

Note 11 – Accumulated losses

| | MIN \$ | MAX \$ |
|---|--------------------|--------------------|
| Reviewed balance as at 30 June 2018 | (5,680) | (5,680) |
| Expense fees on conversion of Round 1 notes (b) | (171,600) | (171,600) |
| Expense fees on conversion of Round 2 notes (d) | (117,463) | (117,463) |
| Interest charged on promissory notes (e) | (54,120) | (54,120) |
| Pro-forma transaction subtotal | (343,183) | (343,183) |
| Expense fees on repayment of promissory notes (e) | (10,824) | (10,824) |
| Deferred tax asset expensed (i) | (667,351) | (739,153) |
| Impact of offer subtotal | (678,175) | (749,977) |
| Total proforma balance | (1,027,038) | (1,098,840) |

7.7.3 Subsequent events

Other than the following, the Directors are not aware of any significant events since the end of the reporting period.

- As noted in Section 7.7.1, acquisition of 100% of the CCH Group by the Company for consideration of \$11.031 million was completed. By this transaction, the Company obtained control of the CCH Group;
- Issue of \$1.531 million of convertible notes (round 1) in July 2018 and recognising fees payable \$171,600 (GST incl);
- Conversion of convertible notes (tranches A & B) of \$2.162 million, round 1 convertible notes of \$2.513 million and associated lead managers fees of \$171,600 totalling \$4.847 million;
- Issue of \$2.013 million (before costs) of convertible notes for round 2 capital raise in November 2018 and recognising fees paid of \$117,463 and recording the conversion of these notes and associated fees into shares;
- Record promissory notes of \$541,199 less 2% draw down fees of \$10,824, plus \$54,120 of interest charges payable on early repayment of these balances using funds raised from the offer;
- Issuing options in the Company to existing warrant and option holders in the CCH Group in lieu of them transferring their entitlements to the Company. No proforma transaction was recognised as this represented a modification of the plan and the impact of the modification is recognised prospectively over the remaining vesting period;
- The Company executed a deed of variation to amend the lead manager's mandate to issue 2 million shares and 2 million options (inclusive of GST) as part of the lead manager's mandate. The value of these shares and options including GST totalled \$652,008 and has been included as expenses of the offer;
- The Company executed a deed of variation to amend the terms and conditions associated with the performance shares to be issued to Keith Cohn and Zac Rosenberg. The terms of the performance shares are outlined in section 3.11 of the Prospectus. No proforma transaction was recognised as the associated impact is recognised over the vesting period; and
- Between 1 July and 31 October 2018, the CCH Group used its cash reserve to pay operating costs and costs associated with the offer. CCH Group's unaudited cash balance was \$481,906 at 31 October 2018 and an additional \$257,491 of funds were held in Escrow at 31 October 2018.

7.8 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies which have been adopted in the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, is set out as follows:

(a) Basis of preparation of accounts

The Pro Forma Historical Statement of Financial Position has been prepared in accordance with Australian Accounting Standards (**AAS**), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the Corporations Act (as modified for inclusion in the Prospectus).

AAS set out accounting policies that the AASB have concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AAS ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The Pro Forma Historical Statement of Financial Position has been prepared on the basis of the assumptions outlined in Section 7.7.1.

The Pro Forma Historical Statement of Financial Position has been prepared on an accrual basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Pro Forma Historical Statement of Financial Position has been prepared for Candy Club Holdings Limited, being a public company limited by shares incorporated and domiciled in Australia. The Company is a for-profit entity for financial reporting purposes under AAS.

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Company and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiaries are Candy Club Holdings Inc and Candy Club LLC, effective 12 November 2018.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amount of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within the equity attributable to owners of the Company.

7. Financial Information

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination is accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at the acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

For transactions meeting the definition of 'transactions between entities under common control,' the acquisition does not meet the definition of a business combination as per AASB 3 Business Combinations. As a result, the Company accounts for the assets and liabilities of the entities acquired at their pre-combination carrying amount without fair value uplift. The accounting is applied on the basis that there has been no substantive economic change. No goodwill is recognised as part of the transaction, instead, any difference between the cost of the transaction and the carrying value of the net assets acquired has been recorded in equity.

(d) Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax assets/(liabilities) are measured at the amounts expected to be recovered from/(paid to) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AAS.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(f) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to the Company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

7. Financial Information

(g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, at amortised cost using the effective interest method or at cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(h) Impairment of Assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another AAS (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other AAS.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(i) Employee Benefits

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

7. Financial Information

Equity settled compensation

The Company has provided share-based compensation to its employees. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(l) Revenue and Other Income

Pre 1/1/2018

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Subscription income

The CCH Group sells candies via its website directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been dispatched to the customer. Payment of the transaction price must be cleared before the goods are dispatched.

Interest revenue

Interest is recognised using the effective interest method.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

Post 31/12/17

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or services to a customer.

Subscription income

The CCH Group sells candies via its website directly to customers and revenue is recognised when control of the goods has transferred, being when the goods have been dispatched to the customer. Payment of the transaction price must be cleared before the goods are dispatched.

Interest revenue

Interest is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax.

(m) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Section 7.8 (g) for further discussion on the determination of impairment losses.

(n) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability unless otherwise negotiated with a vendor.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(p) Share-based payments

Equity settled share-based payments in return for goods and services are measured at the fair value of the goods and services received, except when the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument.

(q) Advertising expenses

The Group expenses advertising expenses as they are incurred.

(r) Going concern

During the period ended 31 October 2018, the Company incurred a loss from ordinary activities of \$(5,680). As at 31 October 2018, its cash balance was \$200.

The directors have reviewed the cash flow requirements of the Company for the next 12 months and recognise that the ability of the Company to continue as a going concern is dependent upon the success of the fundraising under the Prospectus.

These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liability in the normal course of business. Despite the material uncertainty related to the ability of the Company to continue as a going concern, the financial statements have been prepared on a going concern basis. Accordingly, they do not include adjustments relating to the recoverability and classification of assets, or the amount and classification of liabilities that might be necessary should the Company not continue as a going concern.



8. INVESTIGATING ACCOUNTANT'S REPORT

8. Investigating Accountant's Report



30 November 2018

The Board of Directors
Candy Club Holdings Limited
C/- Moray & Agnew Lawyers
Level 6, 505 Little Collins Street
MELBOURNE VIC 3000

Dear Directors,

Independent Limited Assurance Report on Candy Club Holdings Limited's historical and pro forma historical financial information

8.1 Introduction

We have been engaged by Candy Club Holdings Limited ("the Company") to report on the historical financial information of the Company and the pro forma historical financial information of the Group for inclusion in a public offer document ("the Prospectus") dated on or about 30 November 2018 and relating to the issue of a minimum of 22.5 million ordinary shares and a maximum of 40 million ordinary shares at an application price of \$0.20 per share in the Company and listing on the Australian Securities Exchange ("the ASX") ("the Offer").

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services License under the *Corporations Act 2001*. HLB Mann Judd Corporate Finance Pty Ltd ("HLB Mann Judd") holds an appropriate Australian Financial Services License (AFS License Number 240988) under the *Corporations Act 2001*. Refer to our Financial Services Guide included as part 2 of this report.

8.2 Scope

8.2.1 Historical Financial Information

You have requested HLB Mann Judd to review the Historical Financial Information, as set out in Sections 7.5.1 to 7.5.3 of the Prospectus comprising:

- The historical statement of profit or loss and other comprehensive income for the period from 24 October 2018 (date of incorporation) to 31 October 2018;
- The historical statement of financial position as at 31 October 2018; and
- The historical statement of cash flows for the period from 24 October 2018 to 31 October 2018.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS") and the Company's adopted accounting policies. The Historical Financial Information of the Company has been extracted from the reviewed interim financial report for the period ended 31 October 2018 which was reviewed by HLB Mann Judd (Vic Partnership). HLB Mann

HLB Mann Judd Corporate Finance Pty Ltd ABN 49 097 176 139 Australian Financial Services Licence No 240988
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (0)3 9606 3888 | Fax: +61 (0)3 9606 3800
Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au
Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees

HLB Mann Judd Corporate Finance Pty Ltd is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

8. Investigating Accountant's Report



Judd issued an unmodified review conclusion on the interim financial report which contained an emphasis of matter titled Material Uncertainty Regarding Going Concern. The Historical Financial Information is presented in the Prospectus in an abbreviated form, in so far as it does not include all of the presentation and disclosure required by AAS and other regulatory professional reporting requirements appropriate to general purpose financial report prepare in accordance with the *Corporations Act 2001*.

The Historical Financial Information of the CCH Group presented in section 7.6 has been extracted from the audited financial statements of the CCH Group for the years ended 31 December 2016 and 2017, and the reviewed interim financial statements for the period ended 30 June 2018, which has been subject to audit and review, respectively by the auditors of the CCH Group. The audit reports for the years ended 31 December 2016 and 2017 contained a disclaimer and a modification, respectively in respect of the inventory balance held by the CCH Group as at 31 December 2016 and 2017.

The modified reports were issued by the auditors of the CCH Group as they were not appointed auditors of the CCH Group until after 31 December 2017 and were unable to observe the counting of inventory as at 31 December 2016 and 2017. They were unable to satisfy themselves by alternative means concerning inventory quantities held at 31 December 2016. They were able to perform alternative procedures to satisfy themselves in respect of the inventories as at 31 December 2017.

The review conclusion in respect of the interim financial statements for the period ended 30 June 2018 was unmodified. The audit reports and review conclusion issued by the auditors of CCH Group were considered by HLB Mann Judd as part of its review of the Pro Forma historical financial information in accordance with the requirements set out in *ASA 600 Special Considerations-Audits of a Group Financial Report*.

8.2.2 Pro Forma historical financial information

You have requested HLB Mann Judd to review the pro forma historical statement of financial position as at 30 June 2018 included in Section 7.7.2 of the Prospectus, referred to as "the pro forma historical financial information".

The pro forma historical financial information has been derived from the historical financial information of the Company, after adjusting for the effects of pro forma adjustments described in section 7.7.1 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in AAS applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 7.7.1 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 30 June 2018. Due to its nature, the pro forma historical financial information does not represent the Group's actual or prospective financial position and financial performance.

8.3 Directors' responsibility

The directors of the Company are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors



determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

8.4 Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the historical and pro forma historical financial information.

8.5 Conclusions

8.5.1 Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in sections 7.5.1 to 7.5.3 of the Prospectus, comprising:

- The historical statement of profit or loss and other comprehensive income for the period from date of incorporation to 31 October 2018;
- The historical statement of financial position as at 31 October 2018; and
- The historical statement of cash flows for the period from the date of incorporation to 31 October 2018

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.3 of the Prospectus.

8.5.2 Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information as outlined in section 7.7.2 of the Prospectus, being the Statement of Financial Position as at 30 June 2018 is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 7.3 of the Prospectus.

8.6 Restriction on Use

Without modifying our conclusions, we draw attention to sections 7.1 to 7.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

8. Investigating Accountant's Report



We disclaim any responsibility for any reliance on the report or the financial information to which it relates for any purpose other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

8.7 Consent

HLB Mann Judd has consented to the inclusion of this assurance report in the Prospectus in the form and context which it is included. At the date of this report, this consent has not been withdrawn.

8.8 Disclosure of Interests

HLB Mann Judd has no financial or other interest that could reasonably be regarded as affecting our ability to give an unbiased conclusion on the matters that are subject of this report for which normal professional fees will be received. No director of HLB Mann Judd or any individuals involved with the preparation of this report have any interest in the outcome of the Offer other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Our associated entities, HLB Mann Judd (Vic Partnership) which acts as the auditors of the Company and HLB Mann (VIC) Pty Ltd, from time to time, provide the Company with certain professional services where it is considered that our independence is not affected for which normal professional fees are received.

8.9 Liability

The liability of HLB Mann Judd is limited to the inclusion of this report in the Prospectus. Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB Mann Judd 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 Mann Judd makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

8.10 Financial Services Guide

We have included our Financial Services Guide as part 2 of this report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

HLB Mann Judd Corporate Finance Pty Ltd

A handwritten signature in blue ink, appearing to be 'Jude Lau', written over a light blue horizontal line.

Jude Lau
Director



Part 2 Financial Services Guide

What is the purpose of this Financial Services Guide?

This Financial Services Guide (FSG) provides you with information about us to help you decide whether to use the services that we offer.

It explains:

- The services offered by us;
- How instructions may be provided to us;
- How we are remunerated; and
- The details of our internal and external complaints handling procedures and how you can access them.

This FSG is provided by HLB Mann Judd Corporate Finance Pty Ltd (AFSL: 240988). In this FSG, each of the companies is referred to as "we", "our" or "us", and collectively referred to as "HLB Mann Judd".

What Services can we provide?

Under our AFS licence authorisation, we may carry on a financial services business to provide:

- financial product advice on basic deposit products, securities, derivatives limited to old law securities options contracts and warrants, and
- dealing services in respect of the above financial products.

Collectively these are referred to as "Services". HLB Mann Judd provides corporate finance services including valuations and merger and acquisition advice. This includes capital raising, strategic option analysis and financial modelling.

Will you provide me with advice which is suitable to my needs and financial circumstances?

We provide general financial product advice only, not personal financial product advice because the advice has been prepared without taking into consideration your personal objectives, financial situation or needs. You should consider the appropriateness of the advice, having regards to your objectives, financial situation and needs before acting on the advice.

We are authorised to provide you with personal advice in relation to basic deposit products, securities and derivatives limited to old law securities options contracts and warrants. We may not provide advice of any kind in relation to any other interest, financial products or other investments.

Generally if personal advice is given – that is, the advice that takes into account your particular circumstances, financial situation and needs, you would be provided with a Statement of Advice (SOA) / Statement of Additional Advice (SOAA) in accordance with the requirements of the Corporations Act. The SOA/SOAA would contain the advice, the basis on which it is given and the information about fees, commissions and associations which may have influenced the provision of the advice.

In some circumstances, SOA or SOAA is not required to be given. In this case, a Record of Advice (ROA) documenting the personal advice is to be given. You may request a copy of the ROA from your adviser up to 7 years after the advice has been given.

If a recommendation to acquire a particular financial product is made, you would be provided with a Product Disclosure Statement containing information about the particular product, which will enable you to make an informed decision in relation to purchasing that product.

How do I give information to HLB Mann Judd?

You can give us information by telephone, post, fax or email, using the details provided below. In some cases, however, you will need to complete and return certain documents, such as application form and client identification form.

How does HLB Mann Judd get paid for its Services?

HLB Mann Judd payments come from fees generated from the provision of Services.

The fees will vary depending on the services provided, the complexity and nature of the services and other factors such as the size of the

transaction. The fees will be negotiated on a case by case basis and will be clearly disclosed to you in our engagement letter.

Our staff are paid a salary and may be entitled to receive bonuses or non-monetary benefits. These bonus payments are not an additional cost to you.

The fees and charges that you pay to us may ultimately benefit our employees, directors or other associates of our authorising licensee or its authorised representatives.

What fee does the person who referred me receive?

We do not currently pay a fee to any person who refers you to use our Services. However, we may enter into referral arrangements with such parties in the future. Any fees or commissions payable for the referral will be disclosed to you. Furthermore, we may receive payments for referring you to other service providers or product issuers.

Disclosure of Interest

We may provide services in relation to products and services provided by other product issuers or invest in those products ourselves. To the extent permitted by law, we may receive fees and other benefits from these product issuers as a result of you investing in one of their products or using one of their services. We may pay to, or receive fees or commissions from, third parties to the extent permitted by law.

Except as disclosed in this FSG, we do not have any relationships or associations which might reasonably be expected to be capable of influencing the way we provide our Services to you.

Compensation Arrangements

We are covered by our professional indemnity insurance in place that complies with section 912B of the *Corporations Act* and ASIC Regulatory Guide 126.

Who can I complain to if I have a complaint about the Services provided to me?

If you have a complaint about the Services provided to you, you should take the following steps:

1. Contact us and tell us your complaint.
If your complaint is not satisfactorily resolved within seven days, please call our complaints Manager on (03) 9606 3888.
2. Alternatively, you can put your complaint in writing and forward it to:
The Complaints Manager
HLB Mann Judd Corporate Finance
Level 9, 575 Bourke Street, Melbourne VIC 3000
Tel: (03) 9606 3888
Fax: (03) 9606 3800
Email: jreidy@hlbvic.com.au
3. We will endeavour to investigate and resolve your complaint and communicate our decision to you within 45 days. If you still do not get a satisfactory outcome, you may be able to lodge a complaint with The Financial Ombudsman Service (FOS). You can write to FOS at GPO Box 3, Melbourne VIC 3001 or call them on **1300 780 808** or visit **www.fos.or.au**

HLB Mann Judd Corporate Finance Pty Ltd (AFS Licence 240988)
Level 9, 575 Bourke Street, Melbourne VIC 3000
Tel: (03) 9606 3888
Fax: (03) 9606 3800
Email: jreidy@hlbvic.com.au

Date Issued: 30 November 2018

9. TAXATION REPORT



9. Taxation Report



Accountants | Business and Financial Advisers

30 November 2018

The Directors
Candy Club Holdings Limited
C/O Moray Agnew Lawyers
Level 6, 505 Little Collins Street
Melbourne VIC 3000

Dear Directors

TAXATION REPORT

As requested, we have prepared this taxation report (**Report**) for inclusion in the Prospectus for Candy Club Holdings Limited (**the Company**). The Report has been prepared for inclusion in a public offer document (**the Prospectus**) dated on or about 30 November 2018 and relating to the issue of a minimum of 22.5 million ordinary shares and a maximum of 40 million ordinary shares at an application price of \$0.20 per share in the Company and listing on the Australian Securities Exchange (**the ASX**) (**the Offer**).

1. GENERAL

The taxation summary contained in this Report provides a general overview of the Australian tax implications for investors who acquire shares, as well as the US tax implications for the Company holding shares in its US subsidiaries, and is not intended to be a complete statement of the possible taxation implications for investors and the Company.

The individual circumstances of each investor may affect the taxation implications of the investment for that investor. It is the responsibility of each investor to be satisfied as to the particular taxation treatment that applies to each investment.

This summary is based on the current Australian taxation law, US taxation law and administrative practice of the Commissioner of Taxation (**the Commissioner**), as at the date of this Prospectus. However, potential investors should be aware that the law, and the way in which the Commissioner interprets and administers the law, may change at any time, and that the ultimate interpretation of Australian taxation law rests with the courts.

This summary does not constitute financial product advice as defined in the *Corporations Act 2001* (*Cth*). This summary is confined to taxation issues and is only one of the matters investors need to consider when making a decision about their investments. Investors should consider taking advice from a licensed financial advisor before making a decision about their investments. HLB Mann Judd (Vic) Pty Ltd is not required to hold an Australian Financial Services Licence under the *Corporations Act 2001* (*Cth*) to provide investors with this taxation advice. We have not caused and

HLB Mann Judd (VIC) Pty Ltd ABN 56 143 698 709

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Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au

Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (VIC) Pty Ltd is a member of International. A world-wide network of independent accounting firms and business advisers.

9. Taxation Report



take no responsibility for the publication of any part of the Prospectus in which this report appears, other than the report itself.

Persons who are considering making an investment in the Company should seek independent professional advice with respect to the taxation consequences arising from such an investment.

These comments only apply to investors that hold shares on capital account.

2. TAXATION OF DIVIDENDS

Australian Tax Residents

It is expected that the majority of the Company's income and gains will be foreign sourced (for example dividends), which are likely to be tax exempt at the level of the Company as non-assessable non-exempt income (**NANE**) of the Company. To the extent that any foreign income is taxable in Australia (e.g. the dividend received by the Company is not a NANE) a credit should be available for any foreign withholding tax.

Therefore, it is anticipated that any dividends paid by the Company is likely to be unfranked.

Unfranked dividends received by Australian resident investors will be taxable at the investor's marginal tax rate. For individuals, this tax rate may be up to 47% (including 2% Medicare levy) for the 2018/19 income year.

To the extent that franking credits are attached to the dividend, the Australian tax resident investors should include in their taxable income the franking credits (in addition to the dividend paid) in the income year in which the dividend is paid.

An Australian tax resident investor will be entitled to offset the franking credit against tax payable by the investor if the investor is a qualifying person. A qualifying person is an investor who: either (a) satisfies the holding period rule (by holding shares on which the dividend is 'at risk' for at least 45 days) and the related payments rule; or (b) is an individual and whose total franking credit entitlement in the relevant income year is below \$5,000 for the relevant year ("**qualifying person**").

Where the Australian tax resident investors are "qualifying persons"

- Individuals and complying superannuation funds are entitled to a refund of any part of the franking credits that exceed their tax payable in Australia.
- Australian resident companies are entitled to a tax offset equal to the amount of franking credits attached to a dividend, and can convert excess franking credits to tax losses that can potentially be deductible against income in future years. A credit will arise in the franking account of these investors equal to the amount of the franking credits attached to the dividend.



Where Shares are held by trusts or partnerships, Where Shares are held by trusts or partnerships, and the dividend is distributed through to beneficiaries or partners, the benefit of the franking credit attached to the dividend generally also passes through to those beneficiaries or partners where they have an amount of assessable income that is attributable to that distribution. The income tax treatment of the dividends and any franking credits in the hands of those beneficiaries or partners will depend upon the tax status of the beneficiaries or partners.

Non-Australian Tax Residents

If the dividends paid to non-Australian tax residents are not fully franked, these may be subject to withholding tax in Australia. Dividend withholding tax is a final withholding tax that the Company withholds from the gross dividend and remits to the ATO. Depending on the country of the residence and whether there is a Double Tax Agreement, the amount of withholding tax will vary from 0% to 30%.

In certain circumstances, where the income is not subject to tax in Australia (e.g. a NANE), this can be paid to non-Australian tax resident investors as an unfranked dividend not subject to any withholding tax under the Conduit Foreign Income (**CFI**) rules.

3. TAXATION OF DISPOSAL OF SHARES

Australian Tax Residents

Australian income tax laws contain a capital gains tax (**CGT**) regime and Australian tax-resident investors will be subject to the CGT regime on a disposal of shares.

The cost base used to assess any capital gain or loss on shares is generally the amount an investor pays to acquire the shares plus any incidental costs of acquisition and non-capital costs of ownership incurred. A capital gain typically arises when an asset is disposed of and the capital proceeds exceed the cost base of acquiring the asset. Conversely, a capital loss generally arises if the cost base exceeds the capital proceeds received.

Capital losses made in the same or prior years can typically be offset against any capital gains. Any remaining net capital gain is included in assessable income and taxed, with the amount of tax payable depending on the individual taxpayer's tax profile. Where a net capital loss is incurred it may be carried forward indefinitely and offset against future capital gains subject to certain restrictions.

Applicants who are Australian residents for tax purposes that dispose of shares may realise a capital gain that may be subject to Australian CGT. Such capital gain would be equal to the capital proceeds received for the disposal of the shares, less the cost base of the shares. Complying superannuation entities are entitled to a CGT discount of one-third if the shares have been owned for at least 12 months at the date that the shares are disposed of. The net capital gain for individuals or entities acting as trustees of trusts (which have presently entitled beneficiaries) may be reduced by 50% if the shares were held for at least 12 months immediately prior to the date of disposal (this 50%

9. Taxation Report



discount does not apply to companies that hold shares).

Non- Australian Tax Residents

Non-Australian tax residents are subject to CGT on the disposal of taxable Australian property (**TAP**). For tax purposes, shares will generally only be considered TAP where the following conditions are satisfied:

- the investor and its associates owns an interest of 10% or more in the Company; and
- more than 50% of the value of the Company relates to assets that are taxable Australian real property (**TARP**) such as land and buildings or interests in land and buildings. For example, leasehold rights over land situated in Australia are considered to be TARP.

Based on information contained in the Prospectus and the planned operation of the business, the Company shares are unlikely to be TAP. As such, foreign residents that dispose of their shares are unlikely to be subject to CGT on any gains made in Australia. However, the circumstances should be reviewed by investors as at the time they dispose of some or all their shares.

4. US Tax

The Company's US subsidiary Candy Club Holdings Inc, which is a holding company that wholly owns the main operating subsidiary Candy Club LLC (a disregarded entity for US federal income tax purposes) should be subject to US Corporate Income Tax. US corporate income tax is currently at 21% flat rate. In addition, Candy Club Holdings Inc may be subject to state corporate income tax, which should be in a range from 0% to 11.5% depending various factors, including the state(s) where the business is operated and the amount of taxable income.

If the Company sells shares in Candy Club Holdings Inc, the capital gain generally should not be subject to US corporate income tax as the gain should be sourced to outside of the US assuming the Company does not have any activities in the US other than holding the shares in Candy Club Holdings Inc. However, if Candy Club Holding Inc owns US real property interest with a substantial value comparing to its overall assets owed, the Company's capital gain from the sale of Candy Club Holding Inc shares may be subject to US income tax under Foreign Investment in Real Property Tax Act (**FIRPTA**). The US tax treatment of the capital gain to the Company should be the same no matter it is a partial sale or complete disposition to the extent that the sale is to unrelated third parties.

Any dividend distribution from Candy Club Holdings Inc to the Company should be subject to a default US withholding tax of 30% rate. Such withholding tax could be reduced to 0% rate by claiming the US-Australia income tax treaty as long as the Company owns 80% or more of the voting power of Candy Club Holdings Inc. If the Company owns less than 80% (but 10% or more) of the voting power of Candy Club Holdings Inc, such dividend should be subject to 5% US withholding tax. To the extent that such dividend is a NANE of the Company, the Company will not be entitled to receive any tax credit in Australia in respect of any foreign withholding tax paid.



5. Tax File Numbers

An investor is not required to quote their Tax File Numbers (**TFN**), or where relevant, Australian Business Number (**ABN**), to the Company. However, if an investor's TFN, ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company from unfranked dividends at the maximum marginal tax rate plus the Medicare levy.

6. Goods and Services Tax Implications

No Goods and Services Tax (**GST**) should be payable by investors in respect of the acquisition or disposal of their shares in the Company, regardless of whether or not the investor is registered for GST. The extent to which each investor is entitled to recover any GST incurred on costs relating to the acquisition or disposal of shares in the Company will depend on the individual circumstances of each investors. No GST should be payable by investors on receiving dividends distributed by the Company.

7. Stamp Duty

No Australian stamp duty should be payable in respect of the subscription for the shares under the Prospectus.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'JCHYE', written over a light blue horizontal line.

JOSH CHYE

DIRECTOR
HLB MANN JUDD (VIC) PTY LTD

10. MATERIAL CONTRACTS



10. Material Contracts

The Company and its subsidiaries have entered into various agreements which the Board consider to be material and relevant to potential investors in the Company. Set out below is a summary of these material contracts.

List of Material Contracts:

1. Share Purchase Agreement;
2. FedEx Agreement;
3. Lease Agreement;
4. Oracle Services Agreement;
5. Fulfilment Services Agreement;
6. Sales Agreement; and
7. Promissory Notes Agreements.

Employment Agreements and Corporate Advisory Agreements:

8. Executive Employment Agreement;
9. Directors' Service Agreements;
10. Directors' Deeds of Indemnity, Access and Insurance;
11. Lead Manager Mandate; and
12. Restriction Agreements.

10.1 SHARE PURCHASE AGREEMENT

Pursuant to the Share Purchase Agreement entered into on 12 November 2018, between the Company, CCH and the Original CCH Shareholders, the Company acquired all the issued share capital in CCH. The Share Purchase Agreement provided for the acquisition of CCH on the following terms and conditions:

- The Original CCH Shareholders agreed to sell, and the Company agreed to purchase, all the issued share capital in CCH.
- In consideration for the acquisition of CCH, the Company issued 75,303,017 Shares to the Original CCH Shareholders in proportion to their relative shareholdings in CCH.
- Any claims under the Share Purchase Agreement are limited to the value of the purchase consideration paid.

10.2 FEDEX AGREEMENT

CCL has entered into the FedEx Agreement with FedEx, under which FedEx agrees to supply certain postal services to CCL under an agreed pricing structure.

The FedEx Agreement was amended by an amendment dated 18 March 2017, which favourably amended the pricing structure in the FedEx Agreement, subject to a minimum average number of packages per pick up and a minimum number of packages per day.

10.3 LEASE AGREEMENT

Pursuant to the Lease Agreement, CCL has leased the premises located at 12950 Culver Blvd, Los Angeles, California, USA (**Premises**) from Marina Media Development Associates LLC (**Lessor**) on the following key terms:

- The Premises shall be used as an office space.
- The term of the Lease Agreement is for five (5) years (**Term**), commencing on 1 August 2018 (**Commencement Date**).
- The base annual rent payable under the Lease Agreement is US\$15,353 (approximately \$21,500), however CCL is not required to pay rent for the first four (4) months of the Term.

10. Material Contracts

- CCL is required to pay an amount equivalent to 19.55% of the Premises' operating expenses for the period commencing on the first anniversary of the Commencement Date until the Lease Agreement is terminated.
- The failure by CCL to make any payment of rent or any other payment required to be made by CCL under the Lease Agreement, where such failure shall continue for a period of three (3) days after written notice, shall constitute grounds for termination of the Lease Agreement by the Lessor.
- The Lessor shall not be in default unless the Lessor fails to perform its obligations later than thirty (30) days after written notice of such default by CCL to the Lessor.
- As long as CCL is not in material default under the Lease Agreement beyond all cure periods, CCL shall have an option to renew the Lease Agreement by a single 3-year period by providing the Lessor with written notice of its intention to exercise such option no later than six (6) months prior to the expiration of the initial Term, with base rent being the then fair market rate for creative office spaces in the area.
- As long as CCL is not in material default under the Lease Agreement, CCL has the option to terminate the Lease Agreement for convenience effective at the end of the 36th month of the Term with six (6) months prior written notice to the Lessor, and shall be required to pay a termination fee equal to unamortised free rent, tenant improvement allowance and commissions, within thirty (30) days prior to the effective date of the termination, unless CCL relocates to a building managed by the same real estate manager.

10.4 ORACLE SERVICES AGREEMENT

Pursuant to the Oracle Services Agreement, Oracle America Inc (**Oracle**) has agreed to provide certain email marketing automation services (**Oracle Services**) to CCL for a term of 24 months from 23 April 2018 (**Term**) on the following key terms:

- Oracle shall use commercially reasonable efforts to ensure that the core components of the Oracle Services shall have an uptime availability of at least 99.9% per month.
- During the Term, CCL may use the Oracle Services to send that number of email messages or SMS messages agreed to and can purchase additional messages for an additional fee.
- All fees payable by CCL under the Oracle Services Agreement are due within 30 days from the invoice.
- CCL indemnifies Oracle against any loss or damage incurred by Oracle or Oracle's affiliates arising out of the provision of the Oracle Services by Oracle.

10.5 FULFILMENT SERVICES AGREEMENT

Pursuant to the Fulfilment Services Agreement, Integrated Distribution Services Inc (**IDS**) has agreed to provide certain fulfilment services (**Fulfilment Services**) to CCL for a term of 3 years from 17 August 2017 (**Term**) on the following key terms:

- Following expiry of the initial Term, the Fulfilment Services Agreement shall thereafter automatically renew for successive one hundred twenty (120) day periods.
- IDS agrees to provide that amount of storage and materials handling space as required by CCL for CCL's goods (**Goods**) at IDS' facility located at 9431 Allpoints Parkway, Plainfield, Indiana (**Facility**).
- The Facility shall be appropriate for food grade storage and packaging of the Goods and shall be appropriately secured.
- IDS will provide all required equipment for the packaging, handling and storage of the Goods.
- IDS shall receive, package, store and (upon receipt of CCL's instructions) ship the Goods from the Facility and shall provide full truck load brokerage and parcel delivery programs.
- Goods shipped to IDS shall identify CCL as the consignee, with IDS only shown as the "in care of" party.
- IDS shall bill CCL twice per month for all fees due and owing, and CCL shall make payment of such invoices within forty-five (45) days of receipt of the relevant invoice.
- IDS shall have a general warehouse lien for all lawful charges for storage, handling and preservation of the Goods.

10.6 SALES AGREEMENT

Pursuant to the Sales Agreement entered into on 1 July 2018, CCL has engaged Diverse Marketing to provide personnel who will act as sales agents to promote sales of the Candy Club Branded Confectionery as part of the B2B Business on the following key terms:

- CCL will pay Diverse Marketing a commission on all paid invoices from the specialty market retailers under the B2B Business, which commission shall be paid within 21 days of the end of the calendar month during which the invoice is paid.
- CCL is entitled to reduce the amount of commissions payable to Diverse Marketing for aged debts over 120 days or for refused or returned shipments.
- Any discounts to accounts must be approved by CCL before being offered by Diverse Marketing.
- The Sales Agreement may be terminated by CCL for convenience on 60 days' written notice.

10.7 PROMISSORY NOTE AGREEMENTS

Instanz Australia Pty Ltd <The King Trust> and Chi Kan Tang (each a '**Noteholder**') have each entered into an agreement on 27 November 2018 with CCH for the issue of promissory notes in CCH. Pursuant to the Promissory Note Agreements, each Noteholder has advanced an amount of US\$200,000 (approximately \$280,000) (**Principal**) to CCH on the following key terms:

- Interest shall accrue on the outstanding balance of the Principal from the date of the Promissory Note Agreement being 27 November 2018 (**Issue Date**) at a rate of 20% per annum.
- The Principal and any accrued but unpaid interest (**Monies Owing**) shall be due and payable upon written demand by the Noteholder at any time after the date being 6 months from the Issue Date (**Maturity Date**).
- The Monies Owing shall be paid in full by CCH upon the date of the Company's Admission, which amount shall include an amount of interest equal to no less than the amount of interest that would have accrued if the Principal had been repaid on the Maturity Date (**Minimum Interest Amount**).
- The Principal and/or interest payable under each Promissory Note Agreement may be repaid in whole or in part at any time without the prior consent of the Noteholder, provided that the Minimum Interest Amount is also paid to the Noteholder.
- All Monies Owing which is past due shall bear interest from the date on which such amount is due for payment until repaid at the lesser of 24% per annum or the highest rate for which CCH may legally contract under applicable law.
- The Monies Owing shall be immediately due and payable upon an event of default, which includes CCH's failure to pay any payment of fees or Monies Owing as and when due under the Promissory Note Agreement, or default by CCH in the punctual performance of any other obligation contained in the Promissory Note Agreement, if such default continues unremedied for a period of ten (10) days or more following written notice of default.
- At the time of execution of each Promissory Note Agreement, a fee equal to two percent (2%) of the Principal shall be paid to each Noteholder.

10.8 EXECUTIVE EMPLOYMENT AGREEMENT

CCL has entered into an Executive Employment Agreement with Keith Cohn for the employment of Keith Cohn as Executive Managing Director of the CCL and the Candy Club Group. Pursuant to the Executive Employment Agreement, Keith shall receive a salary of US\$275,000 per annum (approximately \$385,000) and a car allowance of US\$1,750 per month (approximately \$2,450).

10. Material Contracts

10.9 DIRECTOR' SERVICE AGREEMENTS

(a) Directors' Service Agreement – Mr Robert Hines (Non-Executive Chairperson)

The Company has entered into a Directors' Service Agreement with Mr Hines in relation to his appointment as Non-Executive Chairperson of the Company. Pursuant to such agreement, Mr Hines shall be entitled to directors' fees of \$60,000 per annum (plus superannuation).

(b) Directors' Service Agreement – Mr Zachry Rosenberg (Non-Executive Director)

The Company has entered into a Directors' Service Agreement with Mr Zachry Rosenberg in relation to his appointment as Non-Executive Director of the Company. Pursuant to such agreement, Mr Rosenberg shall be entitled to directors' fees of \$40,000 per annum (plus superannuation).

(c) Directors' Service Agreement – Mr Chi Kan Tang (Non-Executive Director)

The Company has entered into a Directors' Service Agreement with Mr Chi Kan Tang in relation to his appointment as Non-Executive Director of the Company. Pursuant to such agreement, Mr Tang shall be entitled to directors' fees of \$40,000 per annum (plus superannuation).

(c) Directors' Service Agreement – Mr James Baillieu (Non-Executive Director)

The Company intends to enter into a Directors' Service Agreement with Mr James Baillieu in relation to his appointment as Non-Executive Director of the Company. Pursuant to such agreement, Mr Baillieu shall be entitled to directors' fees of \$40,000 per annum (plus superannuation).

10.10 DIRECTORS' DEEDS OF INDEMNITY

Each of the Directors has entered into Deeds of Indemnity, Insurance and Access. The material terms of the Deeds of Indemnity, Insurance and Access are as follows:

- To the extent permitted by law, the Company indemnifies the Director from any liabilities arising out of the Director discharging their duties and providing services as director.
- The Directors will be given access to board papers and company files for a period up to seven (7) years from the date on which the Directors cease to be an officer of the Company.
- The Company must maintain an insurance policy for the Directors for the term in which they hold office and for a period of seven (7) years following the date they cease to be a Director.

10.11 LEAD MANAGER MANDATE

The key terms of the Lead Manager Mandate entered into between the Company and the Lead Manager (as varied), pursuant to which the Lead Manager has been engaged as the lead manager to the Offer for twelve months from 18 April 2018, are as follows:

- In consideration for the Lead Manager providing corporate and fundraising services, the Lead Manager will be entitled to the following fees upon Admission and completion of the Offer:
 - » 1% management fee for funds raised under the Offer (whether such funds are raised by the Lead Manager or another party), such fees to be settled via the issue of Shares at the Offer Price of \$0.20 to the Lead Manager (or its nominees);
 - » a 5% capital raising fee for any funds raised by the Lead Manager, such fees to be settled via the issue of Shares at the Offer Price of \$0.20 to the Lead Manager (or its nominees);
 - » 2,000,000 Shares in the Company, to be issued to the Lead Manager (or its nominees);
 - » 2,000,000 Options in the Company, to be issued to the Lead Manager (or its nominees), each exercisable for \$0.30 to acquire one (1) Share and expiring four (4) years from the date of issue; and
 - » Shares in the Company equivalent to 3% of the Enterprise Value of the Company, to be issued to the Lead Manager (or its nominees).

- The Lead Manager shall also be entitled to consulting fees of \$3,000 (excl. GST) per month up to Admission and thereafter at \$7,500 (excl. GST) per month for a period of 12 months following Admission.
- If the Company elects not to proceed with the Offer, a break fee of \$100,000 shall be payable to the Lead Manager.

For more information on the Options to be issued to the Lead Manager, please refer to Section 3.10 of this Prospectus.

10.12 RESTRICTION AGREEMENTS

The Company has entered into (or will enter into prior to Admission) restriction agreements with holders of restricted securities for the purposes of complying with Chapter 9 of the ASX Listing Rules. The Agreements are in the form set out in Appendix 9A of the ASX Listing Rules.



11. ADDITIONAL INFORMATION

11. Additional Information

11.1 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection during normal office hours, free of charge, at the registered office of the Company for a period of at least twelve (12) months from the date of lodgement of this Prospectus with ASIC:

- the current Constitution of the Company; and
- the consents referred to in Section 11.4 of this Prospectus.

11.2 DIRECTORS' INTERESTS

Other than as set out below or elsewhere in this Prospectus, no Director and no firm in which a Director is a partner, has an interest in the promotion or in property proposed to be acquired by the Company in connection with its formation or promotion. Other than as set out below or elsewhere in this Prospectus no amounts have been paid or agreed to be paid (in cash, Shares or otherwise) to any Director or any firm in which any Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in which he is a partner in connection with the formation or promotion of the Company.

11.3 INTERESTS OF EXPERTS AND ADVISORS

Except as disclosed below or elsewhere in this Prospectus, no expert nor any firm of which such expert is a partner, has or has had any interest in the formation or promotion of, or in any property proposed to be acquired by, the Company in connection with its formation or promotion, and no amounts have been paid (in cash, Shares or otherwise), or agreed to be paid, to any expert or to any firm in which such expert is a partner for services rendered by him or the firm in connection with the promotion or formation of the Company.

- Professional fees paid or payable to the Investigating Accountant for services performed in relation to the Offer are \$27,500 (excluding GST) payable to HLB Mann Judd Corporate Finance Pty Ltd.
- Professional fees paid or payable to the Company's auditor for services performed in relation to the Offer are \$5,500 (excluding GST) payable to HLB Mann Judd (Vic) Partnership.
- Professional fees paid or payable to the Taxation Advisor for services performed in relation to the Offer are \$3,500 (excluding GST) payable to HLB Mann Judd (Vic) Pty Ltd.
- Professional fees paid or payable to the Company's Australian legal advisor, Moray & Agnew Lawyers, for services performed in relation to the Offer are approximately \$120,000 (excluding GST).
- Professional fees paid or payable to services Candy Club Group's USA legal advisor, DuBois, Bryant & Campbell LLP, for work performed in relation to the Offer are approximately \$125,000.
- Professional fees paid or payable to the Candy Club Group's USA auditors, Green Hasson Janks LLP, for services performed in relation to the Offer are approximately \$215,000.
- Professional fees paid or payable to the Lead Manager for services performed in relation to the Offer are summarised in Section 10.11 of this Prospectus.
- Automic Group acted as the share registry for the Company. Standard commercial fees are payable to Automic Group for share registry services in relation to the Offer made pursuant to this Prospectus.

11.4 CONSENTS

The following consents have been given in accordance with the Corporations Act:

- HLB Mann Judd Corporate Finance Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Investigating Accountant and to the inclusion in this Prospectus of the Investigating Accountant's Report in the form and context in which it is included. Notwithstanding that it may be referred to elsewhere in this Prospectus, HLB Mann Judd Corporate Finance Pty Ltd has only been involved in the preparation of the Investigating Accountant's Report and was not involved in the preparation of any other part of this Prospectus. HLB Mann Judd Corporate Finance Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus other than in respect of the Investigating Accountant's Report.

11. Additional Information

- (b) HLB Mann Judd (Vic) Partnership has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company and its controlled entities. HLB Mann Judd (Vic) Partnership was not involved in the preparation of any part of this Prospectus. HLB Mann Judd (Vic) Partnership did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (c) HLB Mann Judd (Vic) Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Taxation Advisor and to the inclusion in this Prospectus of the Taxation Report in the form and context in which it is included. Notwithstanding that it may be referred to elsewhere in this Prospectus, HLB Mann Judd (Vic) Pty Ltd has only been involved in the preparation of the Taxation Report and was not involved in the preparation of any other part of this Prospectus. HLB Mann Judd (Vic) Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus other than in respect of the Taxation Report.
- (d) Moray & Agnew Lawyers has given and has not, before lodgement of this Prospectus, withdrawn its written consent to being named in this Prospectus as Australian legal advisors to the Company in the form and context in which they are named. Moray & Agnew Lawyers did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (e) DuBois, Bryant & Campbell LLP has given and has not, before lodgement of this Prospectus, withdrawn its written consent to being named in this Prospectus as USA legal advisors to the Candy Club Group in the form and context in which they are named. DuBois, Bryant & Campbell LLP did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (f) Green Hasson Janks LLP have given and have not, before lodgement of this Prospectus, withdrawn their written consent to being named in this Prospectus as USA auditors to CCH and CCL in the form and context in which they are named. Green Hasson Janks LLP did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (g) Peak Asset Management Pty Ltd has given, and has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Lead Manager of the Company. Peak Asset Management Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (h) Automic Group has given and, as at the date hereof, has not withdrawn, its written consent to be named in this Prospectus as Share Registry in the form and context in which it is named. Automic Group has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Automic Group has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

11.5 REGULATORY RELIEF

The Company intends to apply to ASX for a waiver in respect of the mandatory escrow provisions set out in Chapter 9 and Appendix 9B of the ASX Listing Rules. The waiver would provide for “look through” relief from the application of an escrow period otherwise applicable on the issue of new shares. If the relief is granted by ASX, the mandatory escrow periods for the Original CCH Shareholders (where relevant) would be calculated with regard to the time of issue of shares in CCH.

11.6 EXPENSES OF THE OFFER

The estimated expenses of the Offer are as follows:

| ESTIMATED EXPENSES | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION | OVER- SUBSCRIPTION |
|--|-------------------------|-------------------------|-----------------------|
| Australian Auditor and Investigating Accountant fees | \$30,250 | \$30,250 | \$30,250 |
| Corporate advisory fees | \$30,000 | \$30,000 | \$30,000 |
| Australian Taxation Advisor fees | \$3,850 | \$3,850 | \$3,850 |
| Marketing, roadshow and travel expenses | \$27,500 | \$27,500 | \$27,500 |
| Fees payable to the Lead Manager | \$1,574,940 | \$1,806,183 | \$1,938,183 |
| ASX Initial listing fees | \$75,780 | \$83,878 | \$86,188 |
| Prospectus graphic design and printing fees | \$15,392 | \$15,392 | \$15,392 |
| Australian legal advisory fees | \$120,000 | \$120,000 | \$120,000 |
| US legal advisory fees | \$125,000 | \$125,000 | \$125,000 |
| US accounting and audit advisory fees | \$216,584 | \$216,584 | \$216,584 |
| Share registry fees | \$2,000 | \$2,000 | \$2,000 |
| ASIC Prospectus lodgement fee | \$3,206 | \$3,206 | \$3,206 |
| Total gross expenses of the Offer | \$2,224,502 | \$2,246,843 | \$2,598,153 |
| Tax effect | \$667,351 | \$739,153 | \$779,446 |
| Total gross expenses of the Offer represented by: | \$1,557,151 | \$1,724,690 | \$1,818,707 |
| Cash paid or payable | \$732,062 | \$740,160 | \$742,470 |
| Issue of Shares | \$1,240,432 | \$1,471,675 | \$1,603,675 |
| Issue of Lead Manager Options | \$252,008 | \$252,008 | \$252,008 |
| TOTAL | \$2,224,502 | \$2,463,843 | \$2,598,153 |

11.7 LITIGATION

The Company is not involved in any litigation, arbitration or other legal proceedings and the Directors are not aware of any threatened or pending litigation or arbitration against the Company.

11.8 WORKING CAPITAL STATEMENT

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

11.9 CONTINUOUS DISCLOSURE OBLIGATIONS FOLLOWING LISTING

Following listing on the ASX, and pursuant to section 111AC of the Corporations Act, the Company will be a disclosing entity and will therefore be subject to regular reporting and disclosure obligations. Following listing on the ASX, the Company is required to continuously disclose all information to the market that a reasonable person would expect to have a material effect on the value or price of the Company's securities. All price-sensitive information will be released through the ASX before it is disclosed to market participants and shareholders, and the distribution of non-price sensitive information will also be managed through the ASX.

11. Additional Information

11.10 DIRECTORS' STATEMENT

The Directors state that they have made all reasonable enquiries and have reasonable grounds to believe that any statements by the Directors in this Prospectus are true and not misleading and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716 of the Corporations Act to the issue of this Prospectus and have not withdrawn that consent, before lodgement of this Prospectus with ASIC.

This Prospectus is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisors of any kind with whom Applicants may reasonably be expected to consult; and
- information is known to Applicants or their professional advisors by virtue of any Acts or laws of the Commonwealth of Australia or any State of Australia.



12. DIRECTORS' AUTHORISATION

12. Directors' Authorisation

In accordance with section 720 of the Corporations Act, the lodgement and issue of this Prospectus has been consented to and authorised by each of the Directors.

Signed for and on behalf of the Company

A handwritten signature in black ink, appearing to read 'Keith Cohn', is written over a light grey rectangular background.

Keith Cohn
Executive Director

Dated: 30 November 2018

13. GLOSSARY OF TERMS



13. Glossary of Terms

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

| TERM | MEANING |
|----------------------------------|--|
| \$ or A\$ | means Australian dollars. |
| AAS | means the Australian Accounting Standards. |
| AASB | means the Australian Accounting Standards Board. |
| Admission | means the Company's admission to the official list of the ASX following its application for admission under Chapters 1 and 2 of the ASX Listing Rules. |
| AEDT | means Australian Eastern Daylight Savings Time. |
| Applicant | means a person who submits an Application. |
| Application | means a valid application to subscribe for Offer Shares under this Prospectus. |
| Application Form | means the Application Form attached to or accompanying this Prospectus and which relates to the Offer. |
| ASIC | means the Australian Securities and Investments Commission. |
| ASX | means Australian Stock Exchange Limited ACN 008 624 691 or the Australian Securities Exchange (as the context requires). |
| ASX Listing Rules | means the listing rules of ASX as at the date of this Prospectus. |
| ASX Settlement | means ASX Settlement Pty Ltd ACN 008 504 532. |
| Board | means the Board of Directors of the Company unless the context indicates otherwise. |
| Candy Boxes | means the boxes containing up to six varieties of the Candy Club Branded Confectionery, monthly subscriptions of which are sold under the B2C Business. For an image of the Candy Boxes, please refer to Figure 3 in Section 2.2.1 of this Prospectus. |
| Candy Club Branded Confectionery | means the confectionery sold under the B2B Business which has been repackaged and rebranded with the Company's branding. For an image of the Candy Club Branded Confectionery, please refer to Figure 2 in Section 2.2.1 of this Prospectus. |
| Candy Club Business | means the confectionery retail business conducted by the Company through CCL and CCH. |
| Candy Club Group | means the Company, CCL and CCH. |
| CCH | means Candy Club Holdings, Inc, being a corporation incorporated in Delaware, USA. |
| CCH ESOP | means the Employee Share Option Plan adopted by CCH, which the Company has assumed the obligations thereunder as summarised in Section 3.11 of this Prospectus. |
| CCH ESOP Option | means the Options issued in relation to the CCH ESOP. |
| CCL | means Candy Club LLC, being a company incorporated in California, USA. |
| CHESS | means the ASX Clearing House Electronic Subregistry System. |
| Company | means Candy Club Holdings Limited ACN 629 598 778, being a company incorporated in Victoria, Australia. |
| Company Secretary | means Mr Justyn Stedwell. For Mr Stedwell's profile, please refer to Section 5.2 of this Prospectus. |

| TERM | MEANING |
|-----------------------------------|--|
| Constitution | means the Constitution of the Company as may be amended from time to time. |
| Corporations Act | means the <i>Corporations Act 2001</i> (Cth). |
| Directors | means one or more directors of the Company and the Proposed Director. For the profiles of each of the Directors, please refer to Section 5.1 of this Prospectus. |
| Exposure Period | means the period of seven (7) days after the date of lodgement of the Prospectus, which period may be extended by ASIC by a further seven (7) days pursuant to section 727(3) of the Corporations Act. |
| Financial Information | means the information described as Financial Information in Section 7 of this Prospectus. |
| Fulfilment Company | means the third party logistics company engaged by the Company to perform the functions described in Figure 4 in Section 2.2.1 of this Prospectus. |
| Issuer Sponsored | means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES. |
| Investigating Accountant | means HLB Mann Judd Corporate Finance Pty Ltd. |
| Investigating Accountant's Report | means the Investigating Accountant's report prepared by the Investigating Accountant, which is contained in Section 8 of this Prospectus. |
| Key Management Entities | means the entities associated with Mr Keith Cohn and Mr Zachry Rosenberg, who are Directors and to whom the Performance Shares are issued to. |
| Lead Manager | means Peak Asset Management Pty Ltd which will provide the services of Lead Manager in connection with the Offer. |
| Lead Manager Mandate | means the mandate entered into between the Company and the Lead Manager, the key terms of which are summarised in Section 10.11 of this Prospectus. |
| Maximum Subscription | means the maximum amount to be raised under the Offer made by this Prospectus, being \$8,000,000, subject to the Oversubscription. |
| Minimum Application | means the minimum application for Offer Shares that can be made by an Applicant under this Offer, being valid subscriptions for at least 10,000 Offer Shares. |
| Minimum Subscription | means the minimum amount to be raised under the Offer made by this Prospectus, being \$4,500,000. |
| Noteholders | means the holders of the promissory notes issued pursuant to the Promissory Note Agreements. For a summary of the key terms of the Promissory Note Agreements, please refer to Section 10.7 of this Prospectus. |
| Offer | means the invitation made to the public pursuant to this Prospectus to subscribe for up to 40,000,000 Offer Shares at an Offer Price of \$0.20, with the capacity to accept the Oversubscription. |
| Offer Closing Date | means 21 December 2018 or such earlier or later date as the Directors may determine. |
| Offer Opening Date | means 10 December 2018 or such other date as the Directors may determine. |
| Offer Period | means the period commencing on the Offer Opening Date and ending on the Offer Closing Date. |

13. Glossary of Terms

| TERM | MEANING |
|----------------------------|--|
| Offer Shares | means the Shares issued pursuant to the Offer made under this Prospectus. |
| Official List | means the list of securities permitted to Official Quotation. |
| Official Quotation | means official quotation by ASX in accordance with the ASX Listing Rules. |
| Option | means an option to acquire Shares in the Company and includes the Options issued to the Lead Manager and to Keith Cohn, and the CCH ESOP Options. For a summary of the key terms of issue of such Options please refer to Sections 3.10 and 3.11 of this Prospectus. |
| Optionholder | means a holder of Options in the Company. |
| Original CCH Shareholders | means the former shareholders of CCH, who transferred their shares held in CCH to the Company pursuant to the Share Purchase Agreement. For a summary of the key terms of the Share Purchase Agreement, please refer to Section 10.1 of this Prospectus. |
| Oversubscription | means subscription amounts of up to an additional \$2,000,000 in excess of the Maximum Subscription that may be accepted by the Company pursuant to the Offer, for a total capital raising of \$10,000,000. |
| Performance Shares | means the performance shares held by the Key Management Entities which are convertible into an aggregate of up to 4,000,000 Shares subject to the achievement of the relevant performance milestones. For a summary of the key terms of issue and the performance milestones attaching to the Performance Shares, please refer to Section 3.12 of this Prospectus. |
| Proposed Director | means Mr James Baillieu. |
| Prospectus | means this prospectus dated 30 November 2018 and which was lodged with ASIC on that date. |
| Seed Capitalists | means the Shareholders who have subscribed for Shares in the Company prior to the Offer, other than the Original CCH Shareholders. |
| Share | means a fully paid ordinary share in the capital of the Company. |
| Share Registry | means Automic Group. |
| Shareholder | means a holder of Shares in the Company. |
| Taxation Advisor | means HLB Mann Judd (Vic) Pty Ltd. |
| Taxation Report | means the taxation report prepared by the Taxation Advisor, which is contained in Section 9 of this Prospectus. |
| US\$ | means USA dollars. |
| USA | means the United States of America. |
| USA Incentive Stock Option | has the meaning given to it in section 422 of the USA Revenue Code. |
| USA Revenue Code | means the USA Internal Revenue Code of 1986, as amended, and the regulations and other guidance issued thereunder. |

YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automic.com.au

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|-----------------------------|---|---------------------------------|
| Individual | Mr John Richard Sample | J R Sample |
| Joint Holdings | Mr John Richard Sample & Mrs Anne Sample | John Richard & Anne Sample |
| Company | ABC Pty Ltd | ABC P/L or ABC Co |
| Trusts | Mr John Richard Sample <Sample Family A/C> | John Sample Family Trust |
| Superannuation Funds | Mr John Sample & Mrs Anne Sample <Sample Family Super A/C> | John & Anne Superannuation Fund |
| Partnerships | Mr John Sample & Mr Richard Sample <Sample & Son A/C> | John Sample & Son |
| Clubs/Unincorporated Bodies | Mr John Sample < Food Health Club A/C> | Food Health Club |
| Deceased Estates | Mr John Sample <Estate Late Anne Sample A/C> | Anne Sample (Deceased) |

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for Ordinary Fully Paid Shares (**Shares**) in the Candy Club Holdings Limited ACN 629 598 778 (**the Company**), made under the terms set out in the Prospectus dated 30 November 2018. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus, being 30 November 2018.

The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable) and an Application Form, on request and without charge.

- Shares applied for & payment amount** - Enter the number of Shares you wish to apply for. Your application must be for a minimum of 10,000 Shares (\$2,000) and then in increments of 2,500 Shares (\$500). Next, enter the amount of the Application Monies payable. To calculate this amount, multiply the number of Shares applied for by the Offer price, which is A\$0.20 per share.
- Applicant name(s) and postal address** - Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am AEDT and 5:00pm AEDT should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for applications made through this Application Form can only be made by cheque. Payment can be made by both BPAY and EFT but only by making an online application, which can be accessed by following the web address provided on the front of the Application Form. **Do not forward cash with this Application Form as it will not be accepted.**

Your cheque must be made payable to "Candy Club Holdings Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, YOU DECLARE THAT:

- you have received a paper or electronic copy of the Prospectus that accompanies this Application Form and have read the Prospectus in full and agree to be bound by the terms and conditions of the Offer as declared in the Prospectus;
- all details and statements made on the Application Form are complete and accurate;
- where information has been provided about another individual, that individual's consent has been obtained to transfer the information to the Company;
- the Company and their respective officers and agents are authorised to do anything on your behalf (including the completion and execution of documents) to enable the Shares to be allocated to you;
- you agree to be bound by the constitution of the Company; and
- neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

The Offer opens at 9.00am (AEDT) on 10 December 2018 and is expected to close at 5.00pm (AEDT) on 21 December 2018. The Company may elect to extend the Offer or close it (after the Offer is open) at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be:

| POSTED TO: | DELIVERED TO (during business hours only - 9am to 5pm (AEDT)): |
|---|--|
| Candy Club Holdings Limited C/- Automic Group GPO Box 5193 Sydney NSW 2001 | Candy Club Holdings Limited C/- Automic Group Level 5, 126 Phillip Street Sydney NSW 2000 |

Your Application Form must be received by Automic no later than 5.00pm (AEDT) 21 December 2018

If you have any enquiries in respect of this Application, please contact Automic by either phone on **1300 288 664 (within Australia)**, **+61 2 9698 5414** or at corporate.actions@automic.com.au.

Applicants who received this Offer from their broker must return their Application Form and Application Monies back to their broker

Adviser Code

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Option A: Apply Online and Pay Electronically (Recommended)



- ✓ **Pay electronically:** Applying online allows you to pay electronically, for Australian residents through BPAY®.
- ✓ **Get in first, it's fast and simple:** Applying online is very easy to do, it eliminates any postal delays and removes the risk of it being potentially lost in transit.
- ✓ **It's secure and confirmed:** Applying online provides you with greater privacy over your instructions and is the only method which provides you with confirmation that your application has been successfully processed.

To apply online, simply scan the barcode to the right with your tablet or mobile device or you can enter the URL above into your browser.

Enter your details below (clearly in capital letters using pen), attach cheque and return in accordance with the instructions on the reverse.

Application payment (multiply box 1 by \$0.20 per share)

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Applications under the Offer must be for a minimum of 10,000 Shares (\$2,000) and then in increments of 2,500 Shares (\$500).

Name of Applicant 1

[illegible]

Name of Applicant 2 or <Account Designation>

[illegible]

Name of Applicant 3 or <Account Designation>

[illegible]

Postal address

Unit / Street Number / Street name or PO Box

[illegible][illegible]

Suburb/Town

[illegible]

| State | Count |
|----------------------|-------|
| Alabama | 1 |
| Alaska | 1 |
| Arizona | 1 |
| Arkansas | 1 |
| California | 1 |
| Colorado | 1 |
| Connecticut | 1 |
| Delaware | 1 |
| District of Columbia | 1 |
| Florida | 1 |
| Georgia | 1 |
| Hawaii | 1 |
| Idaho | 1 |
| Illinois | 1 |
| Indiana | 1 |
| Iowa | 1 |
| Kansas | 1 |
| Kentucky | 1 |
| Louisiana | 1 |
| Maine | 1 |
| Maryland | 1 |
| Massachusetts | 1 |
| Michigan | 1 |
| Minnesota | 1 |
| Mississippi | 1 |
| Missouri | 1 |
| Montana | 1 |
| Nebraska | 1 |
| Nevada | 1 |
| New Hampshire | 1 |
| New Jersey | 1 |
| New Mexico | 1 |
| New York | 1 |
| North Carolina | 1 |
| North Dakota | 1 |
| Ohio | 1 |
| Oklahoma | 1 |
| Oregon | 1 |
| Pennsylvania | 1 |
| Rhode Island | 1 |
| South Carolina | 1 |
| South Dakota | 1 |
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Telephone Number

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Contact Name (PLEASE PRINT)

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Email Address

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By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

Note: if the name and address details in sections 2 do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.

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Applicant 1

[illegible]

Applicant #2

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Applicant #3

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If NOT an individual TFN/ABN, please note the type in the box
C = Company; P = Partnership; T = Trust; S = Super Fund

7

YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automic.com.au

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|-----------------------------|---|---------------------------------|
| Individual | Mr John Richard Sample | J R Sample |
| Joint Holdings | Mr John Richard Sample & Mrs Anne Sample | John Richard & Anne Sample |
| Company | ABC Pty Ltd | ABC P/L or ABC Co |
| Trusts | Mr John Richard Sample <Sample Family A/C> | John Sample Family Trust |
| Superannuation Funds | Mr John Sample & Mrs Anne Sample <Sample Family Super A/C> | John & Anne Superannuation Fund |
| Partnerships | Mr John Sample & Mr Richard Sample <Sample & Son A/C> | John Sample & Son |
| Clubs/Unincorporated Bodies | Mr John Sample < Food Health Club A/C> | Food Health Club |
| Deceased Estates | Mr John Sample <Estate Late Anne Sample A/C> | Anne Sample (Deceased) |

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for Ordinary Fully Paid Shares (**Shares**) in the Candy Club Holdings Limited ACN 629 598 778 (**the Company**), made under the terms set out in the Prospectus dated 30 November 2018. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus, being 30 November 2018.

The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable) and an Application Form, on request and without charge.

- Shares applied for & payment amount** - Enter the number of Shares you wish to apply for. Your application must be for a minimum of 10,000 Shares (\$2,000) and then in increments of 2,500 Shares (\$500). Next, enter the amount of the Application Monies payable. To calculate this amount, multiply the number of Shares applied for by the Offer price, which is A\$0.20 per share.
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- CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.
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- all details and statements made on the Application Form are complete and accurate;
- where information has been provided about another individual, that individual's consent has been obtained to transfer the information to the Company;
- the Company and their respective officers and agents are authorised to do anything on your behalf (including the completion and execution of documents) to enable the Shares to be allocated to you;
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|---|--|
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Your Application Form must be received by Automic no later than 5.00pm (AEDT) 21 December 2018

If you have any enquiries in respect of this Application, please contact Automic by either phone on **1300 288 664 (within Australia)**, **+61 2 9698 5414** or at corporate.actions@automic.com.au.

Corporate Directory

DIRECTORS OF THE COMPANY

Mr Keith Cohn (Executive Director)
Mr Robert Hines (Non-Executive Chairperson)
Mr Zachry Rosenberg (Non Executive Director)
Mr Chi Kan Tang (Non-Executive Director)

PROPOSED DIRECTOR OF THE COMPANY

Mr James Baillieu (Non Executive Director
to be appointed upon Admission)

COMPANY SECRETARY

Mr Justyn Stedwell

PRINCIPAL PLACE OF BUSINESS

12950 Culver Boulevard
Suite 150
Los Angeles, CA 90066, USA

REGISTERED ADDRESS

C/ Moray & Agnew Lawyers

Level 6, 505 Little Collins Street
Melbourne VIC 3000, Australia

ASX CODE

CLB

SHARE REGISTRY*

Automic Group

Level 5, 126 Phillip Street
Sydney NSW 2000, Australia

LEGAL ADVISORS TO THE COMPANY (AUSTRALIA)

Moray & Agnew Lawyers
Level 6, 505 Little Collins Street,
Melbourne VIC 3000, Australia

AUDITOR

HLB Mann Judd (Vic) Partnership

Level 9, 575 Bourke Street,
Melbourne VIC 3000, Australia

INVESTIGATING ACCOUNTANT

HLB Mann Judd Corporate Finance Pty Ltd

Level 9, 575 Bourke Street,
Melbourne VIC 3000, Australia

TAXATION ADVISOR

HLB Mann Judd (Vic) Pty Ltd

Level 9, 575 Bourke Street,
Melbourne VIC 3000, Australia

LEGAL ADVISORS TO THE COMPANY (USA)

DuBois Bryant & Campbell LLP

303 Colorado
Suite 2300
Austin, TX 78701, USA

LEAD MANAGER

Peak Asset Management Pty Ltd

Level 39, 55 Collins Street
Melbourne VIC 3000, Australia

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

