

Haodex Ltd

ACN 623 392 325

Financial Statements

For the Year Ended 30 June 2019

Haodex Ltd

ACN 623 392 325

Contents

For the Year Ended 30 June 2019

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Directors' Report

30 June 2019

The directors present their report, together with the financial statements of the Group, being the Group and its controlled entities, for the financial year ended 30 June 2019.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Frank Huang

Bin Chen

Anne Huang

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities and review of operations

The following significant changes in the nature of the principal activities occurred during the financial year:

- The Group previously offered a trading platform for the sale and purchase of its own digital currency, DIGC. The Group no longer offers this service, however sells the software underlying this platform as a service to an alternate entity.
- The Group acquired a majority interest in subsidiary Monkey King Australia Pty Ltd, which offers a platform for daigou to purchase Australian products.
- The Group has invested in technology which offers a platform to buy and sell accommodation throughout China.

2. Operating results and review of operations for the year

Operating results

The consolidated profit of the Group amounted to \$1,014,168 (2018: \$(273,862)).

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Directors' Report

30 June 2019

3. Other items (continued)

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental matters

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Frank Huang	12	12
Bin Chen	12	10
Anne Huang	12	12

Indemnification and insurance of officers and auditors


No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Haodex Ltd.

Proceedings on behalf of company

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2019 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director  Frank Huang

Dated 11 September 2019

ROTHSAY

Audit & Assurance Pty Ltd

HAODEX LTD

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

As lead auditor for the audit of Haodex Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Haodex Ltd and the entity it controlled during the year.

Rothsay Audit & Assurance Pty Ltd



Daniel Dalla
Director

Sydney, 11 September 2019

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	4	3,430,738	225,384
Raw materials and consumables used		(158,260)	-
Depreciation and amortisation expense		(297,564)	(38,352)
Employee benefits expense		(555,624)	(59,549)
Finance costs		(9,106)	-
Other expenses		(1,027,276)	(427,961)
Profit (loss) before income tax		1,382,908	(300,478)
Income tax (expense) benefit	5	(368,740)	26,616
Profit (loss) for the year		1,014,168	(273,862)
Other comprehensive income, net of income tax			
Revaluation of digital currencies, net of tax		-	9,074,238
Derecognition of digital currencies		(9,074,238)	-
Other comprehensive income (loss) for the year, net of tax		(9,074,238)	9,074,238
Total comprehensive income (loss) for the year		(8,060,070)	8,800,376
Profit attributable to:			
Members of the parent entity		1,020,302	(273,862)
Non-controlling interest		(6,134)	-
		1,014,168	(273,862)
Total comprehensive income attributable to:			
Members of the parent entity		(8,053,936)	8,800,376
Non-controlling interest		(6,134)	-
		(8,060,070)	8,800,376

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	680,444	376,269
Trade and other receivables	7	408,548	-
Inventories		14,799	-
Other assets	11	1,037,521	31
TOTAL CURRENT ASSETS		2,141,312	376,300
NON-CURRENT ASSETS			
Plant and equipment	8	165,343	-
Intangible assets	9	1,842,825	311,612
Digital currencies	10	-	12,582,474
Deferred tax assets	13	15,362	40,509
Other assets	11	882,135	7,838
TOTAL NON-CURRENT ASSETS		2,905,665	12,942,433
TOTAL ASSETS		5,046,977	13,318,733
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	901,881	83,991
Borrowings	14	158,004	-
Current tax liabilities		357,485	-
Employee entitlements	15	34,853	2,407
TOTAL CURRENT LIABILITIES		1,452,223	86,398
NON-CURRENT LIABILITIES			
Trade and other payables	12	263,170	-
Deferred tax liabilities	13	-	3,455,846
TOTAL NON-CURRENT LIABILITIES		263,170	3,455,846
TOTAL LIABILITIES		1,715,393	3,542,244
NET ASSETS		3,331,584	9,776,489
EQUITY			
Issued capital	16	2,217,862	773,178
Reserves	17	202,935	9,277,173
Retained earnings		746,440	(273,862)
Non-controlling interest		164,347	-
TOTAL EQUITY		3,331,584	9,776,489

The accompanying notes form part of these financial statements.

Haodex Ltd

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Statement of Changes in Equity

For the Year Ended 30 June 2019

	Issued Capital \$	Retained Earnings \$	Share Based Payment Reserve \$	Digital Currency Revaluation Reserve \$	Non-controlling Interests \$	Total \$
Balance at 1 July 2018	773,178	(273,862)	202,935	9,074,238	-	9,776,489
Profit for the year	-	1,020,302	-	-	(6,134)	1,014,168
Total other comprehensive income for the year	-	-	-	(9,074,238)	-	(9,074,238)
Transactions with owners in their capacity as owners						
Issue of shares	1,444,684	-	-	-	-	1,444,684
Minority interest of equity in subsidiary at acquisition	-	-	-	-	170,481	170,481
Balance at 30 June 2019	2,217,862	746,440	202,935	-	164,347	3,331,584

	Issued Capital \$	Retained Earnings \$	Share Based Payment Reserve \$	Digital Currency Revaluation Reserve \$	Non-controlling Interests \$	Total \$
Balance at Incorporation	-	-	-	-	-	-
Loss for the period	-	(273,862)	-	-	-	(273,862)
Total other comprehensive income for the year	-	-	-	9,074,238	-	9,074,238
Transactions with owners in their capacity as owners						
Issue of shares	773,178	-	202,935	-	-	976,113
Balance at 30 June 2018	773,178	(273,862)	202,935	9,074,238	-	9,776,489

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2019

		2019	2018
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		3,019,909	174,785
Payments to suppliers and employees		(2,555,050)	(206,046)
Interest received		2,281	76
Interest paid		(8,296)	-
Net cash provided by/(used in) operating activities	18	458,844	(31,185)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Excess of cash acquired in acquisition of subsidiary		129,823	-
Purchase of intangible assets		(1,623,254)	(349,964)
Purchase of digital currency		-	(15,760)
Net cash used in investing activities		(1,493,431)	(365,724)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		1,444,684	773,178
Payment of lease liabilities		(105,922)	-
Net cash provided by financing activities		1,338,762	773,178
Net increase in cash and cash equivalents held		304,175	376,269
Cash and cash equivalents at beginning of the year		376,269	-
Cash and cash equivalents at the end of the year	6	680,444	376,269

Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial report covers Haodex Ltd and its controlled entities ('the Group'). Haodex Ltd is a for-profit Group limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 11 September 2019.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

Details of the controlled entity is contained in Note 19 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies (continued)

(b) Business combinations (continued)

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(c) Revenue and other income

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

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

Revenue from contracts with customers

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Commission revenue

Commission revenue is received when digital currencies are traded between customers on the Company's exchange or when a customer withdraws digital currencies from the Company's exchange. These transactions are real-time and the revenue is recognised when the transaction has occurred.

Interest revenue

Interest is recognised using the effective interest method.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies (continued)

(c) Revenue and other income (continued)

Other income

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

(d) Leases

When the Group enters into a lease a right of use asset representing its right to use the underlying leased asset and a lease liability representing the present value of its obligation to make lease payments is recognised. The related expense is recorded as depreciation, on the right of use asset, and interest expense, on the lease liability.

(e) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

(f) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies (continued)

(f) Income Tax (continued)

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(h) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less allowance for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss ("ECL").

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, other loans and lease liabilities.

(i) Digital Currencies

In determining the most appropriate accounting policy the directors have considered the guidance in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* which allows, in the absence of an Australian Accounting Standard that specifically applies to a transaction, event or condition, an entity to use its judgement in developing an accounting policy that is relevant to the economic decision-making needs of the users; and is reliable.

The directors have considered publications by standard setters, industry experts and accounting policies of publicly traded entities and consider the most appropriate method is to treat digital currencies in the same way as an intangible asset with any revaluation increments to be recorded in other comprehensive income and recorded in a reserve within equity. The directors also consider that categorising this asset as a separate line on the statement of financial position will provide the users with the most meaningful information.

Consequently, the Company recognises digital currencies separately in the statement of financial position at fair value with changes in fair value recognised in other comprehensive income, net of tax, and included within equity in the digital currency revaluation reserve.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies (continued)

(j) Intangibles

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of five years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is any evidence of an impairment indicator for non-financial assets. Where an indicator exists the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(l) Employee benefits

A liability is recognised for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(m) Equity-settled compensation

The Group provides equity-settled share-based payments to employees and third parties. The fair value of the equity granted is measured at grant date and recognised as an expense with a corresponding increase to the share-based payment reserve.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies (continued)

(n) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

(o) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards that have mandatory application dates for future reporting periods. The Group has decided early adopted AASB 16 *Leases*. This has resulted in a right of use asset being recognised in plant and equipment and a lease liability recognised. The directors consider that other standards issued not yet effect will not have a material impact on the financial report of the Group.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - Digital Currency Assets

The Group assesses fair value of digital currency assets with reference to the value that the digital currencies trade on the Haodex exchange and after applying a discount to take into account illiquid trading volumes and the depth of the market. The directors consider that the Haodex exchange has sufficient volume to be considered an active market, however consider a discount necessary to take into account the liquidity and depth of the market

4 Revenue and Other Income

	2019	2018
	\$	\$
- sale of goods	297,252	-
- provision of services	3,131,205	225,308
	3,428,457	225,308
- interest received	2,281	76
	3,430,738	225,384

Notes to the Financial Statements

For the Year Ended 30 June 2019

5 Income Tax Expense

Reconciliation of income tax to accounting profit:

	2019	2018
	\$	\$
Profit	1,382,908	(300,478)
Tax	27.50%	27.50%
	<u>380,300</u>	<u>(82,631)</u>
Add:		
Tax effect of:		
- other non-allowable items	(13,892)	208
- share-based payments expensed during year	2,332	55,807
Income tax expense	<u>368,740</u>	<u>(26,616)</u>

6 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash at bank and in hand	680,444	376,269
	<u>680,444</u>	<u>376,269</u>

7 Trade and Other Receivables

	2019	2018
	\$	\$
CURRENT		
Receivable from agent	398,509	-
Other receivables	10,039	-
	<u>408,548</u>	<u>-</u>

8 Plant and Equipment

	2019	2018
	\$	\$
Right of use asset		
At cost	263,926	-
Accumulated depreciation	(98,583)	-
	<u>165,343</u>	<u>-</u>

9 Intangible Assets

	2019	2018
	\$	\$
Computer software		
At cost	2,080,158	349,964
Accumulated amortisation and impairment	(237,333)	(38,352)
	<u>1,842,825</u>	<u>311,612</u>

Notes to the Financial Statements

For the Year Ended 30 June 2019

9 Intangible Assets (continued)

Movements in carrying amounts of intangible assets

	Computer software \$	Total \$
Year ended 30 June 2019		
Balance at the beginning of the year	311,612	311,612
Additions	1,730,194	1,730,194
Amortisation	(198,981)	(198,981)
Closing value at 30 June 2019	1,842,825	1,842,825

10 Digital Currencies

	2019 \$	2018 \$
Fair value of DIGC	-	12,569,897
Fair value of other digital currencies	-	12,577
	-	12,582,474

11 Other Assets

	2019 \$	2018 \$
CURRENT		
Prepayments	1,037,521	31
	1,037,521	31
NON-CURRENT		
Prepayments	882,135	-
Deposits	-	7,838
	882,135	7,838

12 Trade and Other Payables

	2019 \$	2018 \$
CURRENT		
Trade payables	5,768	-
Other payables	415,224	13,907
Payable to shareholders	480,889	70,084
	901,881	83,991

Notes to the Financial Statements

For the Year Ended 30 June 2019

12 Trade and Other Payables (continued)

Payables to shareholders are short-term, interest free and are unsecured.

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

	2019 \$	2018 \$
Non-Current		
Payable to shareholder	263,170	-
	<u>263,170</u>	<u>-</u>

The non-current payable to shareholder is interest free and is due to be repaid by 8 May 2022.

13 Tax assets and liabilities

	Opening Balance \$	Charged to Income \$	Closing Balance \$
Deferred tax assets			
Employee entitlements	-	1,745	1,745
Deferred tax assets attributable to tax losses	-	38,764	38,764
Balance at 30 June 2018	-	40,509	40,509
Employee entitlements	1,745	13,617	15,362
Deferred tax assets attributable to tax losses	38,764	(38,764)	-
Balance at 30 June 2019	40,509	(25,147)	15,362
	Opening Balance \$	Charged to Income \$	Closing Balance \$
Deferred tax liabilities			
Revaluation of digital currencies	-	3,455,846	3,455,846
Balance at 30 June 2018	-	3,455,846	3,455,846
Revaluation of digital currencies	3,455,846	(3,455,846)	-
Balance at 30 June 2019	3,455,846	(3,455,846)	-

14 Borrowings

	2019 \$	2018 \$
CURRENT		
Lease liability	158,004	-
	<u>158,004</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2019

15 Employee Entitlements

	2019	2018
	\$	\$
CURRENT		
Employee entitlements	34,853	2,407
	<u>34,853</u>	<u>2,407</u>

16 Issued Capital

	2019	2018
	\$	\$
50,000 (2018: 49,837) Ordinary shares	2,217,862	773,178
	<u>2,217,862</u>	<u>773,178</u>

Capital Management

The key objectives of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Group defines capital as its equity and net debt.

The Group manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk.

17 Reserves

	2019	2018
	\$	\$
Share Based Payment Reserve		
Opening balance	202,935	202,935
	<u>202,935</u>	<u>202,935</u>
Digital Currency Revaluation Reserve		
Opening balance	9,074,238	-
Revaluation of digital currencies	-	9,074,238
Derecognition of digital currencies	(9,074,238)	-
	<u>-</u>	<u>9,074,238</u>
	<u>202,935</u>	<u>9,277,173</u>

Share based payment reserve

Share based payments comprise ordinary shares issued to employees and to third parties for services performed for the Company. The value was determined with reference to the average paid-up amounts on capital raisings throughout the period as it was not possible to reliably estimate the fair value of the services received due to the unique nature of the services provided. The shares granted vested on issue.

Notes to the Financial Statements

For the Year Ended 30 June 2019

18 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2019	2018
	\$	\$
Profit for the year	1,014,168	(273,862)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	297,564	38,352
- consideration received in digital currency	-	(50,523)
- share based payments recorded as an expense	-	202,935
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(408,548)	-
- (increase)/decrease in other assets	(1,911,787)	(7,869)
- (increase)/decrease in inventories	(14,799)	-
- increase/(decrease) in trade and other payables	1,081,060	83,991
- increase/(decrease) in income taxes	368,740	(26,616)
- increase/(decrease) in employee entitlements	32,446	2,407
Cashflows from operations	<u>458,844</u>	<u>(31,185)</u>

19 Interests in Subsidiaries

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 2019	Percentage Owned (%) [*] 2018
Subsidiaries:			
Monkey King Australia Pty Ltd	Australia	78	-

^{*}The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Notes to the Financial Statements

For the Year Ended 30 June 2019

19 Interests in Subsidiaries (continued)

On 1 January 2019, the parent Company acquired a 78% interest of Monkey King Australia Pty Ltd and resulted in Haodex Ltd obtaining control of Monkey King Australia Pty Ltd.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value \$
Purchase consideration:	
- Cash	32,524
- Consideration by way of services provided	90,317
Total purchase consideration	122,841
Assets or liabilities acquired:	
Cash	162,347
Trade and other receivables	16,656
Inventories	3,557
Trade payables	(24,464)
Total net identifiable assets	158,096
Less: non-controlling interests	(35,255)
Identifiable assets acquired and liabilities assumed	122,841
Consideration	122,841
Less: Identifiable assets acquired	122,841
Goodwill	-

20 Financial and Digital Currency Risk Management

The Group is exposed to financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The financial risks to which the Group is exposed to are noted below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk.

The key risks faced by the Company is market risk, primarily foreign currency risk.

Notes to the Financial Statements

For the Year Ended 30 June 2019

20 Financial and Digital Currency Risk Management (continued)

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Board of Directors design and implement processes which follow the objectives and policies. This includes monitoring the levels of exposure to foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

Mitigation strategies for most significant risk faced by the Company is described below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates.

At year end there is no material exposure to foreign currency risk.

(ii) Price risk - Digital Currency

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of digital currencies held.

At year end there is no material exposure to price risk.

Notes to the Financial Statements

For the Year Ended 30 June 2019

21 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

	2019	2018
	\$	\$
Short-term employee benefits	117,692	28,924
Post-employment benefits	40,000	2,748
	157,692	31,672

22 Auditors' Remuneration

	2019	2018
	\$	\$
Remuneration of the auditor Rothsay Audit & Assurance Pty Ltd, and its related entities, for:		
- auditing or reviewing the financial statements	28,000	20,000
- other services	-	-
Total	28,000	20,000

23 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2019. At 30 June 2018, the Group held digital currency on behalf of its customers. At 30 June 2018 the Company held \$4,247,244 on behalf of its customers.

24 Events Occurring After the Reporting Date

The financial report was authorised for issue on 11 September 2019 by the board of directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

25 Parent entity

The following information has been extracted from the books and records of the parent, Haodex Ltd, and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Haodex Ltd, has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity.

Notes to the Financial Statements

For the Year Ended 30 June 2019

25 Parent entity (continued)

	2019 \$	2018 \$
Statement of Financial Position		
Assets		
Current assets	2,565,025	376,300
Non-current assets	1,830,795	12,942,433
Total Assets	<u>4,395,820</u>	<u>13,318,733</u>
Liabilities		
Current liabilities	1,207,213	86,398
Non-current liabilities	-	3,455,846
Total Liabilities	<u>1,207,213</u>	<u>3,542,244</u>
Equity		
Issued capital	2,217,862	773,178
Retained earnings	767,810	(273,862)
Share based payments	202,935	202,935
Digital currency revaluation reserve	-	9,074,238
Total Equity	<u>3,188,607</u>	<u>9,776,489</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total profit (loss) for the year	1,041,672	(273,862)
Other comprehensive income (loss)	(9,074,238)	9,074,238
Total comprehensive income (loss)	<u>(8,032,566)</u>	<u>8,800,376</u>

25 Statutory Information

The registered office of the company is:

Haodex Ltd
Unit 102A
96-98 Beamish Street
Campsie NSW 2194

The principal place of business is:

Level 5
88 Pitt Street
Sydney NSW 2000

Directors' Declaration

The directors of the Group declare that:

1. the financial statements and notes for the year ended 30 June 2019:
 - a. complies with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 

Frank Huang

Dated 11 September 2019

HAODEX LTD

INDEPENDENT AUDITOR'S REPORT

To the members of Haodex Ltd:

Opinion

We have audited the financial report of Haodex Ltd (the "Company") and its controlled entity ("the Group"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



HAODEX LTD

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter - Business Combination	How our Audit Addressed the Key Audit Matter
<p>During the year the Company acquired a 78% interest in an entity, Monkey King Australia Pty Ltd, on 1 January 2019.</p> <p>This transaction falls under the scope of AASB 3 Business Combinations, which requires significant management judgement in determining the fair value of assets acquired, including intangible assets which are inherently judgemental, and as such it was considered to be a key audit matter.</p>	<p>We considered the treatment of the acquisition and the nature of the assets and liabilities acquired as part of the acquisition accounting.</p> <p>We reviewed the disclosures in the financial report to ensure that disclosures presented fairly details of the acquisition.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Directors for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards to the extent described in Note 1 to the financial statements and for such internal control as the management determines is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



HAODEX LTD

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



HAODEX LTD

INDEPENDENT AUDITOR'S REPORT (continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Rothsay Audit & Assurance Pty Ltd

Daniel Dalla
Director

Sydney, 11 September 2019