

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 2021 (unaudited)
Previous period:	For the year ended 31 December 2020

2. Results for announcement to the market

				S\$
Revenues from ordinary activities	up	45%	to	11,515,285
Loss from ordinary activities, net of tax attributable to the owners of Netccentric Limited	up	>100%	to	(795,816)
Loss for the year attributable to the owners of Netccentric Limited	up	>100%	to	(795,816)

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 2021 ("FY2021") was S\$11.52 million (31 December 2020 ("FY2020"): S\$7.94 million), representing a growth of 45%. The strong revenue growth was spread across the Group's business units, particularly the influencer platform, social media agency and performance marketing agency which had a growth of 33%, 50% and 76% respectively.

The loss before tax for the Group amounted to S\$0.59 million (FY2020: profit before tax of S\$0.14 million). FY2021's loss before tax was primarily driven by extraordinary items relating to the issue of share options expenses, forex movements and professional fees relating to evaluation of M&A opportunities amounting to S\$0.67 million. Excluding these extraordinary expenses, the Group would deliver a profit before tax of S\$0.08 million (FY2020: profit before tax of S\$0.06 million excluding extraordinary gain such as forex movements and a debt waiver).

Excluding extraordinary items stated above, the Group delivered an EBITDA of S\$0.30 million in FY2021, a growth of 17% from FY2020 (FY2020: S\$0.25 million).

3. Net tangible assets

	Reporting year Cents	Previous year Cents
Net tangible assets per ordinary security	1.96	1.65

4. Dividends

Current period

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

Previous period

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

5. Details of associate

Name of associate	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting year %	Previous year %	Reporting year S\$	Previous year S\$
Nuffnang Philippines Inc	40.00%	40.00%	N.M.	N.M.

N.M. – Not material to the group.

6. Status of audit

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

Yours faithfully



Ganesh Kumar Bangah
Chief Executive Director

Date: 28 February 2022

Netccentric Limited

(Incorporated in Singapore. Registration Number: 200612086W)

and its subsidiaries

ARBN 605927464

Preliminary financial statements for the year ended 31 December 2021

Netccentric Limited
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Note	Group 2021 \$	2020 \$
Revenue	3	11,515,285	7,941,880
Cost of sales		(6,755,254)	(4,146,427)
Gross profit		4,760,031	3,795,453
Interest income		5,282	3,267
Other gains	4	1,867,884	202,638
Finance costs		(6,474)	(7,008)
Administrative and operating expenses	5	(7,043,273)	(3,785,761)
Other losses	4	(171,903)	(56,574)
Share of loss from joint venture		–	(10,785)
(Loss)/profit before income tax		(588,453)	141,230
Income tax expense		(225,466)	(91,668)
(Loss)/profit, net of tax		(813,919)	49,562
Other comprehensive (loss)/income :			
Items that will not reclassified to profit or loss:			
Fair value changes on equity instruments at FVTOCI, net of tax		(443,513)	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		17,152	31,899
Other comprehensive (loss)/income, net of tax		(426,361)	31,899
Total comprehensive (loss)/income		(1,240,280)	81,461
(Loss)/profit for the year, net of tax attributable to:			
Owners of the parent		(795,816)	1,772
Non-controlling interests		(18,103)	47,790
(Loss)/profit, net of tax		(813,919)	49,562
Total comprehensive (loss)/income for the year attributable to:			
Owners of the parent		(1,222,177)	35,956
Non-controlling interests		(18,103)	45,505
Total comprehensive (loss)/income		(1,240,280)	81,461
(Loss)/earnings per share		<u>Cents</u>	<u>Cents</u>
Basic and diluted (loss)/earnings per share	13	(0.28)	0.0007

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 2021

	Note	<u>Group</u> <u>2021</u> \$	<u>2020</u> \$
ASSETS			
<u>Non-current assets</u>			
Plant and equipment		347,537	379,971
Intangible assets		168,129	88,240
Investment in associate		154,591	154,591
Other financial assets	7	78,000	–
Deferred tax assets		50,174	41,504
Total non-current assets		798,431	664,306
<u>Current assets</u>			
Trade and other receivables		2,713,569	2,219,596
Other assets		193,441	120,727
Cash and cash equivalents	8	5,414,901	3,376,785
Total current assets		8,321,911	5,717,108
Total assets		9,120,342	6,381,414
<u>LIABILITIES</u>			
<u>Non-current liabilities</u>			
Lease liabilities		31,210	73,339
Total non-current liabilities		31,210	73,339
<u>Current liabilities</u>			
Income tax payable		18	37,022
Trade and other payables		2,086,091	1,289,061
Lease liabilities		108,037	98,710
Other financial liabilities	11	859,493	–
Other non-financial liabilities		385,205	461,495
Total current liabilities		3,438,844	1,886,288
Total liabilities		3,470,054	1,959,627
NET ASSETS		5,650,288	4,421,787
<u>EQUITY</u>			
Share capital	9	14,112,365	13,797,086
Accumulated losses		(10,502,740)	(9,706,924)
Share option reserve	10	2,285,712	–
Fair value reserve		(443,513)	–
Foreign currency translation reserves		(341,129)	(358,281)
Equity attributable to owners of the parent		5,110,695	3,731,881
Non-controlling interests		539,593	689,906
Total equity		5,650,288	4,421,787

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 2021

<u>Group:</u>	<u>Total equity</u> \$	<u>Attributable to parent Sub-total</u> \$	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Share option reserves</u> \$	<u>Fair value reserves</u> \$	<u>Foreign currency translation reserves</u> \$	<u>Non-controlling interests</u> \$
Current year:								
Balance at 1 January 2021	4,421,787	3,731,881	13,797,086	(9,706,924)	—	—	(358,281)	689,906
Movements in equity:								
Total comprehensive loss for the year	(1,240,280)	(1,222,177)	—	(795,816)	—	(443,513)	17,152	(18,103)
Issue of share capital (Note 9)	490,702	490,702	490,702	—	—	—	—	—
Share issue expenses (Note 9)	(197,497)	(197,497)	(197,497)	—	—	—	—	—
Exercise of equity share options (Note 9)	22,074	22,074	22,074	—	—	—	—	—
Share-options expense (Note 10)	2,365,662	2,365,662	—	—	2,365,662	—	—	—
Forfeited share options (Note 10)	(79,950)	(79,950)	—	—	(79,950)	—	—	—
Dividend paid to non-controlling interest	(132,210)	—	—	—	—	—	—	(132,210)
Balance at 31 December 2021	<u>5,650,288</u>	<u>5,110,695</u>	<u>14,112,365</u>	<u>(10,502,740)</u>	<u>2,285,712</u>	<u>(443,513)</u>	<u>(341,129)</u>	<u>539,593</u>

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

Netccentric Limited
Statements of changes in equity
For the year ended 31 December 2021

<u>Group:</u>	<u>Total equity</u> \$	<u>Attributable to parent Sub-total</u> \$	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Share option reserves</u> \$	<u>Foreign currency translation reserves</u> \$	<u>Non-controlling interests</u> \$
Previous year:							
Balance at 1 January 2020	4,302,539	3,695,925	13,797,086	(9,936,696)	228,000	(392,465)	606,614
Movements in equity:							
Total comprehensive income for the year	81,461	35,956	—	1,772	—	34,184	45,505
Acquisition of a non-controlling interest with a change in control	37,787	—	—	—	—	—	37,787
Expiry of share options	—	—	—	228,000	(228,000)	—	—
Balance at 31 December 2020	<u>4,421,787</u>	<u>3,731,881</u>	<u>13,797,086</u>	<u>(9,706,924)</u>	<u>—</u>	<u>(358,281)</u>	<u>689,906</u>

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

Netccentric Limited
Notes to the financial statements
31 December 2021

	2021	Group	2020
	\$		\$
<u>Cash flows from operating activities</u>			
(Loss)/profit before income tax	(588,453)		141,230
Adjustments for:			
Depreciation of plant and equipment	89,094		79,681
Depreciation of right-of-use-assets	108,528		106,697
Amortisation expenses	14,010		–
Gain on disposal of plant and equipment	–		6,235
Write off of plant and equipment	–		10,985
Allowance for doubtful debts	–		17,199
Loss on reclassification of joint venture	–		22,050
Share of loss from joint venture	–		10,785
Fair value gain on other financial liability	(1,820,731)		–
Share option expense	2,285,712		–
Interest income	(5,282)		(3,267)
Interest expense	6,474		7,008
Operating cash flows before changes in working capital	89,352		381,404
Other assets	(72,714)		8,121
Trade and other receivables	(566,748)		(371,047)
Trade and other payables	797,030		(4,980)
Other non-financial liabilities	(76,290)		435,799
Net cash flows used in operations	170,630		449,297
Income tax paid	(198,364)		(94,221)
Net cash (used in) from operating activities	(27,734)		355,076
<u>Cash flows from investing activities</u>			
Acquisition of subsidiaries, net of cash paid	–		69,850
Acquisition of joint venture	–		(67,813)
Interest received	5,282		3,267
Investment in other financial assets	(521,513)		–
Purchase of intangible assets	(93,873)		–
Purchase of property, plant and equipment	(78,933)		(130,837)
Net cash used in investing activities	(689,037)		(125,533)
<u>Cash flows from financing activities</u>			
Dividend paid to non-controlling interests	(132,210)		–
Lease liabilities – principal portion paid	(120,688)		(59,036)
Interest paid	(6,474)		(7,008)
Proceeds from issuance of shares	3,170,926		–
Share issue costs (Note 9)	(197,497)		–
Exercise of equity share options	22,074		–
Movements in amounts due to director	–		50,909
Movements in amounts due to shareholder	–		67
Movements in amounts due to/from related parties	–		15
Net cash from (used in) financing activities	2,736,131		(15,053)
<u>Net increase in cash and cash equivalents</u>	2,019,360		214,490
Cash and cash equivalents at the beginning of reporting year	3,376,785		3,135,870
Effects of currency translation on cash and cash equivalents	18,756		26,425
Cash and cash equivalents, statement of cash flows, ending balance (Note 8)	5,414,901		3,376,785

Note 1. Significant accounting policies

Statement of Compliance

The Appendix 4E preliminary financial statements ("financial statements") for the year ended 31 December 2021 have been prepared in accordance with ASX listing rules and the recognition and measurement criteria of the Singapore Financial Reporting Standards ("SFRS") and the related Interpretations to SFRS ("INT SFRS") 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 2021.

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) Social Media Agency, (3) Performance Marketing Agency and (4) Live Commerce. 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) Social Media Agency	Digital marketing agency specialising in social media strategy and campaign management for advertisers.
(3) Performance Marketing Agency	Performance marketing agency specialising in the manufacture and construction of advertising devices through any media.
(4) Live Commerce	Live commerce enabler aiming to provide merchants and their customers with a seamless and automated livestream shopping experience.

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 benchmark. 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 operating segments and countries.

Netccentric Limited
Notes to the financial statements
31 December 2021

Note 2. Segment Reporting (cont'd)

Operating segments

	<u>2021</u>	<u>2020</u>
	\$	\$
Influencer Platform	6,470,005	4,874,477
Performance Marketing Agency	2,492,286	1,412,736
Social Media Agency	2,481,129	1,654,629
Live Commerce	71,865	38
Total	<u>11,515,285</u>	<u>7,941,880</u>

Country

Malaysia	10,257,889	6,513,254
Taiwan	1,165,516	1,323,577
Singapore	91,880	105,049
Total	<u>11,515,285</u>	<u>7,941,880</u>

Note 3. Revenue

	<u>2021</u>	<u>2020</u>
	\$	\$
Rendering of services	<u>11,515,285</u>	<u>7,941,880</u>

Note 4. Other income and gains and (other losses)

	<u>2021</u>	<u>2020</u>
	\$	\$
Allowance for impairment on trade receivables	–	(17,304)
Foreign exchange adjustment (loss)/gain	(171,903)	37,835
Government grants	41,291	91,415
Loss on disposal of plant and equipment	–	(6,235)
Write off of plant and equipment	–	(10,985)
Loss on reclassification of joint venture	–	(22,050)
Fair value gain on other financial liabilities at FVTPL	1,820,731	–
Other income	5,862	73,388
Net	<u>1,695,981</u>	<u>146,064</u>
Presented in profit or loss as:		
Other gains	1,867,884	202,638
Other losses	(171,903)	(56,574)
	<u>1,695,981</u>	<u>146,064</u>

Note 5. Administrative and operating expenses

The major components include the following:

	<u>2021</u> <u>\$</u>	<u>Group</u> <u>2020</u> <u>\$</u>
Advertising expenses	100,823	49,748
Depreciation expense	197,622	186,378
Salaries and other short term employee benefits	3,707,341	2,981,847
Share option expense relating to placement agent	1,281,513	—
Share option expense relating to employees	1,004,199	—
Professional fees	229,914	182,068
	<u>229,914</u>	<u>182,068</u>

Note 6. Employee benefit expense

	<u>2021</u> <u>\$</u>	<u>Group</u> <u>2020</u> <u>\$</u>
Short term employee benefits expense	3,276,991	2,629,939
Contributions to defined contribution plan	330,409	281,800
Share options expense relating to employees	1,004,199	—
Other benefits	99,941	70,108
Total employee benefits expense	<u>4,711,540</u>	<u>2,981,847</u>

Note 7. Other financial assets

	<u>2021</u> <u>\$</u>	<u>Group</u> <u>2020</u> <u>\$</u>
<u>Unquoted investment at FVTOCI:</u>		
Unquoted equity shares in a corporation	78,000	—
Balance at end of the year	<u>78,000</u>	<u>—</u>
<u>Movements during the year:</u>		
Fair value at beginning of the year	—	—
Addition	78,000	—
Fair value at end of the year	<u>78,000</u>	<u>—</u>

On 26 May 2021, the group acquired a 5% shareholding interest in Innovatic Commerce Solution Sdn Bhd for a consideration of RM1,551,872 (S\$521,513). The group has no significant influence and the unquoted equity shares are measured at fair value through other comprehensive income ("FVTOCI"). A fair value loss of S\$443,513 was recorded in other comprehensive income during the reporting year.

Note 8. Cash and cash equivalents

	<u>2021</u> <u>\$</u>	<u>Group</u> <u>2020</u> <u>\$</u>
Not restricted in use	5,414,901	3,376,785
Cash at end of the half year	<u>5,414,901</u>	<u>3,376,785</u>

The interest earning balances are not significant.

Reconciliation of liabilities arising from financing activities:

The group does not have any external borrowings except for finance leases that are not significant.

Netccentric Limited
Notes to the financial statements
31 December 2021

Note 9. Share Capital

<u>Group and company</u>	<u>Number of shares issued</u>	<u>Share capital \$</u>
<u>Ordinary shares:</u>		
Balance at 1 January 2021	262,500,000	13,797,086
Issue of shares at \$0.16	20,391,666	490,702
Share issue expenses	–	(197,497)
Exercise of equity share options	120,000	22,074
Balance at 31 December 2021	<u>283,011,666</u>	<u>14,112,365</u>

Note 10. Share option reserve

	<u>2021</u> <u>\$</u>	<u>Group</u> <u>2020</u> <u>\$</u>
As at 1 January 2020, 31 December 2020	–	–
Grant of share options	2,365,662	–
Forfeited share options	(79,950)	–
As at 31 December 2021 – included in share option reserve	<u>2,285,712</u>	<u>–</u>
The expense is allocated in the profit or loss as follows:		
Administrative and operating expenses	<u>2,285,712</u>	<u>–</u>

The outstanding number of options at the end of the reporting year was:

<u>Exercise price outstanding</u>	<u>Grant date</u>	<u>Exercise period</u>	<u>Number of options</u> <u>2021</u>	<u>2020</u>
\$0.19	3 March 2021	From 3 March 2021 to 1 September to 2023	<u>6,500,000</u>	<u>–</u>
\$0.0149	27 May 2021	From 1 January 2022 to 1 January 2024	<u>12,150,000</u>	<u>–</u>

During the reporting year, there were 500,000 options exercised in respect of the above grants.

The estimate of the grant date fair value of each option issued is based on the Black-Scholes option pricing model (Level 3). In order to approximate the expectations that would be reflected in a current market or negotiated exchange price for these options, this model takes into account several factors and assumptions.

The following assumptions were used:

	<u>2021</u>	<u>2020</u>
Range of share price	\$0.14 – \$0.31	–
Range of exercise price	\$0.015 – \$0.187	–
Risk-free annual interest rates	0.12% to 0.40%	–
Volatility expected	79% - 113%	–
Expected option term of years	<u>1.7 – 3.8</u>	<u>–</u>

Note 11. Other financial liabilities

Other financial liabilities of \$859,493 represents a derivative liability carried at fair value through profit and loss (Note 12), that arose on the issuance of the free attaching warrants attached to the shares issued (Note 9).

Note 12. Fair value measurement

Fair value hierarchy

The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated - 30 Dec 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Ordinary shares at fair value through other comprehensive income (Note 7) #A	-	-	78,000	78,000
Total assets	-	-	78,000	78,000
<i>Liabilities</i>				
Derivative liabilities at fair value through profit or loss (Note 11) #B	-	859,493	-	859,493
Total liabilities	-	859,493	-	859,493

#A. For fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Level 3:

Unquoted equity shares through FVTOCI:

E-commerce industry, Malaysia

Fair Value: \$78,000 (2020: \$Nil).

Valuation technique: Market comparable companies.

#B. For fair value measurements categorised within Level 2 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Level 2:

Derivative liabilities at FVTPL:

Fair Value: \$859,493 (2020: \$Nil).

Valuation technique: Black-Scholes option pricing model.

The following assumptions were used:

	<u>2021</u>	<u>2020</u>
Range of share price	\$0.14 – \$0.31	—
Range of exercise price	\$0.015 – \$0.187	—
Risk-free annual interest rates	0.12% to 0.40%	—
Volatility expected	79% - 113%	—
Expected option term of years	1.7 – 3.8	—

There were no transfers between levels during the reporting year.

Note 13. (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>2021</u> <u>\$</u>	<u>2020</u> <u>\$</u>
A. Numerator:(loss)/earnings attributable to equity:		
Continuing operations:		
Total basic and diluted (loss)/earnings attributable to owners of the parent	<u>(795,816)</u>	<u>1,772</u>
B. Denominator: weighted average number of equity shares		
Basic and diluted	<u>283,011,666</u>	<u>262,500,000</u>
	<u>Cents</u>	<u>Cents</u>
Basic and diluted (loss)/earnings per share	<u>(0.28)</u>	<u>0.0007</u>

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

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.