

# APPENDIX 4D

## Half year report

Name of entity

**MOKO SOCIAL MEDIA LIMITED**

### 1. Details of the reporting period

Current period	1 July 2013 – 31 December 2013
Previous Corresponding period	1 July 2012 – 31 December 2012

### 2. Results for announcement to the market

	Movement			\$
Revenue from continuing operations	up	10%	to	\$4,166,343
(Loss) from ordinary activities after tax attributable to members	up	68%	to	(\$5,134,240)
(Loss) for the period attributable to members	up	68%	to	(\$5,134,240)
Basic EPS (cents)	down	9%	to	(1.17)

### 3. Net asset backing per security

	31 Dec 2013 in Cents	30 Jun 2013 In Cents
Net tangible assets per ordinary share	0.65	(0.41)
Net assets per ordinary share	1.61	0.77

### 4. Control gained or lost over entities during the period

4.1 Name of entity over which control was gained	Deals I Love (Australia) Pty Ltd
4.2 Date control was gained	1 July 2013
4.3 Controlled interest	51%
4.4 Consolidated profit (loss) from ordinary activities after tax of controlled entity	(199,793)

**5. Details of dividends/distribution**

No dividends were paid or declared since the start of the financial year and no recommendations for the payments of dividends have been made.

**6. Details of dividend reinvestment plans in operation**

The company does not have a dividend/distribution reinvestment plan.

**7. Details of associates and joint ventures**

There were no associates or joint venture entities as at the date of this report.

**8. Segment information**

The company and its controlled subsidiaries operate in four business segments being Mobile advertising, Mobile social, Mobile contents and Mobile commerce; and four geographic segments being Australia, Europe, Asia and the Americas.

**9. Foreign Accounting Standards**

The company and its foreign subsidiaries report under International Financial Reporting Standards.

**10. Audit Alert**

N/A



# **MOKO SOCIAL MEDIA LIMITED**

ABN 35 111 082 485

## **Interim Report For the half year ended 31 December 2013**



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## Corporate directory

Directors	Ian Rodwell Greg McCann Peter Yates Johannes de Back Mark Hauser	<ul style="list-style-type: none"><li>- Managing Director and Chief Executive Officer</li><li>- Non-Executive Chairman</li><li>- Non-Executive Director</li><li>- Non-Executive Director</li><li>- Non-Executive Director</li></ul>
Company secretary	Andrew Bursill	
Registered office	Suite 4, Level 9, 341 George Street, SYDNEY NSW 2000 Telephone (02) 9299 9690 Fax (02) 9299 9629	
Principal place of business	Australia: Suite 5, Level 1, 442-446 Beaufort Street, HIGHGATE WA 6003 Telephone +61 (08) 9227 7100 Fax +61 (08) 9227 7100	United States of America: 200 Park Avenue South, Suite 1301 New York, New York 10003 Telephone +1 (212) 461 4646
Share registry	Link Market Services Limited, Level 9, 333 Collins Street, Melbourne VIC 3000	
Auditor	BDO Level 11, 1 Margaret Street, Sydney NSW 2000	
Solicitor	Addisons Lawyers Level 12, 60 Carrington Street, Sydney NSW 2000	
Bankers	National Australia Bank 105 Miller Street, North Sydney NSW 2060	
ASX code	MKB	
Listed on the ASX	27 June 2007	
Internet address	<a href="http://mokosocialmedia.com">http://mokosocialmedia.com</a>	



## **Directors' report**

The directors present their report together with the financial statements, on MOKO Social Media Limited (the **Company**) and its controlled entities (the **Consolidated Entity "MOKO"**), for the half-year ended 31 December 2013. The directors report as follows:

### **Directors**

The following persons were directors of MOKO Social Media Limited during the whole of the half year and up to the date of this report, unless otherwise noted:

Ian Rodwell	-	Chief Executive Officer and Managing Director
Greg McCann	-	Non-Executive Chairman
Johannes de Back	-	Non-Executive Director
Peter Yates	-	Non-Executive Director
Mark Hauser	-	Non-Executive Director (joined 1 <sup>st</sup> February, 2014)

### **Principal activities**

During the year the principal continuing activity of the Consolidated Entity was mobile internet platform developments for large target interest groups in the USA and advancing plans to commercialise via customised mobile social advertising.

### **Operating and Financial Review**

#### **Revenue**

The 2013 revenue from continuing operations was up 10% to \$4,166,343 from 2012 and was earned from a broader base of operating segments.

Mobile Commerce contributed strongly, at \$2,712,696, as a result of the Deals I Love (Australia) Pty Limited acquisition on 1 July 2013 (2012: nil). Sales volumes and average revenue per user grew via diversified marketing channels and product range.

Mobile Advertising revenue was \$1,083,332 (2012: \$2,889,815). The decrease reflected dampening market conditions for the historical business activities of OfferMobi (OM) and also a deliberate re-positioning by the Board to focus OM as a service provider to Customized Mobile Social Advertising projects such as REC\*IT, Run-Haven and Blue Street Review, which remain in development and have not yet monetised.

Mobile Social decreased its revenue to \$401,260 (2012: \$676,195) given its decreasing focus within the Group activities.

The Mobile Content segment did not operate during the period, although a minor negative revenue adjustment of (\$30,945) was recognised after the sale and cessation of MOKO's UK operations in the fourth quarter the June 30, 2013 financial year (2012: \$220,262).

Other income and revenue was up to \$259,493 (2012: Nil) and comprises \$150,000 of government grant revenue for Mobile Social and \$109,493 proceeds and gain from the sale of a Mobile Social business, M-Buzzy in August 2013. The fair value gain on deferred consideration of \$383,933 (2012: nil) relates to an early settlement write-back of a deferred acquisition liability for OfferMobi, the Mobile Advertising business MOKO acquired in August 2012.

Group revenues are expected to increase upon commercialization of the Customized Mobile Social Advertising projects such as REC\*IT, Run-Haven and Blue Street Review towards the end of 2014 and early 2015.

#### **Loss**

Cost of providing services was up 36% to \$3,473,028 from 2012, reflecting the increase in revenue and different operating segment contributions. Of note, cost of services for the period includes license fees for exclusive access to the IM Leagues platform for REC\*IT of \$560,094 (2012: nil) for which revenues have not been earned during the period.

Selling, general and administration (SG&A) expenses were up 121% to \$7,237,200 from 2012, reflecting increases in legal and professional fees of \$745,981 which predominantly related to increased activity in the USA around the NASDAQ filing and the grow out of REC\*IT, and in share based payments, which were up by \$2,806,017 to \$3,078,861 and related mostly to variable remuneration for Directors of \$2,688,637 (including Mr. Hauser's compensation for services rendered as a consultant, due to his Board appointment on February, 1<sup>st</sup> 2014), as \$114,723. The increase in Director compensation is deemed commensurate with MOKO's business successes including particularly the grow out of the Customized Mobile Social Advertising projects of REC\*IT, Run-Haven and Blue Street Review and the ongoing progression of the corporate agenda in the United States of America. Pleasingly, these successes were reflected in MOKO's share price appreciation in the period.



## MOKO Social Media Limited For the half year ended 31 December 2013

No impairment charges were recognised in the period (2012: \$1,472,415).

The earnings before interest, tax, depreciation and amortisation (EBITDA) loss from continuing operations of (\$5,900,459) for 1H-FY14 was (\$2,381,764) or 68% higher than that for the prior corresponding period.

### Interest, tax, depreciation and amortisation

Net interest for the period was a revenue of \$24,739 (2012: cost of \$24,071) reflecting the extinguishment of debt. The tax benefit, courtesy of the received R&D tax cash rebate was up \$184,604 to \$1,082,953 in the period and the depreciation and amortisation charges of \$439,372 for the period were down \$31,288 or 7%.

The Loss from continuing operations after tax of (\$5,232,139) increased 68% on the prior year of (\$3,115,076).

### Discontinued Operations

The Antiphony Management Holdings (AMH) Group, the UK mobile content business was sold in April 2013 and given the prior year period included AMH results; they have been reclassified and reported as discontinued operations, in a single line item in the consolidated statement of profit and loss and other comprehensive income, for the 2012 prior period. The Revenue and Net profit after tax results for AMH were \$6,099,014 and \$50,844, respectively.

### Net loss after income tax

The Net Loss attributable to members of (\$5,134,240) for 1H-FY14 was \$2,070,008 or 68% higher than that for the prior year.

Due to the 51% share acquisition of Deals I Love (Australia) Pty Ltd (DIL), the Net Loss for the period is attributable to the members of MOKO and to non-controlling interests, as (\$5,134,240) and (\$97,899) respectively.

### Other comprehensive loss

Other comprehensive loss of (\$32,229) (2012: (\$168,810)) is a currency translation for foreign operations.

The total comprehensive loss for the half year is (\$5,264,368), representing a 63% increase on last year of (\$3,233,042) and is attributable to the members of MOKO and non-controlling interests, as (\$5,166,469) and (\$97,899), respectively.

### Financial position

Cash at \$4,872,871, was up 93% from 30 June 2013 (\$2,519,186). During the period MOKO completed two capital raisings in support of working capital requirements and gross proceeds from the issue of shares and including option conversions for the period, was \$6,511,631 (before costs of \$426,476).

Trade receivables at \$486,496 were down 41% from 30 June 2013 (\$823,898) due to sales being down in Mobile Advertising in the period.

Deferred consideration was nil at balance date, declining \$1,430,252 from 30 June 2013 after MOKO settled the remaining OfferMobi acquisition liability early.

Trade and other payables were up 1% to \$1,830,560 from 30 June 2013 \$1,814,544.

Intangible assets of \$4,617,510 (30 June 2013: \$4,410,248) are a significant proportion of MOKO's total assets. Of the total, \$593,494 was an increase recognised for the Deals I Love (Australia) Pty Limited acquisition during the period. Goodwill of \$997,839 is contained within the total intangibles carrying value from the acquisition of the OfferMobi business in August 2012. All intangible assets are tested for impairment on an annual basis. There were no impairments or write-downs of intangible assets in the period.

Borrowings, at \$105,699 were down by \$1,030,691 from 30 June 2013 \$1,136,390 after MOKO repaid and closed down the TCA debt facility of USD\$850,000 plus fees.

### Acquisitions and disposals

On 1 July 2013, MOKO acquired a controlling 51% share interest in Sydney based flash sales and aspiring e-commerce business, Deals I Love (Australia) Pty Limited, for total fair value consideration of \$40,000 as part of MOKO's Mobile Commerce segment.

During the period, Deals I Love (Australia) Pty Limited contributed Revenues and Net profit after tax of \$2,712,696 and (\$199,793) respectively, of which (\$101,894) is attributable to owners of MOKO and (\$97,899) to non-controlling interests.

On 24 August 2013, MOKO sold Mobile Social business, M-Buzzy, for cash consideration and profit on sale of \$109,493 (US\$100,000). During the period M-Buzzy contributed Revenues and Net profit after tax of \$8,137 and \$4,800 respectively.

### Cash Flow

During the current half-year, MOKO continued to prove its ability to raise domestic and international equity capital to fund its Customised Mobile Social Advertising expansion agenda, successfully raising \$6,511,631 (before costs of \$426,476) in support of acquisition and working capital funding.

**MOKO Social Media Limited**  
**For the half year ended 31 December 2013**



Net cash used in operating activities for the half-year was (\$2,023,848), an increased usage of \$1,047,171 compared to the prior comparative period. The result included the receipt of an R&D income tax cash rebate of \$1,082,953 and an export market development grant of \$150,000.

The decrease in operating cash flow for the current half year is attributable to the discontinued operations of the disposed Antiphony Management Holdings Group which contributed operating cash flow of \$1,095,027 in the prior period, and an increased cost base from growing our investment in personnel, operating infrastructure and capital equipment, in the USA.

We also received \$109,493 in sale proceeds from disposing of M-Buzzy and paid \$339,996 in completion of payments for the disposal of the AMH Group, a Mobile Content business in the UK, which was disposed of in April 2013.

**Dividends**

No dividends were paid or declared during the half year ended 31 December 2013 (2012: \$nil).

**Issue of Options**

During the half-year ended 31 December 2013, the following movements in the number of options on issue occurred:

**Listed Options – 10 cents exercise price**

Date	Details	No of options	Exercise Price	Expiry Date
<b>Opening Balance</b>				
1/07/2013	Opening Balance	57,315,578	\$0.10	25/07/2013
<b>Lapse of options</b>				
25/07/2013	Listed options	(57,314,138)	\$0.10	25/07/2013
<b>Shares issued on the exercise of options</b>				
25/07/2013	Exercise of options	(1,440)	\$0.10	25/07/2013
<b>CLOSING BALANCE</b>		<u><u>-</u></u>		

**Listed Options – 5 cents exercise price**

Date	Details	No of options	Exercise Price	Expiry Date
<b>Opening Balance</b>				
1/07/2013	Opening Balance	69,744,021	\$0.05	13/06/2015
<b>Options issued</b>				
9/07/2013	Listed options	24,725,000	\$0.05	13/06/2015
12/07/2013	Listed options	6,750,000	\$0.05	13/06/2015
10/09/2013	Director Options	1,500,000	\$0.05	13/06/2015
10/09/2013	Director Options	2,500,000	\$0.05	13/06/2015
10/09/2013	Listed options	10,000,000	\$0.05	13/06/2015
10/09/2013	Listed options	11,250,000	\$0.05	13/06/2015
10/09/2013	Listed options	4,775,000	\$0.05	13/06/2015
12/09/2013	Listed options	3,000,000	\$0.05	13/06/2015
12/09/2013	Listed options	5,000,000	\$0.05	13/06/2015
12/09/2013	Listed options	1,250,000	\$0.05	13/06/2015
12/09/2013	Listed options	250,000	\$0.05	13/06/2015
21/10/2013	Listed options	7,000,000	\$0.05	13/06/2015
31/10/2013	Listed options	1,250,000	\$0.05	13/06/2015
<b>Shares issued on the exercise of options</b>				
1/08/2013	Director Options	(3,100)	\$0.05	13/06/2015
15/10/2013	Conversion of options	(23,660)	\$0.05	13/06/2015
8/11/2013	Conversion of options	(500,000)	\$0.05	13/06/2015
19/11/2013	Conversion of options	(550,313)	\$0.05	13/06/2015
28/11/2013	Conversion of options	(350,000)	\$0.05	13/06/2015
4/12/2013	Conversion of options	(880,000)	\$0.05	13/06/2015
19/12/2013	Conversion of options	(12,075)	\$0.05	13/06/2015
<b>CLOSING BALANCE</b>		<u><u>146,674,873</u></u>		



**MOKO Social Media Limited**  
**For the half year ended 31 December 2013**



**Unlisted Options**

<b>Date</b>	<b>Details</b>	<b>No of options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Opening Balance</b>				
1/07/2013	Opening Balance	62,825,570	-	-
<b>Options issued</b>				
13/09/2013	Employee options	3,850,000	\$0.17	31/07/2016
24/10/2013	Unlisted options	4,000,000	\$0.15	24/10/2015
13/11/2013	Unlisted options	200,000	\$0.10	31/12/2014
28/11/2013	Director options	16,000,000	\$0.40	28/11/2015
28/11/2013	Director options	6,000,000	\$0.10	28/11/2015
28/11/2013	Unlisted options	1,000,000	\$0.03	30/06/2015
28/11/2013	Unlisted options	1,000,000	\$0.04	30/06/2015
28/11/2013	Unlisted options	1,000,000	\$0.02	30/06/2015
28/11/2013	Unlisted options	1,000,000	\$0.11	30/06/2015
<b>Lapse of options</b>				
25/07/13	Unlisted options (MKBAI)	(4,450,000)	\$0.12	25/07/2013
25/07/13	Unlisted options (MKBAS)	(1,800,000)	\$0.10	25/07/2013
25/07/13	Unlisted options (MKBAU)	(3,000,000)	\$0.10	25/07/2013
25/07/13	Unlisted options (MKBAY)	(2,916,668)	\$0.20	25/07/2013
25/07/13	Unlisted employee option (MKBAO)	(500,000)	\$0.06	31/07/2016
25/07/13	Unlisted employee option (MKBAW)	(3,050,000)	\$0.12	30/06/2014
<b>Shares issued on the exercise of options</b>				
15/10/2013	Unlisted options	(1,515,152)	\$0.05	6/11/2015
14/11/2013	Unlisted director options	(5,000,000)	\$0.04	20/04/2016
19/11/2013	Unlisted employee options	(100,000)	\$0.12	30/06/2014
28/11/2013	Unlisted employee options	(600,000)	\$0.12	30/06/2014
4/12/2013	Unlisted options	(2,593,750)	\$0.05	30/06/2015
19/12/2013	Unlisted options	(200,000)	\$0.10	31/12/2014
	<b>CLOSING BALANCE</b>	<b>71,150,000</b>		

**Matters subsequent to the end of the half financial year**

Since 31 December 2013, the following matters or circumstances have arisen that has significantly affected, or may significantly affect future operations or results of those operations:

Blue Street Review – US political mobile social network

As announced via the Australian Securities Exchange announcements platform on 29 January 2014, MOKO signed an exclusive agreement with high profile political commentator Mr Jimmy Williams to head up and co-develop a US mobile digital community, BlueStreetReview.com for US political commentators, supporters and activists, focused on progressive politics and voters.

Similarly to REC\*IT, we plan to commercialize these platforms via customized mobile social advertising.

Capital Raising

As announced via the Australian Securities Exchange platform on 21 February 2014, MOKO completed a placement with commitments to raise gross proceeds of \$8,000,000 via the placement of approximately 38.1 million ordinary shares to sophisticated and professional investors, which remains subject to shareholder approval.

**Outlook for the current quarter**

In the second half of fiscal year 2014, MOKO expects to bring the Customized Mobile Social Advertising projects, and particularly REC\*IT, towards commercialization, to further the transition plan of the business towards the United States of America and to advance the anticipated offering and related Nasdaq listing process.



## **Auditor's Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of directors made pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of directors:

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Greg McCann  
*Non-Executive Chairman*

Date: 28 February 2013  
Sydney

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Ian Rodwell  
*Chief Executive Officer and Managing Director*

Date: 28 February 2013  
Perth

**DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF MOKO SOCIAL MEDIA LIMITED**

As lead auditor for the review of MOKO Social Media Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MOKO Social Media Limited and the entities it controlled during the period.



Arthur Milner  
Partner

**BDO East Coast Partnership**

Sydney, 28 February 2014

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MOKO Social Media Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MOKO Social Media Limited, which comprises the consolidated statements of financial position as at 31 December 2013, the consolidated statements of profit or loss and other comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MOKO Social Media Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which

has been given to the directors of MOKO Social Media Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MOKO Social Media Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

#### Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred an operating loss of \$5,232,139 and had operating cash outflows of \$2,023,848 for the period ended 31 December 2013. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant 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.

#### BDO East Coast Partnership



Arthur Milner  
Partner

Sydney, 28 February 2014



## Consolidated Statements of profit or loss and other comprehensive loss

For the year half-year ended 31 December 2013

	Note	Consolidated	
		31-Dec-13	31-Dec-12
		\$	\$
<b>Revenue from continuing operations</b>		4,166,343	3,786,272
Interest income		28,579	2,943
Other income and revenue		259,493	-
Fair value gain on deferred consideration		383,933	-
<b>Expenses</b>			
Cost of providing services		(3,473,028)	(2,562,461)
Computer expenses		(258,236)	(364,027)
Marketing expenses		(539,710)	(163,799)
Travel and entertainment expenses		(193,726)	(130,171)
Occupancy expenses		(59,455)	(49,089)
Administration expenses		(378,784)	(183,841)
Exchange gain / (loss)		380	(76,119)
Finance costs		(3,840)	(27,014)
Legal and professional fees		(1,395,533)	(649,552)
Employee benefits expenses		(1,424,802)	(1,380,649)
Share based payments		(3,078,861)	(272,844)
Depreciation and amortisation		(439,372)	(470,659)
Other expenses		91,527	-
Impairment of goodwill		-	(1,472,415)
Loss before income tax expense from continuing operations		(6,315,092)	(4,013,425)
Income tax benefit		1,082,953	898,349
Loss after income tax from continuing operations for the half year		(5,232,139)	(3,115,076)
Profit after income tax expense from discontinued operations	11	-	50,844
<b>Loss after income tax for the half year</b>		(5,232,139)	(3,064,232)
<b>Other comprehensive loss</b>			
Exchange differences on translation of foreign operations		(32,229)	(168,810)
<b>Total comprehensive loss for the half year</b>		(5,264,368)	(3,233,042)
<b>Total comprehensive loss for the half year is attributable to:</b>			
Continuing operations		(5,264,368)	(3,283,886)
Discontinued operations		-	50,844
<b>Total comprehensive loss for the half year</b>		(5,264,368)	(3,233,042)
<b>Loss attributable to:</b>			
Owners of the Company		(5,134,240)	(3,064,232)
Non-controlling interests		(97,899)	-
		(5,232,139)	(3,064,232)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(5,166,469)	(3,233,042)
Non-controlling interests		(97,899)	-
		(5,264,368)	(3,233,042)

**MOKO Social Media Limited**  
**For the half year ended 31 December 2013**



**For the year half year ended 31 December 2013**

	Consolidated	
	31-Dec-13	31-Dec-12
<b>Earnings per share from continuing operations attributable to the owners of MOKO Social Media Limited</b>	\$	\$
Basic / Diluted EPS (Cents per share)	(1.17)	(1.07)
<b>Earnings per share from discontinued operations attributable to the owners of MOKO Social Media Limited</b>		
Basic / Diluted EPS (Cents per share)	-	0.02
<b>Earnings per share for loss attributable to the owners of MOKO Social Media Limited</b>		
Basic / Diluted EPS (Cents per share)	(1.17)	(1.05)



## Consolidated Statements of financial position

As at 31 December 2013

	Note	Consolidated	
		31-Dec-13	30-Jun-13
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents		4,872,871	2,519,186
Trade and other receivables		486,496	823,898
Other current assets		217,505	153,236
<b>Total current assets</b>		<b>5,576,872</b>	<b>3,496,320</b>
<b>Non-current assets</b>			
Property, plant and equipment		45,501	72,662
Intangibles	3	4,617,510	4,410,248
<b>Total non-current assets</b>		<b>4,663,011</b>	<b>4,482,910</b>
<b>Total assets</b>		<b>10,239,883</b>	<b>7,979,230</b>
<b>Current liabilities</b>			
Deferred consideration	5	-	1,430,252
Trade and other payables		1,830,560	1,814,544
Borrowings	7	105,699	1,136,390
Employee benefits		199,646	134,048
Provisions		-	264,912
Income tax provision		287,079	279,808
<b>Total current liabilities</b>		<b>2,422,984</b>	<b>5,059,954</b>
<b>Non-current liabilities</b>			
Employee benefits		59,973	45,904
<b>Total non-current liabilities</b>		<b>59,973</b>	<b>45,904</b>
<b>Total liabilities</b>		<b>2,482,957</b>	<b>5,105,858</b>
<b>Net assets</b>		<b>7,756,926</b>	<b>2,873,372</b>
<b>Equity</b>			
Issued capital	8	31,280,582	24,656,473
Reserves	9	7,165,792	3,674,208
Accumulated losses		(30,591,549)	(25,457,309)
Non-controlling interests		(97,899)	-
<b>Total equity</b>		<b>7,756,926</b>	<b>2,873,372</b>

The accompanying notes form part of these financial statements





## Consolidated Statement of changes in equity

For the year half year ended 31 December 2013

Consolidated	Issued Capital	Foreign Currency Translation Reserve	Option Reserve	Accumulated losses	Non-controlling interests	Total
	\$	\$	\$	\$		\$
<b>Balance at 30 June 2013</b>	<b>24,656,473</b>	<b>814,848</b>	<b>2,859,360</b>	<b>-25,457,309</b>	<b>-</b>	<b>2,873,372</b>
Loss after income tax expense for the period	-	-	-	-5,134,240	-97,899	-
Other comprehensive loss	-	-32,229	-	-	-	-32,229
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-32,229</b>	<b>-</b>	<b>-5,134,240</b>	<b>-97,899</b>	<b>5,264,368</b>
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	7,495,537	-	-	-	-	7,495,537
Share based payments - Shares	50,000	-	-	-	-	50,000
Capital raising costs	-426,476	-	-	-	-	-426,476
Share based payments - Options	-494,952	-	3,523,813	-	-	3,028,861
<b>Balance at 31 December 2013</b>	<b>31,280,582</b>	<b>782,619</b>	<b>6,383,173</b>	<b>-30,591,549</b>	<b>-97,899</b>	<b>7,756,926</b>

For the half-year ended 31 December 2012

Consolidated	Issued Capital	Foreign Currency Translation Reserve	Option Reserve	Accumulated losses	Non-controlling interests	Total
	\$	\$	\$	\$		\$
<b>Balance at 30 June 2012</b>	<b>20,685,557</b>	<b>-38,815</b>	<b>2,424,617</b>	<b>-19,179,230</b>	<b>-</b>	<b>3,892,129</b>
Loss after income tax for the period	-	-	-	-3,064,232	-	-
Other comprehensive income	-	-	-	-	-	3,064,232
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3,064,232</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners in their capacity as owners</b>						
Issue of Shares	1,752,568	-	-	-	-	1,752,568
Capital raising costs	-60,642	-	-	-	-	-60,642
Share based payments	28,000	-	244,844	-	-	272,844
Foreign exchange	-	-168,810	-	-	-	-168,810
<b>Balance at 31 December 2012</b>	<b>22,405,483</b>	<b>-207,625</b>	<b>2,669,461</b>	<b>-22,243,462</b>	<b>-</b>	<b>2,623,857</b>

The accompanying notes form part of these financial statements



## Consolidated Statement of cash flows

For the year half year ended 31 December 2013

	Note	Consolidated	
		31-Dec-13 \$	31-Dec-12 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,989,760	12,136,001
R&D tax offset received		1,082,953	-
Export market development grant received		150,000	-
Payments to suppliers and employees		(8,246,924)	(13,089,484)
Interest received		15,798	3,810
Interest paid		(15,435)	(27,004)
<b>Net cash used in operating activities</b>		<b>(2,023,848)</b>	<b>(976,677)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of business		109,493	-
Payment for acquisition of business	5	(443,955)	(1,312,417)
Payment for property, plant and equipment		(10,753)	(38,640)
Payment for disposal of business		(339,996)	-
Cash acquired on acquisition	4	36,958	92,295
<b>Net cash used in investing activities</b>		<b>(648,253)</b>	<b>(1,258,762)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		6,511,631	1,012,200
Share issue transaction cost		(426,476)	(60,642)
Proceeds from borrowings		-	1,004,565
Repayment of borrowings		(1,118,197)	-
<b>Net cash provided by financing activities</b>		<b>4,966,958</b>	<b>1,956,123</b>
Net increase/ (decrease) in cash held		2,294,857	(279,316)
Cash and cash equivalents at beginning of the half-year		2,519,186	1,573,783
Effects of exchange rate changes on cash and cash equivalents		58,828	(3,365)
<b>Cash and cash equivalents at end of the half-year</b>		<b>4,872,871</b>	<b>1,291,102</b>

*The accompanying notes form part of these financial statements*



## **Notes to the financial statements**

**For the year half year ended 31 December 2013**

### **Note 1: Basis of Preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Consolidated Entity during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### **New, revised or amending Accounting Standards and Interpretations adopted**

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

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

There is no impact, material or otherwise on the adoption of the new, revised or amended Accounting Standards.

### **Going concern**

The Consolidated Entity is currently operating on a negative operating cash flow basis. Net cash used in operations for the period ended 31 December 2013 was \$2,023,848 (2012: \$976,677). The Consolidated Entity made an operating loss of \$5,232,139 for the period ended 31 December 2013 (2012: loss of \$3,115,076).

For the Consolidated Entity to achieve operating profitability, the Consolidated Entity requires an increase in revenue from both existing business and further operations, including the projects in development of REC\*IT, Run-Haven and Blue Street Review. Management have plans in place that if successful in their execution, should see the Company trading profitably in the 2014/15 financial year and together with raising sufficient funds for expansion of the Consolidated Entity's operations, the Directors believe the Company can continue to meet its debts as and when they become due and payable. In addition to the new operations the Company is initiating a new business model which forecasts for the Company to be cash accretive, which will ensure that the Company can continue to meet its debts as and when they become due and payable. The financial report has therefore been prepared on the going concern basis. However, should these forecasts not eventuate; there will be a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. No allowance for such circumstances has been made in the financial report.

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.

### **Note 2: Segment information**

The basis of segmentation for the reporting period has changed where general administrative and corporate expenses are now allocated to Mobile Advertising rather than to Mobile Social where they were previously. Prior period has been restated. This change reflects the Board's view that Mobile Advertising now consumes the general administrative and corporate resources of the Group consistent with MOKO's narrowed strategic focus.

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For the half year ended 31 December 2013



**Operating segment information**

Consolidated - 31 Dec 2013	Continuing operations					Intersegment eliminations/ unallocated	Total
	Mobile Advertising	Mobile Social	Mobile Content	Mobile Commerce			
	\$	\$	\$	\$	\$		
Sales to external customers	1,083,332	401,260	(30,945)	2,712,696	-	4,166,343	
Intersegment sales	602,153	-	-	-	-	602,153	
<b>Total sales revenue</b>	<b>1,685,485</b>	<b>401,260</b>	<b>(30,945)</b>	<b>2,712,696</b>	<b>-</b>	<b>4,768,496</b>	
<b>Total revenue</b>	<b>1,685,485</b>	<b>401,260</b>	<b>(30,945)</b>	<b>2,712,696</b>	<b>-</b>	<b>4,768,496</b>	
<b>EBITDA</b>	<b>(6,213,634)</b>	<b>517,314</b>	<b>(14,359)</b>	<b>(189,780)</b>	<b>-</b>	<b>(5,900,459)</b>	
Depreciation and amortisation	(439,372)	-	-	-	-	(439,372)	
Interest income	33	38,559	-	3,713	(13,726)	28,579	
Finance costs	(3,840)	-	-	(13,726)	13,726	(3,840)	
Loss before income tax expense						(6,315,092)	
Income tax benefit						1,082,953	
Loss after income tax expense						(5,232,139)	
Assets	9,551,748	328,128	138,278	773,979	(552,250)	10,239,883	
Liabilities	1,640,678	83,379	337,379	933,772	(512,251)	2,482,957	

Consolidated - 30 Jun 2013	Continuing operations					Intersegment eliminations/ unallocated	Total
	Mobile Advertising	Mobile Social	Mobile Content	Mobile Commerce			
	\$	\$	\$	\$	\$		
Assets	7,663,876	213,142	102,212	-	-	7,979,230	
Liabilities	4,454,571	97,844	553,443	-	-	5,105,858	

Consolidated - 31 December 2012	Continuing operations					Intersegment eliminations/ unallocated	Total
	Mobile Advertising	Mobile Social	Mobile Content	Mobile Commerce			
	\$	\$	\$	\$	\$		
Sales to external customers	2,889,815	676,195	220,262	-	-	3,786,272	
Intersegment sales	817,088	-	-	-	-	817,088	
<b>Total sales revenue</b>	<b>3,706,903</b>	<b>676,195</b>	<b>220,262</b>	<b>-</b>	<b>-</b>	<b>4,603,360</b>	
<b>Total revenue</b>	<b>3,706,903</b>	<b>676,195</b>	<b>220,262</b>	<b>-</b>	<b>-</b>	<b>4,603,360</b>	
<b>EBITDA</b>	<b>(2,397,196)</b>	<b>339,019</b>	<b>(1,460,518)</b>	<b>-</b>	<b>-</b>	<b>(3,518,695)</b>	
Depreciation and amortisation	(470,659)	-	-	-	-	(470,659)	
Other Income	33	2,910	-	-	-	2,943	
Finance costs						(27,014)	
Loss before income tax expense						(4,013,425)	
Income tax benefit						898,349	
Loss after income tax expense						(3,115,076)	
Assets	6,920,493	219,088	1,426,931	-	-	8,566,512	
Liabilities	4,610,433	92,169	842,214	-	-	5,544,816	

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**For the half year ended 31 December 2013**



**Note 2: Segment information (continued)**

**Geographical Information**

Consolidated - 31 Dec 2013	Continuing operations				TOTAL
	Australia	Europe	Asia	US	
	\$	\$	\$	\$	\$
Sales to external customers	3,061,554	(42,152)	7,181	1,139,760	4,166,343
Add: Interest income	28,546	-	-	33	28,579
Add: Other income and revenue	259,493	-	-	-	259,493
Add: Fair value gain on deferred consideration	-	-	-	383,933	383,933
Less: Cost of providing services	(2,115,845)	21,156	(4,922)	(1,373,417)	(3,473,028)
Less: Expenses *					(6,597,459)
<b>Loss after income tax expense</b>					<b>(5,232,139)</b>
Assets	5,006,100	65,322	1,092	5,167,369	10,239,883
Liabilities	1,388,691	224,598	-	869,668	2,482,957

Consolidated - 30 June 2013	Continuing operations				TOTAL
	Australia	Europe	Asia	US	
	\$	\$	\$	\$	\$
Assets	1,766,346	166,561	12,620	6,033,704	7,979,230
Liabilities	3,950,538	877,281	-	278,039	5,105,858

Consolidated - 31 December 2012	Continuing operations				TOTAL
	Australia	Europe	Asia	US	
	\$	\$	\$	\$	\$
Sales to external customers	287,611	375,824	47,000	3,075,837	3,786,272
Add: Other Income and revenue	2,910	-	-	33	2,943
Less: Cost of providing services	(98,285)	(290,337)	(25,125)	(2,148,714)	(2,562,461)
Less: Expenses *					(4,341,830)
<b>Loss after income tax expense</b>					<b>(3,115,076)</b>
Assets	3,105,924	278,274	32,128	5,150,186	8,566,512
Liabilities	4,858,893	594,765	(286,167)	377,325	5,544,816

\* Overhead expenses are not associated to any one particular segment

**MOKO Social Media Limited**  
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**Note 3: Intangibles**

	Computer software	Customer Contracts	Development costs	Intellectual Property & Intangible Assets	Goodwill	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	-	-	-	3,440,632	969,616	4,410,248
Acquisitions through business combinations	-	-	-	593,494	-	593,494
Additions	4,340	-	-	-	-	4,340
Disposals	-	-	-	-	-	-
Amortisation expense	(262)	-	-	(403,051)	-	(403,313)
Impairment expense	-	-	-	-	-	-
Effects of movements in exchange rates	-	-	-	(15,482)	28,223	12,741
Balance at 31 December 2013	4,078	-	-	3,615,593	997,839	4,617,510
Cost	73,831	-	71,506	4,644,420	2,484,976	7,274,733
Accumulated amortisation	(69,753)	-	(71,506)	(1,028,827)	-	(1,170,086)
Impairment	-	-	-	-	(1,487,137)	(1,487,137)
Balance at 31 December 2013	4,078	-	-	3,615,593	997,839	4,617,510

**Goodwill**

Goodwill is allocated to the Mobile Advertising cash-generating unit and arose from the OfferMobi acquisition in August, 2012.

Goodwill is deemed recoverable and no impairment expense has been recognised in the statement of Profit or Loss and Other Comprehensive Income during the period. A pre-tax discount rate of 40% was used in the discounted cash flow as part of the Mobile Advertising cash generating unit.

**Impairment expense**

No impairment expense was charged to the Statement of Profit or Loss and Other Comprehensive Income during the period (2012: \$1,487,137).

## MOKO Social Media Limited For the half year ended 31 December 2013



### Note 4: Business combinations

#### Deals I Love (Australia) Pty Limited

On 1 July 2013, MOKO Social Media Ltd completed the acquisition of a controlling 51% share interest in a Sydney based e-commerce business, Deals I Love (Australia) Pty Limited (DIL). The acquisition represents a business combination and was made for the purpose of MOKO expanding into the growing mobile commerce sector thereby delivering on its intention to enhance its mobile revenue streams.

The share acquisition included a purchase of shares from a MOKO non-executive Director, Mr Johannes de Back, who after the acquisition has no further equity interest in DIL.

Under the terms of the acquisition MOKO was granted an option to acquire the remaining 49% of DIL and as a separate transaction agreed to loan funds to DIL for marketing purposes, which bears interest of 10% per annum and is repayable on arms-length terms.

The acquired business contributed revenues of \$2,712,696 and net profit after tax of (\$199,793) for the period of 1 July 2013 to 31 December 2013.

The business combination accounting is provisional. Management continues to assess the fair values of the identified intangible assets. Management expects to finalise the accounting before the end of the measurement period. The DIL acquisition is allocated to the Mobile Commerce segment in Australia.

	Carrying value	Fair value
Intangible assets	-	593,494
Property, plant and equipment	2,485	2,485
Cash and cash equivalents	36,958	36,958
Investments	70,000	70,000
Trade receivables	7,125	7,125
Inventory	1,264	1,264
Deferred Tax asset	381,091	-
Trade payables	(590,414)	(574,158)
Loans-shareholders	(60,000)	(10,000)
Loans-MOKO	(87,168)	(87,168)
Net assets acquired	(238,659)	40,000
<b>Satisfied By</b>	Cash	40,000
	<b>Total</b>	<b>40,000</b>

Acquisition expenses of \$16,047 were incurred for legal fees and have not impacted this business combination accounting. The consideration of \$40,000 remains payable at 31 December 2013.

### Note 5: Deferred consideration

	OfferMobi
	\$
Balance at 1 July 2013	1,430,252
Less: payments made – cash	(443,955)
Less: payments made – Shares	(602,364)
Less: Fair value gain on deferred consideration	(383,933)
Balance at 31 December 2013	-

The fair value gain on deferred consideration of \$383,933 (2012: nil) is the reversal, due to early settlement, of previously recognised deferred contingent consideration payable to Howmark Mobile, LLC. (“Howmark”) shareholders in relation to the August 2012 acquisition of the Mobile Advertising business, OfferMobi. MOKO’s settlement with Howmark occurred in October 2013.

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**Note 6: Fair values of financial instruments**

**Recurring fair value measurements**

The following financial instruments are subject to recurring fair value measurements:

	<b>31-Dec-13</b>	<b>30-Jun-13</b>
	\$	\$
Deferred consideration payable - Level 3	-	1,430,252

**Fair Value hierarchy**

The following table sets out the valuation techniques used to measure fair values within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Deferred consideration payable	Income approach	Earnings Before Interest, tax, Depreciation and Amortisation (EBITDA)	USD\$ Nil to USD\$ 500,000 p.a.	The higher the estimated EBITDA and the higher the probability-weighted expectation of EBITDA, the higher the fair value.

The financial department performs the Level 3 valuations for contingent consideration and reports to the Board. Valuations are performed every six months to ensure that they are current for the half-year and annual financial statements. Valuations are reviewed and approved by the Board of directors.

Due to their short-term nature, the carrying amounts of current receivables, current trade and other payables and current interest-bearing liabilities is assumed to approximate their fair value.

**Note 7: Borrowings**

	<b>Consolidated</b>	
	<b>31-Dec-13</b>	<b>30-Jun-13</b>
	\$	\$
Revolving Line of Credit <sup>(1)</sup>	-	930,691
Related Party Loans <sup>(2)</sup>	105,699	205,699
	<b>105,699</b>	<b>1,136,390</b>

(1) The TCA secured Loan Facility of USD\$850,000 was repaid in July 2013 and the debt facility was subsequently closed.

(2) Director Johannes de Back's related party loan of \$105,699 remained payable at 31 December 2013.



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**Note 8: Issued capital**

**(a) Share capital**

	Consolidated	
	31-Dec-13 \$	30-Jun-13 \$
Fully paid ordinary shares 483,090,104 - (30 June 2013: 374,873,050)	31,280,382	24,656,473
Fully paid performance shares 20,000,000 – (30 June 2013: nil)	200	-
	31,280,582	24,656,473

**(b) Movements in share capital during the half-year**

**Ordinary shares**

Date	Details	Number of shares	Issue Price \$	Amount \$
1-Jul-13	Opening Balance	374,873,050		24,656,473
9-Jul-13	Share issue by placement	24,725,000	0.04	989,000
12-Jul-13	Share issue by placement	11,525,000	0.04	461,000
18-Jul-13	Share issue pursuant to OfferMobi	1,297,300	0.05	64,865
25-Jul-13	Share issue by exercise of options	1,440	0.1	144
5-Aug-13	Share issue by exercise of options	3,100	0.05	155
11-Sep-13	Share issue by placement	11,250,000	0.04	450,000
11-Sep-13	Share issue by placement	1,500,000	0.04	60,000
11-Sep-13	Share issue on conversion of loan	2,500,000	0.04	100,000
12-Sep-13	Share issue by placement	1,500,000	0.04	60,000
15-Oct-13	Share issue by exercise of options	1,515,152	0.0477	72,273
15-Oct-13	Share issue by exercise of options	23,660	0.05	1,183
21-Oct-13	Share issue pursuant to OfferMobi	1,250,000	0.17	212,500
23-Oct-13	Share issue by placement	37,462,816	0.11	4,120,910
31-Oct-13	Share issue in lieu of services	1,250,000	0.04	50,000
31-Oct-13	Share issue by placement	181,818	0.110	20,000
6-Nov-13	Share issue pursuant to OfferMobi	508,130	0.123	62,500
8-Nov-13	Share issue by exercise of options	500,000	0.05	25,000
15-Nov-13	Share issue by exercise of options	5,000,000	0.042	210,000
19-Nov-13	Share issue by exercise of options	550,313	0.05	27,516
19-Nov-13	Share issue by exercise of options	100,000	0.12	12,000
29-Nov-13	Share issue by exercise of options	600,000	0.12	72,000
29-Nov-13	Share issue by exercise of options	350,000	0.05	17,500
4-Dec-13	Share issue pursuant to OfferMobi	937,500	0.28	262,500
4-Dec-13	Share issue by exercise of options	880,000	0.05	44,000
4-Dec-13	Share issue by exercise of options	2,593,750	0.05	129,688
19-Dec-13	Share issue by exercise of options	12,075	0.05	604
19-Dec-13	Share issue by exercise of options	200,000	0.10	20,000
	Capital raising costs	-		(921,428)
	Closing Balance	483,090,104		31,280,382

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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**Note 8: Issued capital (continued)**

**Performance shares**

Date	Details	Number of shares	Issue Price	Amount
			\$	\$
28-Nov-13	Issue to Mr. McCann	20,000,000	0.00001	200
	Closing Balance	20,000,000		200

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 as 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. The total number of Performance Shares issued under the Performance Share Plan, taken together with Performance Shares and options issued during the previous five years pursuant to an employee share plan extended to directors, employees or eligible contractors of the Company, may not exceed five percent of the total number of outstanding ordinary shares.

**Note 9: Reserves**

	Consolidated	
	31-Dec-13	30-Jun-13
<b>Foreign currency translation reserve</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	814,848	(38,815)
Currency translation differences	(32,229)	853,663
Balance at the end of the year	782,619	814,848
<b>Option reserve</b>		
Balance at beginning of the year	2,859,360	2,424,617
Share-based payments	3,523,813	434,743
Balance at the end of the year	6,383,173	2,859,360
<b>TOTAL RESERVES</b>	<b>7,165,792</b>	<b>3,674,208</b>

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**Note 10: Options**

**Listed Options – 10 cents exercise price**

<b>Date</b>	<b>Details</b>	<b>No of options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Opening Balance</b>				
1/07/2013	Opening Balance	57,315,578	\$0.10	25/07/2013
<b>Lapse of options</b>				
25/07/2013	Listed options	(57,314,138)	\$0.10	25/07/2013
<b>Shares issued on the exercise of options</b>				
25/07/2013	Exercise of options	(1,440)	\$0.10	25/07/2013
<b>CLOSING BALANCE</b>		<u><u>-</u></u>		

**Listed Options – 5 cents exercise price**

<b>Date</b>	<b>Details</b>	<b>No of options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Opening Balance</b>				
1/07/2013	Opening Balance	69,744,021	\$0.05	13/06/2015
<b>Options issued</b>				
9/07/2013	Listed options	24,725,000	\$0.05	13/06/2015
12/07/2013	Listed options	6,750,000	\$0.05	13/06/2015
10/09/2013	Director Options	1,500,000	\$0.05	13/06/2015
10/09/2013	Director Options	2,500,000	\$0.05	13/06/2015
10/09/2013	Listed options	10,000,000	\$0.05	13/06/2015
10/09/2013	Listed options	11,250,000	\$0.05	13/06/2015
10/09/2013	Listed options	4,775,000	\$0.05	13/06/2015
12/09/2013	Listed options	3,000,000	\$0.05	13/06/2015
12/09/2013	Listed options	5,000,000	\$0.05	13/06/2015
12/09/2013	Listed options	1,250,000	\$0.05	13/06/2015
12/09/2013	Listed options	250,000	\$0.05	13/06/2015
21/10/2013	Listed options	7,000,000	\$0.05	13/06/2015
31/10/2013	Listed options	1,250,000	\$0.05	13/06/2015
<b>Shares issued on the exercise of options</b>				
1/08/2013	Director Options	(3,100)	\$0.05	13/06/2015
15/10/2013	Conversion of options	(23,660)	\$0.05	13/06/2015
8/11/2013	Conversion of options	(500,000)	\$0.05	13/06/2015
19/11/2013	Conversion of options	(550,313)	\$0.05	13/06/2015
28/11/2013	Conversion of options	(350,000)	\$0.05	13/06/2015
4/12/2013	Conversion of options	(880,000)	\$0.05	13/06/2015
19/12/2013	Conversion of options	(12,075)	\$0.05	13/06/2015
<b>CLOSING BALANCE</b>		<u><u>146,674,873</u></u>		

**MOKO Social Media Limited**  
**For the half year ended 31 December 2013**



**Note 10: Options (Continued)**

**Unlisted Options**

<b>Date</b>	<b>Details</b>	<b>No of options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Opening Balance</b>				
1/07/2013	Opening Balance	62,825,570	-	-
<b>Options issued</b>				
13/09/2013	Employee options	3,850,000	\$0.17	31/07/2016
24/10/2013	Unlisted options	4,000,000	\$0.15	24/10/2015
13/11/2013	Unlisted options	200,000	\$0.10	31/12/2014
28/11/2013	Director options	16,000,000	\$0.40	28/11/2015
28/11/2013	Director options	6,000,000	\$0.10	28/11/2015
28/11/2013	Unlisted options	1,000,000	\$0.03	30/06/2015
28/11/2013	Unlisted options	1,000,000	\$0.04	30/06/2015
28/11/2013	Unlisted options	1,000,000	\$0.02	30/06/2015
28/11/2013	Unlisted options	1,000,000	\$0.11	30/06/2015
<b>Lapse of options</b>				
25/07/13	Unlisted options (MKBAI)	(4,450,000)	\$0.12	25/07/2013
25/07/13	Unlisted options (MKBAS)	(1,800,000)	\$0.10	25/07/2013
25/07/13	Unlisted options (MKBAU)	(3,000,000)	\$0.10	25/07/2013
25/07/13	Unlisted options (MKBAY)	(2,916,668)	\$0.20	25/07/2013
25/07/13	Unlisted employee option (MKBAO)	(500,000)	\$0.06	31/07/2016
25/07/13	Unlisted employee option (MKBAW)	(3,050,000)	\$0.12	30/06/2014
<b>Shares issued on the exercise of options</b>				
15/10/2013	Unlisted options	(1,515,152)	\$0.05	6/11/2015
14/11/2013	Unlisted director options	(5,000,000)	\$0.04	20/04/2016
19/11/2013	Unlisted employee options	(100,000)	\$0.12	30/06/2014
28/11/2013	Unlisted employee options	(600,000)	\$0.12	30/06/2014
4/12/2013	Unlisted options	(2,593,750)	\$0.05	30/06/2015
19/12/2013	Unlisted options	(200,000)	\$0.10	31/12/2014
<b>CLOSING BALANCE</b>		<b>71,150,000</b>		

**Note 11: Discontinued operations**

**(a) Details and financial performance of operations disposed during the half year ended December 2012**

On 27 April 2013, MOKO entered a sales agreement to dispose of Antiphony Management Holdings Limited (AMH) and its operating subsidiaries (the AMH Group), which were incorporated in and operated mobile content businesses from, the United Kingdom. The sale was completed on 29 April 2013, on which date control of the business passed to the acquirer.

	<b>Dec-12</b>
	<b>\$</b>
Sales	6,099,014
Content expenses	(4,797,590)
Gross profit/(loss)	1,301,424
Expenses	(1,155,297)
Depreciation and amortisation	(95,283)
Profit/(Loss) before tax from discontinued operations	50,844
Income tax	-
(Loss)/profit after income tax expense	50,844

The profit from discontinued operations of \$50,884 is attributable entirely to the owners of the company.



**MOKO Social Media Limited**  
**For the half year ended 31 December 2013**

**Note 11: Discontinued operations (continued)**

**(b) Cash flow information of discontinued operations**

The net cash flows of AMH Group are as follows.

	<b>Dec-12</b>
	<b>\$</b>
Operating activities	1,095,027
Investing activities – including payments for sale	(23,187)
Financing activities	(1,431,027)
<b>Net cash outflow</b>	<b>(359,187)</b>

**Note 12: Related party transactions**

On July 1, 2013, MOKO completed the acquisition of a controlling 51% share interest in a Sydney based e-commerce business, Deals I Love (Australia) Pty Limited (DIL). The business combination was made for the purpose of MOKO expanding into the growing mobile commerce sector. The share acquisition included a purchase of shares from a MOKO non-executive director, Mr. Johannes de Back, who after the acquisition has no further equity interest in DIL. Acquisition date fair value of total consideration transferred was \$40,000. Under the terms of the acquisition, MOKO was also granted an option to acquire the remaining 49% of DIL and as a separate transaction agreed to loan funds to DIL for marketing purposes, which loan bears interest of 10% per annum and is repayable on arms-length terms. On November 7, 2013, Mr. Johannes de Back executed a personal letter of support to indemnify DIL in respect of its debts to a total liability value of A\$500,000 and which may only be revoked with DIL's prior written agreement.

**Note 13: Events occurring after balance date**

Since 31 December 2013, the following matters or circumstances have arisen that has significantly affected, or may significantly affect future operations or results of those operations:

Blue Street Review – US political mobile social network

As announced via the Australian Securities Exchange announcements platform on 29 January 2014, MOKO signed an exclusive agreement with high profile political commentator Mr Jimmy Williams to head up and co-develop a US mobile digital community, BlueStreetReview.com for US political commentators, supporters and activists, focused on progressive politics and voters.

Similarly to REC\*IT, we plan to commercialize these platforms via customized mobile social advertising.

Capital Raising

As announced via the Australian Securities Exchange platform on 21 February 2014, MOKO completed a placement with commitments to raise gross proceeds of \$8,000,000 via the placement of approximately 38.1 million ordinary shares to sophisticated and professional investors, which remains subject to shareholder approval.



## **Declaration by Directors**

The financial statements and notes set out on pages 11 to 26 are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.

In the directors' opinion, there are reasonable grounds to believe that the company 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 and is signed for and behalf of the directors by:

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Greg McCann  
*Non-Executive Chairman*

Date: 28 February 2013  
Sydney

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Ian Rodwell  
*Chief Executive Officer and Managing Director*

Date: 28 February 2013  
Perth