

Netccentric Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Netccentric Limited
ABN:	605927464
Reporting period:	For the year ended 31 December 2015 (unaudited)
Previous period:	For the year ended 31 December 2014

2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	18%	to	12,144,607
Loss from ordinary activities, net of tax attributable to the owners of Netccentric Limited	down		to	(1,474,723)
Loss for the year attributable to the owners of Netccentric Limited	down		to	(1,474,723)

Dividends

There were no dividends paid, recommended or declared during the current reporting year.

Comments

The group's revenue for the year ended 31 December 2015 was \$12.1 million (31 December 2014: \$10.3 million). During the year, the group increased its stake in Ripplewerkz Pte Ltd from 50% to 100% which contributed 6% of total revenue for the year ended 31 December 2015. The increase was also primarily driven by solid growth in revenue from the Influencer Platform segment. The segment achieved a revenue for the year ended 31 December 2015 of \$8.9 million (31 December 2014: \$6.7 million) which contributed 74% of total revenue for the year ended 31 December 2015 (31 December 2014: 65% of total revenue) which was the key driver for the increase in group revenue for the year-ended 31 December 2015.

The group's loss before income tax was \$1.6 million (31 December 2014: profit before income tax of \$1.0 million), due to one-off IPO and extraordinary expenses amounting to \$1.2 million charged during the reporting year. The loss was also attributable to an increase in administrative and operating expenses and employee benefits expenses due to group expansion, with new hires and focus on product development across various business units. Moreover, the loss is primarily driven by currency depreciation of the Malaysian Ringgit against the Singapore Dollar as Malaysia revenue contribution accounted for 37% of revenue. Consequently, loss was incurred during the year-ended 31 December 2015.

3. Net tangible assets

	Reporting year Cents	Previous year Cents
Net tangible assets per ordinary security	5.67	1.18

For comparability between the both years, we have assumed that the number of ordinary shares for the previous year has effected the same sub-division (as detailed under Note 3(a) of the preliminary financial statements) since the beginning of the reporting year ended 31 December 2015.

4. Dividends

Current period

There were no dividends paid, recommended or declared during the current reporting year.

Previous period

\$116,070 of dividends paid and declared during the previous reporting year at \$0.017 per share.

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5. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting year %	Previous year %	Reporting year S\$	Previous year S\$
Ripplewerkz Pte Ltd ¹ (Note 4)	100.00%	50.00%	N.M.	N.M.
Exteen Co Ltd	49.00%	49.00%	N.M.	N.M.
Nuffnang Philippines Inc	40.00%	40.00%	N.M.	N.M.
Jipaban	-	30.00%	N.M.	N.M.

N.M. – Not material to the group.

¹ See details in Note 6 below.

6. Details of entities over which control has been gained or lost during the year:

From 6 July 2015, the company acquired 10,001 ordinary shares, representing 50% of the share capital in Ripplewerkz Pte Ltd ("Ripplewerkz"). Accordingly, Ripplewerkz was consolidated from that date. Ripplewerkz was accounted for as an associate for the reporting year ended 31 December 2014.

7. Status of audit

The financial statements are unaudited and are currently in the process of being audited by RSM Chio Lim LLP.

Yours faithfully



Cheo Ming Shen @ Tong Ming Shen
 Managing Director and Chief Executive Officer

Date: 25 February 2016

Netccentric Limited

(Incorporated in Singapore. Registration Number: 200612086W)

and its subsidiaries

ARBN 605927464

Preliminary financial statements for the year ended 31 December 2015

Netccentric Limited
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

	Note	<u>Group</u> <u>2015</u> \$	<u>2014</u> \$
Revenue	2	12,144,607	10,324,509
Cost of sales		<u>(4,105,142)</u>	<u>(3,982,671)</u>
Gross profit		8,039,465	6,341,838
<u>Other items of income</u>			
Interest income		117,710	-
Other gains		-	199,158
<u>Other items of expense</u>			
Administrative and operating expenses		(3,611,182)	(1,766,535)
Employee benefits expense		(5,578,586)	(3,953,198)
Share based payments	5	(228,000)	-
Other losses		(371,030)	-
Share of profit from equity-accounted associates		<u>(3,568)</u>	<u>189,189</u>
(Loss) Profit before income tax		(1,635,191)	1,010,452
Income tax expense		<u>(111,664)</u>	<u>(208,497)</u>
(Loss) Profit, net of tax		<u>(1,746,855)</u>	<u>801,955</u>
<u>Other comprehensive (loss) income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		<u>(240,550)</u>	<u>136,737</u>
Other comprehensive (loss) income, net of tax		<u>(240,550)</u>	<u>136,737</u>
Total comprehensive (loss) income		<u>(1,987,405)</u>	<u>938,692</u>
(Loss) Profit for the period attributable to:			
Owners of the parent		(1,474,723)	654,618
Non-controlling interests		<u>(272,132)</u>	<u>147,337</u>
(Loss) Profit, net of tax		<u>(1,746,855)</u>	<u>801,955</u>
Total comprehensive (loss) income for the period attributable to:			
Owners of the parent		(1,653,482)	791,355
Non-controlling interests		<u>(333,923)</u>	<u>147,337</u>
Total comprehensive (loss) income		<u>(1,987,405)</u>	<u>938,692</u>
(Loss) Earnings per share		<u>Cents</u>	<u>Cents</u>
Basic and diluted	6	<u>(0.64)</u>	<u>0.34</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Netccentric Limited
Consolidated Statement of financial position
As at 31 December 2015

	Note	<u>Group</u> <u>2015</u> \$	<u>2014</u> \$
<u>ASSETS</u>			
<u>Non-current assets</u>			
Plant and equipment		273,130	260,935
Investments in associates		119,413	227,563
Other receivables		55,106	-
Deferred tax assets		12,847	20,291
Total non-current assets		<u>460,496</u>	<u>508,789</u>
<u>Current assets</u>			
Trade and other receivables		3,272,290	3,452,279
Other assets		34,311	-
Cash and cash equivalents		12,901,717	2,235,948
Total current assets		<u>16,208,318</u>	<u>5,688,227</u>
Total assets		<u>16,668,814</u>	<u>6,197,016</u>
<u>LIABILITIES</u>			
<u>Non-current liabilities</u>			
Deferred tax liabilities		6,127	-
Total non-current liabilities		<u>6,127</u>	<u>-</u>
<u>Current liabilities</u>			
Income tax payable		35,258	72,944
Trade and other payables		3,667,749	3,845,350
Total current liabilities		<u>3,703,007</u>	<u>3,918,274</u>
Total liabilities		<u>3,709,134</u>	<u>3,918,274</u>
NET ASSETS		<u>12,959,680</u>	<u>2,278,742</u>
<u>EQUITY</u>			
Share capital	3	13,571,077	65,800
Retained earnings		507,313	1,982,038
Capital reserves		509	509
Other reserves	4	(1,064,933)	-
Share option reserves	5	228,000	-
Foreign currency translation reserves		(12,154)	166,604
Equity attributable to owners of the parent		<u>13,229,812</u>	<u>2,214,951</u>
Non-controlling interests		<u>(270,132)</u>	<u>63,791</u>
Total equity		<u>12,959,680</u>	<u>2,278,742</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Netccentric Limited
Consolidated Statement of changes in equity
For the year ended 31 December 2015

Group:	<u>Total equity</u> \$	<u>Attributable to parent Sub-total</u> \$	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Other reserves</u> \$	<u>Capital reserves</u> \$	<u>Share option reserves</u>	<u>Foreign currency translation reserves</u> \$	<u>Non-controlling interests</u> \$
Previous year:									
Balance at 1 January 2014	1,434,999	1,539,666	65,800	1,443,490	-	509	-	29,867	(104,667)
Movements in equity:									
Total comprehensive income for the year	938,692	791,355	-	654,618	-	-	-	136,737	147,337
Dividends paid	(116,070)	(116,070)	-	(116,070)	-	-	-	-	-
Issue of share capital	15,642	-	-	-	-	-	-	-	15,642
Acquisition of subsidiary	5,479	-	-	-	-	-	-	-	5,479
Balance at 31 December 2014	<u>2,278,742</u>	<u>2,214,951</u>	<u>65,800</u>	<u>1,982,038</u>	<u>-</u>	<u>509</u>	<u>-</u>	<u>166,604</u>	<u>63,791</u>
Current period:									
Balance at 1 January 2015	2,278,742	2,214,951	65,800	1,982,038	-	509	-	166,604	63,791
Movements in equity:									
Total comprehensive loss for the period	(1,987,406)	(1,653,483)	-	(1,474,725)	-	-	-	(178,758)	(333,923)
Issue of share capital (Note 3)	12,921,265	12,921,265	12,921,265	-	-	-	-	-	-
Share issue costs	(959,250)	(959,250)	(959,250)	-	-	-	-	-	-
Acquisition of a non-controlling interest with a change in control (Note 4(b))	404,243	404,243	910,000	-	(505,757)	-	-	-	-
Acquisition of a non-controlling without a change in control (Note 4(a))	74,086	74,086	633,262	-	(559,176)	-	-	-	-
Issuance of share options	228,000	228,000	-	-	-	-	228,000	-	-
Balance at 31 December 2015	<u>12,959,680</u>	<u>13,229,812</u>	<u>13,571,077</u>	<u>507,313</u>	<u>(1,064,933)</u>	<u>509</u>	<u>228,000</u>	<u>(12,154)</u>	<u>(270,132)</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Netccentric Limited
Consolidated Statement of cash flows
For the year ended 31 December 2015

	Group	
	2015	2014
	\$	\$
<u>Cash flows from operating activities</u>		
(Loss) Profit before income tax	(1,635,191)	1,010,452
Adjustments for:		
Acquisition of subsidiaries through allotment of shares (Note 3)	1,543,263	-
Share of loss (profit) from associates	3,568	(189,189)
Depreciation of plant and equipment	118,736	105,840
Gain on disposal of plant and equipment	(71,561)	-
Impairment allowance on trade receivables	229,187	-
Impairment of associates	344,171	-
Interest expenses	28,374	-
Interest income	(117,710)	-
Increase in other reserves (Note 4)	(1,064,933)	-
Share-based payments (Note 5)	228,000	-
Net effect of exchange rate changes in consolidating foreign operations	(544,752)	396,594
Operating cash flows before changes in working capital	(938,850)	1,323,697
Trade and other receivables	(290,777)	(218,370)
Other assets	(34,312)	-
Trade and other payables	(177,601)	211,957
Net cash flows (used in) from operations	(1,441,454)	1,317,284
Income taxes paid	50,714	(5,679)
Net cash (used in) from operating activities	(1,390,826)	1,311,605
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(66,317)	(111,600)
Interest received	117,710	-
Proceeds from disposal of plant and equipment	71,561	-
Acquisition of subsidiaries	-	21,758
Net cash from (used in) investing activities	122,954	(89,842)
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	-	(116,070)
Interest paid	(28,374)	-
Issue of shares	12,921,265	-
Share issue costs	(959,250)	-
Net cash from (used in) financing activities	11,933,641	(116,070)
Net increase in cash and cash equivalents	10,665,769	1,105,693
Cash and cash equivalents at the beginning of reporting year	2,235,948	1,130,255
Cash and cash equivalents, statement of cash flows, at the end of reporting year	12,901,717	2,235,948

The above statements of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

Statement of Compliance

The Appendix 4E preliminary financial statements ("financial statements") for the year ended 31 December 2015 have been prepared in accordance with ASX listing rules and the recognition and measurement criteria of the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council.

Basis of preparation

The financial statements have been prepared on applicable going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values). The accounting policies and methods of computation adopted in the preparation of the preliminary financial statements are consistent with those adopted and disclosed in the consolidated entity's half yearly financial statements as at 30 June 2015.

The financial statements are presented in Singapore dollars.

Note 2. Segment Reporting

For management purposes, the group is organised into the following major strategic operating segments that offer different products and services: (1) Influencer Platform, (2) Display Ad Network, (3) Social Media Agency, (4) Digital Asset Production and (5) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The principal segments and type of products and services are as follows:

(1) Influencer Platform	Enables advertisers to engage social media influencers to promote their products and services.
(2) Display Ad Network	Enables advertisers to promote their products or services across a network of over 950,000 sites that attract over 35 million visitors per month.
(3) Social Media Agency	Digital marketing agency specialising in social media strategy and campaign management for advertisers.
(4) Digital Asset Production	Boutique all-in-one digital media production house specialising in web design and development; print & graphic designs; and corporate identity designs.
(5) Others	Others including media production house and mobile blogging applications.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The following tables illustrate the information about revenue by business units and countries.

Note 2. Segment Reporting (cont'd)

Business Units

	<u>2015</u>	<u>2014</u>
	\$	\$
Influencer Platform	8,948,885	6,733,914
Display Ad Network	755,111	2,288,955
Digital Asset Production	1,396,919	544,640
Social Media Agency	970,012	757,000
Others	73,680	-
Total	<u>12,144,607</u>	<u>10,324,509</u>

Country

Singapore	4,071,286	2,383,977
Malaysia	4,467,750	4,410,727
Australia	1,381,992	1,554,435
Thailand	1,480,544	1,252,954
China	542,653	653,408
United Kingdom	200,382	69,008
Total	<u>12,144,607</u>	<u>10,324,509</u>

Note 3. Share Capital

	<u>Number of shares issued</u>	<u>Share capital \$</u>
<u>Group and company</u>		
<u>Ordinary shares:</u>		
Balance at 1 January 2015	65,800	65,800
Sub-division of shares ^(a)	192,333,400	-
Issue of shares at \$0.00034 each on 25 May 2015	43,928	15
Allotment of share to non-controlling interest of subsidiaries ^(b)	7,556,860	1,543,262
Issue of shares at A\$0.20 each on 6 July 2015	<u>62,500,000</u>	<u>11,962,000</u>
	<u>262,499,988</u>	<u>13,571,077</u>

^(a) On 25 May 2015, the company effected the sub-division of its ordinary share capital at a ratio of one ordinary share into two thousand nine hundred and twenty-four (2,924) ordinary shares. Following the sub-division, the number of shares increased from 65,800 ordinary shares to 192,399,200 ordinary shares.

^(b) On 6 July 2015, the company allotted 7,556,860 ordinary shares in the company to its non-controlling interests of certain subsidiaries amounting to \$1,543,262 in exchange of shares in those subsidiaries. See Note 4 for more details.

Note 4. Other Reserves

	Other reserves \$'000
At beginning of 1 January 2015	—
Acquisition of a non-controlling interest with no change in control	(559,176)
Acquisition of a non-controlling interest with change in control	(505,757)
Balance at 31 December 2015	<u>(1,064,933)</u>

(a) On 6 July 2015, the company allotted 3,006,860 ordinary shares of no par value amounting to \$633,262 to certain non-controlling interests in Nuffnang Pte Ltd and Nuffnang Sdn Bhd. On the same date, the non-controlling interest in both entities transferred all its shareholdings to the company. The shares were allotted at no cost. These entities were under common control. Accordingly, the differences arising from the transaction between the share capital allotted and the share of net assets acquired amounting to \$559,176 has been taken to other reserves in equity.

(b) On 6 July 2015, the company allotted 4,550,000 ordinary shares of no par value amounting to \$910,000 to acquire 10,001 ordinary shares (or 50%) in Ripplewerkz. Accordingly, Ripplewerkz was consolidated from that date. Ripplewerkz was accounted for as an associate for the reporting year ended 31 December 2014.

On the same date, the non-controlling interest in the entity transferred all its shareholdings to the company. The shares were allotted at no costs. The differences between the share capital allotted and the share of net assets of Ripplewerkz amounting to \$505,757 has been taken to other reserves in equity.

Note 5. Share Options Reserves

	2015 \$	2014 \$
At the beginning of the year	—	—
Grant of share options	228,000	—
At end of the year – included in share option reserves	<u>228,000</u>	<u>—</u>

On 2 July 2015, pursuant to an Option Deed signed between the company and Rick Click Capital Management Pty Limited, the company issued 1,312,500 share options as partial consideration of advisory fees rendered with an exercise price of A\$0.22, expiring on 5 July 2020 (60 months after the date the shares are first quoted on the ASX).

The estimate of the grant date fair value of each option issued is based on the Black-Scholes option pricing model. In order to approximate the expectations that would be reflected in a current market or negotiated exchange price for these options, the calculations take into consideration factors like behavioural considerations and non-transferability of the options granted.

Inputs in the model included:

Historical and expected volatility	125.17%
Dividend yield	0.00%
Risk-free rate	2.29%
Exercise price	A\$0.20
Exercise price	A\$0.22
Expected option term of years	<u>5 years</u>

Note 6. (Loss) Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted (loss) earnings per share of no par value:

	<u>2015</u> \$	<u>2014</u> \$
A. Numerator: (loss) earnings attributable to equity:		
Continuing operations:		
Total basic and diluted (loss) earnings attributable to owners of the parent	<u>(1,474,723)</u>	<u>654,618</u>
B. Denominator: weighted average number of equity shares		
Basic and diluted ^(a)	<u>228,723,323</u>	<u>192,399,200</u>

The weighted average number of equity shares refers to shares in circulation during the reporting period.

The basic (loss) earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no difference between the basic and diluted weighted average number of shares.

- (a) For comparability between the both reporting years, we have assumed that the weighted number of equity shares for the previous reporting year has effected the same sub-division, as detailed under Note 3(a), since the beginning of the reporting year ended 31 December 2014.

Note 7. Events after the reporting year

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the financial position of the group except as follows:

Incorporation of joint venture

The company has entered into a joint venture agreement with Prodigee Media Sdn. Bhd. to incorporate Nuffnang-Prodigee Pte. Ltd. on 22 January 2016. The company holds 51,000 shares, representing 51% of the total issued and paid-up share capital of Nuffnang-Prodigee Pte Ltd amounting to S\$51,000.

Incorporation of subsidiary

The company has incorporated a subsidiary, AroiMakMak Pte. Ltd. on 12 February 2016. The company holds 60,000 shares, representing 60% of the total issued and paid-up share capital of AroiMakMak Pte. Ltd amounting to S\$60,000.

Note 8. Comparative figures

The consolidated financial statements for the reporting year ended 31 December 2014 were audited by RSM Australia, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member, whose special purpose financial report dated 8 May 2015 expressed an unqualified opinion on those financial statements.