

FATFISH INTERNET GROUP LIMITED
ABN 88 004 080 460

APPENDIX 4E

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	Up	7%	to	\$ 249,069
Profit from ordinary activities attributable to members	Up	383%	to	\$23,068,821
Net profit for the period attributable to members	Up	383%	to	\$23,068,821

No dividend has been paid during the financial year or in the previous corresponding period. No dividend has been proposed or declared since the end of the financial year end.

Revenue from ordinary activities \$249,069 compared to last year's revenue of \$232,574.

Net profit attributable to members \$23,134,260 compared to last year's loss of \$-7,890,585.

Earnings per share of (14.21 cents) compared with last year's loss of (-6.17 cents).

Diluted earnings per share of (14.21 cents) compared with last years loss of (-3.14 cents).

REVIEW OF OPERATIONS

The principle activity of the consolidated Group is the investment in tech and internet companies.

Fatfish Internet Group Limited ("the Company") is an internet venture investment firm - first of its kinds to list on the ASX. Operating dual headquarters in Singapore and Melbourne, Fatfish Internet Group focuses on growth Internet markets, building internet ventures with the potential to scale globally through its "Seed-to-Exit" approach.

Fatfish Internet Group Limited enhances value of investee companies through its capital, network and resources, offering unique opportunities to investors to invest in diversified portfolio of early-stage and growth-stage Internet businesses.

During the financial year, the Company completed a successful capital raising through institutional placements of \$300k. The Company has grown from strength to strength with the creation of its Corporate Advisory Division which aims to assist in the bringing to market and provision of exit strategies for tech companies in the Asia Pacific region. With this new arrow in the quiver, the Company has sharpened its focus and streamlined processes which will greatly improve and leverage its positions where it has dominance and gain traction and momentum where it is still in the Developmental stage.

Our business model has been further validated by the early success of investment we have made and monetised through the sale of Nvoi Ltd. This has given us a gain of more than 60%. We continue to be cautiously confident that our investments in our portfolio will further provide the Company with positive results.

The main standout highlight for this period was the proposed IPO of iCandy Interactive Ltd (subsequently listed on 4 February 2016), which is the holding company for Fatfish mobile gaming subsidiaries, AppXplore and Kensington. Through this IPO which valued iCandy at more than \$40m, the latent value of this investment will be unlocked for the Company. Subsequent to the listing on 4 February 2016, the Company controls approximately 82% of iCandy's issued capital.

As previously advised within the Appendix 4C, released on 27 January 2017, the Company had adopted a change in accounting policy whereby it has chosen to adopt AASB 2015-5 - Investment Entities: Applying the Consolidation Exception. The standard applies to reporting periods beginning on or after 1 January 2016 and should be considered in conjunction with AASB 10 - Consolidated Financial Statements.

The Board have determined that the Accounting Parent, Fatfish Internet Pte Ltd qualifies as an Investment Entity and as such have determined that the consolidation exception is available and therefore implemented a change in accounting policy concerning the carrying value of certain investments.

The Company has consolidated investments in past reporting periods in accordance with AASB 10 - Consolidated Financial Statements. This accounting treatment resulted in the goodwill being recorded on consolidation rather than the fair value of the investments, the results of which are demonstrated within the table below.

In line with the change in accounting policy, the Accounting Parent, as an investment entity is not entitled to consolidate its subsidiaries, subject to their eligibility as investment entities. The Company must now measure an investment in a qualifying subsidiary at fair value through profit and loss in accordance with AASB 9, the result of which has created a significant unrealised accounting profit of \$22.1 million.

The table below demonstrates the effect of the change in accounting policy from the corresponding reporting period at 31 December 2015.

Investments at fair value	Value at 31 December 2015*	Fair value at 31 December 2016	Fair Value gain on adoption of accounting policy AASB 2015-5
vDancer Pte Ltd	1,512,822	1,028,285	(484,538)
iCandy Interactive Limited	4,088,179	26,749,661	22,661,482
Fatfish Investments	-	10	10
Partners Pte Ltd	-	-	-
Beam Storage Pte Ltd	-	8	8
		<u>27,777,964</u>	

*Net value of investments at 31 December 2015, includes goodwill and non-controlling interests.

The Company's fair value of its investment in iCandy Interactive Limited is supported by the quoted price of its securities as published by the Australian Securities Exchange on 31 December 2016. The fair value of its investment in vDancer is supported by an independent valuation by a qualified valuer.

Further fair value adjustments, whether favourable or not, will be reported in future reporting periods through the Profit & Loss statement which will be supported by the above criteria.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Consolidated Group	
	2016	2015
	\$	\$
Revenue	249,069	232,574
Cost of sales	(195,198)	(2,648)
Gross Profit	<u>53,871</u>	<u>229,926</u>
Other income/(expenses)	3,696,807	453,618
Fair value gain on investments upon adoption of AASB 2015-5 ¹	27,738,877	-
Unrealised losses on investments at fair value ²	(5,625,000)	-
Employee benefits expense	(401,676)	(525,110)
Depreciation and amortisation expense	(310,099)	(250,475)
Impairment of goodwill	-	(5,681,114)
Administration expenses	(1,697,904)	(2,002,332)
Marketing expenses	(192,279)	(68,823)
Listing and filing fees	(124,972)	(86,883)
Occupancy expenses	(68,804)	(57,891)
Bad debts written off	-	(174,904)
Profit before income tax	<u>23,068,821</u>	<u>(8,163,988)</u>
Tax expense	-	-
Net Profit for the year	<u><u>23,068,821</u></u>	<u><u>(8,163,988)</u></u>
Other comprehensive income:		
Items may be reclassified subsequently to profit or loss:		
Revaluation of available for sale assets	1,490,324	-
Exchange differences on translating foreign operations, net of tax	212,093	35,790
Total comprehensive income for the year	<u><u>24,771,238</u></u>	<u><u>(8,128,198)</u></u>
Net profit attributable to:		
Members of the parent entity	23,134,260	(7,890,585)
Non-controlling interest	(65,439)	(273,403)
	<u><u>23,068,821</u></u>	<u><u>(8,163,988)</u></u>
Total comprehensive income attributable to:		
Members of the parent entity	24,776,563	(8,114,965)
Non-controlling interest	(5,325)	(13,233)
	<u><u>24,771,238</u></u>	<u><u>(8,128,198)</u></u>
Earnings per share		
From continuing and discontinued operations:		
Basic earnings/(loss) per share (cents)	14.21	(6.17)
Diluted earnings/(loss) per share (cents)	14.21	(3.14)

¹ Represents the fair value adjustment resulting from the change in accounting policy and adoption of AASB 2015-5 at 1 October 2016.

² Represents the fair value adjustment from initial recognition on 1 October 2016 to 31 December 2016.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

Consolidated Group

	2016	2015
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	398,625	2,096,820
Trade and other receivables	2,584,329	597,883
Other financial assets	4,457,998	205,866
TOTAL CURRENT ASSETS	<u>7,440,952</u>	<u>2,900,569</u>
NON-CURRENT ASSETS		
Investments at fair value	27,777,963	-
Property, plant and equipment	47,011	85,644
Investments in associates	1	209,213
Intangible assets	280,324	9,039,272
TOTAL NON-CURRENT ASSETS	<u>28,105,299</u>	<u>9,334,129</u>
TOTAL ASSETS	<u>35,546,251</u>	<u>12,234,698</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	747,375	839,523
Borrowings	19,145	9,516
TOTAL CURRENT LIABILITIES	<u>766,520</u>	<u>849,039</u>
NON-CURRENT LIABILITIES		
Trade and other payables	2,133,663	2,002,323
Borrowings	-	19,399
TOTAL CURRENT LIABILITIES	<u>2,133,663</u>	<u>2,021,722</u>
TOTAL LIABILITIES	<u>2,900,183</u>	<u>2,870,761</u>
NET ASSETS	<u>32,646,068</u>	<u>9,363,937</u>
EQUITY		
Issued capital	27,786,750	27,486,990
Reserves	1,214,118	1,302,466
Accumulated losses	3,782,455	(20,642,557)
Parent Interest	32,783,323	8,146,899
Non-controlling interest	(137,255)	1,217,038
Total Equity	<u>32,646,068</u>	<u>9,363,937</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2016**

	Ordinary	Accumul ated Losses	Foreign Currency Translation Reserve	Revaluatio n Reserve ¹	Option Reserve	Subtotal	Non- controlling interests	Total
	\$	\$	\$			\$	\$	\$
Consolidated Group								
Balance at 1 January 2015	25,378,947	(12,751,972)	(37,062)	-	-	12,589,913	133,164	12,723,077
Comprehensive income								
Loss for the year	-	(7,890,585)	-	-	-	(7,890,585)	(273,403)	(8,163,988)
Other comprehensive income for the year	-	-	48,776	-	-	48,776	(12,986)	35,790
Total	-	(7,890,585)	48,776	-	-	(7,841,809)	(286,389)	(8,128,198)
Transactions with owners, in their capacity as owners, and other transfers								
Shares issued during the year	2,110,043	-	-	-	-	2,110,043	-	2,110,043
Transaction costs	(2,000)	-	-	-	-	(2,000)	-	(2,000)
Options issued during the year	-	-	-	-	1,296,253	1,296,253	-	1,296,253
Options exercised during the year	-	-	-	-	(5,501)	(5,501)	-	(5,501)
Recognition of non-controlling interest of iCandy Interactive Limited	-	-	-	-	-	-	1,370,263	1,370,263
Total transactions	2,108,043	-	-	-	1,290,752	3,398,795	1,370,263	4,769,058
Restated Balance at 31 December 2015	27,486,990	(20,642,557)	11,714	-	1,290,752	8,146,899	1,217,038	9,363,937
Comprehensive income								
Profit for the year	-	23,134,260	-	-	-	23,134,260	(65,439)	23,068,821
Other comprehensive income for the year	-	-	(206,768)	1,490,324	-	1,283,556	(5,325)	1,278,232
Total	-	23,134,260	(206,768)	1,490,324	-	24,417,816	(70,764)	24,347,053
Transactions with owners, in their capacity as owners, and other transfers								
Shares issued during the year	300,000	-	-	-	-	300,000	-	300,000
Transaction costs	(240)	-	-	-	-	(240)	-	(240)
Options expired during the year	-	1,290,752	-	-	(1,290,752)	-	-	-
Derecognition of subsidiaries upon adoption of AASB 2015-	-	-	(81,152)	-	-	(81,152)	(1,283,530)	(1,364,682)
Total transactions	299,760	1,290,752	(81,152)	-	(1,290,752)	218,608	(1,283,530)	(1,064,922)
Balance at 31 December 2016	27,786,750	3,782,455	(276,206)	1,490,324	-	32,783,323	(137,255)	32,646,068

¹ Represents the fair value adjustment of Available for Sale Assets at 31 December 2016.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Consolidated Group	
	2016	2015
	\$	\$
Net cash flows from operating activities		
Receipts from customers	643,374	455,116
Interest received	24,682	11,143
Grants received	1,721	57,223
Payments to suppliers and employees	(2,850,408)	(2,746,236)
Net cash (used in) operating activities	<u>(2,180,631)</u>	<u>(2,222,754)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,014,297)	(20,828)
Purchase of investments	-	(155,866)
Payments for research and development costs capitalised	(104,136)	-
Proceeds from sale of investments	79,809	-
Loans to related parties:		
- payments made	(1,322,357)	(131,691)
Net cash (used in) provided by investing activities	<u>(2,360,981)</u>	<u>(308,385)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares - Fatfish Internet Group Limited	300,000	2,110,043
Proceeds from issue of shares - iCandy Interactive Limited	4,121,584	-
Proceeds from issue of options	-	1,295,749
Proceeds from pre IPO funds	-	382,232
Payments for capital raising costs - Fatfish Internet Group Limited	(240)	-
Payments for capital raising costs - iCandy Interactive Limited	(391,861)	-
Net cash provided by financing activities	<u>4,029,483</u>	<u>3,788,024</u>
Net increase in cash held	(512,129)	1,256,885
Cash and cash equivalents at beginning of financial year	2,096,820	789,151
Effect of exchange rates on cash holdings in foreign currencies	5,654	50,784
Effect of adoption of AASB 2015-5 as at 1 October 2016*	(1,191,720)	-
Cash and cash equivalents at end of financial year	<u>398,625</u>	<u>2,096,820</u>
Notes to the condensed consolidated statement of cash flows		
Reconciliation of cash		
Cash on hand and at bank	<u>398,625</u>	<u>2,096,820</u>

*The Board has adopted AASB 2015-5 (change in accounting policy) which became effective on 1 October 2016. The direct effect of the change in accounting policy sees the accounting parent, Fatfish Internet Pte Ltd treated as an investment entity which permits the accounting parent to value its subsidiaries and relevant investments at fair value. As a result, the parent's subsidiaries have been deconsolidated including the cash balances previously contributed by the subsidiaries as at 1 October 2016, representing \$1,191,720.

SEGMENT INFORMATION

The Company operates in four geographical segments, Australia, Singapore, Malaysia and Indonesia.

ACCUMULATED LOSSES

	Consolidated Group	
	2016	2015
	\$	\$
Accumulated losses at beginning of the financial period	(20,642,557)	(12,751,972)
Net profit/(loss) attributable to members	23,134,260	(7,890,585)
Expiry of options	1,290,752	-
Retained profits/(losses) at end of financial period	<u>3,782,455</u>	<u>(20,642,557)</u>

EARNINGS PER SHARE

Earnings/(Loss) used to calculate basic and dilutive EPS	23,068,821	(8,163,988)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	162,332,233	132,233,843
Weighted average number of dilutive options outstanding	-	<u>128,060,456</u>
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	<u>162,332,233</u>	<u>260,294,299</u>
Basic earnings/(loss) per share (cents)	14.21	(6.17)
Diluted earnings/(loss) per share (cents)	14.21	(3.14)

Potential ordinary shares not considered dilutive

At 31 December 2016, the Company had no listed and unlisted options on issue.

NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share at 31 December 2016, (19.938 cents), and at previous corresponding period, (0.246 cents).

EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any significant events since the end of the reporting period.,

COMPLIANCE STATEMENT

The financial information provided in the Appendix 4E is based on the annual financial report, which is being prepared in accordance with Australian accounting standards or standards acceptable to ASX.

This report and the accounts upon which the report is based use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on accounts which are in the process of being audited.

The financial report is not likely to be the subject of dispute or qualification.



Signed:

Donald H Low
Director

28 February 2017

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