

ASX Release

PERTH, November 1 2016



FORM 20-F ANNUAL REPORT

MOKO Social Media Limited advises that the following Form 20-F Annual Report for the year ended 30 June 2016 has been filed with the United States Securities and Exchange Commission.

MOKO SOCIAL MEDIA
LIMITED

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark one)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number 001-36488

MOKO Social Media Limited

(Exact name of the Registrant as specified in its charter)

Australia

(Jurisdiction of incorporation or organization)

2221 S. Clark St., 12th Floor
Arlington, VA 22202

(Address of principal executive offices)

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2221 S. Clark St., 12th Floor
Arlington, VA 22202
Attn: Shripal Shah
Tel: (571) 982-3000
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(Name, Telephone, E-mail and/or
Facsimile number and Address
of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

None

Name of each exchange on which registered

N/A

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Title of Each Class

American Depositary Shares
Ordinary Shares*

* Not for trading, but only in connection with the quotation of the American Depositary Shares in the OTC Pink Market

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

On June 30, 2016, the registrant had 1,659,796,126 ordinary shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of

1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP

International Financial Reporting
Standards as issued by the International
Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of the securities under a plan confirmed by a court.

Yes

No

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CERTAIN INFORMATION

As used in this Annual Report on Form 20-F (the “Annual Report”), unless otherwise indicated or the context otherwise requires, references to:

- “we,” “MOKO,” “us,” “our,” “the Company,” or “our company” are to MOKO Social Media Ltd, including its subsidiaries;
- “ordinary shares” are to our ordinary shares, no par value;
- “ADSs” or “American Depositary Shares” are to our American Depositary Shares each representing forty ordinary shares;
- “ASX” are to the Australian Stock Exchange or ASX;
- “NASDAQ” are to the Nasdaq Global Market; and
- “OTC Pink” are to the OTC Pink marketplace of OTC Markets.

In this Annual Report on Form 20-F, references to “Australia” are to the Commonwealth of Australia and, other than in the audited consolidated financial statements and notes thereto as of and for fiscal 2016, 2015 and 2014, references to “\$,” “USD,” “dollars,” “USD\$” or “U.S. dollars” are to the legal currency of the United States and references to “A\$,” or “Australian Dollars” are to the legal currency of Australia. In the audited consolidated financial statements and notes thereto as of and for fiscal 2016, 2015 and 2014, references to “\$,” are to the legal currency of Australia.

Solely for the convenience of the reader, this Annual Report on Form 20-F contains translations of certain Australian dollar amounts into U.S. dollars at specified rates. Except as otherwise stated in this Annual Report on Form 20-F, all translations from Australian dollars to U.S. dollars are based on the noon buying rate of A\$1.00 per \$0.7432 in the City of New York for cable transfers of Australian dollars, as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2016. No representation is made that Australian dollar amounts referred to in this Annual Report on Form 20-F could have been or could be converted into U.S. dollars at such rates or any other rates. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The audited consolidated financial statements and notes thereto as of and for fiscal 2016, 2015 and 2014 included elsewhere in this Annual Report on Form 20-F have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). References to a particular “fiscal year” are to our fiscal year ended June 30 of that year. Our fiscal quarters end on September 30, December 31 and March 31. References to a year other than a “fiscal” year are to the calendar year ended December 31.

We also refer in various places within this Annual Report on Form 20-F to “EBITDA,” which is a non-IFRS measure and is more fully explained in the section titled “Non-IFRS Financial Measure” in “Operating and Financial Review and Prospects.” The presentation of this non-IFRS information is not meant to be considered in isolation or as a substitute for our consolidated financial results prepared in accordance with IFRS as issued by the IASB.

FORWARD-LOOKING STATEMENTS

This Annual Report contains many statements that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “ought to,” “plan,” “possible,” “potentially,” “predicts,” “project,” “should,” “will,” “would,” negatives of such terms or other similar statements. You should not place undue reliance on any forward-looking statement due to its inherent risk and uncertainties, both general and specific. Although we believe the assumptions on which the forward-looking statements are based are reasonable and within the bounds of our knowledge of our business and operations as of the date of this Annual Report, any or all of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions could also be incorrect. The forward-looking statements in this Annual Report include, without limitation, statements relating to:

- our goals and strategies;
- our future business development, results of operations and financial condition;
- our ability to protect our intellectual property rights;
- projected revenues, profits, earnings and other estimated financial information;
- our ability to maintain strong relationships with our customers and suppliers;

- our planned use of proceeds; and
- governmental policies regarding our industry.

The forward-looking statements included in this Annual Report are subject to known and unknown risks, uncertainties and assumptions about our businesses and business environments. These statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results of our operations may differ materially from information contained in the forward-looking statements as a result of risk factors, some of which are described under the headings “Risk Factors”, “Operating and Financial Review and Prospects,” “Information on our Company” and elsewhere in this Annual Report, including, among other things:

- failure of our new products to attract a sufficient number of social groups to our mobile platforms;
- failure of advertisers to use us to reach their target audience even if our mobile social platforms are widely adopted by user groups;
- risks relating to generating almost all of our revenue from advertising;
- our incurrence of net losses since our inception and our anticipation that we will continue to incur net losses in the future;
- our ability to continue as a going concern;
- failure to maintain the resources and expertise necessary to keep up with the latest technologies in the industries in which we operate;
- dependence on the continued and unimpeded access to our products and services on the Internet by our partner’s users and advertisers;
- failure to identify suitable targets, acquire them on acceptable terms or successfully integrate them in accordance with our business strategy of making acquisitions;
- reliance on computer software and hardware systems to manage our operations;
- our business being subject to complex and evolving laws, regulations and self-regulatory principles and frameworks internationally;
- privacy concerns relating to our products and services which could damage our reputation and deter current and potential users and advertisers from using our products; and
- our need for additional capital and whether we may be able to obtain it on acceptable terms, or at all.

These risks and uncertainties are not exhaustive. Other sections of this Annual Report include additional factors which could adversely impact our business and financial performance. The forward-looking statements contained in this Annual Report speak only as of the date of this Annual Report or, if obtained from third-party studies or reports, the date of the corresponding study or report, and are expressly qualified in their entirety by the cautionary statements in this Annual Report. Since we operate in an emerging and evolving environment and new risk factors and uncertainties emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. Except as otherwise required by the securities laws of the United States and Australia, we undertake no obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not required.

B. Advisers

Not required.

C. Auditors

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected financial data

The following selected financial data should be read in conjunction with Item 5 - the “Operating and Financial Review and Prospects” and the Financial Statements and Notes thereto included elsewhere in this Annual Report.

Certain factors that affect the comparability of the information set forth in the following table are described in the “Operating and Financial Review and Prospects,” and the Financial Statements and related notes thereto included elsewhere in this Annual Report.

	Fiscal Year Ended June 30					
	2016	2016	2015	2014	2013	2012
	A\$	US\$	(restated)* A\$	(restated)* A\$	A\$	A\$
Statement of Profit or Loss Data						
Revenue from continuing operations	84,830	63,046	1,592,934	882,393	6,020,593	1,722,484
Other income and revenue	1,067,311	793,226	1,134,930	1,467,381	1,017,044	629,369
Fair value gain on deferred consideration	-	-	-	383,933	1,829,653	-
Expenses	(21,962,166)	(16,322,282)	(21,890,522)	(15,659,180)	(13,560,947)	(6,234,297)
Loss before income tax expense from continuing operations	(20,810,025)	(15,466,011)	(19,162,658)	(12,925,473)	(5,701,888)	(4,449,186)
Income tax benefit/(expense)	6,889	5,120	166,723	(29,048)	(17,637)	(893)
Loss after income tax benefit from continuing operations	(20,803,136)	(15,460,891)	(18,995,935)	(12,954,521)	(4,711,294)	(3,883,337)
(Loss)/profit after income tax benefit from discontinued operations	(738,675)	(548,983)	(1,298,072)	(641,938)	(1,566,785)	1,451,091
Loss after income tax for the year	(21,541,811)	(16,009,874)	(20,294,007)	(13,596,459)	(6,278,079)	(2,432,246)
Other comprehensive income:						
Exchange differences on translation of foreign operations	590,423	438,802	1,397,333	(244,676)	853,663	-
Total comprehensive loss for the year	(20,951,388)	(15,571,072)	(18,896,674)	(13,841,135)	(5,424,416)	(2,432,246)
Total comprehensive loss for the year is attributable to:						
Continuing operations	(20,212,713)	(15,022,088)	(17,598,602)	(13,199,198)	(3,857,631)	(3,883,337)
Discontinued operations	(738,675)	(548,983)	(1,298,072)	(641,938)	(1,566,785)	1,451,091
Loss attributable to:						
Owners of the Company	(21,457,299)	(15,947,065)	(20,013,288)	(13,472,361)	(6,278,079)	(2,432,246)
Non-controlling interests	(84,512)	(62,809)	(280,719)	(124,098)	-	-
Total comprehensive loss attributable to:						
Owners of the Company	(21,457,299)	(15,947,065)	(20,013,288)	(13,717,037)	(5,424,416)	(2,432,246)
Non-controlling interests	(84,512)	(62,809)	(280,719)	(124,098)	-	-
Earnings per share from continuing operations attributable to the owners of MOKO Social Media Limited:						
Basic / Diluted EPS (“cents”)	(2.20)	(1.635)	(3.28)	(2.74)	(1.54)	(3.00)

*The restatement of comparatives is related to discontinued operations. Please refer to Note 8 of our Financial Statements and Notes thereto included elsewhere in this Annual Report.

	As of June 30					
	2016 A\$	2016 US\$	2015 A\$	2014 A\$	2013 A\$	2012 A\$
Statement of Financial Position Data						
Current assets:						
Cash and cash equivalents	2,546,772	1,892,761	7,219,908	9,878,011	2,519,186	1,573,783
Trade and other receivables	38,660	28,732	501,472	927,852	823,898	2,677,021
Other current assets	326,643	242,761	1,017,204	298,716	153,236	341,718
Total current assets	2,912,075	2,164,254	8,738,584	11,104,579	3,496,320	4,592,522
Non-current assets						
Property, plant and equipment	136,731	101,618	255,961	87,726	72,662	793,339
Intangibles	100,835	74,941	3,814,088	3,613,433	4,410,248	974,681
Available-for-sale financial assets	560,000	416,192	1,297,811	-	-	-
Deferred tax assets	-	-	-	427,719	-	-
Total non-current assets	797,566	592,751	5,367,860	4,128,878	4,482,910	1,768,020
Total assets	3,709,641	2,757,005	14,106,444	15,233,457	7,979,230	6,360,542
Current liabilities						
Deferred consideration	-	-	-	-	1,430,252	-
Trade and other payables	1,047,672	778,630	2,569,262	2,563,611	1,814,544	2,141,895
Borrowings	-	-	-	-	1,136,390	-
Employee benefits	168,210	125,014	411,076	276,920	134,048	207,054
Provisions	-	-	-	-	264,912	-
Income tax provision	-	-	-	740,880	279,808	-
Total current liabilities	1,215,882	903,644	2,980,338	3,581,411	5,059,954	2,348,949
Non-current liabilities						
Employee benefits	11,818	8,783	45,530	35,348	45,904	29,714
Deferred tax liability	-	-	-	-	-	89,750
Total non-current liabilities	11,818	8,783	45,530	35,348	45,904	119,464
Total liabilities	1,227,700	912,427	3,025,868	3,616,759	5,105,858	2,468,413
Net assets	2,481,941	1,844,579	11,080,576	11,616,698	2,873,372	3,892,129
Equity						
Issued capital	69,142,733	51,386,879	58,214,371	41,679,662	24,656,473	20,685,557
Reserves	14,053,478	10,444,545	12,213,980	8,990,804	3,674,208	2,385,802
Accumulated losses	(80,669,505)	(59,953,576)	(58,942,958)	(38,929,670)	(25,457,309)	(19,179,230)
Non-controlling interest	(44,765)	(33,269)	(404,817)	(124,098)	-	-
Total equity	2,481,941	1,844,579	11,080,576	11,616,698	2,873,372	3,892,129

The total outstanding ordinary shares at June 30, 2016, is 1,659,796,126 (2015: 755,486,679).

The total Performance Shares outstanding at June 30, 2016 and 2015, is 20,000,000.

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The following table sets forth information concerning exchange rates between the Australian dollar and the U.S. dollar for the periods indicated based on the noon buying rate in the City of New York for cable transfers of Australian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. As of September 30, 2016, the noon buying rate was A\$0.7667 per \$1.00.

Year Ended	A\$ Per USD\$1	
	High	Low
June 30, 2012	A\$ 1.1026	A\$ 0.9453
June 30, 2013	1.0573	0.9165
June 30, 2014	0.9705	0.8858
June 30, 2015	0.9488	0.7566
June 30, 2016	0.7817	0.6855
Quarter Ended		
September 30, 2014	0.9488	0.8731
December 31, 2014	0.8904	0.8097
March 31, 2015	0.8194	0.7582
June 30, 2015	0.8118	0.7566
September 30, 2015	0.7664	0.6917
December 31, 2015	0.7346	0.7025
March 31, 2016	0.7677	0.6855
June 30, 2016	0.7817	0.7184
Month Ended		
April 2016	0.7817	0.7504
May 2016	0.7641	0.7184
June 2016	0.7479	0.7225
July 2016	0.7632	0.7453
August 2016	0.7717	0.7516
September 2016	0.7676	0.7489

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk factors

Risks Related to Our Business

Our limited operating history may not serve as an adequate basis to predict our future prospects and results of operations.

Our current level of operations did not develop until early 2013. As a result, our operating history is limited and, accordingly, the revenue and income potential of our business and markets are unproven. Our historical operating results do not provide a meaningful basis for evaluating our business, financial performance and prospects, particularly in view of the fact that the last two years of operations were of businesses that have since ceased operations or been sold to other companies.

We also face numerous risks, uncertainties, expenses and difficulties frequently encountered by companies at an early stage of development. Some of these risks and uncertainties relate to our ability to:

- develop new customers or new business from existing customers;
- expand the technical sophistication of the products and services we offer;
- respond effectively to competitive pressures; and
- attract and retain qualified management and employees.

We may not meet internal or external expectations regarding our future performance. If we are not successful in addressing these risks and uncertainties, our business, operating results and financial condition may be materially adversely affected.

Our new products could fail to attract a sufficient number of social groups to our mobile platforms and we may not be able to retain organizations that are attracted to our platforms.

In order to create a meaningful level of activity in our target social groups, we need to attract and retain large user groups interested in our mobile social applications. Our ability to convince these social groups to adopt our mobile platform will depend in part on our ability to create successful new products and services. We may also introduce significant changes to our existing products and services or develop and introduce new and unproven products and services, including technologies with which we have little or no prior development or operating experience, which could affect users continued use of the products we develop. For example, in 2013, we began to develop REC*IT, a mobile application that includes a variety of social features and tools including the ability to register for team activities, check schedules, player standings, scores and individual performances and post photos and other content related to collegiate intramural sports. There can be no assurance that we will continue to identify and partner with social groups of the size and demographics that may be attractive to potential advertising customers. Even if we are able to attract groups and organizations to our platform, there can be no assurance that they will continue to use our platform, which would materially and adversely affect our financial condition, results of operations and prospects.

Even if our mobile social platforms are widely adopted by user groups, advertisers may determine not to use us to reach their target audience, which would adversely affect our financial condition, results of operations and prospects.

Our ability to achieve profitability is dependent upon the aggregation of significant numbers of users of our mobile social platforms and the attractiveness of the market they represent to advertisers. Our business model involves our development of mobile social platforms for user groups that we provide to the groups at no cost in exchange for the right to include advertisements in the content hosted on our platform. If our new or enhanced products or services fail to engage the targeted social groups, or we fail to attract or retain sufficient mobile communities to generate sufficient interest with potential advertising customers, we may not generate the revenue or operating profit to justify our investments, and our business, operating results and prospects could be materially adversely affected. In the future, we may invest in new products, services and initiatives to generate revenue or profit, but there is no guarantee these approaches will be successful.

We expect to generate almost all of our revenue from advertising. The inability to attract advertisers, or a general reduction in spending by advertisers, would harm our business and prospects.

We expect to generate almost all of our revenue from third parties advertising on our platforms. As is typical in our industry, we do not expect that we will have long-term commitments from advertisers, and our advertisers will spend only a relatively small portion of their advertising budget with us. If our platforms do not deliver ads in an effective manner, advertisers will not do business with us or will not be willing to pay the rates we anticipate, which would harm our business and prospects. Our ability to generate advertising revenue also could be adversely affected by numerous other factors, including:

- our inability to attract communities who desire to partner with us;
- lower than expected engagement by members of the communities with whom we partner;
- our ability to effectively manage advertising inventory for platforms we develop;
- the emergence of new competitors in our industry or our inability to effectively compete with existing competitors;
- adverse legal developments relating to mobile advertising, including legislative and regulatory developments and developments in litigation;

- adverse media reports or other negative publicity involving us, our partners, or other companies in our industry;
- changes in the way online advertising is priced;
- the impact of new technologies that could block or obscure the display of ads we place; and
- the impact of macroeconomic conditions and conditions in the advertising industry generally.

Our legacy operations incurred net losses since their respective inceptions and we anticipate that we will continue to incur net losses in the future.

Substantially all of our revenue to date has been derived from the provision of mobile content product and services from businesses we no longer operate and which historically incurred net losses. We incurred losses of A\$21.5 million (\$16.0 million) and A\$20.3 million, for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. From our inception in 2004 through June 30, 2015, we have aggregate accumulated losses of A\$80.7 million (\$60.0 million). We expect our losses to continue as a result of ongoing project development, increased selling, marketing and corporate support costs. These losses have decreased our working capital, total assets and shareholders' equity. Because of the risks and uncertainties associated with our recent strategic focus on customized mobile social advertising development and the related commercialization efforts, we are unable to predict whether or not we will become profitable, and if so, when.

Our independent registered public accounting firm has taken an emphasis of matter qualification regarding our ability to continue as a going concern.

Our auditors have issued a "going concern" emphasis of matter qualification regarding their opinion on our June 30, 2016 financial statements, indicating the existence of a material uncertainty that may cast significant doubt that we can continue as an ongoing business. There can be no assurance that our current cash reserves and anticipated revenues will be sufficient to enable us to reach a cash-flow positive position or fully finance our business plan. MOKO is and will, until such time as its profitability is achieved, remain reliant upon current cash reserves, ongoing funding and may also require additional funding. Such additional funding may not be available on terms favorable to us, or at all. Our financial statements do not include any adjustments as a result of this uncertainty. If we cannot continue as a viable entity, our shareholders may lose some or all of their investment in us.

User growth and engagement depend upon effective interoperation with operating systems, networks, devices, web browsers and standards that we do not control.

We plan to make our products available across a variety of operating systems and through websites. We will be dependent on the interoperability of our products with popular devices, mobile operating systems and web browsers that we do not control, such as Mac OS, Windows, Android, iOS, Chrome and Firefox. Any changes in such systems, devices or web browsers that degrade the functionality of our products and services or give preferential treatment to competitive products could adversely affect usage of our products. Further, if the number of platforms for which we develop our product expands, it is likely to result in an increase in our operating expenses. In order to deliver high quality products, it is important that our products work well with a range of operating systems, networks, devices, web browsers and standards that we do not control. In addition, because our users access our products and services through mobile devices, we are particularly dependent on the interoperability of our products and services with mobile devices and operating systems. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these operating systems, networks, devices, web browsers and standards. In the event that it is difficult for our users to access and use our products and services on their mobile devices, our user growth and engagement could be harmed, and our business and operating results could be materially adversely affected.

Our failure to maintain the resources and expertise necessary to keep up with the latest technologies in the industries in which we operate could have a material adverse effect on our business and results of operations.

The social media industry is characterized by continuing rapid technological advancement, changes in customer requirements, and evolving product standards. Accordingly, we devote a substantial amount of resources to product development. To compete successfully, we must develop and market new products that provide increasingly higher levels of performance and reliability. Product development is highly uncertain and we cannot guarantee that we will successfully develop new products. Our inability to develop and market these products or to achieve customer acceptance of these products could limit our ability to compete in the market or to grow revenues at satisfactory rates of growth.

If the design, manufacturing or marketing of a product offering is not successful and we must allocate more resources to ensure the product's success, it could lower the profitability of the product or affect customer perception as to the quality of the products we offer.

Our business depends on continued and unimpeded access to our products and services on the Internet by our partner's users and advertisers. If we or partners or the users experience disruptions in Internet service or if Internet service providers are able to block, degrade or charge for access to our products and services, we could incur additional expenses and the possible loss of users and advertisers.

We depend on the ability of our users and advertisers to access the Internet. Currently, this access is provided by companies that have significant market power in the Internet access marketplace, including incumbent mobile communications companies, device manufacturers and operating system providers, any of whom could take actions that degrade, disrupt or increase the cost of user access to our products or services, which would, in turn, negatively impact our business. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the Internet, including laws or practices limiting Internet neutrality, could decrease the demand for, or the usage of, our products and services, increase our cost of doing business and materially adversely affect our operating results. We also rely on other companies to maintain reliable network systems that provide adequate speed, data capacity and security to us and our users. As the Internet continues to experience growth in the number of users, frequency of use and amount of data transmitted, the Internet infrastructure that we and our users rely on may be unable to support the demands placed upon it. The failure of the Internet infrastructure that we or our users rely on, even for a short period of time, could undermine our operations and harm our operating results.

Our business strategy contemplates additional acquisitions and continued integration, and we may fail to identify suitable targets, acquire them on acceptable terms or successfully integrate them.

We intend to enhance the profitability of our business by applying our integration strategy to a larger asset base and, towards that end, we need to identify suitable targets that would fit into our operations, acquire them on acceptable terms and successfully integrate them.

The acquisition and integration of new companies pose significant risks to our existing operations, including:

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our business, requiring greater personnel and other resources;
- significant, initial cash expenditures to integrate new acquisitions; and
- incurrence of debt to finance acquisitions and higher debt service costs related thereto.

Moreover, despite our conducting the appropriate pre-acquisition inquiries and due diligence reviews, the successful integration of new businesses may also be difficult for a variety of reasons, including differing culture or management styles, poor records or internal controls and inability to establish control over cash flows. Furthermore, even if we are successful in integrating new businesses, expected synergies and cost savings may not materialize, resulting in lower than expected profit margins. Acquisitions also could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings.

We rely on computer software and hardware systems to manage our operations, the failure of which could adversely affect our business, financial condition and results of operations.

We are dependent upon sophisticated computer software and hardware systems to support our network and manage and monitor programs on the network and currently rely in large part on commercial providers for both system capacity and network maintenance. In addition, we rely on this computer hardware for the storage, delivery and transmission of the data on our network. Any loss of such services or system failure which interrupts the input, retrieval and transmission of data or increases the service time could disrupt our normal operation. Any failure in this computer software or the related hardware systems could decrease our revenues and harm our relationships with suppliers and customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to complex and evolving laws, regulations and self-regulatory principles and frameworks internationally. These laws, regulations and self-regulatory principles and frameworks are subject to change and uncertain interpretation, and

could result in claims, changes to our business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or ad engagement, or otherwise harm our business.

We are subject to a variety of laws, regulations and self-regulatory principles and frameworks in Australia, the United States and other jurisdictions in which we currently or will operate that involve matters central to our business, including privacy, data security, advertising, rights of publicity, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation.

Many of these laws and regulations are still evolving and being tested in courts and could be interpreted or applied in ways that could harm our business, particularly in the new and rapidly evolving industry in which we operate. The introduction of new products, services or features may subject us to additional laws and regulations as well as self-regulatory frameworks, principles and industry guidelines. In addition, foreign data protection, privacy, consumer protection, content regulation and other laws and regulations of various applicable jurisdictions are often more restrictive than those in Australia and the United States. In particular, the European Union and its member states traditionally have taken broader views as to types of data that are subject to privacy and data protection, and have imposed greater legal obligations on companies in this regard. A number of proposals are pending before federal, state and foreign legislative and regulatory bodies that could significantly and adversely affect our business. For example, a regulation relating to the 1995 European Union Data Protection Directive is currently being considered by European legislative bodies that may affect companies who are not based in Europe but provides services to European citizens, and could include more stringent operational requirements for entities processing personal information of EU citizens and significant penalties for non-compliance. Similarly, there have been a number of recent legislative proposals in the United States, at both the federal and state level, that would impose new obligations in areas such as privacy, online and mobile tracking and geolocation, mobile applications, services provided to children and liability for copyright infringement by third parties. In particular, the U.S. government, including the Federal Trade Commission, and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning user behavior on the Internet, including regulation aimed at restricting certain online tracking and targeted advertising practices. Additionally, recent amendments to U.S. patent laws may affect the ability of companies, including us, to protect their innovations and defend against claims of patent infringement. We currently allow use of our platform without the collection of extensive personal information. We may expand our collection of personal information, which may subject us to additional regulation and increase our exposure to security incidents. Further, it is difficult to predict how existing laws and regulations will be applied to our business and the new laws and regulations to which we may become subject, and it is possible that they may be interpreted and applied in a manner that is inconsistent with and adverse to our current practices. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products and services, result in negative publicity, significantly increase our operating costs, require significant time and attention of management and technical personnel and subject us to inquiries or investigations, claims or other remedies, including fines or demands that we modify or cease existing business practices.

User trust regarding privacy is important to the growth of users and the increase in user engagement on our partners' platforms, and privacy concerns relating to our products and services could damage our reputation and deter current and potential users and advertisers from using our products.

From time to time, concerns have been expressed by governments, regulators and others about whether products, services or practices similar to ours compromise the privacy of users and others. Concerns about governmental or regulatory actions involving our practices or practices in our industry generally with regard to the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, could damage our reputation, cause us to lose partners, users and advertisers and materially and adversely affect our operating results. Any failure or perceived failure by us to comply with data protection laws and regulations or privacy policies may result in inquiries and other proceedings or actions being threatened or taken against us by governments, regulators or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose partners, users and advertisers, which could have a materially adverse effect on our business.

Any systems failure or compromise of our security that results in the unauthorized access to or release of our users' or advertisers' data could significantly limit the adoption of our products and services, as well as harm our reputation and brand and, therefore, our business. We expect to continue to expend significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of products and services we offer, increase the size of our user base and operate in more countries.

Governments and regulators around the world are considering a number of legislative and regulatory proposals concerning data protection. In addition, the interpretation and application of consumer and data protection laws or regulations in Australia, the United States, Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country are inconsistent with, or contrary to, those of another country. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our practices in the applicable jurisdiction, which could have a material adverse effect on our business and operating results. Complying with new laws and regulations could cause us to incur substantial costs or require us to change or even terminate our business practices, at least in the applicable jurisdiction, in a manner materially adverse to our business.

We are likely to need additional capital and we may not be able to obtain it at acceptable terms, or at all, which could adversely affect our liquidity and financial position.

We are likely to need additional cash resources due to changed business conditions or other future developments. If we need these resources to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of our company and other companies which operate in our industries;
- conditions of the U.S. capital and debt markets and other capital and debt markets in which we may seek to raise funds;
- our future results of operations, financial condition, cash flow and actual or forecasted profitability.

Future issuances of ordinary shares may cause a dilution in your shareholding or place restrictions on our operations.

If we successfully raise additional capital, your shareholding may be diluted or we may have significant restrictions placed on our operations. Any capital raised through issuance of new equity or equity-linked securities may cause a dilution in the percentage ownership of our then existing shareholders and holders of our ADSs. Our organizational documents do not place any limit on the number of equity securities we may issue. Alternatively, capital raised by way of additional debt financing may result in restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to pursue our business strategies;
- require us to dedicate a substantial portion of our cash flow from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

In addition, we may issue additional ordinary shares for future acquisitions. If we pay for our future acquisitions in whole or in part with additionally issued ordinary shares, your ownership interests in our company would be diluted and this in turn could have a material adverse effect on the price of the ordinary shares or our ADSs.

We may become subject to intellectual property rights claims that are expensive and time consuming to defend, and, if resolved adversely, could have a materially adverse impact on our business, financial condition or operating results.

Companies operating in the Internet, technology and media industries typically own large numbers of patents, copyrights, trademarks and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of those patents and other intellectual property rights. Many companies in these industries, including many of our competitors, have substantially larger patent and intellectual property portfolios than we do, which could make us a target for litigation as we may not be able to assert counterclaims against parties that sue us for patent, or other intellectual property infringement. We do not currently have any registered patents or trademarks and rely on a combination of license agreements, copyright, trade secrecy laws and confidentiality agreements to protect our intellectual property. In addition, various "non-practicing entities" that own patents and other intellectual property rights often attempt to aggressively assert claims in order to extract value from technology companies. Further, from time to time we may introduce new products and services, including in areas where we currently do not have an offering, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities.

In addition, although our standard terms and conditions for our products do not provide advertisers and platform partners with indemnification for intellectual property claims against them, some of our agreements with advertisers, platform partners and data partners require us to indemnify them for certain intellectual property claims against them, which could require us to incur considerable costs in defending such claims, and may require us to pay significant damages in the event of an adverse ruling. Such advertisers, platform partners and data partners may also discontinue use of our products, services and technologies as a result of injunctions or otherwise, which could result in loss of revenue and materially adversely impact our business.

While we are not currently the subject of any threatened or actual patent and other intellectual property claims, as we face increasing competition and increase our profile, the number of such claims against us may grow. There may be intellectual property or other rights held by others, including issued or pending patents, that cover significant aspects of our products and services, and we cannot be sure that we are not infringing or violating, and have not infringed or violated, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future. Any claim or litigation alleging that we have infringed or otherwise violated intellectual property or other rights of third parties, with or without merit, and whether or not settled out of court or determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of our management and technical personnel. Some of our competitors have substantially greater resources than we do and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. The outcome of any litigation is inherently uncertain, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party or both. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights. If we are required, or choose to enter into royalty or licensing arrangements, such arrangements may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop or procure alternative non-infringing technology or discontinue use of the applicable technology. The development or procurement of alternative non-infringing technology could require significant effort and expense or may not be feasible. An unfavorable resolution of the disputes and litigation referred to above could adversely affect our business, financial condition, and operating results.

Our products contain, and we expect our future products will contain, open source software, and we license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could have a material adverse effect on our business.

We use open source software in our products and will use open source software in the future. In addition, we regularly release internal software projects under open source licenses and we anticipate continuing to do so. In the future we may also contribute software source code to open source projects under open source licenses. The terms of many open source licenses to which we are subject have not, as far as we are aware, been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

The loss of key management personnel could negatively affect our business.

Our future success is dependent in large part on our ability to retain highly qualified managerial and other key personnel. In particular we depend on our Chief Executive Officer, Shripal Shah. The loss of Mr. Shah or any other key personnel we might hire could have an adverse effect on our business, results of operations and financial condition.

Risks Related to the Company

For as long as we are an “emerging growth company,” we will not be required to comply with certain reporting requirements that apply to other public companies.

We are an “emerging growth company,” as defined in the JOBS Act, enacted on April 5, 2012. For as long as we continue to be an emerging growth company, we may choose to take advantage of certain exemptions from reporting requirements applicable to other public companies that are not emerging growth companies. These include: (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), (2) not being required to comply with any new requirements adopted by the Public Company Accounting Oversight Board (the “PCAOB”), requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (3) not being required to comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise, and (4) not being required to provide certain disclosure regarding executive compensation required of larger public companies. We could be an emerging growth company until June 30, 2019, although if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the last business day of any completed second fiscal quarter, we issue \$1 billion in non-convertible debt securities or our revenues exceed \$1 billion at any time before the end of that five- year period, we would cease to be an emerging growth company as of the following June 30. We cannot predict if investors will find our ordinary shares or ADSs less attractive if we choose to rely on these exemptions. If some investors find our ordinary shares or ADSs less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our ordinary shares or ADSs and the market price may be more volatile. Further, as a result of these scaled regulatory requirements, our disclosure may be more limited than that of other public companies and you may not have the same protections afforded to shareholders of such companies.

We are a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to the Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those applicable to a U.S. issuer.

We report under the Exchange Act as a foreign private issuer. Because we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (iii) the rules under the Exchange Act requiring the filing with the Commission of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. We intend to furnish quarterly reports to the Commission on Form 6-K for so long as we are subject to the reporting requirements of Section 13(g) or 15(d) of the Exchange Act, although the information we furnish may not be the same as the information that is required in quarterly reports on Form 10-Q for U.S. domestic issuers. In addition, while U.S. domestic issuers that are not large accelerated filers or accelerated filers are required to file their annual reports on Form 10-K within 90 days after the end of each fiscal year, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. Although we intend to make interim reports available to our shareholders in a timely manner, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

As a foreign private issuer, we are permitted to, and intend to, follow certain home country corporate governance practices in lieu of certain U.S. stock exchange listing requirements applicable to U.S. issuers. This may afford less protection to holders of our ordinary shares.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices in lieu of certain requirements of the major U.S. stock exchanges. A foreign private issuer must disclose in its annual reports filed with the Commission, each such requirement with which it does not comply followed by a description of its applicable home country practice. As a company incorporated in Australia and listed on the ASX, we expect to follow ASX Listing Rules and Australian corporations law and practice with respect to executive sessions of the independent members of our board of directors. Unlike the requirements of most U.S. stock exchanges, the corporate governance practice and requirements in Australia do not require us to hold regular executive sessions where only independent directors shall be present. We may also seek exemption from any quorum requirements applicable to meetings of shareholders and from the rules obligating issuers to obtain shareholder approval prior to the issuance of securities in connection with certain acquisitions, private placements of securities the establishment or amendment of certain stock option, purchase or other compensation plans, as we intend to follow applicable Australian law and the ASX Listing Rules in these matters. Such Australian home country practices may afford less protection to holders of our ordinary shares.

We may be subject to arbitrage risks.

Investors may seek to profit by exploiting the difference, if any, between the price of our ordinary shares on the ASX and the price of our ADSs on the OTC Pink. Such arbitrage activities could cause our share price in the market with the higher value to decrease to the price set by the market with the lower value and could also in certain circumstances affect the volatility in the price of our ordinary shares and our ADSs.

There is a risk that we may be classified as a passive foreign investment company (“PFIC”), which could result in adverse U.S. federal income tax consequences to U.S. investors.

In general, we will be treated as a PFIC for any taxable year in which either (1) at least 75% of our gross income (including our pro rata share of the gross income of our 25% or more-owned corporate subsidiaries) is passive income or (2) at least 50% of the average value of our assets (including our pro rata share of the assets of our 25% or more-owned corporate subsidiaries) is attributable to assets that produce, or are held for the production of, passive income. Passive income generally includes dividends, interest, rents, royalties, and gains from the disposition of passive assets. If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as defined in the section titled “Taxation — U.S. Federal Income Taxation — General”) of our ADSs or ordinary shares, the U.S. Holder may be subject to increased U.S. federal income tax liability upon a sale or other disposition of our ADSs or ordinary shares or the receipt of certain excess distributions from us and may be subject to additional reporting requirements. Based on the composition (and estimated values) of the assets and the nature of the income of us and our subsidiaries for our taxable year ended June 30, 2016, we do not believe that we will be treated as a PFIC for such taxable year. However, because we have not performed a definitive analysis as to our PFIC status for our 2016 fiscal year, there can be no assurance with respect to our status as a PFIC for such taxable year. U.S. Holders are urged to consult their own tax advisors regarding the possible application of the PFIC rules. For more information, see “Taxation — U.S. Federal Income Taxation — U.S. Holders — Passive Foreign Investment Company Rules.”

If we are unable to establish appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations, result in the restatement of our financial statements, harm our operating results, subject us to regulatory scrutiny and sanction, cause investors to lose confidence in our reported financial information and have a negative effect on the market price of our ADSs.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We maintain a system of internal control over financial reporting, which is defined as a process designed by, or under the supervision of, our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

As a public company in the U.S., we are subject to significant additional requirements for enhanced financial reporting and internal controls. We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal controls over financial reporting starting with this annual report on Form 20-F. In addition, an independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting beginning with our annual report on Form 20-F following the date on which we cease to qualify as an emerging growth company if we become an accelerated filer or large accelerated filer. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company.

We cannot assure you that we will not, in the future, identify areas requiring improvement in our internal control over financial reporting. We cannot assure you that the measures we will take to remediate any areas in need of improvement will be successful or that we will implement and maintain adequate controls over our financial processes and reporting in the future as we continue our growth. If we are unable to establish appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations, result in the restatement of our financial statements, harm our operating results, subject us to regulatory scrutiny and sanction, cause investors to lose confidence in our reported financial information and have a material adverse effect on the market price of the ordinary shares and ADSs.

Lack of experience as officers of U.S. publicly-traded companies of our management team may hinder our ability to comply with the Sarbanes-Oxley Act.

It may be time-consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance staff or consultants in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the Sarbanes-Oxley Act's internal controls requirements, we may not be able to obtain the independent auditor certifications that the Sarbanes-Oxley Act requires publicly-traded companies to obtain to the extent applicable to us.

Risks Related to our Securities

The market price of our ordinary shares and our ADSs could be subject to volatility.

The market price of our ordinary shares and our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors such as:

- variations in our actual and perceived operating results;
- announcements of new products or services by us or our competitors;
- technological breakthroughs by us or our competitors;
- news regarding gains or losses of customers or partners by us or our competitors;
- news regarding gains or losses of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry by us or our competitors;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- potential litigation;
- general market conditions or other developments affecting us or our industry; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the ordinary shares and our ADSs.

We may not be able to pay any dividends on our ordinary shares and, correspondingly, our ADSs.

Under Australian law, we may only pay dividends subject to our ability to service our debts as they become due and provided that our assets will exceed our liabilities after the dividend. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits.

We can give no assurance that we will declare dividends of any amounts, at any rate or at all in the future. Our historical dividend payments are not indicative of the amount or timing of the payment of dividends that may be payable in the future and should not be used as a reference or basis to determine the amount of such dividends. The declaration of future dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements, general financial conditions, legal and contractual restrictions and other factors that our board of directors may deem relevant.

Risks Relating to Takeovers

Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares.

We are incorporated in Australia and are subject to the takeovers laws of Australia. Among other things, we are subject to the Australian Corporations Act 2001 (the “Corporations Act”). Subject to a range of exceptions, the Corporations Act prohibits the acquisition of a direct or indirect interest in our issued voting shares if the acquisition of that interest will lead to a person’s aggregate voting power in us increasing from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares. This may have the ancillary effect of entrenching our board of directors and may deprive or limit our shareholders’ strategic opportunities to sell their ordinary shares and may restrict the ability of our shareholders to obtain a premium from such transactions. See Item 10.B. and “Description of Shares and Governing Documents” incorporated by reference therein.

Our Constitution and other Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders.

As an Australian incorporated company we are subject to different corporate requirements than a corporation organized under the laws of the United States. Our Constitution, as well as the Corporations Act, set forth various rights and obligations that are particular to us as an Australian company. These requirements operate differently than from the equivalent legislation that is applicable to many U.S. incorporated companies and may limit or otherwise adversely affect our ability to take actions that could be beneficial to our shareholders. You should carefully review the summary of these matters set forth under the Item 10.B. and “Description of Shares and Governing Documents” incorporated by reference therein, as well as our Constitution, which is included as an exhibit to this Annual Report, prior to investing in our ordinary shares.

You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, because we are incorporated in Australia, and the majority of our directors and officers reside outside the United States.

We are incorporated in Australia and certain of our directors and officers reside outside the United States and substantially all of the assets of those persons are located outside the United States. As a result, it may be impracticable or at least more expensive for you to bring an action against us or against these individuals in Australia in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. For more information regarding the relevant laws of Australia, see “Enforceability of Civil Liabilities.”

You may not have the same voting rights as the holders of our ordinary shares and must act through the depositary to exercise your rights.

Except as described in the deposit agreement related to our ADSs (the “Deposit Agreement”), holders of our ADSs will not be able to exercise voting rights attaching to the shares represented by our ADSs on an individual basis. Holders of our ADSs are entitled to instruct the depositary how to exercise the voting rights attaching to the ordinary shares represented by our ADSs. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. Upon our written request, the depositary will mail to you a shareholder meeting notice which contains, among other things, a statement as to the manner in which your voting instructions may be given, including an express indication that such instructions may be given or deemed given to the depositary to give a discretionary proxy to a person designated by us if no instructions are received by the depositary from you on or before the response date established by the depositary. However, no voting instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary that (i) we do not wish such proxy given, (ii) substantial opposition exists, or (iii) such matter materially and adversely affects the rights of shareholders. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but you may not receive the voting materials in time to ensure that you can instruct the depositary to vote. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if the ordinary shares are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call, attend or speak at a shareholders’ meeting.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we may not, and under the Deposit Agreement for our ADSs, the depositary will not, offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are registered under the Securities Act, or the distribution of them to ADS holders is exempted from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to rely on an exemption from registration under the Securities Act to distribute such rights and securities. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

You may be subject to limitations on transfer of our ADSs.

Our ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the Deposit Agreement, or for any other reason.

Your ability to protect your rights as shareholders through the U.S. federal courts may be limited because we are incorporated under Australian law.

Australian companies may not have standing to initiate a derivative action in a federal court of the United States. As a result, your ability to protect your interests if you are harmed in a manner that would otherwise enable you to sue in a United States federal court may be limited.

Anti-takeover provisions in our Constitution and our right to issue preference shares could make a third-party acquisition of us difficult.

Some provisions of our Constitution may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that require one-third of our board of directors to be elected annually and authorize our board of directors to issue an unlimited number of shares of capital stock and preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares by amending the Constitution.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company.

Corporate History and Operating Segment Evolution

We began as a company engaged in the development of proprietary mobile social community platforms and mobile content sales, delivering proprietary mobile social services and content to users within Australia, the United Kingdom, the Philippines, and Malaysia. Monetization historically occurred via user subscription models connecting MOKO's billing platform with the billing capabilities of our telephony or billing aggregator partners. This monetization and revenue stream is what MOKO identifies as the Social operating segment. The Social operating segment forms part of continuing operations in the historical financial statements although its significance has diminished measurably in the reported periods such that its continuing business operations are insignificant to MOKO's forward intentions.

Our current business model is to develop, manage, and commercialize online mobile social communities for high schools and college student athletics that need to share content and interact efficiently with their members. We plan to monetize these platforms with premium and targeted mobile advertising. Our perception is that our highly tailored mobile community applications differentiate MOKO from other generic mobile applications that do not offer such customized products.

From the fourth quarter of fiscal 2013, MOKO has been actively de-emphasizing and divesting non-core businesses and assets that do not fit within the revised strategy of monetizing its mobile communities within the U.S. See "Operating and Financial Review and Prospects."

Corporate Offices

Our principal executive offices are located at 2221 S. Clark St. Suite 1208, Arlington, VA 22202. Our registered office is Suite 5, 442-446 Beaufort Street, Highgate, Western Australia, 6003, Australia. Our phone number is Telephone +61 (08) 9227 7100.

B. Business Overview

Overview

MOKO began as a company engaged in the development of proprietary mobile social community platforms and mobile content sales in Australia in 2004. During the following eight years, we expanded beyond Australia to the United Kingdom, United States and parts of South-East Asia, leveraging our platform's proprietary network architecture with a range of capabilities, including Customer Relationship Management (CRM), Data Mining, Moderation (censorship), Billing, Advertising Placement, Performance Monitoring, and Content Management. We believe that our current platform, which was built both through in-house development and by means of acquisition and integration of complementary intellectual property, represents technology that is potentially applicable to numerous social communities while being scalable within those communities.

In 2012, we made a strategic shift away from accessing a user base via third parties (involving revenue sharing agreements and other factors that rendered our business model unprofitable) to providing customized mobile social community platforms to large organized groups that need to share content and to interact efficiently with their members on a regular basis. These customized mobile platform solutions are developed entirely by us and then distributed at no charge to these groups and their members, in return for certain exclusive access and for advertising rights. We plan to commercialize these products with premium targeted mobile advertising, ecommerce and paid subscriptions.

We believe that we are different from traditional online social media because we build highly tailored mobile community applications that generic social networks generally do not. Our technology platform has been designed to enable a high degree of flexibility, permitting us to design and build customized applications.

We have entered into contractual relationships to serve a number of social communities, including those of U.S. university intramural sports participants and U.S. high school students. MOKO is at a turning point as we move from our first stage of establishing a critical mass of users and gaining product acceptance within a targeted group. Our current stage has us extending the product range to include paid apps to help us entrench our products at colleges with the goal of getting them "mandated" by administrators on campus. We are also making a strong push towards monetization with a focus on revenue generation while we continue to reduce our monthly burn and operating costs.

In the past year we have evolved from a single app targeting college students into a suite of complimentary mobile products "REC*IT Mobile Suite". This features REC*IT the official mobile app for students who play intramural sports across over 1250 colleges, REC*IT Fitness the official mobile app for student who participate in group fitness classes across over 150 colleges, and REC*IT Plus our first paid product which is a custom white label product catered to a single university recreational sports program. We also continue to maintain and expand upon our BigTeams powered by REC*IT app for high school student athletes, coaches and parents.

Thus the REC*IT Suite of Mobile Products now consists of the following:

REC*IT. REC*IT is a mobile application we designed as a student tool for U.S. colleges and universities. REC*IT represents our most mature application, having been launched in August 2014 in time for the 2014/2015 academic year. In October 2013, we entered an exclusive three-year agreement (with the possibility of extension) with IM Leagues ("IML") which operates the imleagues.com sports website used by recreational and intramural sports departments. Today, more than 1250 colleges and universities across the U.S. use the IML sports software for intramural sports, group fitness and club sports by university recreational departments. Pursuant to this agreement, we have secured the exclusive mobile rights to IML's data, including student and team schedules, fixtures, standings, statistics and news feeds for the purposes of populating the REC*IT App. The significance of the exclusive mobile rights to IML's information relating to intramural activities on the campuses covered by IML is that REC*IT will be the only mobile App that will provide students with this information. In January 2015, we entered into an amended agreement with IML. This amended agreement automatically renews for an unlimited number of additional one year terms until we elect to terminate with the effect of providing us with exclusive rights in perpetuity, subject to us meeting the conditions of advance payments and standard operational responsibilities. The amended agreement also changes the commercial terms from a flat license fee to a minimum guarantee against a 10% revenue share on the net revenues from REC*IT. In August 2016, we signed a second amendment, which spread out the payments due to IMLeagues from September 2016 to April 2017 to assist MOKO with our monthly cashflow and burn.

The REC*IT mobile application has been expanded from initially developed for students interested in intramural sports, fitness, and other leisure activities on campus to now also includes features tailored to administrators and directors of the individual college recreational centers. The goal is to provide enough features and functionality to the administrators so that they may start "mandating" or requiring that students download REC*IT to participate in their programs similar to what is being done with our partners IML. However we have continued to service the students and provided a variety of social features and tools, such as the ability to check team activities, schedules, player standings, scores and individual performances.

As of October 2016, REC*IT reaches more than 1250 US colleges, providing potential access to more than 7 million university students who go through their campus recreation centers ('gyms') each semester. This confirms REC*IT's position as the mobile app leader in college sports and recreational activities. For the period from August 1 to October 27, 2016, REC*IT had been "first launched" just over 221,000 times, a 20% increase over the same period of 2015.

In the past six months Moko has launched a series of updates to REC*IT, to provides a number of improvements for both the students and administrators:

- Game Cancellations
- Remove Players From Roster
- Full School Message Center Blasts
- Statistics Implementation
- On The Fly Player Check-In
- League Payments
- Playoff Schedule
- Upload Videos
- Sportsmanship Ratings
- Scores and Marks implementation
- Game Cancellations
- Magic Button Single Sign On Login
- Additional features and functionality are being developed to enable administrators to more efficiently manage their programs with features such as offline scoring and playoff tournament management are currently in development. These are key features towards our goal of getting to our admin "mandate" or our mobile apps on campus.
- Access to in-app discovery of teams, events and activities, including what's on at users' campus gym.

BigTeams powered by REC*IT. In April 2015, we announced an exclusive agreement with U.S. group BigTeams, under which we will expand into the U.S. high school market. The deal will enable us to launch a version of our REC*IT app to students and their parents in more than 4,000 U.S. high schools. BigTeams provides these schools with online tools and data for sports team administration, event management and fundraising and will provide the data for the new REC*IT app.

The BigTeams Powered by REC*IT app has achieved over 18,000 downloads since its release in December 2015. The initial usage statistics of the app prove it to be an informative utility for users with over 6.4 million page views already, indicating deep usage by those who have the product installed.

Our development team is working closely with the BigTeams tech team to build interactive functionality within the app. Initial features we are looking to incorporate include login/registration, uploading photos, exploring photo galleries, and capturing video in-app. We believe the inclusion of content creation is essential to the long-term success of the product and we are targeting a late summer rollout of these features.

Under the agreement, we have acquired an effective 10% interest in BigTeams for \$1 million.

REC*IT Fitness. REC*IT Fitness, Leverages the REC*IT platform to help college recreation directors and students organize, browse and share on-campus personal fitness classes and activities. It is a free app which caters to the management of group fitness classes at the college recreational centers across over 150 colleges in the US who use IML software to manage their fitness programs. Group Fitness classes tend to be more female dominated vs. intramural sports being more male dominated in enrollment, thus this product is meant to bring balance into our user group.

The REC*IT FITNESS app had over 35,000 unique first launches since its launch in late Q4 of 2015. Over 150 colleges and universities use IML software to manage the scheduling and registration for their fitness programs, and are currently promoting or developing a process for promoting the app to their students.

In the last six (6) months we have added the following features to the initial version of the REC*IT Fitness app based on user feedback:

- Update Profile In App
- Optimized Sign In Flow
- Waitlist
- Waitlist Notifications
- Class Instructions
- Join Class Sessions
- Participations Tips
- Rec Center Opening Hours
- Magic Button Single Sign On Login

We are prioritizing upcoming app features based on feedback from users and administrators. These features include sending messages directly to students, additional push notifications, checking in students to classes, among others. We have also developed an in-app process to drive REC*IT users to download the REC*IT FITNESS app when searching or registering for campus group fitness classes in REC*IT. This deep linking solution will allow for a more streamlined user experience and more downloads of the REC*IT FITNESS product are expected.

REC*IT Plus. REC*IT Plus, a “white label” subscription product targeted at recreation center administrators, to help them manage recreational facilities and programs.

The features of REC*IT Plus will include

- Functionality to manage any recreation center activity or service
- Complete customization with individual school colors and logos
- Searchability within app stores by university and/or recreation center name
- Ability for administrators to communicate seamlessly and in real-time with all recreation center users
- Direct links to REC*IT and REC*IT Fitness

As part of a shift towards a mix of free and paid products for the colleges, REC*IT Plus will be a paid product. A beta version will be ready for the start of the new college year with a number of colleges already expressing strong interest in the product. We currently have a handful of colleges who have signed contracts to be part of our “beta” period. The colleges are given discounted pricing in return for insight, feedback and testing of the new features as they are rolled out. We plan to officially launch this product at the annual NIRSA Conference in 2016 where the majority of college recreational directors gather each year to allow us to begin adding new paid clients for the 2017-2018 semester.

Pricing will be between \$500-\$2500 annually based on the user/student size at each college. The annual subscription price is being subsidized by a revenue share agreement, which is built into each contract. This will allow MOKO to be able to sell targeted mobile advertisements into the official rec sports mobile applications for individual colleges and universities in the US. We believe that since these apps will be the official apps promoted by the colleges themselves, the CPM or CPA ad rates that MOKO will be able to charge advertisers will be at a premium compared to REC*IT. We also plan to introduce a “REC*IT Premium” product which will be a higher-end paid product that we hope to upsell the REC*IT Plus customers into. It will be a more robust custom white-label app which unifies the functionality between REC*IT, REC*IT Fitness and REC*IT Plus.

Industry Background and Market Opportunity

The college and high school markets present a significant opportunity for MOKO. The US college market has an annual discretionary spend of US\$163 billion and the US high school market US\$91.1 billion.

MOKO’s exclusive agreement with IMLeagues gives it access to more than 10 million students at 1,250 colleges, reaching more than 50% of the US college student population. Typically, more than 70% of a college’s student population visits the recreation center building every week and 75% of all college students participate in recreation center sponsored and organized activities. MOKO’s exclusive agreement with Big Teams gives it access to over 3,400 of the 26,957 public and private high schools in the US or 13% of the high school population.

Mobile digital advertising is a large and growing industry. The industry is predicated on a very simple value proposition: mobile advertising pays for the development and implementation of tools and games that mobile device users desire, while providing advertisers access to potential customers.

Because different tools and games (applications or “apps”) may be used by populations with distinct demographic characteristics, advertisers or their agents can broadly direct their message to the people they hope to reach, essentially in the same manner that, for example, a manufacturer of cutlery may choose to advertise in a cooking magazine. The unprecedented level of direct consumer access now available through mobile devices is transitioning traditional advertising dollars, including print, radio, and TV, to the mobile channel. According to eMarketer.com, total mobile advertising spend in the U.S. alone is expected to reach \$40 billion in 2016 and projected to be over \$49 billion in 2017. Several factors are expected to contribute to this growth, including the following:

- *There has been a dramatic increase in the number and functionality of mobile devices.* Increased functionality, efficiency, and economic feasibility continue to drive user adoption of connected mobile devices. Smartphones and tablets, in particular, offer users perpetual Internet access and greatly influence the way users consume media.
- *Users spend an increasing portion of their time on mobile platforms at the expense of time spent on traditional personal computer, print, radio, and TV-based channels, which will likely lead to an increase in the mobile advertising spend.* Digital content is becoming increasingly accessible via mobile devices. Entertainment, e-commerce, and personal finance, among other activities, are all available at a click of a button. According to eMarketer, in 2016, users spent 3 hours and 15 minutes per day using apps via their mobile. We believe that continued adoption of smart devices, coupled with increasing accessibility of mobile data and time spent on mobile devices, will lead to overall growth and more evenly distributed advertising expenditures.

- *There has been a general increase both in the number of applications for mobile devices and in the number of developers of such applications.*

Some electronic platforms such as Facebook have positioned themselves as tools for social communities, in most cases by providing a service that organizes and defines a previously diverse and unorganized array of community relationships. However, many social communities exist that are already tightly defined and have needs that are not adequately met by current mobile platforms. Such predefined social communities represent the target audience for us and our custom mobile applications.

These existing social communities have certain recognizable characteristics, which include the following:

- The community possesses essential information that all members of the group need, which often, but not always, is disseminated from a central node;
- Typically, the group currently uses web-based systems that are not designed to be portable and thus are inconvenient to use on mobile devices;
- Group members are united by an interest in a particular activity or pursuit, for example, a sporting activity, and thus naturally represent a definable demographic audience for advertisers; and
- Group members likely would value enhanced social features, such as chatting, peer-to-peer and member-to-group postings, which are not provided by current web-based systems and could be included in a mobile app.

Our Strategy

Our strategy is to be identified as a community builder through providing mobile community platforms catered to high school and college verticals targeting groups within those verticals that need to share content and interact efficiently with their users on a regular basis. We then plan to commercialize these platforms with premium targeted mobile advertising.

Our monetization strategy is to maximize the value of its asset – its exclusive market reach to advertisers and brand marketers based on the following key criteria:

- Using free products to build a substantial user base in a clearly defined market
- Creating supplementary paid subscription products that generate revenue and result in mandated use
- Leveraging off these products to provide multilayered marketing campaigns to to advertisers and brand marketers
- Launching an integrated ecommerce storefront within our suite mobile products with either a leading online retailer as a partner or for us to build and manage ourselves.
- Revenue sharing with the colleges/universities to entrench products and boost value
- Integrating mobile payments into all the mobile products to become a payment processor between students & the college/universities

MOKO plans to generate revenue from advertisers and brand marketers by integrating their marketing into MOKO products, through:

- o Sponsorship
 - Students can earn points for engaging with sponsor on social media
- o Rewards
- o Social Engagement
 - Students can earn points for engaging with sponsor on social media
- o Data Capture
 - Acquisition of email/SMS data for a sponsor's targeted audience
- o Advertisements
 - Native/Premium mobile ad units
 - Retargeting of students on third-party websites or social media platforms for sponsored campaign
- o Ecommerce
- o Mobile Payment

- o A recent example of a paid advertising relationship with a brand:
 - July 2016 - first integrated marketing partnership with – a major global franchise restaurant group:
 - Paid marketing campaign drove awareness and purchase of the group’s products and included in-app promotions and discounts as well as on-site events at select colleges
 - REC*IT’s in-app click-through rate was four times higher than campaigns conducted through other similar digital media platforms
 - MOKO is currently in direct talks with brands across categories including athletic apparel, consumer packaged goods, isotonic drinks, entertainment and insurance
 - Finalizing the contract for a renewal of the integrated marketing sponsorship for Q4 of calendar 2016 and Q1 of 2017. Many of the marketing elements are live with this brand with the understanding that the contract will be signed imminently.

We do not have any plans in the near future to expand our products beyond the high school and college markets. However if we were to expand the product set in the current high school and college verticals but beyond high school or college student athletics or rec sports we would not expand our product set to a new audience or partner unless we can confirm that we can satisfy several key criteria:

- Target partners must possess a large membership or user-base that has coalesced around a specific suite of information or content;
- Information or content is needed by members of the group for participation in the group, which motivates them to access this information or content frequently;
- Ideally the information or content is not available elsewhere;
- Members of the group want or need to share this information or to interact with other members of the peer group; and
- There is a parent body or central administrator that we can engage to define the organization’s needs and to enter into contractual relationships giving us exclusivity with respect to mobile applications within the community.

Once these factors have been reviewed and deemed to satisfy the core criteria, we must also be in a position to secure exclusivity to access the content and the right to advertise to the membership via our mobile app. We refer to our activities centered on the identification, engagement, and partnering of a social organization as business development, and we have a dedicated team focused on such activities. The executive management team, in concert with representatives of the social group, will assess the specific needs of the organization and will outline the minimal specifications of the bespoke app required. The following points summarize the structure of the app that we would then develop:

- A high degree of customization to suit the needs of the partner and its audience/membership;
- Integration of social features and tools;
- Potential to be repurposed in whole or part to other sub-groups; and
- Capability to be wrapped in custom “skin” when the partner’s social group represents a constellation of component subgroups, such as different universities within a multi-university consortium.

After the specifications of an app are defined, our technical and product development team creates the app using our proprietary network architecture to facilitate development. After building a critical audience mass, our sales team can then monetize the new customized mobile app via a blend of mobile advertising models, including:

- The sale of advertising on a sponsorship basis within sections or across a whole application; and
- The sale of advertising across a hybrid of the existing marketplace ad types, including:

CPM — cost per thousand page views (most common for basic banner ads); and

CPA — performance-based ad placement such as “cost-per-click” or “cost-per-acquisition/action.”

Our sales team sells or intends to sell the advertising either directly to the advertising client or through agencies or brokers. We anticipate advertising will represent our principal source of revenue in future periods, and we expect in some circumstances we will share revenue with the contracted social organization in exchange for exclusivity. However, in all current contractual arrangements, we maintain all or a great majority of advertising revenue, and we intend to do so in future contracts.

We believe that these highly segmented and profiled audiences that are using the customized mobile apps will command premium pricing because of the transparent composition of the audience and its relevancy to a particular advertiser. Moreover, due to the nature of the content and the app itself functioning as a tool rather than as a toy, we believe the users will be considered a premium audience, compared to random users that might be viewing ads within a game or news app.

In September 2015, MOKO made a strategic decision to focus the Company’s resources on its products aimed at the student market, and reduce cash burn from the Company’s other platforms. This decision has been made on the basis that the U.S. student audience is among the most valuable to brands and advertisers and provides huge potential for future monetization and the current state of the securities markets which has posed some challenges to raising additional capital.

Business Development Structure and Pipeline

We have a dedicated business development executive operating under the direction of our Chief Executive Officer. We currently are in discussions with multiple national and global brands about a paid integrated marketing campaign for Q4 of calendar 2016, and Q1 of calendar 2017.

Our Technology Platform

The MOKO Social Media platform is a base set of proprietary source code, services, infrastructure and administrative tools that allows us to build customized applications for each project. The platform has been built with extensibility and customization in mind to reduce maintenance requirements and to shorten development timelines for new projects.

As our new custom “white label” paid products grows within the college vertical, the platform will allow us to efficiently roll out new features and services to other applications or to the entire suite of products.

Currently all services are hosted at Rackspace datacenters using a hybrid of cloud and dedicated servers. Rackspace also provides support for all of our server infrastructure (both cloud and dedicated).

The cloud segment allows rapid deployment to permit on demand capacity and a more cost effective solution (as compared to dedicated hardware). Most of our services are hosted in the cloud and we expect to scale our operations in the cloud as we require increased capacity.

The dedicated segment contains networking, database and storage facilities. This arrangement gives us full control over networking and security aspects of the environment. Both segments are able to communicate based on security policies set by us. Database and storage facilities are shared between our products to maximize cost effectiveness.

We are party to Rackspace’s standard Hosting Services Agreement regarding these facilities on a month-to-month basis, pursuant to which Rackspace is obligated to provide the hosting services in accordance with an agreed service description, service level guarantees and other technological specifications. Under the standard terms, we are required to use reasonable security precautions in connection with our use of Rackspace’s services and to cooperate with Rackspace’s reasonable investigation of service outages, security problems and any suspected breach of the Hosting Services Agreement, including any violation of Rackspace’s Acceptable Use Policy, which mandates Rackspace’s networks or services not be used to engage in, foster, or promote illegal, abusive or irresponsible behavior. Rackspace may terminate the standard Hosting Services Agreement for breach if we fail to make timely payments or if we violate the Acceptable Use Policy more than once (even if we cure each violation).

Competition

- MOKO's products don't compete with other social media sites
- MOKO's products are complementary to Facebook, Google etc
- MOKO's products are useful utilities – provide information and essential organization tools for students
- MOKO's products are aligned – used by administrators and students
- No other major operator in these markets

We are focused on specific and exclusive agreements to develop our apps and mobile community platforms, and we do not know of any direct competitor with a similar with close to the scale that we provide. Any of the other mobile apps targeting intramural sports or group fitness have less than 20 colleges compared to the over 1250 colleges we have using us for intramural sports and the over 150 colleges using our products for group fitness. We are, however, aware that there are other companies looking to enter the college intramural mobile App space, although these other companies typically seek to sell schools an “enterprise solution” for a fee, rather than MOKO's model of providing the App and platform for free with compensation in the form of mobile advertising or our new paid products which have “subsidized” subscription fees due to the revenue share components built into the contracts with the colleges. For those colleges and universities covered by the IM Leagues agreement, we also enjoy an exclusive grant of rights during the duration of that agreement with respect to the data feeds that would be necessary to make any similar intramural sports App functional.

In addition, we face indirect competition from social networking platforms generally, such as Facebook, Twitter or Snapchat.

With respect to advertising sales, our indirect competitors and others may solicit the same or similar advertisers that we might also seek, and therefore they will be in competition with us for the advertiser's marketing spend. Many of these competitors are better capitalized than we are, which could give them a competitive advantage.

Corporate Organization and History

We have been a publicly traded company on the ASX since 2007. As of September 30, 2016, MOKO has one operating subsidiary: MOKO.mobi, Inc. (“MOKO US”).

MOKO US is 100% owned by us and its current business is the business strategy and marketing operations of the Customized Mobile Social Advertising (CMSA) projects within the Mobile Advertising operating segment. It is our single U.S. corporate vehicle and as such employs and administers all U.S. staff.

Sales, Marketing and Key Customers

Our sales, marketing and business development teams are principally based in New York, NY and our Arlington, VA offices and are headed by our Chief Executive Officer (“CEO”).

Our key existing brands include the REC*IT suite of mobile applications (REC*IT, REC*IT Fitness, REC*IT Plus, and Bigteams Powered by REC*IT), and our primary operational team has offices in Arlington, Virginia. Our key partners for the REC*IT app are IML and BigTeams.

IML

On October 10, 2013, we entered into an exclusive agreement with IML. IML operates the imleagues.com sports website used by recreational and intramural sports departments. Over 950 colleges and universities across the U.S. use IML's website as of October 2015. The IML website offers a suite of tools from online signup to comprehensive scheduling required to manage college intramural leagues. Pursuant to the agreement, we have secured the exclusive mobile rights to IML's data, including student and team schedules, fixtures, standings, statistics and news feeds in exchange for fees that vary generally based on the number of participants in the IML portfolio that implement REC*IT. The agreement includes an initial three-year term of exclusivity, which may be extended at the option of IML for an additional term of a duration to be mutually agreed upon, and obligates us to maintain, to develop, and with the assistance of IML, to promote REC*IT free of charge to all the colleges and universities in the IML portfolio. We are also responsible for the development, pricing and inclusion of mobile digital advertising, which we plan to manage through our U.S. mobile advertising division. IML is entitled to a minority share of the revenue generated from the IML portfolio colleges.

In January 2015, we entered into an amended agreement with IML. This amended agreement automatically renews for an unlimited number of additional one year terms until we elect to terminate with the effect of providing us with exclusive rights in perpetuity, subject to us meeting the conditions of advance payments and standard operational responsibilities. The amended agreement also changes the commercial terms from a flat license fee to a minimum guarantee against a 10% revenue share on the net revenues from REC*IT. In August 2016, we signed a second amendment with IML which spread the single annual license fee payments into monthly installments spread-out between September 2016 through April 2017 to assist with MOKO's monthly cash flow and burn.

Research and Development

Our Technical and Product Development teams perform our research and development. These teams comprise seventeen full time employees located in Perth, Western Australia. They are led by our Senior Mobile Developer & Technical Lead. Since 2007, we have expanded our research and development effort to focus on designing, building and commercializing our core mobile internet platform. Historically and principally, this activity has consisted of internal labor efforts and technological expenditures. Our accounting policy has always been to expense such expenditures. The research and development activity has historically been supported by Australian federal government grants and by concessional income taxation treatment under the Income Tax Act, 1936 (Cth) in Australia (the Act), which has provided cash rebates to us through its annual income taxation filings. In October 2015, we received A\$905,747 as a cash rebate

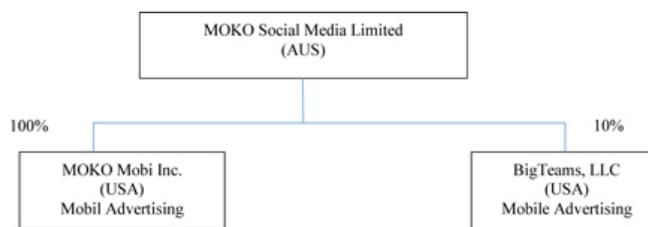
for our 2015 fiscal year and we have submitted an application in respect of our 2016 fiscal year that is expected to result in a cash rebate of A\$829,674.

We expect our future research and development activities to relate to leveraging our core mobile platform through development of specific community platforms for common interest groups in the U.S. and commercializing and monetizing these developments via customized mobile social advertising.

The ongoing availability of Australian government financial support for research and development activities is subject to various tests and legislative change, and there can be no assurance that such financial support will be available to support our expected future research and development activities.

C. Organizational Structure

We have been a publicly traded company on the ASX since 2007. The organizational structure of our operating entities is set forth below:



D. Property, plant and equipment

We currently lease the following properties:

Location	Use of Property	Area
New York, New York	University Relations	150 sq ft
Perth, Western Australia, Australia	R&D and Registered Office	100 sq m
Arlington, VA	HQ	400 sq ft

In November 7, 2014, we entered into a three-year lease in New York City for a property to serve as our Sales & Operations center. In May 2016, we entered into a termination of the lease in New York City by having a new lease agreement between the landlord and the tenant to whom MOKO was subleasing the office space too. Since November 2015, we have entered into a monthly lease with WeWork, a shared office space based in New York City.

On August 26, 2014, we entered into a three-year lease in Alexandria, VA for a property to serve as our corporate headquarters. In addition, the Virginia office houses our business development function as well as project operations, including the operational teams for REC*IT. In April 2016, we entered into a sub-lease for our lease in Alexandria, VA through September 30, 2017 to coincide with the lease termination. Subsequently we entered into a monthly lease with WeWork, a shared office space based in Arlington, VA. T

The Perth office is on a monthly agreement with the landlord as a long-standing arrangement. The Perth facility houses personnel focused on research and technology development.

Government Regulation

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations may involve privacy, data security, advertising, rights of publicity, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection, taxation or other subjects. Many of these laws and regulations are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In

addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate.

We are also subject to federal, state and foreign laws regarding privacy and the protection of user data. Foreign data protection, privacy, consumer protection, content regulation and other laws and regulations are often more restrictive than those in the United States. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning data protection, tracking, behavioral advertising and consumer protection that could affect us.

In recent years, other social media companies, to resolve investigations into various incidents, have entered into settlement agreements and consent decrees with the Federal Trade Commission that, among other things, require them to establish an information security program designed to protect non-public consumer information and also require that they obtain periodic independent security assessments. Violation of any regulatory orders, settlements, or consent decrees that we may be required to enter into could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations.

For additional information, see the section titled “Risk Factors — Our business is subject to complex and evolving laws, regulations and self-regulatory principles and frameworks internationally. These laws, regulations and self-regulatory principles and frameworks are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or ad engagement, or otherwise harm our business.”

Intellectual Property Rights

We protect our intellectual property through a combination of license agreements, copyright, trade secrecy laws, and other methods of restricting disclosure and transferring title. We developed most of our intellectual property internally by our employees and under work for hire arrangements with third parties. We enter into confidentiality agreements with our employees, consultants, vendors, and partners. We also enter into license agreements with third parties and generally seek to control access to and distribution of our technology, documentation, and other proprietary information. You should be aware that the legal status of intellectual property on the internet is currently subject to various uncertainties.

We currently have neither patents nor any pending patent applications in either Australia or the U.S. for our current mobile services. We presently rely on copyright protection for our various trade names including “REC*IT.” We are seeking trademark protection for certain trade names that we believe are important to our business, and we intend to seek trademark protection in the future for new brands and products as we develop them.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes included in this Annual Report beginning on page F-1. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this Annual Report.

Overview

We began as a company engaged in the development of proprietary mobile social community platforms and mobile content sales, delivering proprietary mobile social services and content to users within Australia, the United Kingdom, the Philippines, and Malaysia. Monetization historically occurred via user subscription models connecting MOKO’s billing platform with the billing capabilities of our telephony or billing aggregator partners. This monetization and revenue stream is what MOKO identifies as the Social operating segment. The Social operating segment forms part of continuing operations in the historical financial statements although its significance has diminished measurably in the reported periods such that its continuing business operations are insignificant to MOKO’s forward intentions.

Our current business model is to develop, manage, and commercialize online mobile social communities for large organized groups that need to share content and interact efficiently with their members. We plan to monetize these platforms with premium and targeted mobile advertising. Our perception is that our highly tailored mobile community applications differentiate MOKO from other generic social networks that do not offer such customized products. We are in the process of pursuing customized mobile community application opportunities with large common interest groups in the college and high school market.

During 2014, 2015 and 2016 we expanded the reach of our platform to support intended global growth across four main business lines and revenue streams:

- Mobile Social
- Mobile Advertising
- Mobile Content; and
- Mobile Commerce.

Mobile Social — MOKO’s proprietary mobile social networks and community and chat within Australia, the U.K. and U.S. MOKO’s revenues are generated through monthly user subscriptions that are typically billed directly to a user’s mobile phone account which enables them to access and participate in mobile chat and share communities.

The flag-ship social product that MOKO has offered in this operating segment is ‘MOKO Chat and Share’, which is a proprietary community offering developed by the Company and launched in 2007. This product has accounted for the majority of revenue in the Mobile Social segment in all reported periods although the Mobile Social business represents legacy activities of MOKO’s initial platform monetization efforts and is of less significance and priority than it has been historically.

Mobile Advertising — MOKO’s proprietary performance based, U.S. mobile ad network which more recently has been transitioning its business strategy to work directly with advertisers to allow it to provide advertisers with direct opportunities to place ads in MOKO properties such as REC*IT, REC*IT Fitness, Big Teams and others. This segment represents MOKO’s core operating segment and contains the mobile community development business to be monetized via customized mobile social advertising.

“MOKO Performance Network” (formerly referred to as “OfferMobi”) which was acquired in August 2012 and historically worked with other adnetworks to obtain advertising offers for performance based advertisers seeking specific audiences for their offers and with publishers in identifying the right advertisement/offers for the audiences they had, rather than directly with the advertisers themselves. This is commonly referred to as “rebrokering” and creates a situation where advertisers are unaware of the locations that their ads are placed, called “blind” advertising. The operations of MOKO Performance Network were discontinued on October 31, 2015.

Tagroom Pty Ltd. a subsidiary in which MOKO acquired an 80% controlling interest in October 2014 was also discontinued on October 31, 2015.

The Mobile Advertising operating segment is significant to MOKO’s business, financial results and intentions. The results from Mobile Advertising form a part of continuing operations.

Mobile Content —This operating segment is discontinued and trailing business activity has ceased.

Mobile Commerce — MOKO’s Australian based online, flash sales and aspiring e-commerce product sales business, Deals-I-Love (Australia) Pty Ltd (“DIL”), of which MOKO had a controlling economic interest of 51%, which sells merchant product to customers across the internet via pc’s and mobile interfaces through its website, www.dealsilove.com.au. This business was acquired in July 2013 and was significant to MOKO’s financial results for the six months ended December 31, 2013. Before the DIL acquisition, there was no activity in this segment. The results from Mobile Commerce no longer form a part of continuing operations from and after March 2016.

This segmentation reflects the underlying revenue and cash generating units within MOKO and reflects the internal reports that are reviewed and used by the chief operating decision makers with MOKO, in assessing performance and in determining the allocation of resources.

For the 2014 fiscal year, operating segment revenues were as follows:

	Mobile Social	Mobile Advertising	Mobile Content	Mobile Commerce	Total
Sales to external customers A\$	802,812	79,580	—	—	882,393
Sales to external customers USD\$	618,487	61,309	—	—	679,796

For the 2015 fiscal year, operating segment revenues were as follows:

	Mobile Social	Mobile Advertising	Mobile Content	Mobile Commerce	Total
Sales to external customers A\$	723,690	869,244	—	—	1,592,934
Sales to external customers USD\$	557,531	669,666	—	—	1,227,196

For the 2016 fiscal year, operating segment revenues were as follows:

	Mobile Social	Mobile Advertising	Mobile Content	Mobile Commerce	Total
Sales to external customers A\$	27,806	57,024	—	—	84,830
Sales to external customers USD\$	20,665	42,380	—	—	63,045

Strategic Transition

For the fiscal years ended June 30, 2014, 2015 and 2016, MOKO was unprofitable and a net user of cash and cash equivalents in the absence of ongoing sources of financing. MOKO has needed to rely on its ability to successfully raise cash proceeds from issuing new equity or debt financing to sustain its operations and ensure the business remains a going concern. Historically, the capital has been sourced primarily from within Australia and to a lesser extent internationally including more recently equity funding from within the U.S. as a result of our NASDAQ listing in 2014. MOKO, as of the date of this annual report, has no outstanding indebtedness, other than trade creditors and as otherwise disclosed in the financial statements and related notes included elsewhere in this annual report.

On March 6, 2013, MOKO secured an agreement with American Intramural Sports Group LLC and on October 10, 2013, MOKO secured an agreement with IMLeagues LLC. Under these agreements, MOKO gained the exclusive mobile rights for intermural sport, fitness and recreational activity data for more than 700 colleges and universities across the U.S. with a combined enrolled population of approximately 10 million students. The number of colleges and universities has since increased to over 1,250. MOKO intends to commercialize this platform with premium and targeted mobile advertising. This customized mobile social advertising project is branded REC*IT. The REC*IT brand and the REC*IT mobile community platform and its respective device applications (“Apps”) are owned by MOKO.

To date, MOKO has not generated significant revenue from REC*IT. It should be noted that the strategic focus on projects such as REC*IT and the recently discontinued operations reduces the revenues being generated within MOKO and necessitates development expenditure in advance of commercialization and the realization of new revenue and cash inflows. It is expected that in the immediate future, the historical revenue streams within Mobile Advertising and Mobile Commerce will continue at approximate rates to those reported for the most recent fiscal year and that Mobile Social will continue to generate revenue in a reduced and insignificant capacity in the future. The Mobile Content segment has been ceased and will not generate revenue in future periods. As such, to pursue this business strategy MOKO requires funding sources in advance of accepting additional projects.

Factors Affecting Comparability of Our Historical Results

Our historical results of operations for the periods presented may not be comparable with prior periods or to our results of operations in the future for the reasons discussed above and below.

From the fourth quarter of fiscal 2013, MOKO has been actively de-emphasizing and divesting non-core businesses and assets that do not fit within the revised strategy of monetizing its mobile communities within the U.S. To this end, MOKO divested itself of the Paper Tree Limited Group (including Antiphany Management Holding Limited and its operating subsidiaries) on April 29, 2013 and the net assets and financial performance results of which are reported as discontinued operations for fiscal 2013. MOKO has ceased operation of All Night Media Limited, its second and smaller Mobile Content business in the United Kingdom. In addition in August 2013, the Mobile Social assets of mBuzzy were also divested.

MOKO also acquired a 51% controlling interest in Deals-I-Love (Australia) Pty Ltd (“DIL”), a Sydney, Australia based online, flash sales and aspiring e-commerce product sales business, and an 80% controlling interest in Tagroom. DIL sold merchant product to customers that is sourced internationally and domestically across the internet via pc’s and mobile interfaces through its website, www.dealsilove.com.au in Australia while Tagroom was an infotainment channel serving millennials. MOKO purchased DIL and Tagroom to expand its market share within Australia and to investigate the possible application to the REC*IT user base.

MOKO sold DIL to Hedgeabelli Pty Ltd on March 30, 2016. As a condition to the occurrence of Completion, MOKO advanced A\$37,500 to DIL as part of the completion loan. On the completion date, MOKO released DIL from any outstanding loan balances amounting to A\$1,092,084. On October 30, 2015, MOKO purchased additional 14.2% shareholdings from previous Tagroom shareholders and employees. MOKO released Tagroom from any outstanding loan balances amounting to \$711,390 after its operation was discontinued from October 31, 2015.

On August 16, 2016, MOKO entered into an asset sales agreement with Competitor Group, Inc. (“CGI”), under which CGI will acquire RunHaven, MOKO’s running website and social media assets for an undisclosed amount.

Non-IFRS Financial Measure

In evaluating our business, we consider and use EBITDA, a non-IFRS measure as a supplemental measure to review and assess our operating performance. The presentation of this non-IFRS financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. We define EBITDA as Earnings (being Net Profit or Loss from continuing operations), Before Interest, Tax, Depreciation and Amortization. We use EBITDA as a measure of operating performance to assist in comparing performance from period to period on a consistent basis, as measures for planning and forecasting overall expectations and for evaluating actual results against such expectations and as performance evaluation metrics, including as part of assessing and administering our executive and employee incentive compensation programs.

We believe that the use of this non-IFRS measure facilitates investors’ assessment of our operating performance from period to period and from company to company by backing out potential differences caused by variations in items such as capital structures (affecting relative finance or interest expenses), the book amortization of intangibles (affecting relative amortization expenses), the age and book value of property and equipment (affecting relative depreciation expenses) and other non-cash expenses (affecting one-time transition charges). We also present this non-IFRS measure because we believe this non-IFRS measure is frequently used by securities analysts, investors and other interested parties as measures of the financial performance of companies in our industry.

This non-IFRS financial measure is not defined under IFRS and is not presented in accordance with IFRS. This non-IFRS financial measure has limitations as an analytical tool, and when assessing our operating performance, investors should not consider it in isolation, or as a substitute for profit (loss) or other consolidated statements of operation data prepared in accordance with IFRS. Some of these limitations include, but are not limited to:

- it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the finance or interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt;
- it does not reflect income taxes or the cash requirements for any tax payments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and EBITDA do not reflect any cash requirements for such replacements; and
- other companies may calculate EBITDA differently than we do, limiting the usefulness of this non-IFRS measure as a comparative measure.

We compensate for these limitations by relying primarily on our IFRS results and using EBITDA only as a supplemental measure. The following is a reconciliation of profit for the year to EBITDA:

	Fiscal Year Ended June 30					
	2016	2016	2015	2014	2013	2012
	A\$	US\$	(restated) A\$	(restated) A\$	A\$	A\$
Statement of Profit or Loss Data						
Loss after income tax benefit from continuing operations	(20,803,136)	(15,460,891)	(18,995,935)	(12,954,522)	(4,711,294)	(3,883,337)
Interest expense /(income)	47,371	35,206	(180,450)	(102,280)	201,759	(35,441)
Tax expense/(benefit)	(6,889)	(5,120)	(166,723)	29,048	17,637	893
Depreciation and Amortization expense	443,876	329,889	1,014,523	854,854	1,067,523	179,433
Goodwill and Intangible assets impairment	4,253,634	3,161,301				
EBITDA	(16,065,144)	(11,939,615)	(18,328,585)	(12,172,900)	(3,424,375)	(3,738,452)

Results of Operations

Comparison of Twelve Months Ended June 30, 2016 to Twelve Months Ended June 30, 2015 as restated

MOKO earned revenue of A\$84,830 for the year (2015: A\$1,592,934), a decrease of 95%. The decrease was largely due to a re-positioning of the Mobile Advertising operations to focus on building users and market share rather than short-term revenues in order to better position the business to maximise its future monetization potential. Ongoing revenues in Mobile Advertising are expected to be earned from the monetization of MOKO's student products, including REC*IT, Big Teams powered by REC*IT and REC*IT Fitness. As these products are not yet commercialized, there remains uncertainty over this expectation. During the year, MOKO continued to invest in R&D and platform development. For 2016, MOKO's received a Research & Development tax refund A\$905,747 from the Australian Taxation Office (2015: A\$947,845).

The loss for the 2016 year was A\$21,541,811 compared with the loss of A\$20,294,007 in 2015. This include the results of Discontinued operations for Mobile Performance Network, Moko Door Foundation, Tagroom Pty Ltd and Deals I Love (Australia) Pty Ltd, which contributed Revenue and a Net loss of A\$1,099,346 and A\$738,675 for the year, respectively. The loss also includes the impairment of intangible assets of A\$3,513,823 in Mobile Advertising Cash Generating Unit, A\$179,828 of Mobile Commerce Cash Generating Unit (2015: Nil) and the impairment of Available-for-sale financial assets (Big Teams LLC) of A\$737,811.

For 2016, MOKO's expenses excluding impairment expenses decreased by 19% to A\$17,708,532 (2015: A\$21,890,522) resulting from a reduction in marketing expenses (decreased by A\$1,753,018 or 53%), employee benefit expenses (decreased by A\$1,133,280 or 15%), share based payments (decreased by A\$612,146 or 33%) and other operating overhead such as depreciation and amortization (decreased by A\$570,647 or 56%).

Comparison of Twelve Months Ended June 30, 2015 as restated to Twelve Months Ended June 30, 2014 as restated

As restated, MOKO earned revenue of A\$1,592,934 for the year (2014: A\$882,393), an increase of 80.5%. The increase was largely due to increased revenue from the Mobile Advertising segment, reflecting a re-positioning by the Board to focus Mobile Performance Network (MPN) as a service provider to customized mobile social advertising projects such as REC*IT. During the year, MOKO continued to invest in R&D and platform development. For 2015, MOKO's received a Research & Development tax refund A\$947,845 from the Australian Taxation Office (2014: A\$1,082,953).

The loss for the 2015 year was A\$20,294,007 compared with the loss of A\$13,596,459 in 2014, each as restated. This include the results of discontinued operations, which contributed a net loss of A\$1,298,072 for the year. The loss also includes employee benefits expenses of A\$7,333,024 (2014: A\$2,920,985) due to a large increase in average headcount as a result of the expansion in the Mobile Advertising segment (particularly in the US) and marketing expenses of A\$3,293,889 (2014: A\$600,549), mostly due to an increase in Mobile Advertising User acquisition costs for the customized mobile social advertising business.

Liquidity and Financial Position

MOKO's June 30, 2016 reporting date cash and cash equivalents ('cash') was A\$2,546,772 (2015: A\$7,219,908) and the net assets were A\$2,481,941 (2015: A\$11,080,576). Working capital, (defined as current assets less current liabilities) decreased to A\$1,696,193 (2015: A\$5,758,246) and pertained largely to the decrease in balance date cash.

On July 14, 2015, the Company filed a Form F-3 Registration Statement with the United States Securities and Exchange Commission for a maximum aggregate public offering of up to \$40,000,000. The Form F-3 is used by foreign private issuers in the U.S. to register offerings of securities and can be utilized in stages over three years. This provides MOKO with additional flexibility to approach the U.S. market for capital over the medium term.

Our cash and cash equivalents at June 30, 2016 were held for working capital purposes. We do not enter investments for trading or speculative purposes. Accordingly, our cash and cash equivalents are primarily invested in demand deposit accounts with high-grade financial institutions and currently provide only minimal returns.

Outlook

MOKO has made a strategic decision to focus the Company's resources on the student market. The results from the monetization of MOKO's student focused products, REC*IT and SPEAKIESY, are not yet reflected in MOKO's operating results or cashflows. MOKO's decision to focus on the student market has been made on the basis that the U.S. student audience is among the most valuable to brands and advertisers and provides huge potential for future monetization. As these products are not yet commercialized there remains uncertainty over this expectation.

In September 2015, MOKO made a strategic decision to focus the Company's resources on its products aimed at the student market, REC*IT and SPEAKIESY and reduce cash burn from the Company's other platforms. This decision has been made on the basis that the U.S. student audience is among the most valuable to brands and advertisers and provides huge potential for future monetization and the current state of the securities markets which has posed some challenges to raising additional capital.

Sources of Liquidity

To date, we have funded our operations principally through:

- an initial public offering in Australia on the ASX;
- private placements or rights issues of our fully paid ordinary shares;
- issuing equity-linked securities such as convertible notes;
- taking unsecured loans including from related parties;
- having a revolving credit facility for our U.S. operations; and
- an initial public offering in United States of America on NASDAQ.

We have also benefited to a limited extent from the exercise of share options although we expect to do more in the future, as such securities are exercised by holders.

Since our inception and to June 30, 2016 we have raised a total of A\$69,142,733 million, net of costs and expenses, from the issuance of fully paid ordinary shares through an initial public offering in Australia and numerous subsequent private placements or rights issues.

Going concern

The June 30, 2016 financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is not withstanding that the Consolidated Entity generated a loss from continuing activities of A\$20,803,136 (2015: loss of A\$18,995,935) and continues to experience constraints around cash flow, with a net cash outflow from operations for the full year of A\$14,309,124 (2015: A\$18,231,444).

In order to continue as a going concern, the Consolidated Entity needs to raise additional funds. The directors acknowledge that the requirement to raise additional funding represents a material uncertainty which may cast significant doubt over the ability of the Consolidated Entity to continue as a going concern.

On August 26, 2016, the Consolidated Entity announced it is undertaking a review of strategic options for the future of the Consolidated Entity and has appointed District Capital Partners ("DCP") to advise on alternatives and assist with the process. DCP is a financial advisory firm that specialises in M&A transaction execution and corporate finance services. DCP are reviewing all possibilities including straight equity investments and the potential sale of the Consolidated Entity and are currently seeking proposals from a number of interested parties.

The Consolidated Entity has received written confirmation from a substantial shareholder of their current intention to provide additional working capital to the Consolidated Entity to enable a potential transaction from the DCP process to be completed.

The Consolidated Entity also expects to receive a Research & Development tax refund from the Australian Taxation Office. The Consolidated Entity has submitted a Research & Development Tax Incentive Application for the financial year ended June 30, 2016 which results in a refund of A\$829,674. This is subject to review by the Australian Tax Office and AusIndustry.

The directors are confident that additional funds can be raised and the Consolidated Entity can continue to meet its debts as and when they become due and payable. The financial report has therefore been prepared on a going concern basis.

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

Operating and capital expenditure requirements

Our future working capital requirements will depend on many factors, including the rate at which new projects are activated, and the commercialization and monetization success of existing projects within the Customized Mobile Social Advertising strategy. The corresponding amount and timing of our investments in personnel, operating infrastructure and capital equipment as well as the timing and extent of our introduction of new products and product enhancements will further vary our working capital requirements. If our cash and cash equivalents balances and cash flows from operating activities are insufficient to satisfy our liquidity requirements, we may need to raise additional funds through equity, equity-linked or debt financings to support our operations, and such financings may not be available to us on acceptable terms, or at all. We may also need to raise additional funds in the event we determine in the future to effect one or more acquisitions of businesses, technologies, assets or products. If we are unable to raise additional funds when needed, our operations and ability to execute our business strategy could be adversely affected. If we raise additional funds through the incurrence of indebtedness, such indebtedness would have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing will be dilutive to our shareholders.

Historical cash flows

The following table sets forth our cash flows for fiscal 2016, 2015 and 2014:

	Year ended June 30		
	2016	2015	2014
Cash flows used in operating activities	A\$ (14,309,124)	A\$ (18,231,444)	A\$ (7,067,727)
Cash (used in) / provided by investing activities	A\$ (1,103,017)	A\$ (775,134)	A\$ (699,506)
Cash provided by financing activities	A\$ 10,722,121	A\$ 16,219,370	A\$ 15,151,403

Cash Flows from Operating Activities

Cash flows used in operating activities is primarily influenced by the number of customers or users engaging with our products or services and by the amount of cash we invest in pursuit of growth, personnel and infrastructure to support the anticipated growth of our business. Cash used in operating activities has typically resulted from net losses and from changes in our operating assets and liabilities, particularly in the areas of accounts receivable and accounts payable and accrued expenses, adjusted for non-cash and non-operating expense items such as depreciation and amortization, goodwill impairment, gains or losses on acquisitions and disposals and share-based compensation.

The operating cash outflow for fiscal 2016 improved from A\$18,231,444 in 2015 to A\$14,309,124 in 2016, reflecting the decreased losses before impairment expenses.

In fiscal 2015, operating cash outflow for the year decreased by 21.5% to A\$14,309,124 (2015: A\$18,231,444) reflecting the ongoing losses in MOKO's Customized Mobile Social Advertising business.

In fiscal 2014, net cash used in operating activities was A\$(7,067,727) and consisted of a net loss of A\$(13,596,459), A\$5,926,031 in adjustments for non-cash and non-operating items, a disposal gain of A\$109,493 on the sale of the mBuzzy business and A\$712,194 provided by working capital. Adjustments for non-cash and non-operating items consisted of depreciation and amortization expense of A\$1,224,238, share-based payments and related costs expense of A\$5,144,969, a partial offset for non-cash revenue items of A\$475,460, which were predominantly fair value gains on deferred acquisition consideration where a liability value that was previously recognized was no longer required, and foreign exchange differences of A\$32,284. The working capital cash provided was primarily the result of an increase in payables and provisions of A\$1,395,046, and an increase in receivables and other assets of A\$682,852).

The trend for MOKO to have a net use of cash as a result of its operating activities is expected to remain and may increase while the Company pursues the goals of its Customized Mobile Social Advertising business plan. In the short term, it is expected to be necessary to increase project expenditures on technical development resources and sales and marketing resources particularly, which will result in larger operating cash outflows. In addition, customer receipts may trail the expenditure outflows for the development and implementation of the mobile community project applications (which MOKO typically expects to provide for free to its community partners) by periods of between six to twelve months, and this may result in future operating cash flow usage being larger than historical results.

Furthermore, given the realization of customer receipts will reflect MOKO's successes across multiple business risks in the new business stream of Customized Mobile Social Advertising, the historical results may not reflect future outcomes. Receipts from customers may differ adversely to the historical results and anticipated outcomes, which may further increase the size of operating cash flow usage.

Cash Flows from Investing Activities

Investing cash outflows increased by 42% to A\$1,103,017 (2015: A\$775,134) due to payments related to the acquisition of a 10% interest in BigTeams LLC (2016: A\$1,042,142 vs 2015: A\$256,813).

In the twelve months ended June 30, 2014, net cash used in investing activities was A\$699,506 and consisted of payments for the deferred consideration for the acquisition of the OfferMobi business of A\$406,997, payments for disposal of the AMH Group of A\$339,996, payments for property, plant and equipment of A\$62,006 and a partial offset from proceeds received via the sale of mBuzzy, of A\$109,493.

Historically, given the high rate of internal asset generation, investing expenditures on assets has been relatively low, other than by acquisition. This trend may discontinue as MOKO's customized mobile social advertising business plan gains traction as increased headcount and volumes of data under management are expected to mandate larger capital investment expenditures, particularly on information technology infrastructure.

Conversely, where historically investing activity expenditures for acquisition consideration has been relatively high, this trend may discontinue if no new acquisition activity is undertaken by MOKO as a result of focusing the available cash and cash equivalent resources on the intended execution of the customized mobile social advertising business plan.

Cash Flows from Financing Activities

In November 2015, we completed the placement of 500,000 ADSs and 1 million ordinary shares in the United States and Australia, resulting in gross proceeds of \$2.25 million. In April 2016, MOKO received Applications for Entitlements and Shortfall Securities pursuant to a rights offering conducted in Australia totaling 412,825,840 ordinary shares, together with 206,412,920 attaching Class A Unlisted Options and 206,412,920 attaching Class B Unlisted Options, raising A\$4,128,258 before costs. The shortfall securities of 405,060,839 ordinary shares, together with 202,530,420 attaching Class A Unlisted Options and 202,530,420 attaching Class B Unlisted Options, were fully placed pursuant to back-stop underwriting arrangements, resulting in final proceeds from the rights issue of A\$8,178,867 before costs.

In April 2016, Moko also issued securities on the same terms as the rights offering in satisfaction of underwriting and sub-underwriting fees and broker commissions payable on completion of the offer and interest and fees payable on a short-term loan.

In fiscal 2016, the financing cash inflows decreased by 33.9% to A\$10,722,121 (2015: A\$16,219,370) as a result of net share issue proceeds of A\$11,778,867 as compared to A\$16,219,370 in 2015.

In fiscal 2015, the financing cash inflows increased by 7% to A\$16,219,370 (2014: A\$15,151,403) as a result of net share issue proceeds of A\$16,219,370 (2014: A\$16,269,600) and net debt repayment of nil (2014: A\$1,118,197)

Contractual Obligations

As of June 30, 2016, our contractual obligations and other commitments were as follows:

	Payments due by period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More Than 5 years
Premises leases	A\$ 273,153	A\$ 218,203	A\$ 54,950	—	—

Effects of Inflation

Inflation generally affects us by increasing costs of raw materials, labor and equipment. We do not believe that inflation had any material effect on our results of operations in the periods presented in our financial statements.

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared in accordance with IFRS. The preparation of our consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of revenue, assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

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Our most critical accounting policies are summarized below. See note 1 to our consolidated financial statements beginning on page F-1 for a description of our other significant accounting policies.

Share-based payment transactions

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgment. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value and hierarchy of financial instruments

We are required to classify financial instruments, measured at fair value, using a three level hierarchy, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgment is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

We determine the estimated useful lives and related depreciation and amortization charges for our property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

We test annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1 to our consolidated financial statements beginning on page F-1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. All cash generating units have been deemed recoverable and not at risk.

Long service leave provision

As discussed in note 1 to our consolidated financial statements beginning on page F-1, the liability for long service leave is recognized and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 1 to our consolidated financial statements beginning on page F-1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalization of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortization reported.

Recent Accounting Pronouncements

As discussed in Note 1 to our consolidated financial statements beginning on page F-1, the financial statements included in this annual report have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by MOKO for the annual reporting period ended 30 June 2016, unless noted in the notes to our consolidated financial statements beginning on page F-1. MOKO's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to MOKO, are set out below.

AASB 15: Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after January 1, 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognize revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognize the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although MOKO anticipates that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases

This standard is applicable to annual reporting periods beginning on or after January 1, 2019.

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognize the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although MOKO anticipates that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management

The following discussion sets forth information regarding our directors and executive officers as of October 15, 2016. Our board of directors is comprised of only one class. All of the directors will serve until the next annual meeting of shareholders at which one third of the directors (or if their number is not divisible by three, then the number nearest to one third), other than the Managing Director, are required to submit for re-election in accordance with the terms of our Constitution and the applicable provisions of the Corporations Act, or until their earlier death, retirement, resignation or removal. Mr. Shah is currently our Managing Director. Provided below is a brief description of our directors' and executive officers' business experience during the past five years.

Name	Age	Position
Malcolm James	60	Non-Executive Chairman
Shripal Shah	39	Chief Executive Officer and Managing Director
Emma Waldon	40	Executive Director and Company Secretary
Edward Bralower	55	Non-Executive Director
James Ross	55	Non-Executive Director

Malcolm James has been our non-executive Chairman since 7th October 2016. Mr. James is a highly experienced public company Non-Executive Chairman and currently is Non-Executive Chairman of Algae.Tec Ltd and Anova Metals Ltd and a Non-Executive Director of Vimy Resources Ltd. Mr. James received his Bachelor of Business degree from RMIT University Melbourne. Mr. James is a Fellow of the Australian Institute of Company Directors and an Associate of the Australasian Institute of Mines and Metallurgy.

Shripal Shah has been the Chief Operating Officer of MOKO since March 2015 and CEO and Managing Director since May 2016. Mr. Shah has more than sixteen years' experience in digital strategy, development and execution. He joins MOKO after seven years as Chief Strategy Officer with the Washington Redskins, one of the top NFL professional football teams and the third highest grossing team in the NFL behind the Dallas Cowboys and the New England Patriots. Mr. Shah reported to Mitch Gershman, Chief Marketing Officer of the Redskins where he was tasked with maximizing the team's strategic and business prospects and overseeing the organization's marketing strategy and digital and social media platforms. He played an instrumental role in bringing various digital and social media platforms to the Redskins, resulting in a significantly improved brand profile for the team. Prior to the Redskins, Mr. Shah was with Catalyst Public Relations, where he was the architect of multiple award-winning digital marketing programs. This included one for Dick's Sporting Goods Foundation, which earned "Best Cause Related Marketing Campaign of the Year" honors at the 2012 SABRE Awards. He also developed digital marketing strategies for Kenneth Cole, Seagram's, Bank of New York and Morgan Stanley, among others.

Emma Waldon has been MOKO's Company Secretary since 1st January 2015 and a director since October 1, 2015. Ms. Waldon also holds the role of Company Secretary of Hazer Group Limited. Ms. Waldon has over 18 years global corporate experience and has diverse financial, corporate advisory and risk management skills from previous roles at Ernst & Young (Perth) where she qualified as a Chartered Accountant in 2000, Euroz Securities, Lloyds Banking Group (London) and as a Director within Deloitte's advisory services division in Perth. Ms. Waldon holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia and a Certificated Member of the Governance Institute of Australia.

Edward Bralower has been a non-executive director since June 2016. Mr. Bralower spent nearly twenty-five years at Jefferies & Co. in New York City, where he held various senior level equity sales and trading roles. Additionally, Mr. Bralower was the co-head of Jefferies' Stamford, CT office, and sat on numerous committees. He was the Global Head of hedge fund relationship management. Following his career at Jefferies, Mr. Bralower spent two years at Pali Capital and was a founding partner of Riverbank Advisors, LLC. Most recently he was a managing director at Sword, Rowe & Company. Mr Bralower is currently associated with Wonderama Holdings, LLC., the producer of a family television show that encompasses all media distribution platforms to reach its target audience. He is presently a member of the advisory group at Formation Group, a leading Silicon Valley Venture Capital firm. Mr. Bralower earned his B.A. from Franklin and Marshall College.

James Ross has been a non-executive director since 7th October 2016. Mr. Ross has extensive experience in sports management at senior levels in the US with a strong focus on driving sales and revenue growth through innovative management across a range of marketing channels. Mr. Ross has held senior positions with teams in the NFL (National Football League) and the MLB (Major League Baseball) as well as leading roles at sports entertainment companies, and key experience across national and international events.

B. Compensation

Employment Agreements

The compensation we paid to all current and former directors and executive officers (including the Company Secretary) who served as such during the year ended June 30, 2016 was A\$1,845,535 and on an individual basis in A\$ is set forth in the tables below:

Fiscal 2016 (A\$'s)	SHORT-TERM				POST-EMPLOYMENT		SHARE-BASED		Total A\$
	Salary & Fees	Termination	Bonus	Other	Super- annuation	Retirement benefits	Shares	Options	
S Shah ¹	151,447	—	32,621	330	—	—	—	753	185,151
G McCann ²	102,740	—	—	—	9,760	—	310,074	—	422,574
M Hauser ³	75,665	—	—	—	—	—	—	72,857	148,522
J White ⁴	12,177	—	—	—	1,157	—	—	—	13,334
L Hindery ⁵	43,708	—	—	—	—	—	—	72,857	116,565
I Rodwell ⁶	361,047	204,523	—	89,330	—	—	—	102,493	757,393
E Waldon	71,969	—	—	—	6,832	—	—	55,771	134,572
D Rhoten ⁷	29,922	—	—	—	—	—	—	37,502	67,424
TOTAL	848,675	204,523	32,621	89,330	17,749	—	310,074	342,233	1,845,535

1. S Shah's remuneration is from his appointment as Interim Chief Executive Officer on February 18, 2016. STI bonus of US\$25,000 was paid on the completion of a capital raise and options were issued in April 2016 per service agreement.
2. G McCann's remuneration was paid in his capacity as a Non-Executive Director and did not change during his temporary occupation as Executive Chairman in 2014 for the purposes and completion of the NASDAQ listing. Mr. McCann resigned on October 7, 2016.
3. Mark Hauser was appointed as a Non-Executive Director on February 1, 2014 and prior to which, he provided consulting services to MOKO for two years until January 31, 2014. The consulting contract between MOKO and Mark Hauser was based on normal commercial terms and this remuneration is not included. Mr. Hauser resigned on May 24, 2016.
4. Mr. White resigned on November 17, 2015.
5. Mr. Hindery resigned on April 14, 2016.
6. I Rodwell was CEO and Managing Director up until February 18, 2016. Other amounts include rental assistance and health related insurance. Termination amounts include salary payments during a 6 month notice period and accrued annual leave and long service leave entitlements.
7. Ms. Rhoten resigned on April 14, 2016.

Summary of the Key Terms of the Service Agreement between MOKO and Mr. Shah

Compensation

- Salary. MOKO shall pay Mr. Shah a salary at an initial rate equivalent to US\$300,000 per annum;
- Stock Options. Long term incentives in the form of options over ordinary shares or ADSs or Performance Shares may be provided subject to approval by shareholders in a general meeting; and
- Compensation Review. Compensation terms (including salary, option grants and and/or other bonuses) will be reviewed annually.

Severance

If the Agreement is terminated by MOKO on or before July 31, 2016 for any reason other than Cause (as defined) MOKO shall continue to pay Mr. Shah's Salary for a period of four (4) months from the date of termination.

If the Agreement is terminated by MOKO on or after August 1, 2016 for any reason other than Cause, MOKO shall continue to pay Mr. Shah's Salary for a period of six (6) months from the date of termination.

If Mr. Shah has been employed for more than two (2) years, MOKO shall continue to pay Mr. Shah's salary for one month for each full year in which Mr. Shah has been employed, but in no event for more than twelve (12) months. In any event, the maximum amount payable is the Mr. Shah's average Salary over the year up until termination.

Share Based Compensation

We use two practices for granting share based compensation to executive directors, senior executives and employees. Share options (listed and unlisted) to purchase our ordinary shares are issued periodically at the board's discretion and Performance Shares may also be issued under a Performance Share Plan. No Performance Shares were granted to directors and other key management personnel as part of compensation during the year ended June 30, 2016.

Option Compensation

The terms and conditions of each grant of options during this financial year affecting remuneration of directors and any other key management personnel in this financial year or future reporting years are as follows:

Ordinary Share Options

Option series	Numbers of options issued	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price	Fair value per option at grant date
Director	2,000,000	1-Oct-15	27-Nov-15	27-Nov-18	\$ 0.15	\$ 0.11
Interim CEO	1,000,000	28-Apr-16	28-Apr-16	28-Apr-18	\$ 0.02	\$ 0.01
Interim CEO	1,000,000	28-Apr-16	Vesting condition ⁽¹⁾	28-Apr-18	\$ 0.03	\$ 0.01
Total	4,000,000					

(1) The options shall vest upon the earlier of the nine (9) month anniversary of the Interim CEO Commencement Date or a change of control and shall expire on the twenty-four (24) month anniversary of the Interim CEO Commencement Date.

Options granted carry no dividend or voting rights.

American Depositary Share Options

Option series	Numbers of options issued	Numbers of ADS option issued	Grant date	Vesting date and exercisable date	Expiry date	Exercise Price per ADS	Fair value per option at grant date
Director	6,000,000	150,000	1-Sep-15	27-Nov-16 ⁽²⁾	27-Nov-19	US\$ 5.35	US\$ 3.41
Director	6,000,000	150,000	1-Sep-15	27-Nov-17 ⁽²⁾	27-Nov-20	US\$ 5.35	US\$ 3.41
Director	6,000,000	150,000	1-Sep-15	27-Nov-15	27-Nov-18	US\$ 3.55	US\$ 3.41
Director	2,000,000	50,000	1-Oct-15	27-Nov-15	27-Nov-18	US\$ 3.55	US\$ 3.10
Total	20,000,000	500,000					

(2) Vesting share price hurdle of ADS price performance hurdle: options will only vest if the volume weight average price (VWAP) of the Company's ADSs over a 30 Trading Day period exceeds US\$8.00.

Options granted carry no dividend or voting rights.

C. Board Practices

Board Committees and Practices

Our Board has an audit committee and compensation committee, a copy of the relevant charters of which are available on MOKO's website.

Audit Committee

The audit committee oversees and monitors the company's accounting and financial reporting processes and the audit and integrity of the Company's financial statements.

The audit committee has had the following three members: Ms. Waldon who is the chairman and a non-independent Executive Director, Mr. Shah (non-independent Executive Director) and Mr. James (independent Non-Executive Director). The audit committee is responsible for, among other things:

- Selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- Reviewing and approving all proposed related-party transactions;
- Discussing the annual audited financial statements with management and the independent auditors;
- Reviewing the adequacy and effectiveness of the Company's internal control policies and procedures;
- Reviewing and discuss guidelines and policies with respect to risk assessment and risk management;
- Annually reviewing and reassessing the adequacy of our audit committee charter;
- Meeting separately and periodically with management and the independent auditors;
- Reviewing such other matters that are specifically delegated to our audit committee by our Board of Directors from time to time; and
- Reporting regularly to the full Board of Directors.

Compensation Committee

The compensation (remuneration) committee assists the Board in reviewing and approving the compensation forms and structure of MOKO's Directors and officers.

The compensation committee has had the following three members: chairman Mr. James (independent Non-Executive Director), Mr. Shah (non-independent Executive Director) and Ms. Waldon (non-independent Executive Director). Our compensation committee assists our board in reviewing and approving the compensation structure of our directors and officers, including all forms of compensation to be provided to our directors and officers.

The compensation committee is responsible for, among other things:

- Reviewing and determining the compensation package for our senior executives;
- Reviewing and making recommendations to our board with respect to the compensation of our directors;
- Reviewing and approving officer and director indemnification and insurance matters;
- Reviewing and approving any employee loan in an amount equal to or greater than A\$20,000;
- Reviewing periodically and approving any long term incentive compensation or equity plans, and
- Programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Code of Ethics

We adopted a Code of Business Conduct and Ethics in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S- K that constitutes our code of ethics for our principal executive officer, our principal financial and accounting officer and our other senior financial officers. The Code of Business Conduct and Ethics is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters. A printed copy of the Code of Business Conduct and Ethics may be obtained free of charge by writing to Ms. Emma Waldon, Company Secretary MOKO Social Media Limited, Suite 5, 442-446 Beaufort Street, Highgate, Western Australia, 6003, Australia, and is available on our website.

Duties of Directors

Under Australian law, our directors have a duty to act honestly, in good faith and in the best interests of all shareholders. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their fiduciary duty to the shareholders of MOKO, our directors must ensure compliance with our Constitution. MOKO shareholders may have the right to seek damages from either MOKO, the directors personally, or both, if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of the company and mortgaging the property of the company;
- executing checks, promissory notes and other negotiable instruments on behalf of the company;
- maintaining or registering a register of mortgages, charges or other encumbrances of the company; and
- authorizing the payment of donations to religious, charitable, public or other bodies, clubs, funds or associations as deemed advisable.

Interested Transactions

Provided that a director has fully disclosed his or her material personal interest to all of our other directors and received the necessary approval or authorization of the majority of disinterested directors, such director may vote, attend a board meeting or sign a document in respect of any contract or transaction in which he or she is interested.

Remuneration and Borrowing

The directors may receive such remuneration as our board of directors may determine from time to time up to the aggregate limit that is approved by shareholders from time to time. That limit currently is A\$650,000, but excludes any remuneration payable to a director who is employed by the Company in an executive role, such as Mr. Shah. In addition, each director is entitled to be repaid or prepaid for all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred in attending meetings of our board of directors or committees of our board of directors or shareholder meetings or otherwise in connection with the discharge of his or her duties as a director.

Our board of directors may exercise all the powers of the company to borrow money and to mortgage or charge our undertakings and property or any part thereof, to issue debentures, debenture shares and other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party.

Qualification

A director is not required to hold shares as a qualification to office.

Limitation on Liability and Other Indemnification Matters

Under our Constitution, we may indemnify our directors, officers and liquidators against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with civil, criminal, administrative or investigative proceedings to which they are party or are threatened to be made a party by reason of their acting as our director, officer or liquidator. To be entitled to indemnification, these persons must have acted honestly and in good faith with a view to the best interest of the company and, in the case of criminal proceedings, they must have had no reasonable cause to believe their conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

We pay our directors annual fees fixed at no more than A\$650,000 per annum. We may also from time to time issue options to purchase ordinary shares (or ADSs as applicable), in amounts and on terms to be determined by our board of directors or a committee thereof.

Other than non-employee directors, we do not compensate directors for serving on our board of directors or any of its committees. We do, however, intend to reimburse each member of our board of directors for out-of-pocket expenses incurred by each director in connection with attending meetings of the board of directors and its committees.

The following table sets forth the cash compensation for future services expected to be paid to our non-employee directors.

	Compensation
Annual Stipend	
Director – (U.S. residents)	\$50,000 per annum
Director – (non U.S. residents)	A\$25,000 per annum
Chairman	A\$48,000 per annum

D. Employees

As of June 30, 2016, we had 33 full time equivalent employees, including independent contractors. Our employees are all contracted to us through individual employment agreements. Management considers labor relations to be good. At each date shown, we had the following employees, broken out by department and geography:

	At June 30, 2016
Function:	
Technical and product development	14
Sales, Marketing and operations	11
Corporate, Finance and administration	8
Total:	33
Geography:	
Australia	16
United States of America	17
Total:	33

E. Share Ownership

See Item 6.A and 6.B above.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders

The following table sets forth information with respect to the beneficial ownership of the Ordinary Shares as of September 30, 2016 by each person who beneficially owns more than 5% of Ordinary Shares and each officer, each director and all officers and directors as a group.

Ordinary Shares which an individual or group has a right to acquire within 60 days pursuant to the exercise or conversion of options, warrants or other similar convertible or derivative securities are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

The address of each director and executive officer shown in the table below is Suite 5, Level 1, 442-446 Beaufort Street, HIGHGATE West Australia, 6003, Australia.

Name of Beneficial Owner	Beneficial Ownership of our Ordinary Shares ⁽¹⁾	Percentage of Class ⁽¹⁾
Malcolm James	—	—
Shripal Shah(2)	6,893,040	0.27%
Edward Bralower	200,000	0.01%
James Ross	0	0
Emma Waldon(3)	4,300,000	0.17%
All directors and executive officers as a group (5 persons)		
Trevor Douglas Naim(4)	144,915,905	5.60%
Peter Yates(4)	50,163,402	1.94%

* less than 1%

- (1) On September 30, 2016, MOKO's ordinary shares on issue total 1,659,796,126 and ordinary shares issuable upon the exercise of outstanding options are 906,959,510 and upon exercise of outstanding performance shares are 20,000,000.
- (2) Includes 6,700,000 ordinary shares issuable upon the exercise of outstanding options.
- (3) Includes 2,000,000 ordinary shares issuable upon the exercise of outstanding options.
- (4) Share ownership as reported to MOKO in a notice of substantial shareholding under ASX rules. The shareholders have not filed substantial shareholding notices on the ASX since the completion of MOKO's pro-rata non-renounceable rights offering pursuant to a Prospectus filed on March 1, 2016.

B. Related Party Transactions

We have not during the most recently completed financial year entered into transactions or loans with any (a) enterprises that are directly or indirectly controlled by or under common control with us; (b) our associates; (c) individuals directly or indirectly owning voting right which give them significant influence over us or close members of their respective families, (d) our directors, senior management or close members of their respective families or (e) enterprises in which a substantial interest in the voting power is held or significantly influenced by any of the foregoing individuals (a "Related Party"), except as indicated below:

Greg McCann, former non-executive Chairman, is an associate of Consortio Pty Limited (“Consortio”) who leases office space in Sydney to MOKO. The lease agreement between MOKO and Consortio was based on normal commercial terms and terminated on August 1, 2015. A total of A\$1,664, A\$20,047 and A\$13,368 was received by Consortio in fiscal 2016, 2015 and 2014 in relation to this agreement.

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

The Company’s consolidated financial statements are stated in Australian dollars and are prepared in accordance with IFRS.

Audited Financial Statements

Our consolidated financial statements for the 2016, 2015 and 2014 fiscal years ended June 30th as required under Item 17 are included immediately following the text of this Annual Report. The audit reports of the Company are included herein immediately preceding the financial statements.

Legal/Arbitration Proceedings

The directors and the management of the Company do not know of any material, active or pending, legal proceedings against them; nor is the Company involved as a plaintiff in any material proceeding or pending litigation.

Policy on Dividend Distributions

The Company has not paid any dividends on its outstanding ordinary shares since its incorporation and does not anticipate that it will do so in the foreseeable future. The payment of dividends in the future, if any, is within the discretion of the Board of Directors of Dynasty and will depend upon our earnings, our capital requirements and financial condition and other relevant factors. We do not anticipate declaring or paying any dividends in the foreseeable future.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Not Applicable.

B. Plan of Distribution

Not Applicable.

C. Markets

Our American Depositary Shares are traded in the OTC Pink market under the symbol MOKOY. The closing price for the ADSs on September 30, 2016 on OTC Pink was \$0.13 per ADS.

The principal trading market for our ordinary shares is the ASX in Australia, where the ordinary shares have been listed since June 2007. The following table sets forth, for the periods indicated, the reported high and low closing prices on the ASX for our ordinary shares in Australian dollars. See “Exchange Rate Information” for the exchange rates applicable to the periods set forth below.

Year Ended	High	Low	High	Low
	(A\$ per share)		(US\$ per ADS)	
June 30, 2012	0.05	0.02		
June 30, 2013	0.05	0.02		
June 30, 2014	0.33	0.04		
June 30, 2015	0.20	0.11	7.79	3.50
June 30, 2016	0.14	0.01	3.85	0.13
Quarter Ended				
September 30, 2014	0.20	0.15	7.79	5.42
December 31, 2014	0.17	0.13	6.05	4.72
March 31, 2015	0.17	0.14	5.80	4.00
June 30, 2015	0.18	0.11	5.94	3.50
September 30, 2015	0.14	0.10	3.85	2.90
December 31, 2015	0.11	0.03	3.01	0.56
March 31, 2016	0.03	0.01	0.91	0.25
June 30, 2016	0.02	0.01	0.50	0.13
Month Ended				
January 2016	0.03	0.01	0.91	0.44
February 2016	0.01	0.01	0.34	0.29
March 2016	0.01	0.01	0.38	0.25
April 2016	0.02	0.01	0.50	0.33
May 2016	0.01	0.01	0.41	0.28
June 2016	0.01	0.01	0.25	0.13
July 2016	0.01	0.01	0.19	0.13
August 2016	0.01	0.01	0.15	0.06
September 2016	0.01	0.01	0.29	0.05

Status of Outstanding Ordinary Shares. As of September 30, 2016, we had a total of 1,659,796,126 ordinary shares issued and outstanding.

Options and Warrants. See Item 6.B above.

Holders. Based upon information available from the ASX, as of September 30, 2016, we had 3,789 holders of record of the ordinary shares, of which 8 had registered addresses in the U.S. and held a total of 8,668,880 ordinary shares. The principal Melbourne office of National Australia Bank, as custodian, is the registered holder for the holders of ADSs representing ordinary shares. According to the principal Melbourne office of National Australia Bank's registry, there was one registered holder of ADSs representing 75,260,320 ordinary shares as of September 30, 2016. Holders of record of having registered addresses in the U.S., together with the registered holders of ADSs representing ordinary shares in the principal Melbourne office of National Australia Bank's registry, held an aggregate of approximately 5% of the total number of ordinary shares outstanding on such date. The above numbers may not be representative of the actual number of U.S. beneficial holders or the number of ordinary shares beneficially held by U.S. persons.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of association

The description of certain terms and provisions of our Constitution is incorporated by reference to our Registration Statement filed on Form F-1 (File No. 333-196073) filed with the SEC and as declared effective on June 26, 2014.

C. Material Contracts

During the fiscal years ended June 30, 2016, 2015 and 2014, the Company entered into the material contracts listed below, the material provisions of which are described under Item 4.B. above:

Letter of Agreement between American Intramural Sports Group LLC and the Registrant dated March 4, 2013

Amended and Restated License and Services Agreement between IMLeagues LLC and the Registrant dated January 26, 2015

First Amendment to Amended and Restated License and Services Agreement between IMLeagues LLC and the Registrant dated August 26, 2016

Share Purchase Agreement (Series B-2) dated April 24, 2015 between Big Teams LLC and the Registrant

License and Services Agreement dated April 24, 2015 between Big Teams LLC and the Registrant

D. Exchange controls

Not applicable.

E. Taxation

Australian Tax Consequences

In this section we discuss the material Australian tax considerations that apply to non-Australian tax residents with respect to the acquisition, ownership and disposal of the absolute beneficial ownership of ADSs, which are evidenced by ADRs. This discussion is based upon existing Australian tax law as is currently in effect, which is subject to change, possibly retrospectively. This discussion does not address all aspects of Australian income tax law which may be important to particular investors in light of their individual investment circumstances, such as ADSs or ordinary shares held by investors subject to special tax rules (for example, financial institutions, insurance companies or tax exempt organizations). In addition, this summary does not discuss any foreign or state tax considerations, other than stamp duty. Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the purchase, ownership and disposition of our ADSs or ordinary shares.

References to “MOKO” in this section headed “Australian Tax Consequences” refer to MOKO Social Media Limited.

Nature of ADSs for Australian Taxation Purposes

Holders of our ADSs are treated as the owners of the underlying ordinary shares for Australian income tax and capital gains tax purposes. Therefore, dividends paid on the underlying ordinary shares will be treated for Australian tax purposes as if they were paid directly to the owners of ADSs that represent those underlying ordinary shares, and the disposal of ADSs will be treated for Australian tax purposes as the disposal of the underlying ordinary shares. In the following analysis we discuss the application of the Australian income tax and capital gains tax rules to non-Australian resident holders of ADSs.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be ‘franked’ to the extent of tax already paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends that are not franked or are partly franked and are paid to non-Australian resident shareholders may (subject to the relevant tax treaties — see below) be subject to dividend withholding tax, but only to the extent the dividends are not franked. Unfranked dividends paid to a non-Australian resident shareholder are subject to withholding tax at 30%, unless the shareholder is a resident of a country with which Australia has a double taxation agreement. In accordance with the provisions of the Double Taxation Convention between Australia and the United States, the maximum rate of Australian tax on unfranked dividends to which a resident of the United States is beneficially entitled, is 15%, where the U.S. resident is not a company or holds less than 10% of the voting rights in the applicable company, or 5% where the U.S. resident is a company and holds 10% or more of the voting rights in the applicable company. The Double Taxation Convention between Australia and the United States does not apply to limit the tax rate on dividends where our ADSs are effectively connected to a permanent establishment or a fixed base carried on by the holder of our ADSs in Australia and through which that holder carries on business.

Tax on Sales or other Dispositions of Shares — Capital Gains Tax (CGT)

Australian capital gains derived by non-Australian residents in respect of the disposal of capital assets that are not taxable Australian property will be disregarded. A non-Australian resident shareholder will not be subject to Australian capital gains tax on the capital gain made on a disposal of our ADSs or ordinary shares, unless it, together with associates, holds 10% or more of MOKO’s issued capital, tested either at the time of disposal or over any continuous 12 month period in the 24 months prior to disposal, and the value of those ADSs or shares at the time of disposal are wholly or principally attributable to Australian real property assets.

Australian capital gains tax applies to net capital gains at a taxpayer’s marginal tax rate. Previously, certain shareholders, such as individuals were entitled to a discount of 50% for capital gains on shares held for greater than 12 months. However, as part of the 2012 – 2013 Federal Budget measures, the Australian Government announced changes to the application of the CGT discount for foreign resident individuals on taxable Australian assets, including shares. These changes became effective on June 29, 2013.

The effect of these changes is to:

- Retain access to the full CGT discount for discount capital gains of non-Australian resident individuals in respect of the increase in the value of a CGT asset that occurred before May 9, 2013; and
- Remove the CGT discount for discount capital gains for non-Australian resident individuals that arise after May 8, 2013.

Non-Australian resident individuals will still have access to a discount on discount capital gains accrued prior to May 8, 2012 provided they choose to obtain a market valuation for their assets as at that date.

Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains.

Tax on Sales or other Dispositions of Shares — Shareholders Holding Shares on Revenue Account

Some non-Australian resident shareholders may hold shares or ADSs on revenue rather than on capital account, for example, share traders. These

shareholders may have the gains or losses made on the sale or other disposal of the shares or ADSs included in their assessable income under the ordinary income tax provisions of the income tax law, if the gains or losses are sourced in Australia.

Non-Australian resident shareholders assessable under these ordinary income provisions in respect of gains made on shares or ADSs held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5% for non-Australian resident individuals. Some relief from the Australian income tax may be available to such non-Australian resident shareholders under the Double Taxation Convention between the United States and Australia, for example, because the shareholder does not have a permanent establishment in Australia.

To the extent an amount would be included in a non-Australian resident shareholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the shareholder would not be subject to double tax on any part of the income gain or capital gain.

Dual Residency

If a shareholder was a resident of both Australia and the United States under those countries' domestic taxation laws, that shareholder may be subject to tax as an Australian resident. If, however, the shareholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax applicable would be limited by the Double Taxation Convention. Shareholders should obtain specialist taxation advice in these circumstances.

Conduit Foreign Income (CFI)

CFI is that part of MOKO's earnings which are derived from operations located outside Australia. Australian withholding tax is not payable on unfranked dividends to non-Australian resident shareholders, to the extent that those dividends represent CFI. To the extent that MOKO's revenues are earned from operations located outside Australia, no franking credits will be available.

Stamp Duty

A transfer of shares or ADSs of a company listed on the ASX — as is MOKO — is not subject to Australian stamp duty except in some circumstances where one person, or their associate, acquires 90% or more of the shares.

Australian Death Duty

Australia does not have estate or death duties. No capital gains tax liability is realized upon the inheritance of a deceased person's shares or ADSs. The disposal of inherited shares or ADSs by beneficiaries may, however, give rise to a capital gains tax liability.

Goods and Services Tax

The issue or transfer of shares or ADSs will not incur Australian goods and services tax and does not require a shareholder to register for Australian goods and services tax purposes.

U.S. Federal Income Taxation

General

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our ADSs or ordinary shares. As used in this discussion, references to "we," "us" or "our" refer to MOKO Social Media Limited.

The discussion below of the U.S. federal income tax consequences to "U.S. Holders" will apply to a beneficial owner of our ADSs or ordinary shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A beneficial owner of our ADSs or ordinary shares that is described above is referred to herein as a "U.S. Holder." If a beneficial owner of our ADSs or ordinary shares is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a "Non-U.S. Holder." The material U.S. federal income tax consequences applicable specifically to Non-U.S. Holders are described below under the heading "Non-U.S. Holders."

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder's individual circumstances. In particular, this discussion considers only holders that own and hold our ADSs or ordinary shares as capital assets within the meaning of Section 1221 of the Code, and does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5% or more of our voting shares (including as a result of ownership of our ADSs);
- persons that acquired our ADSs or ordinary shares pursuant to an exercise of employee options, in connection with employee incentive plans or otherwise as compensation;
- persons that hold our ADSs or ordinary shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- passive foreign investment companies; or
- controlled foreign corporations.

The discussion below assumes that the representations contained in the Deposit Agreement are true and that the obligations in the Deposit Agreement and any related agreement will be complied with in accordance with their terms. This discussion also assumes that our ADSs will represent only ordinary shares in us and will not represent cash or any other type of property. For U.S. federal income tax purposes, a holder of our ADSs will be treated as the beneficial owner of the underlying ordinary shares represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to U.S. federal income tax.

The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. Holders of ADSs, of foreign tax credits for U.S. federal income tax purposes. Such actions also would be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, as described below. Accordingly, the availability of foreign tax credits or the reduced tax rate for dividends received by certain non-corporate U.S. Holders could be affected by actions that may be taken by parties to whom ADSs are pre-released, or by future actions of the U.S. Treasury Department.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws or, except as discussed herein, any tax reporting obligations applicable to a holder of our ADSs or ordinary shares. This discussion also does not address the tax treatment of any taxes, fees or expenses that may be payable by an ADS holder pursuant to the Deposit Agreement. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our ADSs or ordinary shares through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of ADSs or ordinary shares, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distribution made (or deemed made) to a holder in respect of our ADSs or ordinary shares and any consideration received (or deemed received) by a holder in connection with the sale or other disposition of our ADSs or ordinary shares will be in U.S. dollars.

We have not sought, and will not seek, a ruling from the Internal Revenue Service (the "IRS") or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION IS ONLY A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ADSs OR ORDINARY SHARES. EACH HOLDER OF OUR ADSs OR ORDINARY SHARES IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ADSs OR ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATIES.

U.S. Holders

Taxation of Cash Distributions Paid on ADSs or Ordinary Shares

Subject to the passive foreign investment company (“PFIC”) rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid in respect of our ADSs or ordinary shares. A cash distribution on our ADSs or ordinary shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The portion of such cash distribution, if any, in excess of such earnings and profits will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in our ADSs or ordinary shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such ADSs or ordinary shares.

With respect to non-corporate U.S. Holders, any such cash dividends may be subject to U.S. federal income tax at the lower applicable regular long-term capital gains tax rate (see “— Taxation on the Disposition of ADSs or Ordinary Shares” below) provided that (a) our ADSs or ordinary shares are readily tradable on an established securities market in the United States or we are eligible for the benefits of the Double Taxation Convention between Australia and the United States (the “U.S.-Australia Tax Treaty”), (b) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (c) certain holding period requirements are met. Therefore, if our ADSs and ordinary shares are not readily tradable on an established securities market in the United States, and we are not eligible for the benefits of the U.S.-Australia Tax Treaty, then cash dividends paid by us to non-corporate U.S. Holders will not be subject to U.S. federal income tax at the lower regular long term capital gains tax rate. Under published IRS authority, shares (including ADSs) are considered for purposes of clause (a) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently does not include the OTC Pink market. Because our ADSs are currently traded only on the OTC Pink market, any dividends paid on our ADSs are not expected to qualify for the lower rate unless we are eligible for the benefits of the U.S.-Australia Tax Treaty. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for any cash dividends paid with respect to our ADSs or ordinary shares.

If an Australian withholding tax applies to cash dividends paid to a U.S. Holder on our ADSs or ordinary shares, as discussed in “*Australian Tax Consequences*” above, such tax may be treated as a foreign tax eligible for a deduction from such holder’s U.S. federal taxable income or a foreign tax credit against such holder’s U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such Australian tax applies to any such dividends, a U.S. Holder may be entitled to certain benefits under the U.S.-Australia Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-Australia Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such Australian tax and their eligibility for the benefits of the U.S.-Australia Tax Treaty.

Taxation on the Disposition of ADSs or Ordinary Shares

Upon a sale or other taxable disposition of our ADSs or ordinary shares, and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in our ADSs or ordinary shares.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at a maximum regular rate of 20%. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder’s holding period for our ADSs or ordinary shares exceeds one year. The deductibility of capital losses is subject to various limitations.

If an Australian capital gains or income tax applies to any gain from the disposition of our ADSs or ordinary shares by a U.S. Holder, as discussed in “*Australian Tax Consequences*” above, such tax may be treated as a foreign tax eligible for a deduction from such holder’s U.S. federal taxable income or a foreign tax credit against such holder’s U.S. federal income tax liability (subject to applicable conditions and limitations). In addition, if such Australian tax applies to any such gain, a U.S. Holder may be entitled to certain benefits under the U.S.-Australia Tax Treaty, if such holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the U.S.-Australia Tax Treaty. U.S. Holders should consult their own tax advisors regarding the deduction or credit for any such Australian tax and their eligibility for the benefits of the U.S.-Australia Tax Treaty.

Additional Taxes

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and gains from the sale or other taxable disposition of, our ADSs or ordinary shares, subject to certain limitations and exceptions. Under applicable Treasury Regulations, in the absence of a special election, such unearned income generally would not include income inclusions under the qualified electing fund (“QEF”) rules discussed below under “— Passive Foreign Investment Company Rules,” but would include distributions of earnings and profits from a QEF. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our ADSs or ordinary shares.

Passive Foreign Investment Company Rules

A foreign (i.e., non-U.S.) corporation will be a PFIC if either (a) at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income, or (b) at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

Based on the composition (and estimated values) of the assets and the nature of the income of us and our subsidiaries for our taxable year ended June 30, 2016, we do not expect to be treated as a PFIC for such taxable year. However, because we have not performed a definitive analysis as to our PFIC status for our 2016 fiscal year, there can be no assurance with respect to our status as a PFIC for such taxable year.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our ADSs or ordinary shares, and the U.S. Holder did not make a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our ADSs or ordinary shares, a QEF election along with a purging election, or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its ADSs or ordinary shares; and
- any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of our ADSs or ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder’s holding period for our ADSs or ordinary shares).

Under these rules,

- the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for our ADSs or ordinary shares;
- the amount allocated to the U.S. Holder’s taxable year in which the U.S. Holder recognized the gain or received the excess distribution or to the period in the U.S. Holder’s holding period before the first day of our first taxable year in which we qualified as a PFIC will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above with respect to our ADSs or ordinary shares by making a timely QEF election (or a QEF election along with a purging election). Pursuant to the QEF election, a U.S. Holder generally will be required to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends if we are treated as a PFIC for that taxable year. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the taxable year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has made a QEF election with respect to our ADSs or ordinary shares, and the special tax and interest charge rules do not apply to such ADSs or ordinary shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such ADSs or ordinary shares or a QEF election, along with a purge of the PFIC taint pursuant to a purging election, as described below), any gain recognized on the sale or other taxable disposition of such ADSs or ordinary shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, for regular U.S. federal income tax purposes, U.S. Holders of a QEF generally are currently taxed on their pro rata shares of the QEF’s earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder’s ADSs or ordinary shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning ADSs or ordinary shares in a QEF.

Although a determination as to our PFIC status will be made annually, an initial determination that we are a PFIC generally will apply for subsequent years to a U.S. Holder who held (or was deemed to hold) our ADSs or ordinary shares while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our ADSs or ordinary shares, however, will not be subject to the PFIC tax and interest charge rules discussed above with respect to such ADSs or ordinary shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such ADSs or ordinary shares for any of our taxable years that end within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) our ADSs or ordinary shares, the PFIC rules discussed above will continue to apply to such ADSs or ordinary shares unless the holder files on a timely filed U.S. income tax return (including extensions) a QEF election and a “purging election” to recognize under the rules of Section 1291 of the Code any gain that the U.S. Holder would otherwise recognize if the U.S. Holder had sold our ADSs or ordinary shares for their fair market value on the “qualification date.” The qualification date is the first day of our tax year in which we qualify as a

QEF with respect to such U.S. Holder. The purging election can only be made if such U.S. Holder held our ADSs or ordinary shares on the qualification date. A purging election generally creates a deemed sale of such ADSs or ordinary shares at their fair market value. The gain recognized by the purging election generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder generally will increase the adjusted tax basis in its ADSs or ordinary shares by the amount of gain recognized and will also have a new holding period in its ADSs or ordinary shares for purposes of the PFIC rules.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns (or is deemed to own) ADSs or ordinary shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such ADSs or ordinary shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) our ADSs or ordinary shares and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above with respect to its ADSs or ordinary shares as long as such ADSs or ordinary shares continue to be treated as marketable stock. Instead, in general, the U.S. Holder will include as ordinary income for each year that we are treated as a PFIC the excess, if any, of the fair market value of its ADSs or ordinary shares at the end of its taxable year over the adjusted tax basis in its ADSs or ordinary shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its ADSs or ordinary shares over the fair market value of its ADSs or ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's adjusted tax basis in its ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of our ADSs or ordinary shares in a taxable year in which we are treated as a PFIC will be treated as ordinary income. Special tax rules may also apply if a U.S. Holder makes a mark-to-market election for a taxable year after the first taxable year in which the U.S. Holder holds (or is deemed to hold) our ADSs or ordinary shares and for which we are determined to be a PFIC.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, which does not include the OTC Pink market, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Because our ADSs are currently traded only on the OTC Pink market, our ADSs are not expected to be treated as marketable stock for purposes of the election. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election with respect to our ADSs or ordinary shares under their particular circumstances.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder of our ADSs or ordinary shares generally should be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder were otherwise deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, there is no assurance that we will have timely knowledge of the status of any such lower-tier PFIC or that we will be able to cause the lower-tier PFIC to provide the required information. A mark-to-market election generally would not be available with respect to such a lower-tier PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) ADSs or ordinary shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder's U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our ADSs or ordinary shares should consult their own tax advisors concerning the application of the PFIC rules to our ADSs or ordinary shares under their particular circumstances.

Non-U.S. Holders

Cash dividends paid or deemed paid to a Non-U.S. Holder with respect to our ADSs or ordinary shares generally will not be subject to U.S. federal income tax unless such dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of our ADSs or ordinary shares unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Cash dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates as applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

Backup Withholding and Information Reporting

In general, information reporting for U.S. federal income tax purposes should apply to cash distributions made on our ADSs or ordinary shares within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of our ADSs or ordinary shares by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its ADSs or ordinary shares and adjustments to that tax basis and whether any gain or

loss with respect to such ADSs or ordinary shares is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in our ADSs or ordinary shares.

Moreover, backup withholding of U.S. federal income tax at a rate of 28% generally will apply to cash dividends paid on our ADSs or ordinary shares to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of our ADSs or ordinary shares by a U.S. Holder (other than an exempt recipient), in each case who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

Documents concerning us that are referred to in this document may be inspected at our registered office at Suite 5, 442-446 Beaufort Street, Highgate, Western Australia 6003, Australia.

In addition, we will file annual reports and other information with the Securities and Exchange Commission. We will file annual reports on Form 20-F and submit other information under cover of Form 6-K. As a foreign private issuer, we are exempt from the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders will be exempt from the insider short-swing disclosure and profit recovery rules of Section 16 of the Exchange Act. Annual reports and other information we file with the Commission may be inspected at the public reference facilities maintained by the Commission at Room 1024, 100 F. Street, N.E., Washington, D.C. 20549, and at its regional offices located at 233 Broadway, New York, New York 10279 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and copies of all or any part thereof may be obtained from such offices upon payment of the prescribed fees. You may call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms and you can request copies of the documents upon payment of a duplicating fee, by writing to the Commission. In addition, the Commission maintains a web site that contains reports and other information regarding registrants (including us) that file electronically with the Commission which can be assessed at <http://www.sec.gov>.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of Australia with limited liability. We are incorporated in Australia because of certain benefits associated with being an Australian company, such as political and economic stability, an effective judicial system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, Australia has a less developed body of securities laws as compared to the United States and provides protections for investors to a lesser extent. In addition, Australian companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders be arbitrated.

We conduct a significant portion of our current operations in Australia and a substantial portion of our assets are located in Australia. We have appointed MOKO.Mobi, Inc. as our agent upon whom process may be served in any action brought against us under the securities laws of the United States. A majority of our directors and officers are nationals or residents of jurisdictions outside the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

Any final and conclusive monetary judgment obtained against us in United States courts, for a definite sum, may be treated by the courts of Australia as a cause of action in itself so that no retrial of the issues would be necessary prior to the enforcement of that judgment in Australia, provided that an Australian court was satisfied that:

- the United States court issuing the judgment had jurisdiction in the matter and we either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- the judgment given by the United States court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of us;
- in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court;
- recognition or enforcement of the judgment in Australia would not be contrary to public policy; and
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

I. Subsidiary Information

Not required.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MOKO's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management strategy focuses on the unpredictability of the finance markets and seeks to minimize the potential adverse effects on the financial performance. MOKO uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk. Risk management is carried out under the direction of the Board. Please see note 2 to our audited consolidated financial statements for further information with respect to certain of these risks.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and Expenses Payable Under the Deposit Agreement For Our ADSs

Persons depositing or withdrawing shares or ADS holders must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates

\$0.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

- Any cash distribution to ADS holders
- Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS holders

\$0.05 (or less) per ADSs per calendar year

Registration or transfer fees

- Depository services
- Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares

Expenses of the depository

- Cable, telex and facsimile transmissions (when expressly provided in the Deposit Agreement)
- Converting foreign currency to U.S. dollars

Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, share transfer taxes, stamp duty or withholding taxes

- As necessary

Any charges incurred by the depository or its agents for servicing the deposited securities

- As necessary

The depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depository may make payments to us to reimburse and / or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depository may use brokers, dealers or other services providers that are affiliates of the depository and that may earn or share fees or commissions.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A.-D. Material Modifications to the Rights of Security Holders.

None.

E. Use of Proceeds.

Not Applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, regarding the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the fiscal year ended June 30, 2016. Based on that evaluation, our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, have concluded that our disclosure controls and procedures as of June 30, 2016 were effective and that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statements preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the SEC, our management assessed the effectiveness of the our internal control over the financial reporting as of June 30, 2016, using criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment using those criteria, our management concluded that our internal control over financial reporting was effective as of June 30, 2016.

(c) Attestation report of the registered public accounting firm

Not applicable.

(d) Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. It should be noted that while our management believes that our disclosure controls and procedures provide a reasonable level of assurance; our management does not expect that our disclosure controls and procedures or internal financial controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

Our Board of Directors has determined that Ms. Emma Waldon, is an independent financial expert serving on our audit committee.

ITEM 16B. CODE OF ETHICS.

The Company has adopted a Code of Conduct that applies to its Chief Executive Officer and all of its directors, officers and employees, or persons performing similar functions. A copy of our Code of Conduct is available at its website. Any future changes to the Code of Conduct will be posted on the Company’s website or filed as an exhibit to a report filed with the SEC within five business days of the change being effective.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table represents aggregate fees billed to the Company for fiscal years ended June 30, 2016 and 2015 by BDO East Coast Partnership and other BDO international offices, the Company’s principal accounting firm.

Accountant Fees and Services	2016	2015
Audit Fees	A\$ 175,680	A\$ 335,715
Audit Related Fees (F1 review)	A\$ 30,434	A\$ 23,614
Tax Fees	-	-
All Other Fees	-	-
	<u>A\$ 206,114</u>	<u>A\$ 359,329</u>

Audit Fees

The audit fees for the years ended June 30, 2016 and 2015, respectively, were paid for professional services rendered for the audits of our consolidated financial statements, half year reviews, consents, and assistance with review of documents filed with the SEC.

Tax Fees

Not applicable.

Other Fees

Not applicable.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT.

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE.

Not Applicable.

ITEM 16H. MINE SAFETY DISCLOSURE.

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Our audited Financial Statements are included as the “F” pages attached to this report.

All financial statements in this Annual Report, unless otherwise stated, are presented in accordance with IFRS.

ITEM 18. FINANCIAL STATEMENTS

The Company has elected to provide financial statements pursuant to ITEM 17.

ITEM 19. EXHIBITS

Exhibit No.	Description
1.1*	Constitution of the Registrant, as currently in effect
1.2*	Certificate of Registration on Change of Name dated February 28, 2007
1.3*	Certificate of Registration on Change of Name dated December 18, 2008
2.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.2)
2.2*	Form of Amended and Restated Deposit Agreement among the Registrant, the depositary and holder of the American Depositary Receipts
2.3*	Form of Warrant issued to Northland Capital Markets
4.1*	2014 U.S. Omnibus Securities and Incentive Plan
4.2†*	Letter of Agreement between American Intramural Sports Group LLC and the Registrant dated March 4, 2013
4.3†**	Amended and Restated License and Services Agreement between IMLeagues LLC and the Registrant dated January 26, 2015
4.4*	Asset Purchase Agreement dated August 10, 2012 between Howmark Mobile LLC and the Registrant
4.5*	Memorandum dated April 9, 2013, as revised on April 15, 2013
4.6*	Memorandum of Confirmation dated October 2013
4.7*	Second Memorandum of Confirmation dated November 2013
4.8*	Clarification Agreement dated as of April 30, 2014
4.9**	Share Purchase Agreement (Series B-2) dated April 24, 2015 between Big Teams LLC and the Registrant
4.10**	Amendment to Share Purchase Agreement (Series B-2) dated August 19, 2015 between Big Teams LLC and the Registrant
4.11†**	License and Services Agreement dated April 24, 2015 between Big Teams LLC and the Registrant
4.12†	First Amendment to Amended and Restated License and Services Agreement between IMLeagues LLC and the Registrant dated August 26, 2016
8.1	List of Subsidiaries of the Registrant
11.1*	Code of Business Conduct and Ethics of the Registrant
12.1	Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
12.2	Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
13.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of BDO East Coast Partnership to incorporation by reference in the registration statement on Form F-3 of the Registrant (File No. 333-205656).

* Incorporated by reference to the registration statement on Form F-1 of the Registrant (File No. 333-161602).

** Incorporated by reference to the Registrant's Annual Report on Form 20-F for the year ended June 30, 2015.

† Confidential treatment has been requested with respect to portions of this exhibit.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MOKO SOCIAL MEDIA LIMITED

By: /s/ Shripal Shah

Name: Shripal Shah

Title: Chief Executive Officer (Principal Executive Officer)

Date: October 31, 2016

By: /s/ Emma Waldon

Name: Emma Waldon

Title: Director and Company Secretary (Principal Financial and Accounting Officer)

Date: October 31, 2016

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Independent Auditor's Report

To the Board of Directors and stockholders of Moko Social Media Limited

We have audited the accompanying consolidated financial statements of Moko Social Media Limited and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2015 and 2016, and the related consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the three years ended June 30, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Moko Social Media Limited and its subsidiaries as of June 30, 2015 and 2016, and the results of their operations and their cash flows for three years ended June 30, 2016, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. These conditions, along with other matters as set out in Note 1, raises substantial doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

/s/ **BDO**
BDO EAST COAST PARTNERSHIP
Sydney, Australia
31 October 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	Consolidated		
		2016 \$	2015 (restated)* \$	2014 (restated) \$
Revenue and other income				
Revenue	5	84,830	1,592,934	882,393
Interest income	5	17,830	187,085	102,280
Other income	5	1,049,481	947,845	1,365,101
Fair value gain on deferred consideration	5			383,933
Expenses				
Cost of providing goods and services		(87,102)	(1,309,753)	(720,003)
License fee		(2,320,960)	(1,539,910)	(489,188)
Computer expenses		(446,614)	(336,994)	(533,765)
Marketing expenses		(1,540,871)	(3,293,889)	(600,549)
Travel and entertainment expenses		(472,066)	(806,946)	(512,122)
Occupancy expenses		(496,146)	(422,726)	(182,452)
Administration expenses		(1,105,658)	(903,100)	(681,774)
Exchange loss		(79,725)	55,582	(174,531)
Finance costs		(65,201)	(6,635)	-
Legal and professional fees		(2,239,824)	(2,125,799)	(3,073,395)
Employee benefits expenses	6	(6,199,744)	(7,333,024)	(2,920,985)
Share based payments	6	(1,263,528)	(1,875,674)	(5,007,089)
Depreciation and amortisation	6	(443,876)	(1,014,523)	(854,854)
Other expenses	6	(11,015)	-	91,527
Product cost		(936,202)	(977,131)	-
Impairment expenses	6	(4,253,634)	-	-
Loss before income tax		(20,810,025)	(19,162,658)	(12,925,473)
Income tax benefit / (expense)	7	6,889	166,723	(29,048)
Loss after income tax expense from continuing operations		(20,803,136)	(18,995,935)	(12,954,521)
Loss after income tax expense from discontinued operations		(738,675)	(1,298,072)	(641,938)
Loss after income tax		(21,541,811)	(20,294,007)	(13,596,459)
Other comprehensive income for the year, net of tax				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		590,423	1,397,333	(244,676)
Total comprehensive income for the year, net of tax		(20,951,388)	(18,896,674)	(13,841,135)
Total comprehensive income for the year is attributable to:				
Continuing operations		(20,212,713)	(17,598,602)	(13,199,197)
Discontinued operations		(738,675)	(1,298,072)	(641,938)
Total comprehensive income for the year		(20,951,388)	(18,896,674)	(13,841,135)
Loss attributable to:				
Owners of the Company		(21,457,299)	(20,013,288)	(13,472,361)
Non-controlling interest		(84,512)	(280,719)	(124,098)
		(21,541,811)	(20,294,007)	(13,596,459)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	Consolidated		
		2016	2015	2014
		\$	(restated)*	(restated)*
		\$	\$	\$
Total comprehensive income for the year attributable to owners of the company:				
Continuing operations		(20,212,713)	(17,598,602)	(13,199,197)
Discontinued operations		(654,163)	(1,017,353)	(517,840)
Owners of the Company		(20,866,876)	(18,615,955)	(13,717,037)
Total comprehensive income for the year attributable to non-controlling interests:				
Continuing operations		-	-	-
Discontinued operations		(84,512)	(280,719)	(124,098)
Non-controlling interests		(84,512)	(280,719)	(124,098)

*The restatement of comparatives is related to discontinued operations. Please refer to Note 8 Discontinued operations for further details

	Note	Consolidated		
		2016	2015	2014
		Cents	Cents	Cents
Earnings per share attributable to the owners of MOKO Social Media Limited				
Basic / Diluted EPS	26	(2.13)	(3.11)	(2.74)
Earnings per share from discontinued operations				
Basic / Diluted EPS	26	(0.07)	(0.17)	(0.11)
Total Earnings per share from loss				
Basic / Diluted EPS	26	(2.20)	(3.28)	(2.85)

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	Consolidated	
		2016	2015
		\$	\$
Current assets			
Cash and cash equivalents	9	2,546,772	7,219,908
Trade and other receivables	10	38,660	501,472
Other current assets	11	326,643	1,017,204
Total current assets		2,912,075	8,738,584
Non-current assets			
Property, plant and equipment	12	136,731	255,961
Intangibles	13	100,835	3,814,088
Available-for-sale financial assets	14	560,000	1,297,811
Total non-current assets		797,566	5,367,860
Total assets		3,709,641	14,106,444
Current liabilities			
Trade and other payables	15	1,047,672	2,569,262
Employee benefits	16	168,210	411,076
Total current liabilities		1,215,882	2,980,338
Non-current liabilities			
Employee benefits	16	11,818	45,530
Total non-current liabilities		11,818	45,530
Total liabilities		1,227,700	3,025,868
Net assets		2,481,941	11,080,576
Equity			
Issued capital	17	69,142,733	58,214,371
Reserves	18	14,053,478	12,213,980
Accumulated losses	19	(80,669,505)	(58,942,958)
Non-controlling interest		(44,765)	(404,817)
Total equity		2,481,941	11,080,576

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Consolidated (2015)	Issued Capital	Foreign currency Translation Reserve	Option Reserves	Accumulated Losses	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2013	24,656,473	814,848	2,859,360	(25,457,309)	-	2,873,372
Loss after income tax expense for the period	-	-	-	(13,472,361)	(124,098)	(13,596,459)
Other comprehensive income	-	(244,676)	-	-	-	(244,676)
Total comprehensive income for the year	-	(244,676)	-	(13,472,361)	(124,098)	(13,841,135)
Transactions with owners in their capacity as owners						
Issue of ordinary shares on exercise of options	3,582,461	-	-	-	-	3,582,461
Issue of ordinary shares on capital raising	14,161,910	-	-	-	-	14,161,910
Issue of ordinary shares to consultants	160,000	-	-	-	-	160,000
Issue of performance shares to employees	200	-	-	-	-	200
Issue of ordinary shares as consideration for business combination	602,365	-	-	-	-	602,365
Issue of ordinary shares in settlement of loans from directors	200,000	-	-	-	-	200,000
Capital raising costs	(1,683,747)	-	-	-	-	(1,683,747)
Share based payments - Options	-	-	5,561,272	-	-	5,561,272
Balance at 30 June 2014	41,679,662	570,172	8,420,632	(38,929,670)	(124,098)	11,616,698
Loss after income tax expense for the period	-	-	-	(20,013,288)	(280,719)	(20,294,007)
Other comprehensive income	-	1,397,333	-	-	-	1,397,333
Total comprehensive income for the year	-	1,397,333	-	(20,013,288)	(280,719)	(18,896,674)
Transactions with owners in their capacity as owners						
Issue of ordinary shares on exercise of options	7,800,973	-	-	-	-	7,800,973
Issue of ordinary shares on capital raising	8,762,325	-	-	-	-	8,762,325
Issue of ordinary shares to consultants	300,000	-	-	-	-	300,000
Issue of ordinary shares to employees	115,324	-	-	-	-	115,324
Issue of ordinary shares as consideration for business combination	200,000	-	-	-	-	200,000
Capital raising costs	(643,913)	-	-	-	-	(643,913)
Share based payments - Options	-	-	1,825,843	-	-	1,825,843
Balance at 30 June 2015	58,214,371	1,967,505	10,246,475	(58,942,958)	(404,817)	11,080,576

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Consolidated (2016)	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Non- controlling interest \$	Total \$
Balance at 30 June 2015	58,214,371	1,967,505	10,246,475	(58,942,958)	(404,817)	11,080,576
Loss after income tax expense for the year	-	-	-	(21,457,299)	(84,512)	(21,541,811)
Non-controlling interest changes	-	-	-	(269,248)	444,564	175,316
Other comprehensive income	-	590,423	-	-	-	590,423
Total comprehensive income for the year	-	590,423	-	(21,726,547)	360,052	(20,776,072)
Transactions with owners in their capacity as owners						
Issue of ordinary shares on capital raising	11,778,867	-	-	-	-	11,778,867
Issue of ordinary shares to consultants	360,128	-	-	-	-	360,128
Issue of ordinary shares to employees	15,097	-	-	-	-	15,097
Capital raising costs	(1,225,730)	-	-	-	-	(1,225,730)
Share based payments - Options	-	-	1,249,075	-	-	1,249,075
Balance at 30 June 2016	69,142,733	2,557,928	11,495,550	(80,669,505)	(44,765)	2,481,941

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	Consolidated		
		2016	2015	2014
		\$	\$	\$
Cash flows from operating activities				
Net receipts from customers		1,588,278	6,930,339	9,190,127
Research & Development tax refund		905,747	947,845	1,082,953
Export market development grant received		-	-	172,655
Payments to suppliers and employees		(16,756,352)	(26,241,545)	(17,502,785)
Interest received		20,655	232,058	24,485
Interest and other finance costs paid		(74,341)	(26,119)	(35,162)
Income taxes refund / (paid)		6,889	(74,022)	-
Net cash used in operating activities	21	(14,309,124)	(18,231,444)	(7,067,727)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		15,910	-	109,493
Payment for acquisition of business, net of cash acquired		-	(175,115)	(406,997)
Payment for sale of business		(69,224)	-	(6,348)
Payment for investments	14	(1,042,142)	(256,813)	-
Payment for property, plant and equipment		(7,561)	(210,811)	(55,658)
Payments for disposal of subsidiary		-	(132,395)	(339,996)
Net cash used in investing activities		(1,103,017)	(775,134)	(699,506)
Cash flows from financing activities				
Proceeds from issues of shares		11,778,867	16,860,777	17,427,067
Share issue transaction cost		(1,056,746)	(641,407)	(1,157,467)
Proceeds from borrowings		1,500,000	-	-
Repayment of borrowings		(1,500,000)	-	(1,118,197)
Net cash provided by financing activities		10,722,121	16,219,370	15,151,403
Net decrease in cash held		(4,690,020)	(2,787,208)	7,384,170
Cash and cash equivalents at beginning of the year		7,219,908	9,878,011	2,519,186
Effects of exchange rate changes on cash		16,884	129,105	(25,345)
Cash and cash equivalents at end of the year	9	2,546,772	7,219,908	9,878,011

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Reporting entity

MOKO Social Media Limited (the **Company**) is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the **Consolidated Entity**). The Consolidated Entity is involved in tailored digital publishing of mobile applications for common interest groups, within the youth and young adult demographic, in the United States of America.

The consolidated financial statements were authorised for issue by the Board of Directors on 31 October 2016.

Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Going concern

The 30 June 2016 financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is not withstanding that the Consolidated Entity generated a loss from continuing activities of \$20,803,136 (2015: loss of \$18,995,935) and continues to experience constraints around cash flow, with a net cash outflow from operations for the full year of \$14,309,124 (2015: \$18,231,444).

In order to continue as a going concern, the Consolidated Entity needs to raise additional funds. The directors acknowledge that the requirement to raise additional funding represents a material uncertainty which may cast significant doubt over the ability of the Consolidated Entity to continue as a going concern.

On 26 August 2016, the Consolidated Entity announced it is undertaking a review of strategic options for the future of the Consolidated Entity and has appointed District Capital Partners (DCP) to advise on alternatives and assist with the process. DCP is a financial advisory firm that specialises in M&A transaction execution and corporate finance services. DCP are reviewing all possibilities including straight equity investments and the potential sale of the Consolidated Entity and are currently seeking proposals from a number of interested parties.

The Consolidated Entity has received written confirmation from a substantial shareholder of their current intention to provide additional working capital to the Consolidated Entity to enable a potential transaction from the DCP process to be completed.

The Consolidated Entity also expects to receive a Research & Development tax refund from the Australian Taxation Office. The Consolidated Entity has submitted a Research & Development Tax Incentive Application for the financial year ended 30 June 2016 which results in a refund of \$829,674. This is subject to review by the Australian Tax Office and AusIndustry.

The Directors are confident that additional funds can be raised and the Consolidated Entity can continue to meet its debts as and when they become due and payable. The financial report has therefore been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have generally not been early adopted, unless stated otherwise.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in Note 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MOKO Social Media Limited as at 30 June 2016 and the results of all subsidiaries for the year then ended. MOKO Social Media Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity' or 'MOKO'.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income and statement of financial position of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

Segment reporting

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

Foreign currency translation

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is MOKO Social Media Limited's functional and presentation currency.

The functional currencies of the overseas subsidiaries are as follows:

Entity	Functional currency
MOKO.mobi Inc	United States Dollars (USD)
MOKO Door Foundation	United States Dollars (USD)

The functional currencies of the overseas subsidiaries are translated to the presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue and other income

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

The Mobile Social segment generates revenue from its customers who are the individually contracted mobile users engaging in MOKO's mobile social networks or using its community and chat products, typically via pre-paid, monthly, subscriptions which are billed directly to user's mobile phone accounts, enabling them to access and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

participate in our mobile chat and share communities. Given the short subscription period and the inability to cancel mid-month, revenue is recognised when paid by the carriers to MOKO each month.

‘Carriers’ are individual telecommunication service providers, who typically have their own network and are consumer facing in the marketplace, and provide the MOKO social chat platform. Revenue is recognised gross with amounts payable to carriers and aggregators as a cost of sale. This accurately represents the Consolidated Entity’s relationship with its carriers as being the “principal” rather than “agent” as noted in AASB 118 —“Revenue”.

The Mobile Advertising segment is MOKO’s proprietary U.S. mobile performance advertising network, historically has primarily consisted of working with performance based advertisers seeking specific audiences for offers and with publishers to identify optimal advertisements or offers for their audiences. Where applicable, the Company records its revenue from this line of business on a gross basis. All other revenue in the Mobile Advertising unit is recorded net.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest received is recognised on a proportional basis to the interest rates applicable to the financial assets.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Consolidated Entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of profit or loss and other comprehensive.

Income tax

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

Discontinued operations

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment is recognised in the statement of profit or loss and other comprehensive income.

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of the assets.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Computer equipment	37½% - 60% per annum
Furniture and fittings	11½% - 30% per annum
Leasehold improvements	Shorter of lease term or 20% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The useful lives of finite life intangibles are reviewed annually by the Directors. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on business combinations and is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

The amortisation rates used for each class of amortisable assets are:

Class of fixed asset	Amortisation rate ⁽¹⁾
Computer software	50% per annum
Customer contracts	50% per annum
Capitalised product development costs	50% per annum
Intellectual Property	20% - 50% per annum
Customer Database	100% per annum

(1) Straight line amortisation is used as this reflects the periods over which the Consolidated Entity expects to realise the benefits from the underlying assets

Computer software

Computer software costs associated with software are deferred and amortised on a straight line basis over the period of their expected benefit.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight line basis over the period of their expected benefit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

Capitalised product development cost

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Consolidated Entity is able to use or sell the asset; the Consolidated Entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight line basis over the period of their expected benefit.

Intellectual Property

Intellectual property acquired in a business combination are amortised on a straight line basis over the period of their expected benefit.

Customer database

Customer databases acquired in a business combination are amortised on a straight line basis over the period of their expected benefit.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share based payments

When goods or services received are acquired in a share-based payment transaction, they are recognised as expenses or assets, as determined by the nature of the goods or services received, over the vesting period attached to the equity instrument acquired in the transaction. A corresponding increase is recognised in equity.

The goods or services are measured by reference to the fair value of goods or services received, or where this is not possible, indirectly, by reference to the fair value of the equity instrument acquired at grant date.

The fair value of securities provided to Directors and employees is determined by reference to the fair value of the equity instrument granted.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date. The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value and at which time the business combination accounting is final.

Issued capital

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority 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 taxation authority, are presented as operating cash flow.

Comparative Figures

Certain comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New accounting standards and interpretations that are not yet mandatory

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2016, unless noted below. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 15: Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1: Significant accounting policies (continued)

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2: Financial risk management

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance. The Consolidated Entity's uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk. Risk management is carried out under the direction of the Board.

Market risk

Foreign currency risk

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 2: Financial risk management (continued)

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against Foreign exchange movement, the Consolidated Entity has set up foreign currency bank accounts, by depositing surplus foreign currency in a foreign currency account for later use.

The carrying amounts of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date, expressed in Australian dollars, were as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
Consolidated	\$	\$	\$	\$
United States dollars	1,903,805	6,574,718	752,221	2,225,899
Great British pounds	47	6,693	-	3,487
	1,903,852	6,581,411	752,221	2,229,386

Sensitivity analysis

The Consolidated Entity had net assets denominated in foreign currencies of \$1,151,631 as at 30 June 2016 (2015 net assets: of \$4,325,025). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been \$115,163 higher/\$57,582 lower (2015: \$435,203 higher/\$217,601 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss of continuing operations for the year ended 30 June 2016 was \$79,724 (2015 foreign exchange gain: \$55,583).

Price risk

The Consolidated Entity is not exposed to any significant price risk.

Interest rate risk

The Consolidated Entity's income and operating cash flows are not materially exposed to changes in market interest rates.

At the reporting date the interest rate profile of the Consolidated Entity's interest bearing financial instruments was:

	30-Jun-16		30-Jun-15	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Variable rate instruments				
Cash at bank	1.50%	1,031,626	1.50%	6,426,713
Fixed rate instruments				
Term deposits	1.93%	15,000	2.30%	30,415
		1,046,626		6,457,128

Cash flow sensitivity analysis for variable rate instruments

A change of 75 basis points in interest rates would increase or decrease the Consolidated Entity's loss by \$7,850 (2015: \$48,428), based on the cash at bank at reporting date and calculated on an annual basis. The Board assessed a 75 basis point movement as being reasonably possible based on short term historical movements. This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 2: Financial risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. For the Company, it arises from receivables due from subsidiaries.

The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The Consolidated Entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables.

Trade and other receivables

It is the Consolidated Entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation, noting that the majority of counter parties are large telecommunication organisations.

In addition, receivable balances are monitored on an ongoing basis and as a result that the Consolidated Entity's experience of bad debts has not been significant.

The Consolidated Entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Consolidated Entity.

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate at call cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. All liabilities were non-derivative and non-interest bearing.

Consolidated - 2016	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	638,393	-	-	-	638,393
Other payables	-	409,279	-	-	-	409,279
Total non-derivatives		1,047,672	-	-	-	1,047,672

Consolidated - 2015	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,835,324	-	-	-	1,835,324
Other payables	-	733,938	-	-	-	733,938
Total non-derivatives		2,569,262	-	-	-	2,569,262

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 2: Financial risk management (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values, because they are short-term in nature.

Note 3: Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with directors, employees and limited suppliers, by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a Binomial, Black-Scholes or other estimation model such as a trinomial barrier option model after taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Long term employee benefits

Per Note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported, when the accounting is finalised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 4: Segment information

MOKO Social Media Limited is organized into three operating segments: Mobile Social, Mobile Advertising and Mobile Commerce. Mobile Commerce was sold in March 2016. (2015: three operating segments including Mobile Social, Mobile Advertising and Mobile Commerce). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. Segment Mobile Commerce was discontinued after MOKO sold Deals I Love (Australia) on 30 March 16.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Mobile Social	MOKO's proprietary mobile social networks and community/chat products
Mobile Advertising	MOKO's own proprietary mobile performance ad network and customised mobile publishing division
Mobile Commerce	MOKO's subsidiary e-commerce platform. Sales volumes and average revenue per user grew via diversified marketing channels and product range

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment receivables, payables and loans are eliminated on consolidation.

Operating segment information

Consolidated - 30 June 2016	Continuing operations				Total
	Mobile Advertising	Mobile Social	Mobile Commerce	Intersegment eliminations/unallocated	
	\$	\$	\$	\$	\$
Total segment revenue	57,024	27,806	-	-	84,830
EBITDA	(16,086,626)	21,482	-	-	(16,065,144)
Depreciation and amortisation	(443,876)	-	-	-	(443,876)
Impairment expenses	(4,253,634)	-	-	-	(4,253,634)
Other income	17,830	-	-	-	17,830
Finance costs	(65,201)	-	-	-	(65,201)
Loss before income tax					(20,810,025)
Income tax benefit					6,889
Loss after income tax					(20,803,136)
Assets	3,709,641	-	-	-	3,709,641
Liabilities	1,227,700	-	-	-	1,227,700

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 4: Segment information (continued)

Continuing operations					
Consolidated – 30 June 2015 (restated)	Mobile Advertising \$	Mobile Social \$	Mobile Commerce \$	Intersegment eliminations/ unallocated \$	Total \$
Total Segment Revenue	869,244	723,690	-	-	1,592,934
EBITDA	(18,687,667)	359,082	-	-	(18,328,585)
Depreciation and amortisation	(1,014,523)	-	-	-	(1,014,523)
Interest income	1,346	185,739	-	-	187,085
Finance costs	(6,635)	-	-	-	(6,635)
Loss before income tax					(19,162,658)
Income tax benefit					166,723
Loss after income tax					(18,995,935)
Assets (continuing operations)	14,274,887	93,285	-	(994,584)	13,373,588
Assets (discontinued operations)	410,093	-	322,763	-	732,856
Assets	14,684,980	93,285	322,763	(994,584)	14,106,444
Liabilities (continuing operations)	2,471,072	5,136	-	-	2,476,208
Liabilities (discontinued operations)	293,908	-	1,250,336	(994,584)	549,660
Liabilities	2,764,980	5,136	1,250,336	(994,584)	3,025,868

Continuing operations						
30 June 2014 (restated) *	Mobile Advertising \$	Mobile Social \$	Mobile Content \$	Mobile Commerce \$	Intersegment eliminations/ unallocated \$	Total \$
Total segment revenue	79,580	802,812	-	-	-	882,393
EBITDA	(12,747,952)	575,052	-	-	-	(12,172,900)
Depreciation and amortisation	(854,854)	-	-	-	-	(854,854)
Interest received	209	102,072	-	-	-	102,280
Finance costs	-	-	-	-	-	-
Loss before income tax	-	-	-	-	-	(12,925,474)
Income tax (expense)	-	-	-	-	-	(29,048)
Loss after income tax						(12,954,522)
Assets (continuing operations)	10,015,941	425,835	-	-	-	10,441,776
Assets (discontinued operations)	5,001,127	-	122,804	363,043	(695,294)	4,791,680
Assets	15,017,068	425,836	122,804	363,043	(695,294)	15,233,457
Liabilities (continuing operations)	2,556,425	75,248	-	-	-	2,631,673
Liabilities (discontinued operations)	361,159	-	333,534	945,687	(655,294)	985,086
Liabilities	2,917,584	75,248	333,534	945,687	(655,294)	3,616,759

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 4: Segment information (continued)

Geographical information

Consolidated - 30 June 2016	Continuing operations			
	Australia \$	Europe \$	US \$	TOTAL \$
Sales to external customers	14,362	-	70,468	84,830
Add: Interest income	17,696	-	134	17,830
Add: Other income	905,747	-	143,734	1,049,481
Less: Cost of providing services	(6,325)	-	(80,777)	(87,102)
Less: Expenses *				(21,875,064)
Loss before income tax				(20,810,025)
Income tax benefit				6,889
Loss after income tax				(20,803,136)
Assets	1,805,836	-	1,903,805	3,709,641
Liabilities	475,479	-	752,221	1,227,700

* Overhead expenses are not associated with any one particular geographic region.

Consolidated - 30 June 2015 (restated)	Continuing operations			
	Australia \$	Europe \$	US \$	TOTAL \$
Sales to external customers	723,690	-	869,244	1,592,934
Add: Interest income	185,739	-	1,346	187,085
Add: Other income	947,845	-	-	947,845
Less: Cost of providing services	(364,608)	-	(945,145)	(1,309,753)
Less: Expenses *				(20,580,769)
Loss before income tax				(19,162,658)
Income tax benefit				166,723
Loss after income tax				(18,995,935)
Assets (continuing operations)	7,168,232	6,693	6,198,663	13,373,588
Assets (discontinued operations)	356,801	-	376,055	732,856
Assets	7,525,033	6,693	6,574,718	14,106,444
Liabilities (continuing operations)	505,856	3,487	1,966,865	2,476,208
Liabilities (discontinued operations)	290,626	-	259,034	549,660
Liabilities	796,482	3,487	2,225,899	3,025,868

* Overhead expenses are not associated with any one particular geographic region.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 4: Segment information (continued)

30 June 2014 (restated) *	Continuing operations				
	Australia \$	Europe \$	Asia \$	US \$	TOTAL \$
Sales to external customers	795,622	4,570	3,931	78,270	882,393
Add: Interest received	102,071	-	-	209	102,280
Add: Other income	1,365,101	-	-	-	1,365,101
Add: Fair value gain on deferred contingent consideration	-	-	-	383,933	383,933
Less: Cost of providing services	(268,104)	(20,224)	(4,922)	(915,941)	(1,209,191)
Less: Expenses *	-	-	-	-	(14,449,990)
Loss after income tax expense					(12,925,474)
Income tax (expense)					(29,048)
Loss after income tax					(12,954,522)
Assets (continuing operations)	9,746,306	11,864	-	683,606	10,441,776
Assets (discontinued operations)	363,041	2,791	-	4,425,848	4,791,680
Assets	10,109,347	14,655	-	5,109,455	15,233,457
Liabilities (continuing operations)	778,561	76,669	-	1,776,442	2,631,673
Liabilities (discontinued operations)	410,407	128,437	-	446,243	985,086
Liabilities	1,188,968	205,106	-	2,222,685	3,616,759

* Overhead expenses are not associated with any one particular geographic region.

Major customers

MOKO has a number of customers to whom it provides services. The Consolidated Entity supplies a single external customer in the Mobile Social Segment who accounts for 17% of external revenue (2015: 44%, 2014: 80%). Major Mobile Advertising customers account for 64% (2015: 39%, 2014: no major client above 10%) of external revenue, with details as below.

Major customer – Mobile Advertising	Consolidated		
	2016 %	2015 %	2014 %
Mobile Advertising customer 1	16%	-	-
Mobile Advertising customer 2	16%	1%	-
Mobile Advertising customer 3	13%	-	-
Mobile Advertising customer 4	13%	14%	-
Mobile Advertising customer 5	6%	24%	-
	64%	39%	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 5: Revenue and other income

	Consolidated		
	2016	2015	2014
	\$	(restated)	(restated)
	\$	\$	\$
Revenue	84,830	1,592,934	882,393
Interest received	17,830	187,085	102,280
Other income			
Research & development tax refund	905,747	947,845	1,082,953
Rental income	143,734	-	-
Grants received	-	-	172,655
Income from Sales of Business	-	-	109,493
	1,049,481	947,845	1,365,101
Fair value gain on deferred contingent consideration	-	-	383,933

The \$905,747 research and development tax refund was received on 30 October 2015 (2015: \$947,845 received on 18 April 2015) for a claim in accordance with the Commonwealth Government's Research and Development Tax Incentive Regime which has been in operation since 1 July 2011, the 45% refundable tax offset is available to companies that have grouped aggregated turnover of less than \$20million. There is no cap on Research & development expenditure.

Note 6: Expenses

Loss before income tax includes the following specific expenses:

	Consolidated		
	2016	2015	2014
	\$	(restated)	(restated)
	\$	\$	\$
Employee benefits expenses			
Salaries and wages (including contractors, annual leave)	5,459,847	6,526,214	2,639,734
Superannuation, Healthcare & Workers Compensation	739,897	806,810	281,251
Total employee benefits expenses	6,199,744	7,333,024	2,920,985
Share based payments	1,263,528	1,875,674	5,007,089
<i>Depreciation</i>			
Computer equipment	78,769	25,557	41,576
Furniture and fittings	9,094	6,602	899
Leasehold Improvement	7,239	3,476	-
Total depreciation	95,102	35,635	42,475
<i>Amortisation</i>			
Computer software	88,523	36,894	3,065
Capitalised product development	-	19,649	-
Intellectual Property	260,251	922,345	809,314
Customer database	-	-	-
Total amortisation	348,774	978,888	812,379
Total depreciation and amortisation	443,876	1,014,523	854,854

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 6: Expenses (continued)

	Consolidated		
	2016	2015 (restated)	2014 (restated)
	\$	\$	\$
Impairment expenses			
Available-for-sale financial assets	737,811	-	-
Intellectual Property	1,935,919	-	-
Goodwill	1,579,904	-	-
Total impairment	4,253,634	-	-
Rental expense relating to operating leases - Minimum lease payments	487,941	410,228	193,009

Note 7: Income tax benefit

	Consolidated		
	2016	2015 (restated)	2014 (restated)
	\$	\$	\$
<i>Income tax benefit</i>			
Current tax benefit	-	-	469,277
Deferred tax	-	-	(440,229)
Adjustment recognised for prior periods	6,889	166,723	-
Aggregate income tax benefit	6,889	166,724	29,048
Prima facie tax on loss before income tax is reconciled to income tax (benefit) / expense as follows:			
Loss before income tax	(20,810,025)	(19,162,658)	(12,925,473)
Prima facie tax on loss before income tax at 30%	(6,243,008)	(5,748,797)	(3,877,642)
Adjustment for jurisdictional differences in tax rates	(364,624)	(461,943)	2,989
Add tax effect of:			
Non-allowable items	1,883,761	405,325	1,208,480
Non-assessable items	(528,386)	(992,157)	(142,638)
Tax losses and timing differences not brought to account	5,252,257	6,797,572	2,837,859
Adjustment recognised for prior periods	6,889	166,723	-
Current tax benefit	6,889	166,723	29,048
Recognised deferred tax assets:			
Share based payments – non qualified plan	-	-	427,719
Deferred tax not recognised:			
Tax losses carried forward	51,622,399	38,045,842	18,027,944
Other temporary differences not recognised	2,512,971	3,368,509	3,854,686
Unused tax losses for which no deferred tax has been recognised	54,135,370	41,414,351	21,882,630
Potential tax benefit at notional rate of tax *	17,256,228	13,088,767	6,564,789

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 7: Income tax benefit (continued)

No amounts have been recognised for deferred tax on unutilised tax losses as it is not yet probable that future taxable amounts will be available against which the Company will utilise these assets in future years.

* Potential tax benefit at notional rate of tax is 30% for AU entities and 34% for US entities.

Note 8: Discontinued operations

On 31 October 2015, the operations of Tagroom Pty Ltd and MOKO Performance Network (formerly OfferMobi) were discontinued. These entities were operated as part of the mobile advertising segment.

On 30 March 2016, MOKO sold Deals I Love (Australia) Pty Ltd (“DIL”) to Hedgeabelli Pty Ltd. As a condition to the occurrence of Completion, MOKO advanced \$37,500 to DIL as part of the Completion Loan. On the completion date, MOKO released DIL from any outstanding loan balances amounting to \$1,092,084.

On 29 April 2016, MOKO Door Foundation was discontinued operation and filed for dissolution in the State of Delaware in the US. The dissolution was duly authorised on 6 June 2016.

(a) Financial performance

	2016	2015 (restated)	2014 (restated)
	\$	\$	\$
Revenue	1,099,346	4,694,199	7,345,758
Interest received	2,825	2,685	2,570
Cost of providing goods and services	(822,479)	(3,268,279)	(5,816,817)
Expenses	(836,448)	(2,737,081)	(1,804,065)
Depreciation and amortisation	(2,192)	(3,134)	(369,384)
Impairment expenses	(179,727)	-	-
Loss before tax from discontinued operations	(738,675)	(1,311,610)	(641,938)
Income tax benefit	-	13,538	-
Loss after income tax	(738,675)	(1,298,072)	(641,938)
Loss after income tax benefit from discontinued operations	(738,675)	(1,298,072)	(641,938)
Owners of the Company	(654,163)	(1,017,353)	(517,840)
Non-controlling interests	(84,512)	(280,719)	(124,098)
	(738,675)	(1,298,072)	(641,938)

(b) Cash flow information

	2016	2015 (restated)	2014 (restated)
	\$	\$	\$
Operating activities	(248,046)	(1,515,583)	(340,572)
Investing activities	(26,253)	13,859	36,958
Financing activities*	144,553	1,180,805	(275,374)
Net cash (outflow) / inflow	(129,746)	(320,919)	(578,988)

* Financing activities are fund transfers from parent company, MOKO Social Media Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 9: Cash and cash equivalents

	Consolidated	
	2016	2015
	\$	\$
Cash on hand	586	558
Cash at bank	2,546,186	7,219,350
	2,546,772	7,219,908

Note 10: Trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
Trade receivables	311,522	401,420
Less: Provision for impairment of receivables	(282,815)	(140,127)
	28,707	261,293
Other debtors	9,953	240,179
Total	38,660	501,472

Impairment of receivables

The Consolidated Entity has recognised a loss of \$142,688 (2015: \$313,428) in the statement of profit or loss and other comprehensive income in respect of impairment of receivables for the year ended 30 June 2016.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2016	2015
	\$	\$
1-30 days	-	-
31-60 days	-	-
61-90 days	-	-
90+ days	282,815	140,127
	282,815	140,127

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2016	2015
	\$	\$
Opening Balance	140,127	55,804
Additional provisions recognised	142,688	313,428
Receivables written off during the year as uncollectable	-	(229,105)
Closing Balance	282,815	140,127

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$14,735 as at 30 June 2016 (\$61,280 as at 30 June 2015).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 10: Trade and other receivables (continued)

The Consolidated Entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

31-60 days	776	17,556
61-90 days	2,490	440
90+ days	11,469	43,284
	<u>14,735</u>	<u>61,280</u>

Note 11: Other current assets

	Consolidated	
	2016	2015
	\$	\$
Deposit	112,345	163,278
Prepayments	214,298	853,926
	<u>326,643</u>	<u>1,017,204</u>

Note 12: Property, plant and equipment

Consolidated	Computer equipment	Furniture and fittings	Leasehold Improvements	Total
	\$	\$	\$	\$
2015				
Cost	772,604	80,064	33,902	886,570
Accumulated depreciation	(590,881)	(35,542)	(4,186)	(630,609)
Balance at 30 June 2015	<u>181,723</u>	<u>44,522</u>	<u>29,716</u>	<u>255,961</u>
Reconciliation				
Balance at 1 July 2014	75,063	12,663	-	87,726
Additions	137,622	39,287	33,902	210,811
Depreciation expense	(25,557)	(6,602)	(3,476)	(35,635)
Depreciation expense (discontinued operations)	(3,134)	-	-	(3,134)
Effects of movements in exchange rates	(2,271)	(826)	(710)	(3,807)
Balance at 30 June 2015	<u>181,723</u>	<u>44,522</u>	<u>29,716</u>	<u>255,961</u>
2016				
Cost	746,300	67,536	34,982	848,818
Accumulated depreciation	(661,008)	(39,521)	(11,558)	(712,087)
Balance at 30 June 2016	<u>85,292</u>	<u>28,015</u>	<u>23,424</u>	<u>136,731</u>
Reconciliation				
Balance at 1 July 2015	181,723	44,522	29,716	255,961
Additions	3,682	4,420	1,080	9,182
Disposal	(18,706)	(11,981)	-	(30,687)
Disposal (discontinued operations)	(2,543)	(597)	-	(3,140)
Depreciation expense	(78,769)	(9,094)	(7,239)	(95,102)
Depreciation expense (discontinued operations)	(2,107)	(85)	-	(2,192)
Effects of movements in exchange rates	2,012	830	(133)	2,709
Balance at 30 June 2016	<u>85,292</u>	<u>28,015</u>	<u>23,424</u>	<u>136,731</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 13: Intangibles

Consolidated	Computer software \$	Intellectual Property \$	Goodwill \$	TOTAL \$
2015				
Cost	220,646	4,837,947	2,387,346	7,445,939
Accumulated amortisation	(121,862)	(2,795,527)	(714,462)	(3,631,851)
Balance at 30 June 2015	98,784	2,042,420	1,672,884	3,814,088
<i>Reconciliation</i>				
Balance at 1 July 2014	3,283	2,472,621	1,117,880	3,593,784
Acquisitions through business combinations	-	-	339,570	339,570
Additions	132,395	-	-	132,395
Amortisation expense	(36,894)	(922,345)	-	(959,239)
Effects of movements in exchange rates	-	492,144	215,434	707,578
Balance at 30 June 2015	98,784	2,042,420	1,672,884	3,814,088
2016				
Cost	312,746	5,273,257	1,759,631	7,345,634
Accumulated amortisation	(211,911)	(3,337,338)	-	(3,549,249)
Impairment	-	(1,935,919)	(1,759,631)	(3,695,550)
Balance at 30 June 2016	100,835	-	-	100,835
<i>Reconciliation</i>				
Balance at 1 July 2015	98,784	2,042,420	1,672,884	3,814,088
Additions	92,100	-	-	92,100
Amortisation expense	(88,523)	(260,251)	-	(348,774)
Impairment expenses	-	(1,935,919)	(1,579,904)	(3,515,823)
Impairment expenses (discontinued operations)	-	-	(179,727)	(179,727)
Effects of movements in exchange rates	(1,526)	153,750	86,747	238,971
Balance at 30 June 2016	100,835	-	-	100,835

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 13: Intangibles (continued)

Impairment testing

Intellectual property and Goodwill acquired through business combinations has been allocated to the cash-generating units:

Intellectual property	Mobile Advertising ⁽¹⁾ \$	Mobile Commerce ⁽²⁾ \$	Total \$
2015			
Cost	4,788,477	49,470	4,837,947
Accumulated Amortisation	(2,746,057)	(49,470)	(2,795,527)
Balance at 1 July 2015	2,042,420	-	2,042,420
Amortisation expense	(260,251)	-	(260,251)
Impairment	(1,935,919)	-	(1,935,919)
Effects of movements on foreign exchange rates	153,750	-	153,750
Balance at 30 June 2016	-	-	-
Goodwill	Mobile Advertising ⁽¹⁾ \$	Mobile Commerce ⁽²⁾ \$	Total \$
Balance at 1 July 2015	1,493,157	179,727	1,672,884
Impairment	(1,579,904)	(179,727)	(1,759,631)
Effects of movements on foreign exchange rates	86,747	-	86,747
Balance at 30 June 2016	-	-	-

(1) Mobile Advertising Cash Generating Unit

Ongoing revenues from Mobile Advertising are expected to be earned from the monetization of MOKO's student products, including REC*IT and REC*IT Fitness. As these products are not yet commercialized and cash inflows have not occurred as forecast, there is uncertainty over this expectation. As a result, the carrying value of the goodwill and intellectual property of this cash generating unit was deemed unrecoverable and fully impaired.

(2) Mobile Commerce Cash Generating Unit (discontinued operations)

MOKO sold Deals I Love (Australia) Pty Ltd on 30 March 2016. As a result, the carrying value of the goodwill of this cash generating unit was written down to nil.

Note 14: Available-for-sale financial assets

On 24 April 2015, MOKO signed a Share Purchase Agreement with Big Teams LLC ("BigTeams"), a limited liability company located in the US. MOKO invested One Million U.S. Dollars (US\$1,000,000 or A\$1,297,811) to acquire a 10% equity stake in BigTeams.

BigTeams is the largest high school sports software platform in the US, providing online tools and data for US high schools to assist with sports team administration, event management and fundraising.

MOKO launched a tailored version of its REC*IT app in November 2015, specifically targeted at the students and parents of more than 4,000 US high schools that are currently serviced by BigTeams, using data generated by BigTeams. This investment has significantly expanded its offering for US students and provided access to the high school market.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 14: Available-for-sale financial assets (continued)

Under the terms of purchase agreement, MOKO paid US\$200,000 (A\$256,813) in the year ended 30 June 2015, and further US\$800,000 (A\$1,042,142) in the current year.

	<u>2016</u>	<u>2015</u>
	\$	\$
Unlisted ordinary shares	1,297,811	1,297,811

The unlisted ordinary shares are held in Big Teams LLC. Fair value information relating to this investment has not been disclosed because the shares are not quoted in an active market and fair value cannot be measured reliably. Management currently has no plans to dispose of the shares.

Based on financial positions and budgets from Big Teams LLC there is indication that the carrying amount may not be recoverable. An impairment loss has been recognised for the amount of \$737,811 during the year for which the carrying amount exceeds its recoverable amount of \$560,000.

<u>Available-for-sale financial assets</u>	<u>Big Teams LLC</u>
	\$
Balance at 1 July 2015	1,297,811
Impairment	(737,811)
Balance at 30 June 2016	<u>560,000</u>

Note 15: Trade and other payables

	<u>Consolidated</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Trade payables *	638,393	1,835,324
Other payables and accruals	409,279	733,938
	<u>1,047,672</u>	<u>2,569,262</u>

* Included within trade payables at 30 June 2015 was \$800k USD for the remaining purchase amount for Big Teams LLC. Refer to Note 14.

Note 16: Employee benefits

	<u>Consolidated</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Employee benefits	<u>168,210</u>	<u>411,076</u>
Non-Current		
Employee benefits	<u>11,818</u>	<u>45,530</u>

A provision has been recognised for employee benefits relating to annual leave and long service leave. The measurement and recognition criteria relating to employee benefits have been included in Note 1 of this report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 16: Employee benefits (continued)

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The employee benefits are presented as current or non-current based on when the Consolidated Entity expects to settle the long service leave entitlements. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2016	2015
	\$	\$
Employee benefits obligation expected to be settled after 12 months	-	20,835

Note 17: Issued capital

	Consolidated	
	2016	2015
	\$	\$
Fully paid ordinary shares 1,659,796,126 (30 June 2015: 755,486,679 shares)	69,142,533	58,214,171
Fully paid performance shares 20,000,000 (30 June 2015: 20,000,000)	200	200
	69,142,733	58,214,371

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(a) Ordinary shares

The followings movements in ordinary share capital occurred during the year:

Date	Details	Numbers of shares	Issue Price \$	Amount \$
1 July 2015	Opening Balance	755,486,679	Various	58,214,171
5 November 2015	NASDAQ placement	60,000,000	0.06	3,600,000
12 November 2015	Capital raising fees	2,000,000	0.06	120,000
27 November 2015	Issue under US Omnibus Plan	400,000	0.04	14,997
12 April 2016	Entitlement Issue	817,886,679	0.01	8,178,867
28 April 2016	Underwriting fees	16,500,000	0.01	165,000
28 April 2016	Broker commission	3,398,384	0.01	33,984
28 April 2016	Short term loan fees & interest	4,124,384	0.01	41,244
	Capital raising costs	-		(1,225,730)
	Closing Balance	1,659,796,126		69,142,533

(b) Performance shares

Issue Date	Details	Number of Shares	Issue Price	Amount \$	Variation Price
28 November 2013	Share issue to Director pursuant to shareholder approval	20,000,000	\$ 0.00001	200	\$ 0.10

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 17: Issued capital (continued)

A Performance Share Plan was approved by shareholders at MOKO's 2013 Annual General Meeting and involves the issuance of a new class of ordinary shares ("Performance Shares") to eligible participants for their market value assessed by an independent expert and based on the rights and conditions attached to the Performance Shares (the "Issue Price") by means of a payment to the Company of the Issue Price.

Performance Shares remain outstanding for a period equal to earlier of 3 years from the date of original purchase or the occurrence of the relevant Performance Event (such earlier date, the "End Date"). If the Performance Shares have not been 'varied' by the End Date, which can include events such as termination, the VWAP share price hurdle having been met, a takeover offer among others (any such event, a "Variation Event") then the Performance Shares will be redeemed by the Company for their Issue Price. If a Variation Event does occur prior to the End Date, the holder has twelve months from the date of the Variation Event to provide notice and payment (a "Variation Payment") to the Company.

Upon payment of the Variation Payment to the Company, the relevant Performance Shares will rank pari passu all with existing ordinary shares of the Company and trade together in the public market. On the other hand, at no time prior to a Variation Event will the holder be permitted to transfer any Performance Shares, and no dividend or voting rights will attach to any Performance Shares unless and until varied. In the event that the Variation Event does not occur prior or upon to the End Date, the Company will pay the Issue Price that it received from the holder for the applicable Performance Shares and then redeem and cancel those Performance Shares.

No Performance Shares were issued during the year. In the year ended 2014, Mr. McCann was issued 20.0 million Performance Shares at an Issue Price of \$0.00001 per ordinary share with End Date of the third anniversary of issuance, Variation Payment of \$0.10 per ordinary share and the Variation Event being the 90 day VWAP of our ordinary shares exceeding \$0.40 per share. All above performance shares will expire on 28 November 2016.

(c) Options

Options granted

During the year, the Company granted the following options over unissued ordinary shares:

Table A – Options granted over unissued ordinary shares

Class	Grant Date	Expiry Date	Exercise Price	Number of Options
Unlisted Options – Director	1-Oct-15	27-Nov-18	0.15	2,000,000
Unlisted Options – Director	28-Apr-16	28-Apr-18	0.02	1,000,000
Unlisted Options – Director	28-Apr-16	28-Apr-18	0.03	1,000,000
Entitlement Issue	12-Apr-16	12-Apr-17	0.02	408,943,371
Underwriting fees	28-Apr-16	12-Apr-17	0.02	8,250,000
Broker commission	28-Apr-16	12-Apr-17	0.02	1,699,192
Short term loan fees & interest	28-Apr-16	12-Apr-17	0.02	2,062,192
Corporate advisory fees	28-Apr-16	12-Apr-17	0.02	10,000,000
Entitlement Issue	12-Apr-16	12-Apr-19	0.04	408,943,371
Underwriting fees	28-Apr-16	12-Apr-19	0.04	8,250,000
Broker commission	28-Apr-16	12-Apr-19	0.04	1,699,192
Short term loan fees & interest	28-Apr-16	12-Apr-19	0.04	2,062,192
Corporate advisory fees	28-Apr-16	12-Apr-19	0.04	10,000,000
Total				865,909,510

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 17: Issued capital (continued)

Table B - Options granted American Depository Shares (where one ADS = 40 Ordinary shares)

Class	Grant Date	Expiry Date	Exercise Price (per ADS in US\$)	Number granted (in ADSs)	Number granted (in ordinary shares)
Unlisted Options - Employee	19-Sep-15	31-Jul-17	\$ 4.00	20,000	800,000
Unlisted Options - Employee	22-Sep-15	22-Sep-17	\$ 3.00	25,000	1,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-19	\$ 5.35	150,000	6,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-20	\$ 5.35	150,000	6,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-18	\$ 3.55	75,000	3,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-18	\$ 3.55	75,000	3,000,000
Unlisted Options - Director	1-Oct-15	27-Nov-18	\$ 3.55	50,000	2,000,000
Unlisted Options - Director	15-Jan-16	31-Dec-18	\$ 1.14	100,000	4,000,000
Total				645,000	25,800,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Table C – Unissued ordinary shares under option

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Director Options	30-Jul-16	\$ 0.04	5,000,000
Unlisted Options	30-Jul-16	\$ 0.04	5,000,000
Unlisted Employee Options	31-Jul-16	\$ 0.06	500,000
Unlisted Employee Options	31-Jul-16	\$ 0.17	4,250,000
Unlisted Director Options	26-Nov-17	\$ 0.19	7,500,000
Unlisted Director Options	26-Nov-16	\$ 0.19	3,000,000
Unlisted Employee Options	31-Jan-17	\$ 0.20	1,000,000
Unlisted Employee Options	20-Dec-16	\$ 0.20	1,000,000
Unlisted Employee Options	31-Dec-16	\$ 0.17	700,000
Unlisted Employee Options	31-Dec-16	\$ 0.08	750,000
Unlisted Options – Director	27-Nov-18	\$ 0.15	2,000,000
Unlisted Options – Director	28-Apr-18	\$ 0.02	1,000,000
Unlisted Options – Director	28-Apr-18	\$ 0.03	1,000,000
Entitlement Issue	12-Apr-17	\$ 0.02	408,943,371
Underwriting fees	12-Apr-17	\$ 0.02	8,250,000
Broker commission	12-Apr-17	\$ 0.02	1,699,192
Short term loan fees & interest	12-Apr-17	\$ 0.02	2,062,192
Corporate advisory fees	12-Apr-17	\$ 0.02	10,000,000
Entitlement Issue	12-Apr-19	\$ 0.04	408,943,371
Underwriting fees	12-Apr-19	\$ 0.04	8,250,000
Broker commission	12-Apr-19	\$ 0.04	1,699,192
Short term loan fees & interest	12-Apr-19	\$ 0.04	2,062,192
Corporate advisory fees	12-Apr-19	\$ 0.04	10,000,000
Unlisted Options over American Depository Shares (Unlisted ADS Options)	Refer to table D		27,100,000
Total			921,709,510

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 17: Issued capital (continued)

Table D – Unissued Options over American Depositary Shares (where one ADS = 40 Ordinary shares)

Class	Grant Date	Expiry Date	Exercise Price (per ADS in US\$)	Number granted (in ADSs)	Number granted (in ordinary shares)
Unlisted ADS Options	30-Jun-14	31-Dec-16	\$ 6.29	25,000	1,000,000
Unlisted ADS Options	23-Dec-14	3-Dec-16	\$ 4.58	7,500	300,000
Unlisted Options - Employee	19-Sep-15	31-Jul-17	\$ 4.00	20,000	800,000
Unlisted Options - Employee	22-Sep-15	22-Sep-17	\$ 3.00	25,000	1,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-19	\$ 5.35	150,000	6,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-20	\$ 5.35	150,000	6,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-18	\$ 3.55	75,000	3,000,000
Unlisted Options - Director	1-Sep-15	27-Nov-18	\$ 3.55	75,000	3,000,000
Unlisted Options - Director	1-Oct-15	27-Nov-18	\$ 3.55	50,000	2,000,000
Unlisted Options - Director	15-Jan-16	31-Dec-18	\$ 1.14	100,000	4,000,000
Total				677,500	27,100,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

Lapse of options

During or since the end of the financial year, the following options lapsed:

Table E – lapsed options

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options – Other	24-Oct-15	0.155	3,450,000
Unlisted Options – Director	28-Nov-15	0.4	16,000,000
Unlisted Options – Director	28-Nov-15	0.1	6,400,000
Unlisted Options – Other	31-Dec-15	US\$0.15	1,000,000
Unlisted Options – Director	31-Jan-16	0.2	2,000,000
Unlisted Options – Other	30-Jun-16	US\$0.17	250,000
Unlisted Options – Employee	30-Jun-16	US\$0.05	1,000,000
Unlisted Options – Employee	30-Jun-16	US\$0.075	1,000,000
Total			31,100,000

Class	Expiry Date	Exercise Price	Number of ADS*
Unlisted Options - Employee	31-Dec-15	\$ 4.07	25,000
Unlisted Options - Employee	31-Dec-15	\$ 5.55	7,500
Unlisted Options - Employee	30-Jun-16	\$ 7.50	53,000
Unlisted Options - Employee	30-Jun-16	\$ 6.66	2,500
Unlisted Options - Other	30-Jun-16	\$ 4.00	25,000
Total			113,000

* One ADS = 40 Ordinary shares

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 17: Issued capital (continued)

Cancellation of options

During or since the end of the financial year, the following options were cancelled:

Table F – cancelled options

Class	Expiry Date	Exercise Price	Number of ADS*
Unlisted Options - Employee	3-Nov-17	\$ 4.58	7,500
Unlisted Options - Employee	3-Nov-18	\$ 4.58	7,500
Total			15,000

* One ADS = 40 Ordinary shares

Shares issued on the exercise of options

During or since the end of the financial year, Nil option has been exercised.

(d) Capital Management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board are constantly adjusting the capital structure to take advantage of favorable costs of capital or high return on assets. As the market is constantly changing, management may issue new shares, sell assets to reduce debt or consider payment of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. The Consolidated Entity had nil borrowings at 30 June 2016 (2015: nil).

The Consolidated Entity is not subject to any externally imposed capital requirements.

There were no changes in the Consolidated Entity's approach to capital management during the year.

Note 18: Reserves

Foreign currency translation reserve

This reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

This reserve was used to recognise the value of share based payments.

	Consolidated	
	2016 \$	2015 \$
Foreign currency translation reserve		
Balance at beginning of the year	1,967,505	570,172
Currency translation differences	590,423	1,397,333
Balance at the end of the year	2,557,928	1,967,505
Share-based payments reserve		
Balance at beginning of the year	10,246,475	8,420,632
Share-based payments	1,249,075	1,825,843
Balance at the end of the year	11,495,550	10,246,475
TOTAL RESERVES	14,053,478	12,213,980

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 19: Accumulated losses

	Consolidated	
	2016	2015
	\$	\$
Accumulated losses brought forward	(58,942,958)	(38,929,670)
Movement in accumulated losses from changes in non-controlling interest	(269,248)	-
Loss after income tax expenses for the year	(21,457,299)	(20,013,288)
	(80,669,505)	(58,942,958)

Note 20: Share based payments

Below are summaries of the movements of options during the year to key management personnel and employees:

2016	Grant Date	Expiry Date	Exercise Price *	Balance at start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at end of the year **
Director Options	14-Dec-12	30-Jul-16	\$ 0.042	10,000,000	-	-	-	10,000,000
Employee Options	21-Feb-13	31-Jul-16	\$ 0.06	500,000	-	-	-	500,000
Employee Options	13-Sep-13	31-Jul-16	\$ 0.17	3,650,000	-	-	-	3,650,000
Director Options	28-Nov-13	28-Nov-15	\$ 0.40	16,000,000	-	-	(16,000,000)	-
Director Options	28-Nov-13	28-Nov-15	\$ 0.10	6,000,000	-	-	(6,000,000)	-
Employee Options	19-Mar-14	31-Jul-16	\$ 0.17	600,000	-	-	-	600,000
Director Options	5-May-14	28-Nov-15	\$ 0.10	400,000	-	-	(400,000)	-
Director Options	5-May-14	31-Jan-16	\$ 0.20	2,000,000	-	-	(2,000,000)	-
Director Options	26-Nov-14	26-Nov-17	\$ 0.19	7,500,000	-	-	-	7,500,000
Director Options	26-Nov-14	26-Nov-16	\$ 0.19	3,000,000	-	-	-	3,000,000
Employee Options	26-Nov-14	31-Jan-17	\$ 0.20	1,000,000	-	-	-	1,000,000
Employee Options	19-Dec-14	20-Dec-16	\$ 0.20	1,000,000	-	-	-	1,000,000
Employee Options	13-Apr-15	31-Dec-16	\$ 0.17	700,000	-	-	-	700,000
Employee Options	1-May-15	31-Dec-16	\$ 0.08	750,000	-	-	-	750,000
Employee Options	26-Jun-15	30-Jun-16	US\$0.05	1,000,000	-	-	(1,000,000)	-
Employee Options	26-Jun-15	30-Jun-16	US\$0.075	1,000,000	-	-	(1,000,000)	-
Employee Options	22-Dec-14	31-Dec-15	US\$0.15	1,000,000	-	-	(1,000,000)	-
Employee Options	22-Dec-14	30-Jun-16	US\$0.17	250,000	-	-	(250,000)	-
Director Options	1-Oct-15	27-Nov-18	\$ 0.15	-	2,000,000	-	-	2,000,000
Director Options	28-Apr-16	28-Apr-18	\$ 0.02	-	1,000,000	-	-	1,000,000
Director Options	28-Apr-16	28-Apr-18	\$ 0.03	-	1,000,000	-	-	1,000,000
				56,350,000	4,000,000	-	(27,650,000)	32,700,000
Weighted average exercise price				\$ 0.21	\$ 0.09	-	\$ 0.32	\$ 0.13

* Exercise price is in AUD otherwise it is in USD if it is indicated as US\$.

** All above options are exercisable at the end of the financial year 2016 apart from follows

- 1) 7,500,000 director options issued on 26 November 2014, with exercise price \$0.19 and expiry date on 26 November 2017; and
- 2) 1,000,000 options issued on 28 April 2016, with exercise price \$0.03 and expiry date on 28 April 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 20: Share based payments (continued)

2015	Class	Grant Date	Expiry Date	Exercise Price *	Balance at start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at end of the year **
	Director Options	14-Dec-12	30-Jul-16	\$ 0.042	10,000,000	-	-	-	10,000,000
	Employee Options	21-Dec-12	30-Nov-15	\$ 0.10	500,000	-	(500,000)	-	-
	Employee Options	21-Feb-13	30-Jul-16	\$ 0.06	750,000	-	(250,000)	-	500,000
	Employee Options	13-Sep-13	31-Jul-16	\$ 0.17	3,650,000	-	-	-	3,650,000
	Director Options	28-Nov-13	28-Nov-15	\$ 0.40	16,000,000	-	-	-	16,000,000
	Director Options	28-Nov-13	28-Nov-15	\$ 0.10	6,000,000	-	-	-	6,000,000
	Employee Options	19-Mar-14	31-Jul-16	\$ 0.17	600,000	-	-	-	600,000
	Director Options	5-May-14	28-Nov-15	\$ 0.10	400,000	-	-	-	400,000
	Director Options	5-May-14	31-Jan-16	\$ 0.20	2,000,000	-	-	-	2,000,000
	Employee Options	3-Nov-14	31-Dec-14	US\$0.05	-	1,000,000	(1,000,000)	-	-
	Employee Options	3-Nov-14	31-Dec-14	US\$0.10	-	1,000,000	(1,000,000)	-	-
	Employee Options	3-Nov-14	31-Dec-14	US\$0.15	-	1,000,000	-	(1,000,000)	-
	Employee Options	3-Nov-14	30-Jun-16	US\$0.1875	-	1,000,000	-	(1,000,000)	-
	Employee Options	3-Nov-14	31-Dec-14	US\$0.17	-	250,000	-	(250,000)	-
	Director Options	26-Nov-14	26-Nov-17	\$ 0.19	-	7,500,000	-	-	7,500,000
	Director Options	26-Nov-14	26-Nov-16	\$ 0.19	-	5,000,000	-	(2,000,000)	3,000,000
	Employee Options	26-Nov-14	31-Jan-17	\$ 0.196	-	1,000,000	-	-	1,000,000
	Employee Options	19-Dec-14	20-Dec-16	\$ 0.2	-	1,000,000	-	-	1,000,000
	Employee Options	13-Apr-15	31-Dec-16	\$ 0.17	-	700,000	-	-	700,000
	Employee Options	1-May-15	31-Dec-16	\$ 0.075	-	750,000	-	-	750,000
	Employee Options	26-Jun-15	30-Jun-16	US\$0.05	-	1,000,000	-	-	1,000,000
	Employee Options	26-Jun-15	30-Jun-16	US\$0.075	-	1,000,000	-	-	1,000,000
	Employee Options	22-Dec-14	31-Dec-15	US\$0.15	-	1,000,000	-	-	1,000,000
	Employee Options	22-Dec-14	30-Jun-15	US\$0.1875	-	1,000,000	-	(1,000,000)	-
	Employee Options	22-Dec-14	30-Jun-16	US\$0.17	-	250,000	-	-	250,000
					39,900,000	24,450,000	(2,750,000)	(5,250,000)	56,350,000
	Weighted average exercise price				\$ 0.22	\$ 0.18	\$ 0.09	\$ 0.21	\$ 0.21

* Exercise price is in AUD otherwise it is in USD if it is indicated as US\$.

** All above options are exercisable at the end of the financial year 2015 apart from 7,500,000 director options issued on 26 November 2014, with exercise price \$0.19 and expiry date on 26 November 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 20: Share based payments (continued)

The weighted average exercise price of options that are outstanding at the end of the financial year was \$0.13 (2015: \$0.21).

The weighted average remaining contractual life of options outstanding at the end of the financial year 2016 was 8.59 months (2015: 12.11 months).

Options granted over American Depositary Shares (where one ADS = 40 Ordinary shares)

2016	Class	Grant Date	Expiry Date	Exercise Price (per ADS in US\$)	Balance at start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at end of the year
	ADS Options	30-Jun-14	31-Dec-15	\$ 4.07	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	31-Dec-16	\$ 6.29	25,000	-	-	-	25,000
	ADS Options	30-Jun-14	30-Jun-16	\$ 7.50	41,750	-	-	(41,750)	-
	ADS Options	30-Jun-14	30-Jun-16	\$ 6.66	2,500	-	-	(2,500)	-
	ADS Options	30-Jun-14	30-Jun-16	\$ 7.50	11,250	-	-	(11,250)	-
	ADS Options	30-Jun-14	31-Dec-15	\$ 5.55	7,500	-	-	(7,500)	-
	ADS Options	23-Dec-14	3-Dec-16	\$ 4.58	7,500	-	-	-	7,500
	ADS Options	23-Dec-14	3-Nov-17	\$ 4.58	7,500	-	-	(7,500)	-
	ADS Options	23-Dec-14	3-Nov-18	\$ 4.58	7,500	-	-	(7,500)	-
	ADS Options	27-Aug-15	31-Jul-17	\$ 4.00	-	20,000	-	-	20,000
	ADS Options	18-Sep-15	22-Sep-17	\$ 3.00	-	25,000	-	-	25,000
	ADS Options	1-Sep-15	27-Nov-19	\$ 5.35	-	150,000	-	-	150,000
	ADS Options	1-Sep-15	27-Nov-20	\$ 5.35	-	150,000	-	-	150,000
	ADS Options	1-Sep-15	27-Nov-18	\$ 3.55	-	75,000	-	-	75,000
	ADS Options	1-Sep-15	27-Nov-18	\$ 3.55	-	75,000	-	-	75,000
	ADS Options	1-Oct-15	27-Nov-18	\$ 3.55	-	50,000	-	-	50,000
	ADS Options	22-Dec-15	31-Dec-18	\$ 1.14	-	100,000	-	-	100,000
					135,500	645,000	-	(103,000)	677,500
	Weighted average exercise price (US\$)				\$ 6.04	\$ 4.01	-	\$ 6.08	\$ 4.10

All above ADS options are exercisable at the end of the financial year 2016 apart from the following.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 20: Share based payments (continued)

- 1) 150,000 ADS options granted on 1 September 2016, with exercise price US\$5.35 and expiry date on 27 November 2019; and
 2) 150,000 ADS options granted on 1 September 2016, with exercise price US\$5.35 and expiry date on 27 November 2020.

2015	Class	Grant Date	Expiry Date	Exercise Price (per ADS in US\$)	Balance at start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at end of the year *
	ADS Options	30-Jun-14	30-Jun-16	\$ 2.00	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	30-Jun-16	\$ 3.00	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	31-Dec-14	\$ 2.00	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	31-Dec-14	\$ 4.00	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	31-Dec-15	\$ 6.00	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	30-Jun-16	\$ 7.50	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	31-Dec-14	\$ 3.70	5,000	-	-	(5,000)	-
	ADS Options	30-Jun-14	31-Dec-14	\$ 1.85	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	31-Dec-15	\$ 4.07	25,000	-	-	-	25,000
	ADS Options	30-Jun-14	31-Dec-16	\$ 6.29	25,000	-	-	-	25,000
	ADS Options	30-Jun-14	30-Jun-16	\$ 7.50	41,750	-	-	-	41,750
	ADS Options	30-Jun-14	31-Dec-14	\$ 6.29	25,000	-	-	(25,000)	-
	ADS Options	30-Jun-14	30-Jun-16	\$ 6.66	2,500	-	-	-	2,500
	ADS Options	30-Jun-14	30-Jun-16	\$ 7.50	11,250	-	-	-	11,250
	ADS Options	30-Jun-14	30-Jun-16	\$ 6.80	6,250	-	-	(6,250)	-
	ADS Options	30-Jun-14	31-Dec-14	\$ 5.55	7,500	-	-	(7,500)	-
	ADS Options	30-Jun-14	31-Dec-14	\$ 5.55	7,500	-	-	(7,500)	-
	ADS Options	30-Jun-14	31-Dec-15	\$ 5.55	7,500	-	-	-	7,500
	ADS Options	23-Dec-14	1-Nov-17	\$ 5.05	-	6,666	-	(6,666)	-
	ADS Options	23-Dec-14	1-Nov-18	\$ 5.05	-	6,667	-	(6,667)	-
	ADS Options	23-Dec-14	1-Nov-19	\$ 5.05	-	6,667	-	(6,667)	-
	ADS Options	23-Dec-14	3-Dec-16	\$ 4.58	-	7,500	-	-	7,500
	ADS Options	23-Dec-14	3-Nov-17	\$ 4.58	-	7,500	-	-	7,500
	ADS Options	23-Dec-14	03-Nov-18	\$ 4.58	-	7,500	-	-	7,500
					<u>339,250</u>	<u>42,500</u>	<u>-</u>	<u>(246,250)</u>	<u>135,500</u>
	Weighted average exercise price (US\$)				\$ 4.94	\$ 4.80	-	\$ 4.31	\$ 6.04

* All above ADS options are exercisable at the end of the financial year 2015 apart from 15,000 ADS options issued on 23 December 2014, with exercise price \$4.58, expiry date on 3 November 2017 and 3 November 2018 respectively.

The weighted average exercise price of ADS options issued to key management personnel and employees that are outstanding at the end of the financial year was US\$4.10 (2015: US\$6.04).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 35.46 months (2015: 14.38).

For the options granted to the key management personnel and employees during the current financial year, the fair value was measured at grant date using a Black-Scholes model that took account of the terms and conditions upon which the instruments were granted. Expected volatility reflects the historical volatility of the Company's share price over the historical period commensurate with the expected term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 20: Share based payments (continued)

The valuation model inputs used to determine the fair value are as follows:

Options over fully paid ordinary shares for the key management personnel and employees

Grant date	Expiry date	Maximum life	Exercise price \$	Share price at grant date \$	Expected volatility	Risk free interest rate	Tradeable discount
1-Oct-15	27-Nov-18	3	\$ 0.15	\$ 0.11	68.06%	1.84%	20%
28-Apr-16	28-Apr-18	2	\$ 0.02	\$ 0.01	50.83%	1.87%	20%
28-Apr-16 *	28-Apr-18	2	\$ 0.03	\$ 0.01	50.83%	1.87%	20%

*All options were granted for no consideration and vested immediately except for the options expiry date on 28 April 2018.

Options granted over American Depositary Shares (where one ADS = 40 Ordinary shares)

Grant date	Expiry date	Maximum life	Exercise price (US\$)	Share price at grant date (US\$)	Expected volatility	Risk free interest rate	Tradeable discount
27-Aug-15	31-Jul-17	2	\$ 4.00	\$ 3.45	40.16%	0.36%	20%
18-Sep-15	22-Sep-17	2	\$ 3.00	\$ 3.00	39.66%	0.35%	20%
1-Sep-15 **	27-Nov-19	4	\$ 5.35	\$ 3.41	39.98%	1.26%	20%
1-Sep-15 **	27-Nov-20	5	\$ 5.35	\$ 3.41	39.98%	1.49%	20%
1-Sep-15	27-Nov-18	3	\$ 3.55	\$ 3.41	39.98%	1.03%	20%
1-Sep-15	27-Nov-18	3	\$ 3.55	\$ 3.41	39.98%	1.03%	20%
1-Oct-15	27-Nov-18	3	\$ 3.55	\$ 3.10	39.42%	0.92%	20%
22-Dec-15	31-Dec-18	3	\$ 1.14	\$ 0.72	47.76%	1.31%	20%

** All options were granted for no consideration and vested immediately except for the options with exercise price expiry date on 27 November 2019 and 27 November 2020.

Those options granted to key management personnel have been identified in key management personnel disclosures (Note 22) and the Remuneration Report in the Directors' Report. Shareholder approval was obtained for the grants of options to directors on 27 November 2015.

Shares issued as compensation

Performance Shares

No Performance Shares were issued in 2016 (2015: Nil).

American Depositary Shares

In current fiscal year, the following American Depositary Shares were issued to eligible participants of the US Omnibus Plan equity incentive scheme approved by shareholders on 5 May 2014.

- 1) 10,000 ADSs (equivalent to 400,000 ordinary shares) for nil consideration were issued on 27 November 2015

In 2015, the following American Depositary Shares were issued to eligible participants.

- 2) 11,826 ADSs (equivalent to 473,040 ordinary shares) for nil consideration were issued on 13 April 2015
- 3) 6,000 ADSs (equivalent to 240,000 ordinary shares) for nil consideration were issued on 1 May 2015

For details of shares and options issued in lieu of services rendered, refer to issued capital disclosures (Note 17) and non-cash investing and financing activities disclosures (Note 21(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 21: Cash flow information

	Consolidated		
	2016	2015	2014
	\$	\$	\$
(a) Reconciliation of cash flow from operations with loss after income tax			
Loss after income tax expense for the year	(21,541,811)	(20,294,007)	(13,596,459)
Adjustments for:			
Depreciation and amortisation	446,068	1,017,657	1,224,238
Foreign exchange differences	610,504	(429,079)	32,284
Impairment expenses	4,433,361	-	5,144,969
Share based payments and related costs	1,263,528	1,929,265	(383,933)
Loss on disposal of non-current assets	12,656	-	(91,527)
Income from Sale of Business			(109,493)
Changes in operating assets and liabilities:			
Decrease in receivables	462,812	523,579	39,026
Decrease / (Increase) in other assets	690,561	(815,687)	(294,159)
(Decrease) / Increase in trade and other payables	(410,225)	5,651	1,198,886
(Decrease) / Increase in employee benefits	(276,578)	144,338	(264,912)
(Decrease) in current tax	-	(740,880)	461,072
Decrease in deferred tax assets	-	427,719	(427,719)
Net cash used in operating activities	(14,309,124)	(18,231,444)	(7,067,727)

(b) Non-cash investing and financing activities

On 1 October 2014, MOKO completed a business combination by acquiring 80% of the ordinary shares as a controlling interest in Tagroom Pty Ltd ('Tagroom'). In addition to cash, the fair value consideration was settled via \$200,000 in MOKO ordinary shares (1,242,263 shares) priced at the volume-weighted average price of shares traded on the ASX over the 5 trading days up to and including the day before completion on 12 December 2014.

During the year, the Company issued the following ADS (American Depositary Shares) for nil consideration, where one ADS = 40 Ordinary shares. They were issued to eligible participants of the US Omnibus Plan equity incentive scheme approved by shareholders on 5 May 2014.

2016		ADS Price	Number of	Fair Value
Date	Details	(US\$)	ADS	US\$
27 November 2015	Share issued under US Omnibus Plan	\$ 1.08	10,000	10,800

In 2015, the Company issued the following ADS.

2015		ADS Price	Number of	Fair Value
Date	Details	(US\$)	ADS	US\$
13 April 2015	Share issued under US Omnibus Plan	\$ 4.88	7,000	34,160
13 April 2015	Share issued under US Omnibus Plan	\$ 5.18	4,826	25,000
1 May 2015	Share issued under US Omnibus Plan	\$ 5.35	6,000	32,100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 21: Cash flow information (continued)

These transactions are not reflected in the statement of cash flows.

Note 22: Key management personnel disclosures

(a) Directors

The following persons were Directors of MOKO Social Media Limited during the financial year:

Ian Rodwell	-	Chief Executive Officer and Managing Director (resigned 18 February 2016)
Shripal Shah	-	Chief Executive Officer and Managing Director (appointed 16 May 2016)
Greg McCann	-	Non-Executive Chairman
Mark Hauser	-	Non-Executive Director (resigned 24 May 2016)
Jeff White	-	Non-Executive Director (resigned 17 November 2015)
Leo Hindery Jr	-	Non-Executive Director (resigned 14 April 2016)
Diana Rhoten	-	Non-Executive Director (appointed 1 October 2015 and resigned 14 April 2016)
Emma Waldon	-	Non-Executive Director (appointed 1 October 2015)
Edward Bralower	-	Non-Executive Director (appointed 30 June 2016)

(b) Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated		
	2016	2015	2014
	\$	\$	\$
Short-term employee benefits	1,175,479	740,628	551,700
Post-employment benefits	17,749	14,496	36,775
Share based payments - Performance shares	310,074	759,577	493,205
Share based payments - Options	342,233	505,470	2,723,037
	<u>1,845,535</u>	<u>2,020,171</u>	<u>3,804,717</u>

Note 23: Related party transactions

(a) Parent entity

MOKO Social Media Limited is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 22 and the remuneration report filed with the Consolidated Entity's Annual Report in Australia.

(d) Transactions with related parties

The following transactions occurred with related parties:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 23: Related party transactions (continued)

	Consolidated		
	2016	2015	2014
	\$	\$	\$
Amounts recognised as expense			
Company secretarial and accounting ⁽¹⁾	-	56,670	97,793
Office rent ⁽²⁾	1,664	20,047	13,368
Total	1,664	76,717	111,161

(1) Andrew Bursill, the former Company Secretary who resigned on 31 January 2015, is also an associate of Franks & Associates Pty Ltd which provided accounting and Company secretarial services to MOKO Social Media Limited. The contract between MOKO Social Media Limited and Franks & Associates was based on normal commercial terms.

(2) Greg McCann, Non-Executive Chairman, is an associate of Consortio Pty Limited ("Consortio") who leases office space in Sydney to MOKO. The lease agreement between MOKO and Consortio was based on normal commercial terms and terminated on 1 August 2015.

(e) Loans to/from related parties

Loans are made to/by the Parent Entity, MOKO Social Media Limited, to its subsidiaries for capital purchases and working capital purposes. The loans outstanding between the Parent Entity and its subsidiaries have no fixed date of repayment and are non-interest bearing. Details of the Parent Entity's interest in its subsidiaries are set out in Note 25.

	Company		
	2016	2015	2014
	\$	\$	\$
Non-Current			
Loans to / (from) subsidiaries:			
MOKO.mobi Inc ⁽¹⁾	-	12,197,944	(572,875)
Deals I Love (Australia) Pty Ltd ⁽²⁾	-	994,584	535,280
Tagroom Pty Ltd ⁽³⁾	-	280,686	-
Total	-	13,473,214	(157,609)

(1) The outstanding balance to MOKO.mobi Inc is \$21,376,220 as at 30 June 2016. There is no plan for MOKO.mobi Inc to repay the loan in the future. The total amount is unrecoverable and impaired.

(2) MOKO sold Deals I Love (Australia) Pty Ltd ("DIL") to Hedgeabelli Pty Ltd on 30 March 2016. As a condition to the occurrence of Completion, MOKO advanced \$37,500 to DIL as part of the Completion Loan. On the completion date, MOKO released DIL from any outstanding loan balances amounting to \$1,092,084.

(3) Tagroom Pty Ltd ("Tagroom") was discontinued operation in October 2015. MOKO released Tagroom from any outstanding loan balances amounting to \$711,390.

No dividends were received from the subsidiaries in the 2015 or 2016 financial years.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 24: Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent		
	2016	2015	2014
	\$	\$	\$
<i>Statement of profit or loss and other comprehensive income</i>			
Loss after income tax	(36,026,645)	(6,004,302)	(12,914,498)
Total comprehensive income	(36,026,645)	(6,004,302)	(12,914,498)
<i>Statement of financial position</i>			
Total current assets	1,197,872	6,766,544	9,704,387
Total assets	1,805,836	26,864,720	13,051,229
Total current liabilities	463,660	1,639,624	1,627,957
Total liabilities	475,478	1,685,154	1,663,004
<i>Equity</i>			
Issued capital	69,142,733	58,214,371	41,679,662
Reserves	11,495,549	10,246,474	8,420,633
Accumulated losses	(79,307,924)	(43,281,279)	(38,712,070)
Total equity	1,330,358	25,179,566	11,388,225

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 25: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

	Country of incorporation	Entity interest	
		2016	2015
MOKO Mobi Inc	United States of America	100%	100%
MOKO Door Foundation *	United States of America	-	100%
All Night Media Limited *	England	-	100%
Paper Tree Limited	British Virgin Islands	100%	100%
Deals I Love (Australia) Pty Ltd **	Australia	-	51%
Tagroom Pty Ltd	Australia	94.2%	80%

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in Note 1:

* Denotes entities deregistered during the year.

** MOKO sold Deals I Love (Australia) Pty Ltd ("DIL") to Hedgeabelli Pty Ltd on 30 March 2016. As a condition to the occurrence of Completion, MOKO advanced \$37,500 to DIL as part of the Completion Loan. On the completion date, MOKO released DIL from any outstanding loan balances amounting to \$1,092,084.

Summarised financial information

Summarised financial information of the subsidiaries with non-controlling interests that are material to the Consolidated Entity are set out below:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 25: Subsidiaries (continued)

Tagroom Pty Ltd

	2016 *	2015
	\$	\$
Summarised statement of financial position		
Current assets	-	26,926
Non-current assets	-	7,160
Total assets	-	34,086
Current liabilities	-	640,914
Non-current liabilities	-	-
Total liabilities	-	640,914
Net liabilities	-	(606,828)
Summarised statement of profit or loss and other comprehensive income		
Revenue	7,194	43,735
Expenses	(111,757)	(710,992)
Loss before income tax	(104,563)	(667,257)
Income tax expense	-	-
Loss after income tax	(104,563)	(667,257)
Other comprehensive income	-	-
Total comprehensive income	(104,563)	(667,257)
Statement of cash flows		
Net cash used in operating activities	(77,974)	(317,323)
Net cash provided by / (used in) investing activities	5,471	(10,246)
Net cash provided by financing activities	49,833	325,354
Net (decrease) in cash and cash equivalents	(22,670)	(2,215)
Other financial information		
Loss attributable to non-controlling interests	(6,065)	(133,451)
Movement in accumulated losses from changes in non-controlling interest	94,751	-
Accumulated non-controlling interests at the end of reporting period	(44,765)	(133,451)

* MOKO purchased additional 14.2% shareholders from previous Tagroom shareholders and employees on 30 October 2015. MOKO released Tagroom from any outstanding loan balances amounting to \$711,390 after its operation was discontinued from 31 October 2015.

5.8% of Loss during the year (2015: 20%) attributable to Non-controlling interest, 94.2% of Loss during the year (2015: 80%) attributable to the Consolidated entity.

The "Profit and loss" and "Cash flow" for the year ended 2016 was from 1 July 2015 till 31 October 2015 before discontinued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 25: Subsidiaries (continued)

Deals I Love (Australia) Pty Ltd

	2016 *	2015	2014
	\$	\$	
Summarised statement of financial position			
Current assets	-	140,551	136,447
Non-current assets	-	2,485	2,485
Total assets	-	143,036	138,932
Current liabilities	-	1,266,592	961,942
Non-current liabilities	-	-	-
Total liabilities	-	1,266,592	961,942
Net liabilities	-	(1,123,556)	(823,010)
Summarised statement of profit or loss and other comprehensive income			
Revenue	708,314	1,990,291	4,274,571
Expenses	(868,411)	(2,290,837)	(4,527,831)
Loss before income tax	(160,097)	(300,546)	(253,260)
Income tax expense	-	-	-
Loss after income tax	(160,097)	(300,546)	(253,260)
Other comprehensive income	-	-	-
Total comprehensive income	(160,097)	(300,546)	(253,260)
Statement of cash flows			
Net cash used in operating activities	(82,893)	(390,975)	(416,697)
Net cash used in investing activities	(31,724)	-	402,832
Net cash provided by financing activities	97,500	385,000	-
Net (decrease) in cash and cash equivalents	(17,117)	(5,975)	(13,865)
Other financial information			
Loss attributable to non-controlling interests	(78,448)	(147,268)	(124,098)
Movement in accumulated losses from changes in non-controlling interest	349,814	-	-
Accumulated non-controlling interests at the end of reporting period	-	(271,366)	(124,098)

* MOKO sold Deals I Love (Australia) Pty Ltd ("DIL") to Hedgeabelli Pty Ltd on 30 March 2016. As a condition to the occurrence of Completion, MOKO advanced \$37,500 to DIL as part of the Completion Loan. On the completion date, MOKO released DIL from any outstanding loan balances amounting to \$1,092,084.

The "Profit and loss" and "Cash flow" for the year ended 2016 was from 1 July 2015 till 30 March 2016 before sold.

49% of Loss during the period from 1 July 2015 till 30 March 2016 attributable to Non-controlling interest, 51% of Loss during the period attributable to the Consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 26: Earnings per share

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$	(restated) \$	\$
(a) Earnings per share from continuing operations			
Loss after income tax attributable to owners of MOKO Social Media Limited	(20,803,136)	(18,995,935)	(12,954,521)
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	<u>976,674,881</u>	<u>609,883,178</u>	<u>472,906,543</u>
	cents	cents	cents
Basic earnings per share	(2.13)	(3.11)	(2.74)
(b) Earnings per share from discontinued operations			
Loss after income tax attributable to owners of MOKO Social Media Limited	(654,163)	(1,017,353)	(517,840)
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	<u>976,674,881</u>	<u>609,883,178</u>	<u>472,906,543</u>
	cents	cents	
Basic earnings per share	(0.07)	(0.17)	(0.11)
(c) Total Earnings per share from loss			
Loss after income tax attributable to owners of MOKO Social Media Limited	(21,457,299)	(20,013,288)	(13,472,361)
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	<u>976,674,881</u>	<u>609,883,178</u>	<u>472,906,543</u>
	cents	cents	cents
Basic earnings per share	(2.20)	(3.28)	(2.85)

(b) Diluted earnings per share

Options issued to shareholders and related parties are considered to be potential ordinary shares and have been considered in the determination of diluted earnings per share. The calculation of dilutive earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. Diluted earnings per share are therefore not different from basic earnings per share

Note 27: Contingencies

There were no contingent liabilities at 30 June 2016 (2015: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 28: Commitments

Lease commitments - rental

	<u>Consolidated</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	218,203	414,406
One and five years	54,950	563,305
More than five years	-	-
	<u>273,153</u>	<u>977,711</u>

The Consolidated Entity leases its offices in United States of America and Australia. The US lease includes a three-year lease commitment for a New York office until November 2017 and a three-year lease commitment for an office in Alexandria, VA until September 2017.

During the year an amount of \$487,941 (2015: \$453,673) was recognised as an expense in profit or loss in respect of operating rental leases.

Note 29: Events occurring after the statement of financial position date

Sales agreement:

On 16 August 2016, MOKO entered into an asset sales agreement with Competitor Group, Inc. (“CGI”), under which CGI will acquire RunHaven, MOKO’s running website and social media assets for an undisclosed amount.

MOKO and CGI have also entered a marketing alliance in which they will facilitate introductions to each other’s partners to explore potential sponsorship and media opportunities.

Board changes:

On 7 October 2016, MOKO announced that Malcolm James would be appointed as a Non-Executive Chairman effective from 7 October 2016. Mr. James replaces Greg McCann who is retiring as Chairman also effective 7 October 2016. On 7 October 2016, MOKO announced that James Ross would be appointed as Non-Executive Director.

No other matter or circumstance has arisen since 30 June 2016 that has or may significantly affect:

- (a) MOKO Social Media Limited operations in future financial years, or
- (b) The results of those operations in future financial years, or
- (c) MOKO Social Media Limited’s state of affairs in future financial years.

Note 30: Auditor’s remuneration

During the year the following fees were paid or payable for services provided by the auditor:

	<u>Consolidated</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Audit services		
Audit and review of financial reports – BDO	175,680	335,715
F1 review of financial reports – BDO	<u>30,434</u>	<u>23,614</u>
	<u>206,114</u>	<u>359,329</u>

**FIRST AMENDMENT TO AMENDED AND RESTATED
LICENSE AND SERVICES AGREEMENT**

This amendment to the Amended and Restated License and Services Agreement (this "**First Amendment**") is entered into as of August 26, 2016 by and between IMLeagues LLC ("**IML**") and MOKO Social Media Limited ("**MOKO**").

Whereas, IML and MOKO are parties to an Amended and Restated License and Services Agreement dated January 26, 2015 (the "**Agreement**") and desire to enter into this First Amendment to reflect their mutual agreement to modify the Agreement as follows;

Now therefore, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. The Agreement shall be amended such that the remaining bonus payments (for Year 3) to be made by MOKO to IML pursuant to Schedule 1, Item 6, the Renewal Fee to be paid by MOKO to IML for the calendar year 2017 pursuant to Schedule 1, Item 7, and any monthly fees shall be due and payable as follows:
 - (a) By no later than October 1, 2016, the parties will conclusively determine (i) the number of College IML Users for which IML is owed a Year 3 College IML Team Bonus pursuant to Schedule 1, Item 6(a) and (ii) the number Colleges for which IML is owed a Year 3 College Fitness Program Bonus pursuant to Schedule 1, Item 6(b).
 - (b) Within 48 hours of the execution of this First Amendment by both parties, MOKO will pay IML [*****], which amount includes (i) the [*****] retainer due to IML for September pursuant to Schedule 1, Item 3(a) and (ii) an advance of [*****] of the Year 3 bonus monies owed to IML pursuant to Schedule 1, Item 6.
 - (c) On October 1, 2016, MOKO will pay IML, [*****], which amount includes (i) the [*****] retainer due to IML for October pursuant to Schedule 1, Item 3(a) and (ii) an advance of [*****] of the Year 3 bonus monies owed to IML pursuant to Schedule 1, Item 6.
 - (d) On November 1, 2016 MOKO will pay IML [*****], which amount includes (i) the [*****] retainer due to IML for November pursuant to Schedule 1, Item 3(a) and (ii) an advance of [*****] of the Year 3 bonus monies owed to IML pursuant to Schedule 1, Item 6.
 - (e) If MOKO fails to make any of the payments due and owing pursuant to subsections 1(b), 1(c) and 1(d) above within seven (7) days of the date on which such payment is due, the payment obligations shall remain as currently set forth on Schedule 1 to the January 26, 2015 Agreement, and MOKO shall pay the Renewal Fee (as set forth in Schedule 1, Item 7) on or before December 1, 2016.

*** Certain confidential information contained in this document, marked by brackets, has been omitted and filed with the Securities and Exchange Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

- (f) If, and only if, MOKO satisfies the conditions set in Sections 1(b), 1(c) and 1(d) above, IML agrees that MOKO may pay the balance of the bonuses due pursuant to Schedule 1, Item 6 for Year 3, the Renewal Fee for 2017 due pursuant to Schedule 1, Item 7 and the monthly retainers pursuant to the following payment schedule:

<u>Payment Date</u>	<u>Amount of Payment</u>
December 1, 2016	[*****] (of which [*****] is the monthly retainer payment for December and the remainder will be applied first to the payment of the Year 3 bonuses and then to the Renewal Fee)
January 1, 2017	[*****] (of which [*****] is a monthly payment for January and the remainder will be applied first to the payment of the Year 3 bonuses and then to the Renewal Fee)
February 1, 2017	[*****] (of which [*****] is a monthly payment for February and the remainder will be applied first to the payment of Year 3 bonuses and then to the Renewal Fee)
March 1, 2017	[*****] (of which [*****] is a monthly payment for March and the remainder will be applied first to any remaining payment of Year 3 bonuses (if any) and then to the Renewal Fee)
April 1, 2017	Amount equal to (x) [*****], plus the total amount of the bonuses due pursuant to Schedule 1, Item 6, plus [*****] minus (y) [*****]

- (g) If MOKO fails to make the December 1, 2016 or January 1, 2017 payments within seven (7) days of the date such payment is due, IML may, without notice or demand, declare all unpaid amounts owed under the Agreement, as amended by this First Amendment, immediately due and payable. If MOKO fails to make the February 1, 2017, March 1, 2017, or April 1, 2017 payments on or before the date such payment is due, IML may, without notice or demand, declare all unpaid amounts owed under the Agreement as amended by this First Amendment immediately due and payable.

*** Certain confidential information contained in this document, marked by brackets, has been omitted and filed with the Securities and Exchange Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

(h) For the avoidance of doubt, the parties agree that payments due and owing pursuant to this Section 1 are subject only to the cure periods (if any) set forth in this Section 1, and the cure periods set forth in Section 10 of the Agreement shall not apply to the payments to be made pursuant to this Section 1.

2. Section 2.4.1 of the Agreement shall be amended and restated as follows:

2.4.1. Subject to Section 2.4.2 below, this Agreement shall automatically renew for additional one (1) year terms (which shall start January 1 and end December 31) (each, a **Renewal Term**) unless MOKO provides IML written notice of MOKO's intention not to renew at least 120 days before the expiration of a Renewal Term (the **Renewal Notice Date**); provided, however, that in order for the Agreement to renew as described herein, MOKO must (i) not be in material breach of the Agreement, and (ii) pay to IML for each Renewal Term the greater of (A) the Renewal Fee for such year as provided in Schedule 1 Item 7 (the **Renewal Fee**), or (B) a [*****] percent ([*****] %) share of the Net Revenue earned by REC*IT during such Renewal Term (the **Revenue Share**). For purposes of this Agreement, **Net Revenue** means the net Revenue of REC*IT related to College Activities as determined in accordance with U.S. Generally Accepted Accounting Principals. If MOKO chooses to renew, then MOKO shall pay the Renewal Fee to IML thirty (30) days in advance of such Renewal Term. If, at the conclusion of such Renewal Term, the Revenue Share exceeds the Renewal Fee, then MOKO shall pay to IML the difference between the Revenue Share and the Renewal Fee within thirty (30) days of the end of that Renewal Term. MOKO will provide to IML a Net Revenue report with each Revenue Share payment.

3. Section 10.1.1 of the Agreement shall be amended and restated as follows:

10.1.1 immediately upon the provision of written notice to the other Party if said Party is in material breach of any of its non-payment obligations under this Agreement which is not remediable, or if remediable, it has failed to remedy within thirty (30) Business Days of written notice requiring it to do so (a "**Termination for Breach**").

4. A new Section 10.1.3 shall be added to the Agreement, as follows:

10.1.3 immediately upon the provision of written notice to the other party if said party has breached any of its payment obligations (following any applicable cure period) under this Agreement, including any Amendments hereto (also a **Termination for Breach**).

5. Payment shall be deemed to have been made on the date that MOKO initiates a wire transfer for such payment. All references to currency, monetary values and dollars set forth herein or in the Agreement shall mean United States (U.S.) dollars and all payments hereunder shall be made in United States dollars.

6. The capitalized terms used in this First Amendment shall have the meaning set forth in the Agreement unless specifically defined in this First Amendment.

*** Certain confidential information contained in this document, marked by brackets, has been omitted and filed with the Securities and Exchange Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

7. This First Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same Agreement.
8. Except as hereby amended, the Agreement remains in full force and effect. From and after the date hereof, any reference to the Agreement shall refer to the Agreement as amended hereby. If there is any conflict between the provisions of the Agreement and this First Amendment, the provisions of this First Amendment shall control.

[signatures on next page]

* * *

*** Certain confidential information contained in this document, marked by brackets, has been omitted and filed with the Securities and Exchange Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date written above.

EXECUTED by

IMLEAGUES, LLC

/s/ Douglas Myers

Douglas Myers
Name (Please Print)

Co-Founder
Title (Please Print)

EXECUTED by

MOKO SOCIAL MEDIA LIMITED

/s/ Shripal Shah

Shripal Shah
Name (Please Print)

CEO & Managing Director

*** Certain confidential information contained in this document, marked by brackets, has been omitted and filed with the Securities and Exchange Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

Subsidiaries of MOKO Social Media Limited

MOKO.Mobi, Inc.

Jurisdiction of Incorporation

California, USA

Certification Pursuant to Rule 13a-14(a) of the Exchange Act

I, Shripal Shah, certify that:

1. I have reviewed this annual report on Form 20-F of MOKO Social Media Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 31, 2016

By: /s/ Shripal Shah
Name: Shripal Shah
Title: Chief Executive Officer
(Principal Executive Officer)

Certification Pursuant to Rule 13a-14(a) of the Exchange Act

I, Emma Waldon, certify that:

1. I have reviewed this annual report on Form 20-F of MOKO Social Media Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 31, 2016

By: /s/ Emma Waldon
Name: Emma Waldon
Title: Director and Company Secretary
(Principal Financial and Accounting Officer)

Certification Pursuant to 18 U.S.C. Section 1350

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of MOKO Social Media Limited (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended June 30, 2016 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

MOKO SOCIAL MEDIA LIMITED

October 31, 2016

By: /s/ Shripal Shah
Name: Shripal Shah
Title: Chief Executive Officer
(Principal Executive Officer)

October 31, 2016

By: /s/ Emma Waldon
Name: Emma Waldon
Title: Director and Company Secretary
(Principal Financial and Accounting Officer)
